Frequently Asked Questions – Q3 2006

1. Were there any unusual or one-time items in your Q3 results?

CIBC's reported diluted earnings per share (EPS) for the third quarter were $1.86. Our EPS was increased by items of note that netted to $0.17 per share.

These items of note are listed on slide 57 of the Third Quarter Investor Presentation and further commentary is provided on pages 1, 5 and 6 of our Third Quarter Report to Shareholders.

2. Why was your effective tax rate so low?

CIBC's reported effective tax rate for the third quarter was 15.8%. However, we believe that our adjusted effective tax rate on a taxable equivalent basis (TEB)[1] of 28.9% provides a fuller understanding of our effective tax rate. A reconciliation of these rates is provided on page 56 of the Third Quarter Investor Presentation and page 8 of the Third Quarter Report to Shareholders.

CIBC's effective tax rate depends on a number of different items, including geographic business mix, changing views of future audit results, and changes to statutory tax rates.

While rates may vary from quarter to quarter, our current estimate is for our effective tax rate to be in the 21-24% range, and our TEB effective tax rate to be in the 25-28% range, for the next several quarters.

3. With your loan loss ratio trending well below your target range, why have you not lowered your guidance?

Our objective of 50 to 65 basis points is a medium-term objective.

This range factors both the difficulty in predicting the credit cycle and uncertainty regarding the timing of sustained improvement in our loss levels from the unsecured portfolio.

We are encouraged by signs of progress in the unsecured portfolio, as we are seeing a shift to higher quality in newly acquired accounts. The wholesale portfolio continues to perform well in a relatively favourable credit environment. Credit cards and residential mortgages have continued their strong performance.

However, at this time we do not want to change our medium-term guidance based on short-term performance.

In terms of our outlook for the balance of 2006, we expect specific provisions for the fourth quarter to be in the lower half of our 50 to 65 basis points medium term target range. Full year specific provisions are expected to be below our target range.

[1] Effective tax rate on a TEB basis is a non-GAAP financial measure. See slide 60 of the Third Quarter Investor Presentation.

4. You continue to lose market share in several of your retail businesses. What are you doing to improve your performance?

We believe maintaining and enhancing our market share is an important factor in CIBC achieving sustainable, competitive profit growth from our retail business.

Residential Mortgages: We continue to hold the #2 market share position in residential mortgages. Pricing has been extremely competitive in this industry which has had an impact on market share. Recent trends indicate that our decline in residential mortgage market share has stabilized, and we would expect our share in this area to be flat to slightly higher going forward.

Cards: We continue to hold the #1 market share position in both outstandings and purchase volumes. We remain focused on balancing growth in market share with containment of loan losses. Our growth in outstandings of 3.6% in the third quarter was the highest in recent years and resulted in a marginal increase in our outstandings market share to 18.2%. Our loan loss ratio in cards was 3.61% for the quarter, well down from 3.98% a year ago.

Personal Lending: Our ratio of secured to unsecured personal loans and lines has improved to 55%, from 45% a year ago. The share decline experienced in consumer loans is driven by our strategy to reduce risk in our unsecured lending portfolio, in favour of strong growth in our secured lending, particularly while we refocus our risk management activities in this area. While the actions we have taken to reduce risk have had an impact on revenue and our market share, the tradeoff is lower loan losses and more consistent, sustainable performance over the long-term.

Mutual Funds: Our market share in mutual funds stabilized from Q2 to Q3. We continue to have positive net flows into our long-term funds, whereas our largest redemptions have been in the money market segment. To address this issue, we launched a new premium money market class to provide our unitholders with a higher-yield, lower-cost investment option. We will also be launching a series of global equity funds in the fall to address increasing investor demand in this area. We are confident that the actions we are taking will translate to a robust and growing fund business.

To summarize, we are focused on maintaining and enhancing the market position of our retail businesses, and are confident that our future performance will be consistent with the achievement of the financial measures disclosed in our Balanced Scorecard.

5. When do you expect to increase your dividend?

We remain committed to our medium term objective to pay out between 40% and 50% of our earnings in dividends.

As announced on June 1, we increased our dividend paid during the third quarter from 68 to 70 cents per share.

