Frequently Asked Questions – Q3 2005

1. What is the effect of the Enron settlements on your Income Statement and capital ratios?

On August 2/05, we announced our settlement of the Enron class action litigation brought by Enron shareholders entitled *Newby v. Enron Corp.* for US$2.4 billion. Concurrent with the announcement of the settlement, CIBC announced a CAD$2.8 billion pre-tax charge to non-interest expenses (CAD$2.5 billion after-tax) to be taken in Q3/05 to cover the *Newby* settlement and remaining Enron litigation.

On August 5/05, we announced our settlement of the "Megaclaims" lawsuit brought by Enron itself for US$274 million. The costs of settling this lawsuit were accounted for as a part of the CAD$2.8 billion charge announced on August 2/05 in connection with settlement of the class action litigation.

A reconciliation of the settlement amounts to the accounting charge is as follows:

	$USMM	$CADMM
Actual Settlement (Newby)	2,400	
Less: Q4/04 Provision	(247)	300
Sub-Total	2,153	
Add: Additional accrual taken in Q3/05, in excess of expected insurance settlement	159	
Q3/05 accrual (pre-tax)	2,312	2,830
Tax recovery	243	
Q3/05 accrual (after-tax)	2,069	2,533

The Enron charge reduced our Tier 1 Capital ratio to 7.5% and our Common Equity to Risk-Weighted Assets ratio to 6.4% at the end of Q3/05.

Our Tier 1 Capital ratio of 7.5% remains above the regulatory requirement of 7.0%, but below CIBC's medium term internal objective of 8.5%. Our immediate focus is to restore our Tier 1 Capital ratio to 8.5%.

The realizations of the hedged positions in Shoppers Drug Mart and Global Payments (announced on Aug. 24) will contribute approximately 30 basis points of Tier 1 Capital. These realizations, combined with continued strong operating earnings in each of our core businesses and ongoing balance sheet discipline, should return our Tier 1 Capital ratio to our minimum objective of 8.5% as early as Q1 of next year.

2. Without the benefit of the share buyback and lower earnings on capital, how is 10% growth achievable?

Our earnings per share (EPS) growth target is a medium term target. It is 10%, on average, over the next 3-5 years, as stated in our scorecard in the 2004 Annual Accountability Report.

We expect the 10% will be generated from three major components:

1. Revenue growth
2. Productivity (refer to Question 3)
3. Capital deployment

In terms of revenue, our objective is to achieve mid single digit (3-6%) top line growth. Many of our retail businesses are well established and mature, and have historically performed within this growth pattern.

We have grown our **cards** business, increasing outstandings at a pace of about $400 million per year over the last four years.

In **mortgages**, loans administered and market share have increased over the last five years.

Our market share in **consumer deposits** has remained solid in the 19%-plus range during the last four years.

In **mutual funds**, balances have almost doubled over the last five years. At the same time, our market share has increased from 5.6% to 8.2%, which is 2nd among the banks.

Imperial Service and Wood Gundy revenues per advisor have increased, on average, over 8% and 10% respectively, per annum since 2001.

Although competitive factors and market conditions could affect our revenue in the future, at this time we see no reason to expect the pattern of recent years to be disrupted.

3. How are you progressing on your business priority to improve productivity? How should this goal be measured?

We remain committed to get CIBC to a median or better position in terms of productivity among the major Canadian banks.

Our tactical goal, to meet this strategic objective, is to reduce our expenses by $250 million by the end of 2006.

We expect to realize about 50% of our targeted reduction from project spending.

In 2005, we have had an unprecedented level of incremental project spend. These projects either conclude this year or have significantly reduced spend next year. We expect to return to historical levels of project spend by the end of next year.

With the actions we are taking to wind down project spend and reduce other expenses, we are confident that we will achieve our $250 million in savings by the end of 2006.

4. What impact has the consolidation of Variable Interest Entities had on your results? What line items are affected in your financial statements?

On November 1, 2004, CIBC adopted Accounting Guideline 15 (AcG15) - Consolidation of Variable Interest Entities (VIEs). AcG15 provides a framework for identifying a VIE and requires a primary beneficiary to consolidate a VIE. A primary beneficiary is the enterprise that absorbs a majority of the VIE's expected losses or receives a majority of the VIE's expected residual returns, or both.

As at the end of Q3/05, CIBC consolidated VIEs which resulted in an increased to assets and liabilities on our balance sheet. This amount is approximately $2.5 billion, of which $924 million relates to investment vehicles managed by certain of our employees that consist of private equity investments. These investment vehicles generated most of the $140 million of revenue from VIEs that was consolidated in Q3/05.

The impact of the consolidation of VIEs on the Q3/05 income statement is as follows:

- Revenue from trading activities: $140 million
- Non-controlling interests: $113 million
- Net Income: $ 27 million

On a segmented reporting basis, parts of the $140 million of revenue are included in the World Markets "Merchant Banking" and "Other" lines, as well as the Corporate & Other revenue.

5. What were total gains from investment securities, equity-accounted investments and limited partnerships during Q3?

Investment securities gains (net of losses) were $152 million in Q3, up from $37 million in Q2. Of the $152 million of net gains, $85 million was from the merchant banking portfolio.

Gains (net of losses) from equity-accounted investments and limited partnerships, recorded under Other Non-Interest Income, increased from $42 million in Q2 to $73 million in Q3. Of the $73 million of net gains, $53 million was from the merchant banking portfolio.

The merchant banking net gains were primarily attributable to good liquidity in the private equity market and strong receipts from underlying investments of private equity funds.

In Q4/04, equity-accounted investments were reclassified from Investment Securities to Other. This change resulted in the reclassification of related income statement items from Net Interest Income to Other Non-Interest Income.

