



**CANADIAN
WESTERN
BANK**

ANNUAL INFORMATION FORM

January 12, 1999

**CANADIAN WESTERN BANK
ANNUAL INFORMATION FORM
JANUARY 12, 1999**

<u>Table of Contents</u>	<u>Page #</u>
The Bank	3
Developments Within Past Five Years	3
Amalgamation with B.C. Bancorp	3
Business of the Bank	3
Organization.....	4
Retail and Commercial Banking.....	4
Other Support Departments.....	5
Canadian Western Trust Company.....	5
Canadian Western Capital.....	5
Provision for Credit Losses.....	6
Impaired Loans and the Allowance for Credit Losses.....	6
Selected Consolidated Financial Information.....	7
Introduction	7
Comparability of Data	7
Changes in Accounting Policies and Practices	8
Dividend Policy and Dividends	8
Management's Discussion and Analysis.....	9
Market for Securities.....	9
Intercorporate Relationships.....	9
Directors and Officers of the Bank	9
Additional Information	10
Certificate	11

Financial Information

Unless otherwise noted, all information is given at, or for, the fiscal year ended October 31, 1998 and is expressed in Canadian dollars.

Reference

The following documents are incorporated by reference into the Annual Information Form:

- (i) Annual Report for the year ended October 31, 1998 (the 1998 "Annual Report") which includes the audited financial statements for the year ended October 31, 1998 (the "Annual Financial Statements") and management's analysis of operations and financial condition (the "MD&A").
- (ii) Notice of the Annual General Meeting of Shareholders dated December 8, 1998 and Management Proxy Circular dated as of January 12, 1999 (the "Proxy Circular")

THE BANK

Canadian Western Bank (the “Bank”) is a Schedule I chartered bank under the Bank Act. The Bank was formed effective November 1, 1987 through the amalgamation of Bank of Alberta (incorporated on March 22, 1984) and Western & Pacific Bank of Canada (incorporated on March 25, 1982). Canadian Western Bank has also amalgamated with two other financial institutions since 1987: B.C. Bancorp (effective November 1, 1996) and North West Trust Company (effective December 31, 1994).

The Bank has two active subsidiaries: Canadian Western Trust Company (“CWT”) and Canadian Western Capital Limited (“CWC”). CWT is a federally continued trust company under the Trust and Loans Companies Act (Canada) while CWC is a federally continued corporation under the Canada Business Corporations Act. Both are more fully described under Business of the Bank.

The Bank Act (the “Act”) is the charter of the Bank and governs its operations. The Act also provides for the appointment of a Superintendent of Financial Institutions who is responsible to the Minister of Finance Canada for the administration of the Act. It is the Superintendent’s duty to examine and enquire into the business and affairs of each bank governed by the Act, to ensure that its provisions, having regard to the protection of the interests of the depositors, creditors and shareholders of the banks are being observed and that the banks are in sound financial condition. The Superintendent performs an annual inspection and submits his report to the Minister of Finance thereafter.

Developments Within Past Five Years

At October 31, 1994, the Bank’s assets were \$706 million and the number of branches through which it conducted the business of banking numbered thirteen. On December 31, 1994 the Bank amalgamated with North West Trust Company which increased the Bank’s asset base to approximately \$1.3 billion and ultimately added four branch locations in 1995. The Bank also opened three new branches in 1995 making a total of twenty branches in operation at the 1995 fiscal year end. In 1996, a significant component of the asset growth was a result of the Bank’s acquisition of CWT effective January 1, 1996. CWT added assets of approximately \$274 million, assets under administration of over \$300 million and the ability for the Bank to offer self-administered RRSP, RRIF, trust and other services to new and existing clients. CWT operates through its head office location in Vancouver, British Columbia. Since 1996, the Bank has achieved an internal loan growth rate averaging 16% and at the end of fiscal 1998, total assets reached \$2.4 billion and there were twenty-three branch locations.

Amalgamation with B.C. Bancorp

Effective November 1, 1996, the Bank and B.C. Bancorp (“BCB”) received letters patent of amalgamation amalgamating and continuing the banks as one bank under the name Canadian Western Bank. The amalgamation was accounted for using the purchase method. The total consideration received by the shareholders of BCB was \$13.6 million, ultimately made up of cash of \$796,000 and 1,119,000 common shares of the Bank with a recorded value of \$12.8 million. At the date of amalgamation, BCB had net assets of \$13.6 million including a deferred income tax asset of \$10.3 million which represented the consideration allocated to BCB’s unclaimed tax deductions of \$83.0 million and other tax loss carryforwards. The unclaimed deductions are available to the amalgamated Bank to be claimed to reduce future years’ taxable income without any time limitation. Further details respecting the amalgamation can be found in Note 18 to the Annual Financial Statements.

