



CANADIAN WESTERN BANK GROUP

BANK • TRUST • INSURANCE • WEALTH MANAGEMENT

**Second Quarter 2009
Conference Call**

June 4, 2009

www.cwbankgroup.com



1. Second Quarter Overview

Tracey Ball, Executive Vice President & CFO

2. Outlook & Strategy

Larry Pollock, President & CEO

3. Questions & Answers



Second Quarter Highlights



- Performance consistent with recessionary environment and reflects:
 - challenges for the financial service sector
 - a significantly compressed net interest margin
 - loan growth of 1% in the quarter, 5% year-to-date and 14% over the past year
 - results augmented by gains on sale of securities
- Level of gross impaired loans down slightly from last quarter
 - resolution of some accounts
 - level will likely increase as the credit cycle progresses
 - based on current view, loan losses expected to remain in an acceptable range
 - secured lending practices, disciplined underwriting, no exposure to unsecured credit cards
- Closed previously announced preferred unit offerings – fully subscribed
 - paid initial cash dividend in April 2009





- Celebrated the Bank's 25th Anniversary
- Opened a Toronto office for Canadian Western Trust Company
- Quarterly common dividend of \$0.11 per share declared, unchanged from both the previous quarter and the quarterly dividend declared a year earlier
- Quarterly dividend declared for new preferred shares, payable on July 31, 2009 to shareholders of record July 23, 2009





Second Quarter Results

(compared with second quarter 2008)

- Net income of \$21.6 million, down 15%
 - significantly lower net interest margin
 - higher non-interest expenses (include \$1.7 million of additional non-cash stock compensation expense - \$0.03 per diluted common share, before and after tax)
- Diluted earnings per common share of \$0.30, down 23%
 - down 5% excluding both the above noted additional non-cash expense and the impact of the initial preferred share dividends (\$0.04 per diluted common share)
- Other income up 25%
 - gains on sale of securities
 - higher trust and wealth management fee income
 - partially offset by lower credit related fee income – reduced loan volumes
- Total revenues (teb) of \$75.4 million, up 2%
 - positive impacts from loan growth and increased other income largely offset by the compressed net interest margin



Second Quarter Results

(compared with second quarter 2008)

- Return on common shareholders' equity of 11.0%, down 510 basis points
- Return on assets of 0.70%, down 34 basis points
- Profitability measures mainly reflect the compressed net interest margin – further impacted by preferred share dividends

(compared with first quarter 2009)

- Net income down 16%
 - higher non-interest expenses
 - three fewer revenue earning days
 - further compression of net interest margin
- Total revenues down 2% - comparable decline in net interest income (teb)

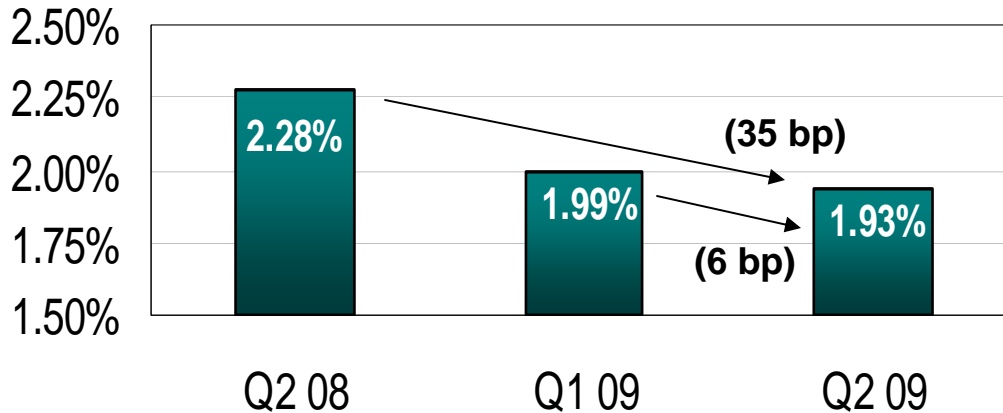
Year-to-date Results

(compared with same period in 2008)

- Net income of \$47.2 million, down 8%
- Total revenues (teb) of \$152.3 million, up 3%



Net Interest Margin (teb)



- Compressed net interest margin mainly reflects:
 - historic low prime lending rate of 2.25%
 - elevated deposit costs
- Future outlook: management believes interest rates have bottomed, market spreads appear to be improving and overall deposit costs have begun to ease
 - managements expects margins will gradually improve for the remainder of 2009, as evidenced by results in the latter part of Q2 09

Fiscal 2009 Performance Target Ranges



	2009 Target Ranges	2009 Performance⁽¹⁾
Net income growth⁽²⁾	2% - 5%	(8%)
Total revenue growth (teb)	5% - 8%	3%
Total loan growth	10%	14%
Provision for credit losses	0.15% - 0.18%	0.15%
Efficiency ratio (teb)	46% - 49%	50.2%
Return on common equity (ROE)	14% - 16%	12.9%⁽³⁾
Return on assets (ROA)	0.90% - 1.05%	0.82%⁽⁴⁾

⁽¹⁾ 2009 performance for earnings and revenue growth is the current year results over the same period in the prior year, loan growth is the increase over the past twelve months and performance for ratio targets is the current year-to-date results annualized

⁽²⁾ Net income, before preferred share dividends.

