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Analyst Commentary

July 3, 2008

Recommendation
SELL

Risk
Medium

Target Price
$67.00

Price
$61.15

52-Week Range
$56.25 - $106.64

% Below High
-42.7%

% Above Low
8.7%

Shares O/S
381 million

Market Cap
$26 billion

Average Daily Volume
2,693,800

Year-End
October 31

C$	EPS	& Mult
2007a	$8.82	6.9x
2008a	$7.25	8.4x
2009e	$7.75	7.9x
Book Value	$29.01	2.1x

	Amount	Yield
Dividend	$3.48	5.7%

Analysts
Robin Cornwell

CIBC
(CM-TSX $61.15)

Data Source: www.BigCharts.com

HIGHLIGHTS

- Further Fiscal 2008 Writedowns Could Approach $4+ Billion
- Equity Issue(s) Expected if New Writedowns Exceed $2 Billion

CONCLUSION

SELL Maintained: Target Lowered to $67.00 from $73

Event: More Mono-Line Downgrades

A recent Moody's downgrade, driven by further weakness in the U.S. mortgage market on mono-line insurer XL Capital Assurance Inc. (XL Capital), a subsidiary of Security Capital Assurance Ltd. (SCA), reinforces our view that most of the financial guarantees secured by Canadian Imperial Bank of Commerce (CM) are basically of no future value - including an estimated $1.0 billion of XL Capital's financial guarantees on investments held by CM.

Impact: Investors In CM Should Expect…

- **Further Writedowns of up to $4 billion** this fiscal year (see the Q2/08 Catalyst Review on CM dated May 30, 2008), as CM basically recognizes that the direct guarantees from its financial guarantors have no value. To date the total structured credit (sub-prime related) writedown now stands at $6.7 billion.
- **A Lower Tier 1 Capital Ratio Approaching** 9.0%. Although this lower expected Tier 1 ratio (based on $2.0 billion of additional structured credit writedowns) is still well above the 7.0% minimum ratio imposed by regulators, it is nevertheless well below the 10.1% average of the last eight quarters. Over the last 12 months, CM has lost 38% of its book value (prior to the equity raise in January).

- **More Equity Issues if Losses Exceed $2 Billion.** In order to maintain acceptable capital ratios, CM issued $2.94 billion of common equity (44.5 million common shares) in January 2008. This new capital increased CM's Tier 1 ratio to a healthy 11.4% as at the end of the first quarter. However, second-quarter writedowns of $2.6 billion lowered the Tier 1 ratio to 10.5%. We estimate that a loss of $2.0 billion would lower CM's Tier 1 ratio to 9.2%, and $4.0 billion would lower the ratio to slightly under 8.0%.

CM's History of Structured Credit Mortgage Related Write-Downs

Total structured credit related writedowns of $6.7 billion ($4.5 billion after-tax or $12.50 per share) experienced over the last 12 months are detailed below:

- Q3/07: $0.3 billion ($0.2 billion after-tax or $0.56 per share)
- Q4/07: $0.5 billion ($0.3 billion after-tax or $0.89 per share)
- Q1/08: $3.4 billion ($2.3 billion after-tax or $6.68 per share)
- Q2/08: $2.5 billion ($1.7 billion after-tax or $4.37 per share)

CM's 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 April 30, 2008. The fair value of the portfolio was then about $6.2 billion. A reserve of $4.7 billion was in place, leaving the remaining exposure at $1.6 billion. If all remaining mono-line insurers failed to deliver and the value of the portfolio went to zero, CM would have slightly over $3.0 billion of further potential writedowns on the Hedged USRMM portfolio. 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 has estimated exposure to further writedowns of up to $4.4 billion.

Conclusion: SELL Maintained - Target Lowered To $67.00

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

Our 2008 adjusted EPS estimate has been maintained at $7.25. For 2009, our EPS estimate has been lowered to $7.75 from $7.85, based largely on slower revenue expectations. We do not expect much in the way of dividend increases or share buybacks over the next 12 months.

We believe that CM continues to represent significantly higher risks than any of the other big four banks and warrants a P/E multiple approximating a 20% discount (previously 15%) to the bank average and a discount of 30% (previously 25%) to the average of BNS, RY and TD. We have lowered our 12-month share price target to $67.00 from $73.00. Our estimated 12-month total return for CM is 15.4%, and we are maintaining our SELL Recommendation. Investors in bank stocks should continue to focus on investing in BNS, TD and RY.