

CANADIAN  
WESTERN  
BANK

Think Western®

**Fourth Quarter and Fiscal 2006 Results**

**Conference Call**

December 7, 2006

[www.cwbankgroup.com](http://www.cwbankgroup.com)

# Agenda



## **1. Fourth Quarter Overview**

Larry Pollock, President & CEO

## **2. Fourth Quarter Financial Review**

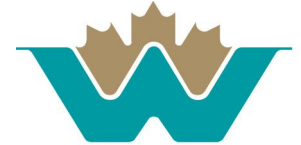
Tracey Ball, Executive Vice President & CFO

## **3. Outlook & Strategy**

Larry Pollock, President & CEO

## **4. Questions & Answers**

# Fourth Quarter Overview

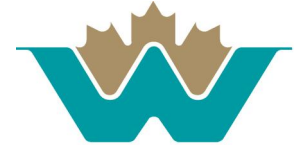


## Highlights

- Record financial results for the quarter and fiscal 2006
- Exceeded all 2006 performance targets
- Robust economic conditions
- Capital structure - CWB WesTS
- Infrastructure expansion
- Trust and insurance
- Strong credit quality
- Quarterly dividend of \$0.16 declared - up 33% over Q4 06
- Stock dividend declared, effectively achieving a 2 for 1 split of the Bank's common shares

74 consecutive  
quarters  
of profitability

# Fourth Quarter Financial Review



## Consolidated Financial Results

### Fourth Quarter Results

(compared with fourth quarter 2005)

- Net income of \$21.2 million, up 43%
- Diluted EPS of \$0.66, up 40%
- Total revenues (teb), up 22%
- ROE 16.5%
- Efficiency ratio (teb) of 45%
- Excluding \$2.0 million tax recovery:
  - Net income up 30%
  - Diluted EPS of \$0.60, up 28%
  - ROE 14.9%, up 190 bps from Q4 05

### Fourth Quarter Results

(compared with third quarter 2006)

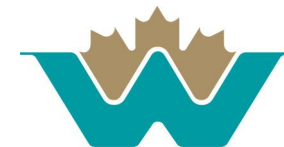
- Net income up 20%, or 6% before taxes

### Fiscal 2006 Results

(compared with 2005)

- Net income up 32%
- Diluted EPS of \$2.26, up 30%
- Loan growth of 26%
- Total revenues (teb) up 19%
- ROE 14.8%, up 210 basis points

# Fourth Quarter Financial Review



## Banking & Trust Operations

### Highlights

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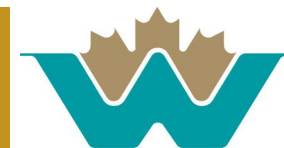
- **Compared to Q4 05**

- Record net income, up 26% (excluding tax benefit)
- Total revenues (teb) up 22%
- Net interest income (teb) up 23%
- Non-interest income up 17%
  - Trust fees up 38%
  - Credit fees up 14%

- **Compared to Q3 06**

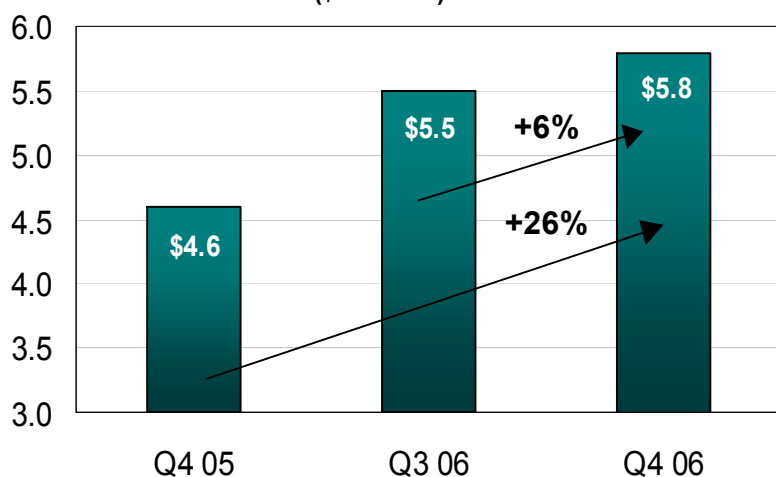
- Pre-tax earnings up 6%
- Total revenues (teb) up 5%
- Loan growth of 6% in Q4
- Non-interest income down 4% due to lower credit related fees