BUSINESS OF THE BANK

Organization

The Bank is the smallest Canadian Schedule I chartered bank as ranked in terms of total assets and is the only Schedule I bank with branches located exclusively in the western provinces. A comprehensive range of personal and commercial banking services is provided. At October 31, 1998 there were twenty-three branches located in the provinces of British Columbia, Alberta, Saskatchewan and Manitoba and approximately 400 full time and full-time equivalent staff were employed. Including the trust and capital subsidiaries, the number of full-time and full-time equivalent staff is 522.

Responsibility for management rests with senior management which includes the President and Chief Executive Officer and all senior officers. Several members of senior management are charged with the direction of one or more of the main groups through which the Bank operates and conducts business. These main groups are commercial and retail banking by region, treasury and operations, corporate and strategic operations, marketing and product development, credit risk management, finance, human resources and audit services.

There are also two management committees. The Asset Liability Committee, comprised of senior management from various functional areas, establishes prudent policy guidelines for liquidity management and control within a normal business operating environment. This committee also monitors and establishes policies regarding the pricing of loan and deposit products and is charged with the responsibility of overall asset-liability management. The Operations Committee is responsible for the development and recommendation of policies and procedures regarding day-to-day, routine operations. This committee is made up of supervisory and management personnel from all functional areas. These two committees meet on a regular basis.

Retail and Commercial Banking

Retail and Commercial Banking is currently carried on through the branches and the overall responsibility for these operations falls under the Executive Vice President, with assistance from three Regional Managers and a Vice President in each of real estate lending and industrial lending. In Alberta, there are four branches in Edmonton, three branches in Calgary and one branch in each of Red Deer, Camrose, Lethbridge and Grande Prairie. In Saskatchewan there is one branch in each of Regina, Saskatoon and Yorkton. There is one branch in Manitoba in Winnipeg. In British Columbia, there are three branches in Vancouver and one branch in each of Surrey, Victoria, Kelowna, Nanaimo and Courtenay.

The majority of branches undertake both retail and commercial banking activities although there are two branches that undertake only retail banking activities. These branches are in the smaller cities of Camrose and Yorkton. Also, the branches in Surrey and Grande Prairie primarily service the Bank's industrial finance clients. There are two additional banking operations, one located within the Head Office and one within the Vancouver Regional Office, which process only deposits gathered through a network of agents operating throughout Canada.

Retail banking services are aimed at the saver and investor with emphasis placed on a variety of competitively priced deposit products. Retail customers have access to their accounts through the Bank's membership in the Interac[®] and Exchange[®] automated banking machine networks and the Interac[®] Direct Payment system. Competitively priced consumer loans and mortgages are offered to customers. CWT's deposit products are also sold through the branch locations.

Commercial banking services are divided into three major categories: general commercial banking, real estate lending and industrial lending. In addition, the Calgary branches specialize in energy related loans. Commercial banking includes current accounts, lines of credit and operating and term loans. Real estate lending includes loans for commercial premises as well as construction and development loans. Industrial lending consists primarily of term loans on equipment and financial leasing activities. The Bank's focus is towards more term, fixed rate lending, however, some borrowers have been demonstrating an increasing preference for floating rate debt in the current low rate environment. At October 31, 1998 approximately 55% of commercial banking loans fell into the fixed rate category.

It is the Bank's policy to limit single and associated corporate borrowers' loan authorizations to not more than 10% of capital funds, excepting government risk and loans secured by cash or cash equivalents. Customers with larger borrowing requirements may be accommodated through syndication of loans with other financial institutions.

Other Support Departments

The treasury department ensures that current and future obligations are able to be funded while optimizing earnings through the investment portfolio. This department also manages the foreign exchange and interest rate risk of the Bank and performs limited securities and foreign exchange purchases on behalf of its customers. The Senior Vice President of this department is also charged with the overall responsibility for the systems department, corporate administration including capital expenditures and for branch operations at the procedural level.

The credit risk management department is responsible for all lending and credit risk policies as well as assisting branch personnel to monitor and manage impaired and watch-listed loans.

The marketing and product development department investigates new business opportunities, develops new loan and deposit products and marketing strategies.

The human resource department deals with all personnel and payroll issues as well as developing and delivering in-house and external training programs.

