Frequently Asked Questions – Q4 2007

1. How did CIBC end up with such a large overall exposure to the U.S. subprime residential real estate market, as well as such a concentrated exposure to ACA?

In our risk assessments, we underestimated the extent to which the subprime market might deteriorate and the degree to which that would impact highly-rated securities that were structured to be very low risk.

It is now clear that the combination of having built a concentrated exposure to a single-A rated counterparty and a significantly stressed market is not a position we would choose to be in.

2. What is the maximum loss CIBC could incur if the ACA were to fail?

As we noted in our press release on the same day, the credit rating of ACA Financial Guaranty Corp. was downgraded from "A" to "CCC" by Standard and Poor's on December 19, 2007.

It is not known whether ACA will continue as a viable counterparty to CIBC. Although CIBC believes it is premature to predict the outcome, CIBC believes there is a reasonably high probability that it will incur a large charge in its financial results for the First Quarter ending January 31, 2008.

As CIBC disclosed on page 52 of its Investor Presentation dated December 2, 2007, the mark of the hedge protection from the "A-rated" counterparty (ACA) as at October 31, 2007 was US$1.7 billion. As at November 20, 2007, this mark was US$2.0 billion. If the charge in the First Quarter were to be US$2.0 billion (US$1.3 billion after tax) CIBC currently projects its Tier 1 capital ratio to remain in excess of 9% as at January 31, 2008.

3. When were the hedged U.S. subprime positions, and the ACA hedges in particular, transacted?

The majority of these transactions were completed between late 2005 and early 2007.

4. What is the nature of the hedged positions? Are they all derivative contracts or do you hold some underlying assets?

The entire US$9.8 billion notional amount consists of transactions where we purchased protection in the form of credit default swaps from financial guarantors on reference assets and wrote protection, also in the form of credit derivatives such as credit default swaps and total return swaps, on the same reference assets, to different counterparties.

Some of the transactions making up the US$9.8 billion of credit protection provide the counterparty that holds the reference assets with the option to sell the assets to CIBC at par value at any time or upon the occurrence of a credit event. As of October 31, none of these assets have been purchased by CIBC.

Were reference assets to be purchased by CIBC, the negative mark-to-market on the credit derivative would be replaced by the negative mark-to-market on the reference assets. While CIBC has to then fund the asset, the credit risk does not change.

5. What type of credit event would cause counterparties to whom you wrote protection to seek payment from CIBC? Would that credit event trigger the same payment from the financial guarantors (i.e. are cash flows "matched")? How would such an event be accounted for?

Interest and principal shortfalls (i.e. a credit event) on the reference assets would trigger such payments.

For transactions where CIBC does not hold the reference asset and there is no option for the counterparty to return the reference asset, the credit event would trigger offsetting claims on both derivative positions.

For some transactions where CIBC's counterparties have the right to deliver the reference asset back to CIBC, a credit event may require CIBC to purchase the reference asset at par value, less any collateral that might have been already posted with respect to that transaction.

In all circumstances, the economic risk to CIBC (i.e. the risk that the financial guarantor does not pay when a contractually-determined payment is required) for these transactions is the same. To the extent such credit events reduce the market value of the underlying assets, CIBC would record an offsetting mark-to-market gain on the credit protection it has purchased.

6. On page 58 of your Annual Report, you have disclosed a $31.6 billion notional amount of written credit derivatives related to third-party structured vehicles. Are the hedged U.S. subprime positions a subset of this $31.6 billion? What portion of the $31.6 billion is hedged and who are the counterparties? What types of assets are underlying this credit protection?

The hedged U.S. subprime positions are a subset of the $31.6 billion of written credit derivatives notional amount disclosed on page 58 of the Annual Report.

As noted in footnote 2 of the table, $31.7 billion of the total credit derivatives notional amount of $32.6 billion written against CIBC structured CDO vehicles and third-party structured vehicles was hedged with investment-grade counterparties as at October 31, 2007.

