



**CANADIAN  
WESTERN  
BANK**

**ANNUAL INFORMATION FORM**

**January 12, 2001**

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JANUARY 12, 2001**

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		Annual Report	Proxy Circular
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**<sup>(i)</sup>Reference**

The portions referred to above of the following documents are incorporated by reference into the Annual Information Form:

- (i) Annual Report for the year ended October 31, 2000 (the 2000 "Annual Report").
- (ii) Management Proxy Circular dated as of January 12, 2001 (the "Proxy Circular")

**Financial Information**

Unless otherwise noted, all information is given at, or for, the fiscal year ended October 31, 2000 and is expressed in Canadian dollars.

## **CORPORATE STRUCTURE**

Canadian Western Bank (the “Bank”) is a Schedule I chartered bank under the Bank Act (the “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 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.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

The Bank is the smallest Canadian Schedule I chartered bank as ranked in terms of total assets and it operates only in Canada. From 1997 to 2000 the Bank’s total assets have grown by over \$1 billion to \$3.1 billion at October 31, 2000. Since 1997 an internal loan growth rate averaging 14% has been achieved.

The Bank and Canadian Western Trust Company (“CWT”), a wholly owned subsidiary, offer a comprehensive range of personal and commercial banking services. Through CWT, self-directed RRSPs and RRIFs, trust and other fiduciary services are provided. During fiscal 2000, CWT expanded its corporate trust product line to include share purchase plan and stock option plan administration.

During the year ending October 31, 2001 the Bank will become fully taxable as it is anticipated that all of the unclaimed tax deductions will be fully utilized. The Bank plans to estimate the effective annual income tax rate and use that rate to record income tax expense on a quarterly basis. For the year ended October 31, 2000 the Bank’s effective tax rate was approximately 15% but the Bank expects this rate will be in the 32 – 37% range in 2001.

### **Significant Acquisitions and Dispositions**

In January 1998, a controlling interest in Canadian Western Capital Limited (“CWC”) was acquired. Significant efforts were directed towards developing and building CWC’s wealth management business but the expected benefits of these changes did not materialize. The sale of CWC to Goepel McDermid Inc. of Vancouver closed February 16, 2000.

## **Trends**

In June 2000 the federal government tabled legislation to reform the policy framework for Canada's financial services sector. The draft legislation eliminates the current restriction on ownership of smaller banks, such as Canadian Western Bank, from the existing maximum of 10% ownership by any one investor, subject to a determination by its board that it would be in the best interests of the institution. Although the impact on the Bank is uncertain it is expected that this change would broaden the Bank's options for forming beneficial alliances in the future. This legislation was tabled but not passed prior to the November 2000 federal election and thus it is unknown at this time whether or when the legislation will be reintroduced.

## **DESCRIPTION OF THE BUSINESS**

### **General**

The Bank operates only in Canada 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, 2000 there were 25 branches located in the provinces of British Columbia, Alberta, Saskatchewan and Manitoba and approximately 509 full-time and full-time equivalent staff were employed.

### **Retail and Commercial Banking**

Retail and commercial banking is currently carried on through the branches and the overall responsibility for these operations falls under an Executive Vice President, with assistance from three Regional Vice Presidents and a Vice President in each of real estate lending and industrial lending. There are twelve branches in Alberta, nine branches in British Columbia, three branches in Saskatchewan and one branch in Manitoba. There are two additional banking operations, one located within the Edmonton Head Office and one within the Vancouver Regional Office, which process only deposits gathered through a network of agents operating throughout Canada. In addition, the trust company provides mortgage lending and fiduciary services through its corporate office in Vancouver as well as deposit products which are gathered primarily through an agent network.

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<sup>®</sup>, Cirrus<sup>®</sup> and Exchange<sup>®</sup> automated banking machine networks and the Interac<sup>®</sup> Direct Payment system. Competitively priced consumer loans and mortgages are offered to customers. Through CWT, self-directed RRSPs and RRIFs, corporate trust services including share purchase plan and stock option plan administration, and other fiduciary services are provided. CWT's deposit products are also sold through the Bank's 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 focus is towards more term, fixed rate lending, however, some borrowers have been demonstrating an increasing preference for floating rate debt. At October 31, 2000 approximately 56% 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 regulatory capital, 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.