We have now increased our dividend in eleven of the past twelve years.

Based on our year to date earnings, our payout remains at the low end of our target range.

We will review our capital deployment plans again with our Board in the fourth quarter, in the context of our dividend objective, the reinvestment needs of our businesses, and our FirstCaribbean acquisition.

6. Beyond the closing of your acquisition of FirstCaribbean, what is your growth strategy for the Caribbean?

On June 29, we announced the conclusion of a definitive agreement with Barclays and we are on track to close this acquisition by the end of 2006, as expected.

FirstCaribbean is performing well, reporting earnings for the first six months of 2006 of US$86 million, up 22% from the comparable period in 2005, and in line with management's expectations (FirstCaribbean will report its Q3 results on Thursday, September 14, and their results will be available at www.firstcaribbean.com).

We expect FirstCaribbean's improvement to continue, albeit at a more normal growth rate.

FirstCaribbean has a strong foundation for organic growth and a history of expansion through small acquisitions such as this year's purchase of ABN AMRO's Curacao's operations.

We are optimistic about growth prospects in the region. We believe FirstCaribbean can grow through both business expansion and consolidation opportunities as they occur.

7. What are your Merchant Banking targets over the medium-term?

In Q3, Merchant Banking revenue was $90 million, compared to $69 million last quarter and $12 million in Q1. Year-to-date, Merchant Banking revenue totaled $171 million.

During this quarter, we had gains and distributions of $109 million, offset in part by write-downs and funding costs of $19 million. Approximately two-thirds of the $109 million were distributions from fund investments, which had very high levels of divestiture this quarter.

Revenue for Merchant Banking is difficult to predict.

We expect revenue for Q4 to be a little lower than our year-to-date quarterly run rate of $57 million. If current market conditions continue, we expect 2007 revenue to be only slightly lower than 2006.

We have not set a new target for the book value or unfunded commitments in respect of our merchant banking portfolio.

Over time, we will continue to let the size of our merchant banking portfolio naturally reduce as investments mature and are sold.

8. What is your outlook for World Markets?

In Canada, our investment banking business remains very strong. Our year to date performance for 2006 has been solid, and although it is very early to predict, the outlook for 2007 would seem to be positive.

Our Canadian credit portfolio is expected to be steady in Q4, with moderate growth next year.

In the U.S., we continue to have a number of strong businesses, including Real Estate Finance and Debt Capital Markets.

The environment in cash equities and investment banking remains competitive. In these businesses we continue to look for incremental improvements in productivity by focusing on niche areas where we have expertise and a track record of success.

We have made progress in repositioning our U.S. operations and they remain competitive.

Overall, the outlook for CIBC World Markets is positive, driven by expectations for moderate growth in the North American economy and continued strength in equity markets.

A Note About Forward-Looking Statements

From time to time, CIBC makes written or oral forward-looking statements within the meaning of certain securities laws, including in this presentation, in 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 the operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook of CIBC for 2006 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 CIBC's control, affect the operations, performance and results of CIBC and its business lines, and could cause actual results to differ materially from the expectations expressed in any of CIBC's forward-looking statements. These factors include: legislative or regulatory developments in the jurisdictions where CIBC operates, including developments in Canadian laws regulating financial institutions and U.S. regulatory changes affecting foreign companies listed on a U.S. exchange; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; the resolution of legal proceedings and related matters; the effect of applying future accounting changes; changes in tax laws; that our estimate of our sustainable effective tax rate will not be achieved; political conditions and developments; the possible effect on CIBC's business of international conflicts and the war on terror; acts of God; reliance on third parties to provide components of CIBC's business infrastructure; the accuracy and completeness of information provided to CIBC by clients and counterparties; intensifying competition from established competitors and new entrants in the financial services industry; technological change; global capital market activity; interest rate fluctuations; currency value fluctuations; general economic conditions worldwide, as well as in Canada, the U.S. and other countries where CIBC has operations; changes in market rates and prices which may adversely affect the value of financial products; CIBC's 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; and CIBC's ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of CIBC's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on CIBC's forward-looking statements. CIBC does not undertake to update any forward-looking statement that is contained in this presentation or other communications.