Frequently Asked Questions – Q3 2010

1. Why were AFS securities gains so high? Is the Treasury revenue in Q3 sustainable?

Treasury revenue increased in Q3 primarily due to higher realized gains on the sale of available for sale securities and other favourable positioning within the portfolio. As gains on AFS securities are a function of our portfolio positions, changes in bond prices and the timing of disposition, they will exhibit some level of volatility from one quarter to the next.

Our asset/liability management is a dynamic process and related to economic conditions. While this makes it difficult to assess the sustainability of treasury revenue, our result in Q3 was particularly strong relative to recent quarters.

2. Why did average assets increase by $20 billion?

The increase in average assets was due to both client driven and treasury activities.

Loan balances increased due to growth in our mortgages portfolio. Interest-bearing deposits with banks increased largely as a result of our liquidity management activities.

Re-balancing and hedging activities within treasury as well as client-driven activities also contributed to the increase in average assets.

3. Why did your net interest margin (NIM) decline 13 basis points?

Net Interest Income (NII) was up $51 million from the prior quarter due to retail volume growth, three more days in the quarter, and treasury activities. Despite the increase in NII, the NIM declined 13 basis points due to increases in average interest earning assets for the reasons noted in the response to Question #2 above.

4. What is your outlook for NIMs?

Our core retail NIM was 2.81% in Q3. We do not expect material changes to the core retail margin over the short term as nominal interest rates are likely to remain at historic lows and the potential for further downward pressure on the Prime/BA spread.

CIBC overall NIM on average interest earning assets was 2.03% in Q3. We do not expect any material changes to the CIBC overall NIM over the short term.

5. What is the outlook for retail lending growth?

Our strategic objective in Retail Markets is to be the primary financial institution for more of our clients. Our goal is to be #1, 2 or 3 in all of our core businesses. Lending is a key area that requires further focus to reach that objective.

In business lending, our focus remains on increasing share and our market position, so we expect better than industry growth rates over the medium term.

In personal lending, we continue to focus on this product as an area of opportunity where our objective is to improve our market position over the medium term.

6. How will the Citi MasterCard acquisition impact margins and loss rates in your cards business?

This acquisition aligns with our objective of growing our core Canadian operations. It is the right risk-aligned way to grow our credit card business and further strengthens this business by broadening and diversifying our client base. This acquisition makes CIBC the largest dual-issuer of credit cards in Canada.

This acquisition, which closed at the beginning of September, will increase our Outstandings by approximately $2.0 billion. We expect this portfolio to have an immediate positive impact on our CIBC's revenue.

The impact on loan losses is expected to be minimal over the short term due to purchase conditions that excluded the acquisition of balances 30 or more days past due (i.e., our purchase was only for accounts with a current balance) and clients with a credit score below a specified level. Over the long term, we expect this portfolio to experience slightly higher loss rates than CIBC's Visa portfolio.

7. What is your outlook for loan losses?

Credit quality continued to improve in the third quarter. Loan loss provisions of $221 million were at the lowest level since the third quarter of 2008. New formations declined for the 4th consecutive quarter. Credit card loss rates declined to 5.2% from a peak of 7.1% in the third quarter of 2009, driven by favourable trends in delinquencies and bankruptcies.

CIBC's medium term target for loss rates is 50 to 65 basis points through the cycle. Assuming economic conditions continue to stabilize/improve, we expect our over-all loss rate for Fiscal 2010 to be within this range, albeit at the higher end.

8. Why did you book such a large reversal of the general allowance?

In Q3, CIBC released $76 million of the general allowance. With continued improvement in our loan portfolios, in particular our cards portfolio, as well as a net increase in the securitization of cards receivables this quarter, we were able to reverse some of the allowance that had been built up during the economic downturn.

9. When will you raise the dividend?

CIBC's medium-term dividend payout target ratio is 40% to 50% of earnings. Our payout level of 56.7% in Q3 puts us above this range.

Once our dividend payout ratio is back within our target range and our earnings are at a level we believe to be sustainable through the cycle, we will consider dividend increases.

10. How will CIBC be impacted by pending regulatory changes that will increase capital and liquidity requirements?

With a Tier 1 ratio of 14.2%, a Tangible Common Equity ratio of 9.5% at July 31st, and a liquidity position which we believe is strong, CIBC is well positioned to be compliant with the emerging capital standards.

A Note About Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including in this presentation, in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission and in other communications. These statements include, but are not limited to, statements about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook for 2010 and subsequent periods. Forward-looking statements are typically identified by the words “believe”, “expect”, “anticipate”, “intend”, “estimate” and other similar expressions or future or conditional verbs such as “will”, “should”, “would” and “could”. By their nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties that may be general or specific. A variety of factors, many of which are beyond our control, affect our operations, performance and results and could cause actual results to differ materially from the expectations expressed in any of our forward-looking statements. These factors include credit, market, liquidity, strategic, operational, reputation and legal, regulatory and environmental risk; legislative or regulatory developments in the jurisdictions where we operate; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; the resolution of legal proceedings and related matters; the effect of changes to accounting standards, rules and interpretations; changes in our estimates of reserves and allowances; changes in tax laws; changes to our credit ratings; political conditions and developments; the possible effect on our business of international conflicts and the war on terror; natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events; reliance on third parties to provide components of our business infrastructure; the accuracy and completeness of information provided to us by clients and counterparties; the failure of third parties to comply with their obligations to us and our affiliates; intensifying competition from established competitors and new entrants in the financial services industry; technological change; global capital market activity; changes in monetary and economic policy; currency value fluctuations; general business and economic conditions worldwide, as well as in Canada, the U.S. and other countries where we have operations; changes in market rates and prices which may adversely affect the value of financial products; our success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels; changes in client spending and saving habits; our ability to attract and retain key employees and executives; and our ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. We do not undertake to update any forward-looking statement that is contained in this presentation or in other communications except as required by law.

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