### **Competition**

Competition mainly comes from chartered banks, credit unions, trust companies and other regionally-based financial institutions. The Bank operates in very competitive markets, particularly with respect to the pricing, nature and extent of products and services offered. The key competitive differentiators are a commitment to highly personalized service and local decision making. The ongoing restructuring of the major chartered banks and the policy changes proposed for the Canadian financial sector may provide additional competitive opportunities for the Bank.

## **SELECTED CONSOLIDATED FINANCIAL INFORMATION**

### **Comparability of Data**

During the year ended October 31, 2000 CWC was sold. For reporting purposes the results of operations of CWC and the loss on disposal were disclosed separately from continuing operations and comparative balances were restated.

During the year ended October 31, 2000 all of the outstanding 6.75% convertible subordinated debentures, which totalled \$11.6 million, were converted by holders into 925,200 shares.

During the year ended October 31, 1998, a \$50 million 5.50% convertible subordinated debenture issue due March 31, 2008 was completed. The debentures trade on The Toronto Stock Exchange and the debt qualifies as Tier 2 regulatory capital. The issue put the Bank in a strong capital position and helped fund internal loan growth.

### **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, 1998 and 2000 except that the Bank increased its general allowance for credit risk by \$11.7 million in the year ended October 31, 1999 in accordance with guidance provided by the Superintendent of Financial Institutions. This one-time adjustment resulted in a \$6.5 million charge to retained earnings representing the \$11.7 million adjustment less deferred income taxes of \$5.2 million. This accounting treatment for the general allowance for credit risk at October 31, 1999 was approved by the Superintendent of Financial Institutions and did not conform to generally accepted accounting principles.

### **Dividend Policy and Restrictions**

Dividends are payable on the Bank's common shares if, as and when declared by the Board of Directors of the Bank. During the year ended October 31, 1999 the dividend policy was amended to be semi-annual instead of annual and the first semi-annual dividend was paid in July 1999. Previously annual dividends had been paid in January. 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.

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.

**MARKET FOR SECURITIES**

The common shares of the Bank and the 5.50% convertible subordinated debentures are listed on the Toronto Stock Exchange (“TSE”).

**DIRECTORS AND OFFICERS**

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, 2000:

**Officers of the Bank**

<b>Name</b>	<b>Position with the Bank</b>	<b>Municipality of Residence</b>	<b>Employed Since</b>
William J. Addington	Senior Vice President, Corporate & Strategic Operations	Edmonton, Alberta	1986
Tracey C. Ball	Senior Vice President & Chief Financial Officer	Edmonton, Alberta	1987
S. Wayne Bamford	Vice President and Regional Manager	Calgary, Alberta	1995
William A. Book	Vice President and Branch Manager	Edmonton, Alberta	1991
R. Graham J. Gilbert	Vice President, Marketing & Product Development	St. Albert, Alberta	1988
David R. Gillespie	Vice President & Chief Inspector	St. Albert, Alberta	1985
Don Kemp	Vice President, Credit Risk Management	Edmonton, Alberta	1989
Allister J. McPherson	Executive Vice President	Edmonton, Alberta	1997
Rod W. Sorbo	Vice President and Regional Manager	Delta, British Columbia	1994
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
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. Kemp, Mr. Sorbo and Mr. Book. Mr. McPherson joined the Bank in March 1997 as a Vice President and was appointed to his current position in September 2000. 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 previous twelve years. 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 in December 1997. Mr. Sorbo has been employed with the Bank since October 1994 and held the position of Senior Assistant Vice President Commercial Banking prior

to being appointed Vice President in March 1999. Mr. Book was appointed Vice President in June 2000. Mr. Book has been employed with the Bank since November 1991 and held the position of Senior Assistant Vice President and Branch Manager of the Edmonton Main Branch for seven years prior to being appointed Vice President.

At October 31, 2000 the directors and senior officers of the Bank, as a group, beneficially owned or exercised direction over approximately 13 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 under a preliminary short form prospectus or a short form prospectus,
  - (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 for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Bank that have been filed, if any, for any period after the end of its most 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 instead 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 clauses (i) , (ii) or (iii), or
- (b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii), 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 Management Proxy Circular issued in connection with the Annual General and Special Meeting of Shareholders to be held on March 8, 2001. Additional financial information is provided in the Bank's comparative financial statements for the year ended October 31, 2000 as contained in the 2000 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 or via our website at [www.cwbank.com/investor\\_info](http://www.cwbank.com/investor_info).