7. On page 59 of your Annual Report, you disclose $40.7 billion of unutilized credit commitments. What is the nature of these commitments?

As disclosed in Note 24 to the consolidated financial statements, unutilized credit commitments include the undrawn portion of lending facilities that we have approved to meet the business requirements of clients, as well as undrawn commitments in our Canadian residential mortgage business. These lines are subject to review at least annually, and may include various conditions that must be satisfied prior to drawdown.

The credit risk associated with these lines arises from the possibility that a commitment will be drawn down as a loan. The amount of collateral obtained, if deemed necessary, is based on our credit evaluation of the borrower, and may include a charge over the present and future assets of the borrower.

8. What is the counterparty credit risk associated with your ABX hedges?

The counterparties are dealers who are market makers for the ABX indices. The derivative contracts with these counterparties have market standard collateral agreements.

9. What actions is CIBC taking to mitigate the risk related to its U.S. subprime exposures and minimize further write-downs?

We have taken a number of actions to mitigate risks in this area. First, we halted new business activities in structured credit.

Second, we have put hedges in place against our exposures. Against the unhedged positions, we put on ABX hedges early in the summer and have sold a small number of positions. Against the hedged positions, we have purchased counterparty protection of US$420 million and directional hedges of US$465 million (as at October 31, 2007).

Third, we have changed leadership of our debt business. Brian Shaw, Head of CIBC World Markets, is now personally managing the remediation of our structured credit positions.

In addition, we are broadening our actions to strategic initiatives, such as our recently announced exits of our U.S. domestic investment banking and European leveraged finance businesses, to ensure all of our business activities are aligned with CIBC's strategic imperative of consistent and sustainable performance.

10. What impact will the implementation of Basel II have on CIBC's Tier 1 capital ratio. Will your Tier 1 be reported under Basel II beginning in Q1 2008?

As the regulatory approval process will continue through the end of December, it is premature to discuss the specific impacts on our capital position.

However, the results from our four quarters of parallel reporting have been in line with our expectations – lower credit risk-weighted assets partially offset by the introduction of operational risk-weighted assets - but the net impact is positive.

Subject to OSFI's approval and certain transition conditions, we will report our Q1 2008 capital ratios under the Basel II methodology.

11. With respect to the $17.3 billion of ABCP backstop liquidity facilities, what is the underlying asset composition?

Over 90% of the $17.3 billion of ABCP backstop liquidity facilities represents CIBC sponsored conduits which hold traditional assets such as Canadian residential mortgages, automobile and equipment leases and trade receivables loans.

The remaining amount of less than 10% represents third party sponsored vehicles. While we do not have complete visibility into these conduits, we do not believe there is any meaningful exposure to structured credit with underlying U.S. residential real estate assets.

12. How much of the $17.3 billion of ABCP backstop liquidity facilities is "global style" liquidity? What types of assets are included in these conduits? Why were these facilities converted to "global style" liquidity?

Approximately 95% of the aggregate $17.3 billion of ABCP backstop liquidity facilities are "global style" liquidity facilities. These conduits hold primarily traditional assets such as Canadian residential mortgages, automobile and equipment leases and trade receivables.

The change to global style liquidity lines was a joint effort among the major Canadian banks to ensure that the market for bank-sponsored ABCP continued to perform satisfactorily.

13. Will CIBC be required to implement FAS157 – Fair Value Measurements?

CIBC is required to implement FAS157 effective the first quarter of fiscal 2009 (three months ended January 31, 2009).

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 press release, 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 we make about the possibility that we will incur a large charge in our financial results for the First Quarter ending January 31, 2008 and the potential amount of that charge, as well as statements we make about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook for 2008 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: the creditworthiness and continued viability of our counterparties; the continued volatility in the U.S. residential mortgage market; 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; that our estimate of sustainable effective tax rate will not be achieved; 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; interest rate and currency value fluctuations; general 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; 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 press release or in other communications except as required by law.

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