Other departments include finance, which is responsible for internal and external, including regulatory, reporting and internal audit which is under the direction of the Chief Inspector.

Canadian Western Trust Company ("CWT")

CWT is a wholly-owned subsidiary of the Bank and is federally continued under the Trust and Loans Companies Act (Canada). It is registered to carry on business in all provinces and territories of Canada, except the Province of Quebec.

CWT's principal business is mortgage lending and the provision of fiduciary services. Through CWT, the Bank has the opportunity to provide self-administered registered retirement savings plan and registered retirement income funds, trust and other services to its new and existing clients.

Canadian Western Capital

In January 1998, the Bank acquired a controlling interest of approximately 73 percent in Canadian Western Capital Limited (formerly Majendie Charlton Securities Ltd.). CWC is a Vancouver-based full service investment dealer registered in British Columbia, Alberta, Saskatchewan, Manitoba and

Ontario and has branches in seven cities in British Columbia and Alberta. In October 1998 there was a further recapitalization and as of October 31, 1998 the Bank holds an 80 percent interest.

CWC's operations are an excellent strategic fit with the Bank's existing customer base and provides the Bank an opportunity to increase non-interest revenues by expanding fee-based services.

Provision for Credit Losses

Loan loss experience during the year ended October 31, 1998 ("Fiscal 1998") decreased to 0.22% of average loans as compared to 0.25% in the previous fiscal year. Charges planned for the upcoming year are expected to slightly increase from the \$4.15 million charged in Fiscal 1998, reflecting anticipated loan growth and the desire to continue to build the general allowance for credit losses. However, the eventual amount charged for next year will be affected directly by actual loan loss experience during the year ended October 31, 1999.

Impaired Loans and the Allowance for Credit Losses

The Credit Risk Management heading in the MD&A (beginning on page 36), and Notes 3 & 4 to the Annual Financial Statements are herein incorporated by reference and provide a detailed analysis of impaired loans, associated interest income and the allowance for credit losses for Fiscal 1998.

The loan portfolio is primarily located within the provinces of Alberta, British Columbia, Manitoba and Saskatchewan. Therefore, there are no impaired non-resident loans nor sovereign risk loans. In addition, due to the Bank's size and type of consumer operations, the Bank does not report impaired consumer loans by personal plan and credit card category.

At October 31, 1998 there were no loans that fell into the other past due loans category. Other past due loans are those loans where a payment is in arrears for 90 days or more but the loan has not yet been classified as impaired as the loan is well secured and in the process of collection.

At October 31, 1998 the allowance for credit losses amounted to \$12.8 million of which \$3.5 million was related to specific provisions against individual loans. The remaining \$9.3 million was made up of the general allowance for credit losses, which are provisions that are prudential in nature and not allocated on a loan-by-loan basis. Net impaired loans totalled 0.68% of the total loan portfolio compared to 0.53% one year ago.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Introduction

All information is presented on a consolidated basis. The Bank operates only in Canada. Almost all of its business is located in the four western provinces of British Columbia, Alberta, Saskatchewan and Manitoba. The breakdown of operations in terms of revenues and percentages of assets is included in the MD&A (page 27 - Table 1 Net Interest Income; page 28 - Table 2 Other Income and page 31 - Table 5 Outstanding Loans by Portfolio Type and by Provincial Location of Branch) all of which is incorporated herein by reference.

Summary Financial Information (\$ thousands, except per share data) Year Ended October 31

	1998	1997	1996	1995	1994
Total assets	\$2,386,478	\$2,022,951	\$1,754,072	\$1,330,596	\$705,709
Loans, excluding repurchase agreements and call loans	1,961,163	1,686,007	1,458,392	1,113,173	577,381
Cash and securities	320,405	271,883	247,614	174,670	95,006
Deposits	2,059,545	1,817,512	1,585,855	1,192,663	634,379
Subordinated debentures	87,091	37,116	26,000	8,000	8,000
Shareholders' equity	145,268	128,533	102,554	92,299	48,870
Total interest income	157,966	131,917	133,399	113,413	53,194
Net interest income	55,855	45,414	40,731	33,973	18,744
Provision for credit losses	4,150	4,000	4,073	3,403	2,260
Other income	10,450	11,520	10,466	6,876	4,420
Net income	19,012	15,837	12,822	10,808	4,967
Per common share:					
Book value	\$15.39	\$13.70	\$12.61	\$11.37	\$12.39
Earnings	2.02	1.70	1.58	1.46	1.26
Fully diluted earnings	1.77	1.55	1.45	1.33	1.14
Dividends	0.30	0.25	0.15	0.10	0.07

Note: There were no extraordinary items reported in any of the above years.