# Fourth Quarter Financial Review



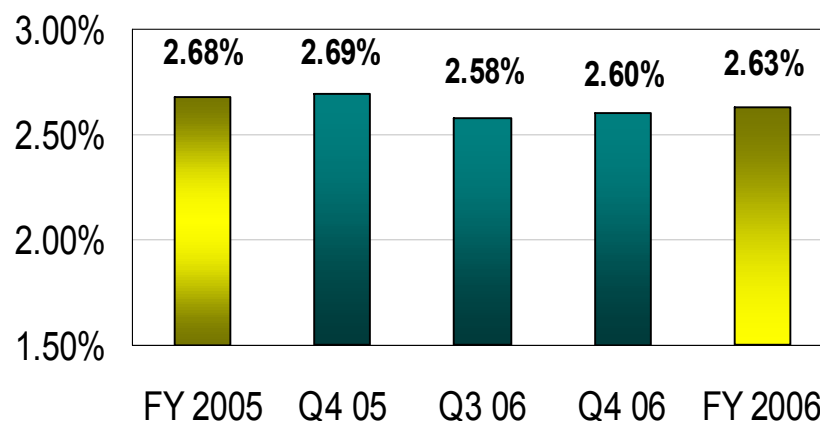
## Banking & Trust Operations

**Total Loans**  
(\$ billions)

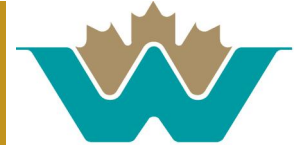


- Strong new loan generation
- Credit quality strong and stable
  - Consistent dollar provision for credit losses

**Net Interest Margin (teb)**  
(Banking and Trust Operations)



- Decline vs. Q4 05 due to:
  - higher liquidity and debenture costs
  - flat yield curve
  - increased loan pricing competition
- Two bp improvement over Q3 06