Income from equity-accounted investments and limited partnerships, recorded under Other Non-Interest Income, increased from $17 million in Q2 to $80 million in Q3.

The higher income was primarily attributable to more favourable market conditions in Q3.

6. a) What is your guidance for 2005 and 2006 provisions? Why do consumer loan losses continue to be so high?

Our guidance for 2005 remains for specific provisions as a percentage of net loans and acceptances, excluding reverse repos, to be within our medium term objective of 50-65 basis points (bps). As of Q3/05, this ratio is 54 bps. We expect Q4 levels to be slightly above those in Q3, and for our full year total to be in the low end of our 50-65 bps medium term target range.

Our current view is that approximately 80% of 2005 provisions will be in the consumer sector, with the balance applicable to the business and government sector.

In the area of credit, consumer loan losses remain higher than we would like.

Over the past three years, we have been focused on reducing risk in our wholesale operations and shifting capital to our retail operations.

From 2001 to 2004, our consumer loan losses have increased by $253 million, one third of which is a natural result of higher volumes. Unfortunately, the other two thirds is the result of deterioration in rate.

Approximately half of our consumer losses come from the cards business. Although the spreads on this business are very good, we have been focused on bringing down our loss rate, which is now below the 4% range after having peaked at higher levels.

Our personal lending activities for unsecured loans have been more aggressive than our industry peers. This has resulted in increased balances and market share, but also higher loan losses than the industry.

We have refined the credit adjudication on underperforming products. We are also increasing emphasis on secured lending to bring our proportion of secured loans in line with industry levels.

The timing of when these actions will result in lower loan losses is hard to predict since legacy business must work its way through the system.

We do not expect our consumer loan loss picture to improve in 2006. With respect to the wholesale portfolio, earlier in the year we experienced robust recoveries. However as predicted, we are now seeing a shift towards more normalized losses in this portfolio. Additional comments on our 2006 guidance will be provided on Dec. 1 during our Q4 conference call.

b) How are you increasing your emphasis on secured lending?

CIBC is underweighted in secured lending and is implementing strategies to improve its position. As CIBC's business mix trends to the target business mix, overall losses will decline. Initiatives to help CIBC achieve its target include: enhance marketing and solicitation strategies, improve competitiveness in pricing and promotion, adjust incentives for front-line staff to encourage the sale of secured products, and improve underwriting policies and procedures.

7. What will the new reporting format look like that you have disclosed you will introduce for Q4?

On April 11, 2005 we announced a new organizational structure designed to enhance our retail banking offer in Canada. Parts of our Wealth Management business, including Imperial Service, Private Wealth Management and the GIC product line were combined with CIBC Retail Markets.

Sonia Baxendale is the head of CIBC Retail Markets. The remaining components of our Wealth Management business are managed by Victor Dodig.

As a result of changes to how we manage these businesses, we are finalizing a new reporting format to be reflected in our Q4/05 financial statements.

The existing CIBC Wealth Management reporting segment will no longer be reported and the results of our wealth management businesses will be reported under the CIBC Retail Markets segment:[1]

[1] The new structure is currently under review by CIBC's auditors and is subject to change prior to CIBC's reporting of its Q4/05 financial results on December 1, 2005.

($B) Existing Structure	
CIBC Retail Markets	
Personal Banking	1.65
Small Business Banking	0.45
Cards	1.08
Mortgages	0.44
Other	0.51
Total YTD Revenue	4.13
CIBC Wealth Management	
Imperial Service	0.61
Retail Brokerage	0.84
Private Wealth Mgmt	0.11
Wealth Products	0.39
Other	0.02
Total YTD Revenue	1.97
Total Retail and Wealth YTD Revenue	**6.10**

($B) New Structure	
CIBC Retail Markets	
Personal & Small Business Banking	1.88
Imperial Service	0.70
Retail Brokerage	0.84
Cards	1.08
Mortgages and personal lending	0.78
Asset management	0.29
Other	0.53
Total Revenue	**6.10**

The key changes from the existing structure are as follows:

- Retail and Small Business Lending, previously a flow-through business, will be included under "Mortgages and personal lending".
- Fixed Term Investments, previously included under "Wealth Products", is now included in our GICs, Deposits and Payments flow-through business.

Expenses and net income of our Wealth Management business will no longer be reported. Key financial measures of the business, such as Wood Gundy Assets Under Administration, and Mutual Fund Assets Under Management and corresponding market share, will continue to be disclosed quarterly.

8. What is your U.S. strategy?

In the United States, our strategy continues to be very focused.

Today, we have a number of businesses in the region. Some of these businesses currently have good economic returns. Others require improvement.

Our Real Estate finance business, Merchant Banking, Debt Capital Markets and Equity Structured Products businesses continue to perform well. In Investment Banking and Cash Equities, competitive conditions across the industry remain difficult. Improvements are required to hit our economic hurdles in these businesses. Improvements will be gradual and incremental within the targeted industry segments we have chosen.

Moving forward, we will maintain our clear focus in the U.S. and be very targeted in everything we do.

9. Have you set any new strategic goals for the Merchant Banking portfolio?

We continue to be focused on maintaining risk discipline across the bank. One of our objectives over the past few years has been to reduce investment risk in our merchant banking book. At the beginning of this year, we set a goal to further reduce the private equity exposure in our merchant banking portfolio to $1.5 billion by the end of 2007. At the end of Q3/05, we were at $1.5 billion.

In the area of merchant banking, we will continue to reduce further. While we have yet to set a new target, our current exposure level of $1.5 billion is, over the long-term, too large for a bank of our size.

Our merchant banking portfolio is maturing, especially in the area of private equity funds. Our intention is to set progressively lower limits as investments mature and are sold.