Comparability of Data

During Fiscal 1998, the Bank completed a \$50 million 5.50% convertible subordinated debenture issue due March 31, 2008, which trades on The Toronto Stock Exchange. This debt qualifies as Tier 2 regulatory capital, although a portion of it is unable to be utilized as such at this time due to regulatory limitations on the amount of Tier 2 capital a Bank may utilize relative to Tier 1 capital. The issue has put the Bank in a strong capital position and helped fund internal loan growth of approximately 16% in Fiscal 1998.

During the year ended October 31, 1997, the Bank completed three private placements of debentures for a total of \$13.1 million. The debt qualified as Tier 2 regulatory capital and, net of a \$2 million debt redemption, helped provide the capital to support internally generated loan growth of approximately 16% experienced during that year.

Effective November 1, 1996 the Bank amalgamated with B.C. Bancorp (“BCB”). Share capital increased \$12.8 million through the issuance of approximately 1,119,000 common shares as a result of this transaction.

In the year ended October 31, 1996, the Bank acquired Canadian Western Trust Company (previously Aetna Trust Company) which added approximately \$274 million in assets and over \$300 million in assets under administration. To assist in financing the acquisition, the Bank issued \$20 million of 6.75% convertible subordinated debentures due April 15, 2006 which trade on The Toronto Stock Exchange.

The significant asset growth from October 31, 1994 to October 31, 1995 was primarily a result of the amalgamation of the Bank and North West Trust Company effective December 31, 1994. The amalgamation almost doubled the operations of the Bank and caused the Bank to issue special share purchase warrants, which increased share capital by approximately \$35 million.

Changes in Accounting Policies and Practices

There were no material changes in accounting policies or practices that occurred between the fiscal years ended October 31, 1994 and 1998 except for a new industry wide policy on impaired loans implemented November 1, 1995. This change in policy resulted in a \$600,000 charge to opening retained earnings in the year ended October 31, 1996.

Quarterly Financial Data (\$ thousands, except per share data)

	1998				1997			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Total Interest Income	\$43,183	\$40,711	\$37,887	\$36,185	\$34,023	\$33,335	\$31,873	\$32,686
Net Interest Income	15,134	14,149	13,478	13,094	11,674	11,285	11,288	11,167
Other Income	1,913	2,258	2,776	3,503	3,045	3,264	2,629	2,582
Net Income	4,964	4,646	4,494	4,908	4,442	4,021	3,694	3,680
Earnings per share	\$0.53	\$0.49	\$0.48	\$0.52	\$0.48	\$0.43	\$0.39	\$0.40
Fully diluted earnings per share	\$0.45	0.43	0.43	0.46	0.43	0.40	0.36	0.36

Note: There were no extraordinary items reported in any of the above quarters.

Dividend Policy and Dividends

The Bank is prohibited from paying or declaring a dividend if there are reasonable grounds for believing that the Bank is, or that payment would cause the Bank to be, in contravention of any regulation made under the Bank Act with respect to the maintenance of adequate capital and adequate and appropriate forms of liquidity or with any direction given to the Bank with respect to such matters by the Superintendent.

Dividends are payable on the Bank’s common shares if, as and when declared by the Board of Directors of the Bank. Seven annual dividends have been declared and paid on the Bank’s common shares. The seventh annual dividend of \$0.32 per share was declared on December 8, 1998 and was paid on January 11, 1999 to shareholders of record on December 18, 1998. The annual dividend declared in December 1997 was \$0.30 per share. Although it is the present intention of the Board of Directors to continue dividend payments, the Board is not required to declare or pay dividends on the Bank's common shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's analysis of operations and financial condition (the "MD&A") for the year ended October 31, 1998 and published in the 1998 Annual Report, in its entirety, is incorporated herein by reference.

MARKET FOR SECURITIES

The Common Shares of the Bank are listed on the Toronto, Alberta and Vancouver Stock Exchanges. Both the 6.75% and the 5.50% convertible bank debentures are listed on The Toronto Stock Exchange.

INTERCORPORATE RELATIONSHIPS

The Bank has only one 100% owned material subsidiary which is Canadian Western Trust Company (continued under the Trust and Loan Companies Act (Canada)). On January 16, 1998 the Bank invested an additional \$3,000,000 to acquire a 73 percent interest in the common shares of Canadian Western Capital Limited (formerly Majendie Charlton Securities Ltd.) for a total cash investment of \$3,724,000. The acquisition was accounted for using the purchase method. On October 30, 1998 the Bank invested an additional \$2,600,000 due to a further recapitalization to hold an 80 percent interest.