## Banking & Trust Operations

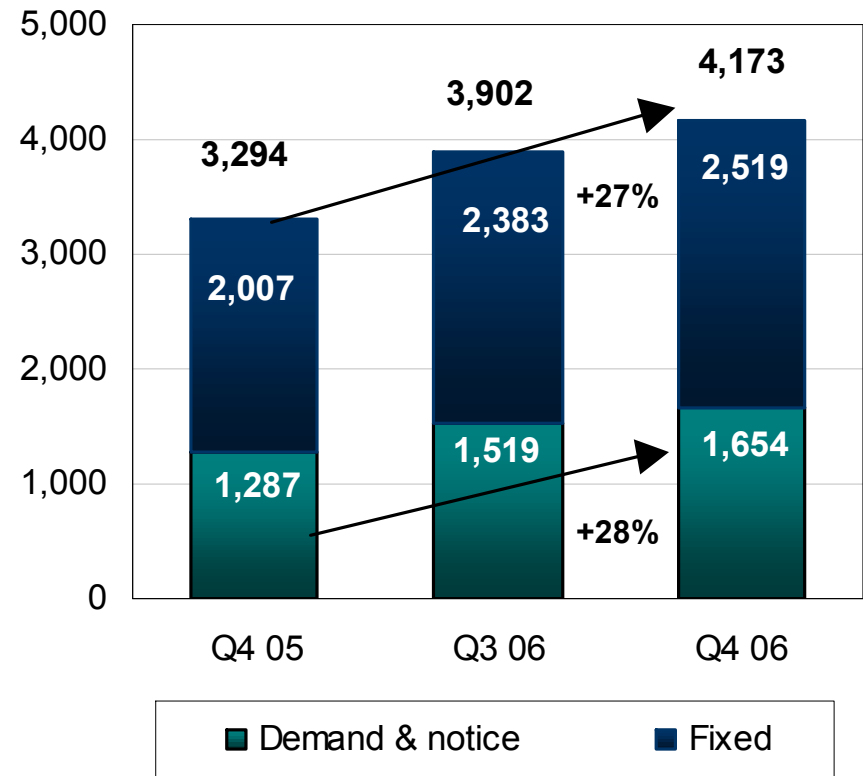
### Branch Deposits

- Increased 7% over Q3 06
- Increased 27% over Q4 05
- Comprise 66% of total deposits

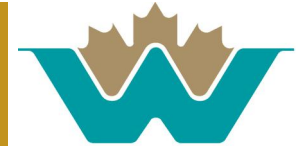
### Demand and Notice Deposits

- Increased 9% over Q3 06
- Increased 28% over Q4 05
- Comprise 26% of total deposits

### Branch Deposits (\$ millions)



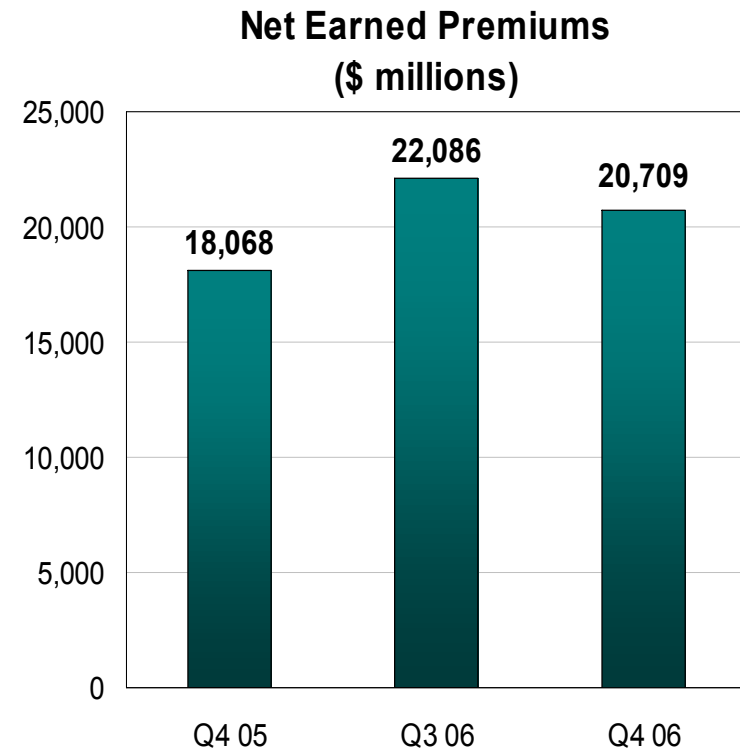
# Fourth Quarter Financial Review



## Insurance Operations

### Highlights

- **Compared to Q4 05**
  - net income of \$2.0 million, up 73%
  - Net earned premiums up 15%
  - Pricing pressures in British Columbia
  - Regulatory changes in Alberta
  - Impact of Alberta Risk Sharing Pools (Pools) and higher claims experience
- **Compared to fiscal 2005**
  - Net income of \$6.9 million, up 35%
  - Pools' impact
  - Net earned premiums up 24%
  - Reduced quota share reinsurance
  - Stable claims loss and expense ratio



# Fourth Quarter Financial Review



## Performance Targets

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	<b>2006 Target</b>	<b>2006 Performance</b>	<b>2007 Target</b>
<b>Net income growth</b>	<b>18%</b>	<b>32%</b>	<b>20%</b>
<b>Total revenue growth (teb)</b>	<b>15%</b>	<b>19%</b>	<b>15%</b>
<b>Total loan growth</b>	<b>12%</b>	<b>26%</b>	<b>14%</b>
<b>Provision for credit losses</b>	<b>0.22%</b>	<b>0.20%</b>	<b>0.20%</b>
<b>Efficiency ratio</b>	<b>48%</b>	<b>46%</b>	<b>46%</b>
<b>Return on equity</b>	<b>13%</b>	<b>14.8%</b>	<b>15%</b>
<b>Return on assets</b>	<b>1.05%</b>	<b>1.12%</b>	<b>1.10%</b>



