Update Report

June 3, 2008

CIBC
(CM-TSX $69.70)

Recommendation
SELL

Risk
Low

Target Price
$73.00

Price
$69.70

52-Week Range
$106.68 - $56.25

% Below High
-34.7%

% Above Low
23.9%

Shares O/S
381 million

Market Cap
$26 billion

Average Daily Volume
1,547,300

Year-End
October 31

C$	EPS	& Mult
2007a	$8.82	7.9x
2008e	$7.25	9.6x
2009e	$7.85	8.9x
Book Value	$29.01	2.4x

	Amount	Yield
Dividend	$2.28	5.0%

Analyst
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Data Source: www.BigCharts.com

SECOND-QUARTER REVIEW

HIGHLIGHTS

- Underlying Q2/08 Operating Earnings Weak
- Credit Risk Remains High
- More Large Writedowns Likely
- Investors Should Continue to Avoid This Bank

CONCLUSION

SELL Maintained: Target Still $73.00

Canadian Imperial Bank of Commerce (CM) reported a cash EPS loss of $2.98 for Q2/08. The loss included higher-than-expected writedowns and charges of $2.63 billion on structured credit-related issues and other negatives ($1.7 billion after-tax) or $4.61 per share. The total structured credit (sub-prime related) writedown over the last six months has now increased to $6.7 billion.

Adjusted operating EPS, excluding the above, would have been $1.63 per share or about $0.20 below our estimate and about $0.12 below the consensus estimate. Underlying operating earnings were weak, particularly in retail banking and merchant banking. Adjusted cash operating ROE was 20.6%, down from 24.0% last quarter. The Tier 1 capital ratio under the new Basel II measurement was 10.5%, down from 11.4% last quarter.

We conclude that the risk at CIBC remains high in that the sub-prime mortgage situation in the U.S. (market for structured credits including CDOs and SIVs) will continue to be volatile over the next 6 to 12 months. Further potential losses for CIBC could still be in the US$2 billion to US$4 billion range (that would put the total losses for CM at about US$10 billion, one of the largest of all global banks relative to capital).

Our 2008 adjusted EPS estimate has been lowered to $7.25 from $7.70, reflecting lower earnings due to generally lower revenue expectations. For 2009, our EPS estimate has been lowered to $7.85 from $8.50. We do not expect much in the way of dividend increases or share buybacks over the next 12 months. Going forward, management must focus on improving credit quality and risk management, and restoring investor confidence. This may prove very difficult for CM and most certainly justifies a significant valuation discount to that of BNS, TD and RY.

Valuation

We believe that CIBC continues to represent much higher risks than any of the other big four and that it will continue to warrant a P/E multiple approximating a 15% discount to the bank average and a discount of 25% to the average of BNS, RY & TD. We have maintained our 12-month share price target of $73.00. Our estimated 12-month total return for CIBC is 9.7%, and we have maintained our SELL recommendation. Investors in bank stocks should continue to focus on investing in BNS, TD and RY.

Negative EPS Adjustments Total $2.6 Billion This Quarter

The negative non-operating adjustments this quarter are summarized below and had a total a negative impact of $2,643 million or $4.61 per share.

1. $2.48 billion loss on structured credit run-off activities - $1.67 billion after-tax, $4.37 per share.
2. $65 million foreign exchange loss on the repatriation of retained earnings from the U.S. operations - $21 million after-tax, $0.05 per share.
3. $50 million valuation charges against credit exposures relating to derivatives from counterparties other than financial guarantors - $34 million after-tax or $0.09 per share.
4. $26 million in charges relating to higher-than-normal severance expense at CIBC World Markets - $18 million after-tax or $0.05 per share.
5. $22 million loss adjustment on the VISA IPO - $19 million after-tax or $0.05 per share.

CM Exposure To Sub-Prime Mortgages Remains High

The face value of CM's exposure to the hedged U.S. Residential Mortgage Market (USRMM) was stated at US$7.9 billion as at the end of the quarter. The fair value of the portfolio is about $6.2 billion. A reserve of $4.7 billion is in place, leaving the remaining exposure at $1.6 billion. If all remaining monoline insurers failed to deliver and the value of the portfolio went to zero, CM would have slightly over $3 billion of further potential writedowns. Hedged Non-USRMM and other financial guarantors indicated a fair value exposure of $1.3 billion, net of a reserve of $0.5 billion. Thus in total, CM still has exposure to further writedowns of up to $4.4 billion.

Other Quarterly Highlights

- **Retail banking reported adjusted cash net income up 2% Y/Y** to $526 million (excluding the Visa IPO negative adjustment of $17 million this quarter and a tax recovery last year). Slower loan growth in mortgages (up 7% Y/Y) offset by strong credit-card volumes (up 22% Y/Y). Personal loan volumes increased modestly, as the loan mix was shifted to more secured lending and continued to put pressure on interest spreads. Retail brokerage revenue was down 10% Y/Y. Spreads increased 14 bp sequentially and 2 bp Y/Y. PCL was $174 million, up from $155 million in the previous quarter and down 6% Y/Y.
- **Mutual fund revenue decreased 6% Y/Y** to $212 million and decreased 4% Q/Q. Mutual fund AUM increased 1% Y/Y to $51 billion. Asset management revenue decreased 6% Y/Y to $116 million.
- **CIBC World Markets was, once again, a disaster, reporting a net loss of $1.6 billion** given that most of the writedowns were in this group. On an operating basis, net income

(excluding the writedowns) was very weak at $35 million down from an adjusted $113 million last quarter and down from $160 million in the same period last year. Capital Markets (excluding writedowns) reported revenues of $231 million, down 34% from $351 million last year. Investment banking reported revenues of $102 million, down 59% Y/Y as M&A activity was lower. Merchant banking gains declined to $5 million from $9 million last quarter and $85 million in the same period last year. Merchant banking revenues are not expected to improve for the balance of 2008.

- **Trading revenue (ex writedowns) was down 70% Y/Y** to $55 million, but up sequentially from $31 million.
- **Securitization revenue increased 7% Y/Y to $146 million.**
- **Provision for Credit Losses (PCL) increased 6% Y/Y** to $176 million, from $166 million in the same period last year and $172 million last quarter. For 2008 we are now estimating PCL of $750 million. For 2009, our estimate has increased to $900 million from $850 million. These estimates exclude further writedowns on Structured Credits.
- **Gross impaired loans (GIL) decreased 9% Y/Y and sequentially** to $894 million in the quarter. New impaired loan formations decreased to $294 million, down from $313 million last quarter.

Recent Events

- **CIBC World Markets to eliminate 100 positions.** The ongoing refocusing at CIBC World Markets on areas that are the most profitable and competitive is expected to reduce staffing levels by more than 15% over the balance of fiscal 2008. This does not include the approximately 600 employees transferred to Oppenheimer Holdings Inc. as part of the sale of the U.S. investment banking, equities and levered finance activities earlier this year.