



Frequently Asked Questions – Q2 2005

1. What is your earnings growth objective? How do you think you'll achieve it?

Our fully diluted EPS growth target is 10% per annum over the medium term (3-5 years). We expect the 10% growth to come from the following four sources:

1. Productivity improvements

Our objective is to be competitive in the area of productivity. We have set a target to reduce our Non-Interest Expense to Revenue (NIX) ratio to the median of the major Canadian banks by the end of 2006. This implies a reduction of approximately 200-250 basis points or approximately \$250 million. The three main areas that we have identified as having room for productivity improvements are project spending, leveraging scale in certain businesses, and specific areas of actual reductions.

2. A lower loan loss rate on our consumer portfolio (see Question 3)

3. Mid-single digit revenue growth with operating expense growth in line with the rate of inflation

4. Further share repurchases (see Question 4)

2. What is your exposure to Enron? Have the recent class-action settlements changed the likelihood, timing and amount of a potential settlement by CIBC?

CIBC and certain affiliates are named as defendants in various Enron-related actions. We intend to vigorously defend each of these actions.

In Q4 2004, CIBC recorded a \$300 million liability, in addition to our insurance coverage, in respect of these Enron-related litigation matters. Because we are unable to reasonably estimate the eventual loss, it is possible that additional provisions may be required in the future, and such amounts could be material to our operating results for a particular period, although we do not expect that they would have a material adverse impact on CIBC's consolidated financial position.

3. Why have retail loan losses increased? What is your overall guidance for fiscal 2005 PCLs?

There are three main reasons for the deterioration we have experienced in our consumer loss rate. First, we have experienced significant growth in our consumer loan portfolio during the past three years, and this has resulted in higher provisions. Second, our former adjudication process did not perform as well as we would have liked, particularly in our unsecured consumer lending portfolio. Over the last 12 to 18 months, we have introduced new adjudication and account management tools that have made the risk more granular. Third, there are some specific products and businesses that have been underperforming. The tools that we have put in place will address these underperforming products but there is a lag effect while loans put on the books prior to these improvements run their course to maturity.



Year-to-date specific provisions of \$337 million reflect a continuation of a good credit environment, as we continue to have net recoveries in our wholesale portfolio. As we have said before, these recoveries are not sustainable. Retail loan losses in the most recent quarter were favourably affected by the card securitization and improvement in bankruptcies. In the coming quarters, we would expect retail loan losses to be closer to Q1 levels.

Our loan loss guidance for fiscal 2005 remains 50-65 bps of net loans and acceptances, excluding reverse repos, with approximately 80% of these losses expected to be attributable to the consumer portfolio.

4. Why did you repurchase fewer shares in Q2 vs. Q1?

In Q2, we repurchased 2.8 million shares, pursuant to our current Normal Course Issuer Bid (NCIB), which allows us to repurchase up to 17 million shares (4.9% of our public float of common shares on December 10, 2004). This brings our Q2/05 year-to-date total to 10.0 million shares repurchased.

The majority of the 7.2 million shares we repurchased in Q1 were from our participation in the Li Ka Shing block sale on January 13. This purchase temporarily took us out of the market, as we are only permitted to repurchase up to 2% of our outstanding shares over a 30-day period.

Our current intention is to continue to buy back shares through the remainder of 2005.

5. You have described your U.S. wholesale operations as being high cost and only marginally profitable. What is your strategy to improve your U.S. operations?

In the U.S., we are a niche player in what is a very established, competitive marketplace. We have been successful in reducing the amount of economic capital devoted to this business, and have right-sized our U.S. platform to better align with our more focused target and firm discipline. These changes have better positioned us for success in the U.S. market.

Our objective is to operate our U.S. business using less capital than we have in the past, while generating more revenue from the existing cost base.

Our strategy is to target the mid-market in investment banking, and engage in targeted sales and trading activities. We are also focused on continuing to reduce our merchant banking portfolio. One of our medium-term objectives is to further reduce the carrying value of our merchant banking portfolio to \$1.5 billion by 2007. Two years ago, the carrying value of our merchant banking portfolio stood at \$2.21 billion while commitments were \$1.7 billion. As at the end of Q2/05, the portfolio had declined to \$1.54 billion and commitments were \$0.6 billion. We continue to feel good about the embedded value in this portfolio.



