

FRIDAY, JUNE 22, 2007

CIBC Denied Speculation of U\$2.6 Billion Subprime Exposure

The Globe and Mail, Tara Perkins, 22 June 2007

Canadian Imperial Bank of Commerce denied speculation yesterday that it might have significant exposure to the U.S. subprime mortgage market.

An American newsletter making the rounds on Bay Street speculated the bank's exposure could be as much as \$2.6-billion (U.S.).

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"The report is not accurate and makes certain assumptions which are simply not true; therefore it is not a reliable source of information," CIBC spokesperson Stephen Forbes said.

"As we have commented previously, our exposure to the subprime market is indirect through our participation in structured credit transactions. The majority of this exposure is rated Triple-A. Our direct exposure is well below what the report suggests."

Mr. Forbes would not say to what extent the bank is exposed.

On a conference call with analysts three weeks ago, CIBC acknowledged it had bought part of a CDO - a collateralized debt obligation - called Tricadia that's tied to U.S. subprime mortgages.

CDOs like Tricadia are formed when thousands of residential mortgages are pooled together, then sliced and diced into pools of different risk and sold as securities.

Bear Stearns Cos. hedge funds recently posted losses because of bets on CDOs tied to U.S. subprime mortgages.

The latest edition of Grant's Interest Rate Observer, a New York-based financial newsletter, said CIBC put \$328.5-million into Tricadia CDO 2006-7 Ltd. Tricadia is technically a CDO of CDOs, or "CDO squared," it said. Its assets consist of slices of other CDOs, and those are rated single-A.

Dan Gertner, an analyst for the newsletter, spoke to researchers who infer "the bank could own five or six structures besides Tricadia," the newsletter said. That was based on conversations they had with dealers, debt rating agencies and others.

A back-of-the-envelope calculation led the newsletter to say the "hypothetical" exposure could be \$2.6-billion.

Mr. Gertner said the exposure beyond Tricadia "is speculation at this point."