DIRECTORS AND OFFICERS OF THE BANK

Information concerning directors of the Bank, including the President and Chief Executive Officer and the Executive Vice President, is detailed in the Proxy Circular incorporated herein by reference on pages 3 and 4.

The following table sets out the name, position with the Bank, municipality of residence of each officer of the Bank who is not also a director of the Bank and how long the individual has been employed by the Bank as at October 31, 1998:

Officers of the Bank

Name	Position with the Bank	Municipality of Residence	Employed Since
William J. Addington	Senior Vice President, Corporate & Strategic Operations	Edmonton, Alberta	1986
Tracey C. Ball	Vice President & Chief Financial Officer	Edmonton, Alberta	1987
S. Wayne Bamford	Vice President and Regional Manager	Calgary, Alberta	1995
R. Graham J. Gilbert	Vice President, Marketing & Product Development	St. Albert, Alberta	1988
David R. Gillespie	Vice President & Chief Inspector	St. Albert, Alberta	1985
Lawrence W. Hanson	Senior Vice President, Credit Risk Management	Edmonton, Alberta	1988
Don Kemp	Vice President, Credit Risk Management	Edmonton, Alberta	1989
Allister J. McPherson	Senior Vice President, Treasury & Operations	Edmonton, Alberta	1997
Donald C. Watson	Vice President, Industrial Lending & Leasing	North Delta, British Columbia	1990
John (Jack) C. Wright	Vice President and Regional Manager	Edmonton, Alberta	1990

Name	Position with the Bank	Municipality of Residence	Employed Since
Raymond L. Young	Vice President, Real Estate Lending	Vancouver, British Columbia	1990

All of the above officers have held the position of Vice President or higher within the Bank for at least the last five years except for Mr. McPherson, Mr. Bamford, Mr. Watson and Mr. Kemp. Mr. McPherson joined the Bank in March, 1997 as a Vice President and was appointed to his current position in June, 1997. Prior to joining the Bank, he was Senior Vice President and Chief Financial Officer of Viridian Inc. for part of 1996, and prior to that he was employed in various positions with Alberta Treasury since 1980, holding the position of Deputy Provincial Treasurer, Finance and Revenue for the last twelve years. Mr. Bamford and Mr. Watson were appointed Vice Presidents in June, 1995. Prior to joining the Bank in June, 1995, Mr. Bamford was employed with the Toronto Dominion Bank in various successive positions in Western Canada. He was appointed to his last position of Account Manager - Private Banking in 1993 and from 1989 to 1993 he held the position of Assistant General Manager - Corporate and Investment Banking Division. Mr. Watson has been employed with the Bank since 1990 and held the position of Senior Assistant Vice President prior to being appointed Vice President. Mr. Kemp was appointed Vice President in December, 1997. Mr. Kemp has been employed with the Bank since 1989 and held the position of Senior Assistant Vice President for the six years prior to being appointed Vice President.

At December 4, 1998 the directors and senior officers of the Bank, as a group, beneficially owned or exercised direction over approximately 12 percent of the issued and outstanding common shares.

ADDITIONAL INFORMATION

The Bank will provide to any person or company, upon request to the Secretary of the Bank at the head office of the Bank: (a) when the securities of the Bank are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities, (i) one copy of the AIF of the Bank, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF, (ii) one copy of the comparative financial statements of the Bank for its most recently completed financial year together with the accompanying report of the auditors, and one copy of any interim financial statements of the Bank issued subsequent to the financial statements for its more recently completed financial year, (iii) one copy of the Management Proxy Circular of the Bank in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or (b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii) above, provided the Bank may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Bank.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Bank's securities, options to purchase securities and interests of insiders in material transactions, where applicable, can be found in the Proxy Circular issued in connection with the Annual General Meeting of Shareholders to be held on March 11, 1999. Additional financial information is provided in the Bank's comparative financial statements for the year ended October 31, 1998 which is contained in the 1998 Annual Report. Copies of the information referred to in this section can be obtained by writing to the Secretary, Canadian Western Bank, Suite 2300, 10303 Jasper Avenue, Edmonton, Alberta, T5J 3X6.

CERTIFICATE

Dated January 12, 1999

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact that is required to be stated herein in accordance with the requirements of this Annual Information Form or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

Larry M. Pollock (signed)
President & Chief Executive Officer

Tracey C. Ball (signed)
Vice President & Chief Financial Officer