## Outlook

- Positive outlook for fiscal 2007
- Banking and trust
  - Continued loan growth with commercial banking focus
  - Robust economic conditions
  - Stable net interest margin
  - Strong credit quality
  - Increased contribution from trust services



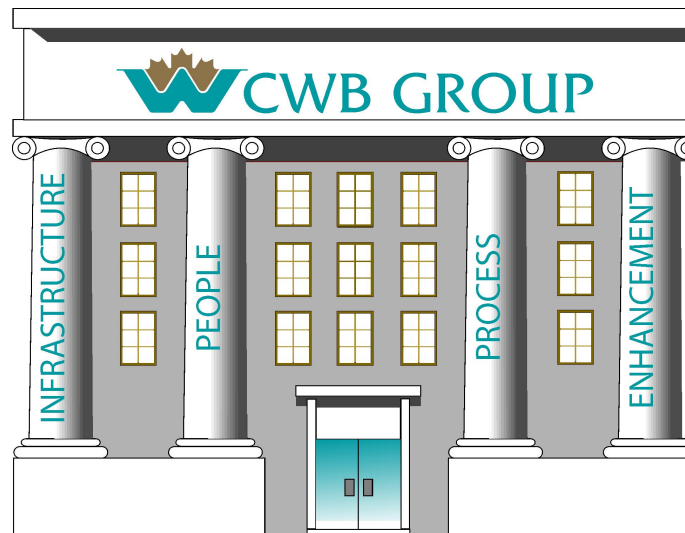
## Outlook

- Insurance
  - Moderate growth in policies outstanding and net earned premiums
  - Competitive pressures in British Columbia
  - Diminished pricing advantage in Alberta
  - Successful Internet distribution
  - Considering alternative distribution networks to enhance growth opportunities

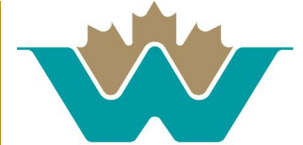


## Strategic Priorities

- Grow core commercial banking business
  - High quality assets and disciplined underwriting
- Expand personal banking services - 'Optimum Mortgage'
- Improved return on equity
- Branch expansion
- Strategic plan



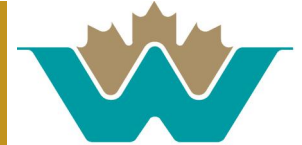
## Advisory



From time to time Canadian Western Bank (the “Bank”) makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about the Bank’s objectives and strategies, targeted and expected financial results and the outlook for the Bank’s businesses or for the Canadian economy. Forward-looking statements are typically identified by the words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “may increase”, “may impact” and other similar expressions or future or conditional verbs such as “will”, “should”, “would” and “could”.

By their very nature, forward-looking statements involve numerous assumptions. A variety of factors, many of which are beyond the Bank’s control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition in the Bank’s markets, the occurrence of weather related and other natural catastrophes, the accuracy of and completeness of information the Bank receives about customers and counterparties, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, reliance on third parties to provide components of the Bank’s business infrastructure, changes in tax laws, technological developments, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, and management’s ability to anticipate and manage the risks associated with these factors. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Bank does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

## Questions & Answers



Larry Pollock, President & CEO

Tracey Ball, Executive Vice President & CFO

Bill Addington, Executive Vice President  
*(responsibilities include Credit Risk Management)*

Brian Young, Executive Vice President CWB, President & CEO,  
Canadian Direct Insurance  
*(responsibilities include Insurance and Trust Operations)*

Randy Garvey, Senior Vice President, Corporate Support  
*(responsibilities include Treasury and Systems)*

Chris Fowler, Senior Vice President, Credit Risk Management