6. Your Q2 dividend payout ratio of 53.6% exceeds your medium-term objective of 40-50%. Should we expect a higher objective going forward?

On a reported basis, our Q2 dividend payout ratio was 53.6%. The second quarter included a provision of \$75 million (after-tax) related to matters involving CIBC's dealings with certain hedge funds in the U.S. that engaged in the market timing of mutual funds.

The first quarter included gains on assets sales of \$171 million (after-tax).

Our year-to-date payout ratio on a reported basis is 41.0%. We expect the ratio to remain within our medium-term objective of 40-50%, notwithstanding the further increase in our quarterly common share dividend from \$0.65 to \$0.68, announced on May 25.

7. What has contributed to the recent decline in the Net Interest Margin (NIM), and where do you anticipate this ratio going in future periods?

There are many moving parts to Net Interest Income, and declines are not attributed to one specific area. Examples of factors influencing the Net Interest Income line in the consolidated statement of income include the slope of the yield curve, product mix, changes in product spread, funding rates, fluctuations in the exchange rate, securitizations, interest on income tax refunds, and level of balances in our trading and investing securities.

The continuation of a historically low interest rate environment in Canada is the primary reason for declining margins over recent quarters. In addition, sustained price competition, particularly on deposits, has been an additional source of pressure.

We anticipate a stable outlook in interest rates for the remainder of the year, which is positive for personal and small business volumes, particularly our mortgage business. We expect continued pressure on margins. Though a slight improvement vs. Q2 is possible, we don't expect a return to Q1 levels through the remainder of the year.



8. What impact has AcG-13 had on your results? Where does it show up in your financial statements?

Accounting Guideline 13 (AcG-13) became effective for CIBC on Nov. 1/03. The Guideline establishes certain conditions for when hedge accounting may be applied. The key implication of not qualifying for hedge accounting is that there may be a timing mismatch between when gains, losses, revenues, and expenses on the hedged item and the hedging item get recorded in earnings.

The impact of AcG-13 has not been material to CIBC's financial results for any individual quarter. The mark to market impact of ineffective hedges shows up in two line items under Non-Interest Income in our consolidated statement of income. If the risk being hedged is foreign exchange, then the gain/(loss) on the derivative is recorded in the "Foreign exchange other than trading" line. Alternatively, if it is interest rate or credit risk that is being hedged, the gain or loss is recorded in the "Other" line. The following schedule shows the AcG-13 balances included in these reporting lines (*italicized*).

AcG-13 Gains (Losses) in Non-Interest Income (CAD \$MMs, before tax)

	2005		2004			
	Q2	Q1	Q4	Q3	Q2	Q1
Foreign exchange other than trading (FXOTT)						
<i>AcG-13 Gains (Losses) from Ineffective hedges</i> ⁽¹⁾⁽²⁾	<i>19</i>	<i>2</i>	<i>6</i>	<i>(6)</i>	<i>(22)</i>	<i>8</i>
Other foreign exchange revenue	52	54	82	58	71	83
Total FX OTT (per page 3 of Supplementary Financial Information)	71	56	88	52	49	91
Other non-interest income						
<i>AcG-13 gains (losses) from ineffective hedges - excl. SAR hedge</i> ⁽¹⁾⁽²⁾⁽³⁾	<i>2</i>	<i>(2)</i>	<i>(13)</i>	<i>43</i>	<i>11</i>	<i>(42)</i>
Other non-trading derivatives gains (losses) - excl. SAR hedge	11	16	(3)	37	9	(29)
Non-derivative related other income	151	284	174	280	196	215
Total other non-interest income (per Slide 55 of Q2 Inv. Pres.)	164	298	158	360	216	144

⁽¹⁾ Per Slide 56 of the Q2 Investor Presentation.

⁽²⁾ Derivatives that hedge interest rate and foreign exchange risk that are ineffective under AcG-13 previously were accounted for on an accrual basis in another income statement line (usually net interest income) where the income of the underlying hedged items is also recorded. Hence, the hedge gains (losses) in these lines are partially offset by gains (losses) on the underlying hedge items over a period of time.

⁽³⁾ The SAR hedge is reported as a separate component of Other non-interest income on Slide 55 of the Q2 Investor Presentation. The SAR hedge gains (losses) reported on Slide 55 are effectively offset by the underlying SAR expense which is included in the incentive bonuses line of Employee compensation and benefits on page 4 of the Q2 Supplementary Financial Information.