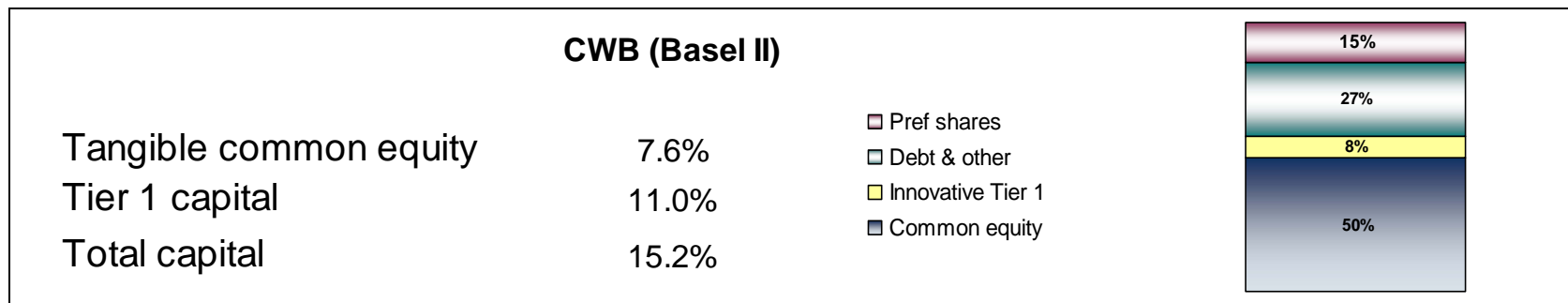
⁽³⁾ Return on common equity calculated as annualized year-to-date net income after preferred share dividends divided by average common shareholders' equity.

⁽⁴⁾ Return on assets calculated as annualized year-to-date net income after preferred share dividends divided by average total assets.

- Compressed net interest margin and recessionary environment has impacted performance more than expected when target ranges were set in 2008
 - further impacted by dividends on the recently issued preferred shares
- Ultimate achievement of profitability targets unlikely; Bank will be challenged to meet 10% annual loan growth target; expect modest improvement to the efficiency ratio (positive revenue growth and discretionary expense control);
- Based on current credit quality, provisions for credit losses expected to remain in the targeted range for the foreseeable future



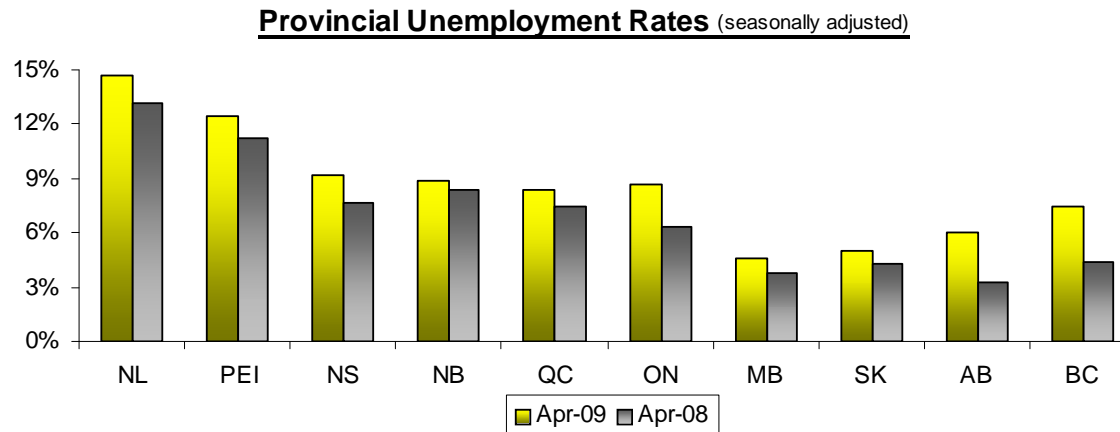
- Some positive indicators but challenges expected to continue until economic recovery ensues
- Net interest margin successes
 - favourable pricing on new loans
 - now over \$1 billion of floating rate loans with interest rate floors
 - unwound certain interest rate swaps
- Well positioned to capitalize on opportunities and manage recessionary environment
 - strategic preferred share issue
 - committed to prudently leveraging new capital for the benefit of all stakeholders



Outlook – Financial Performance



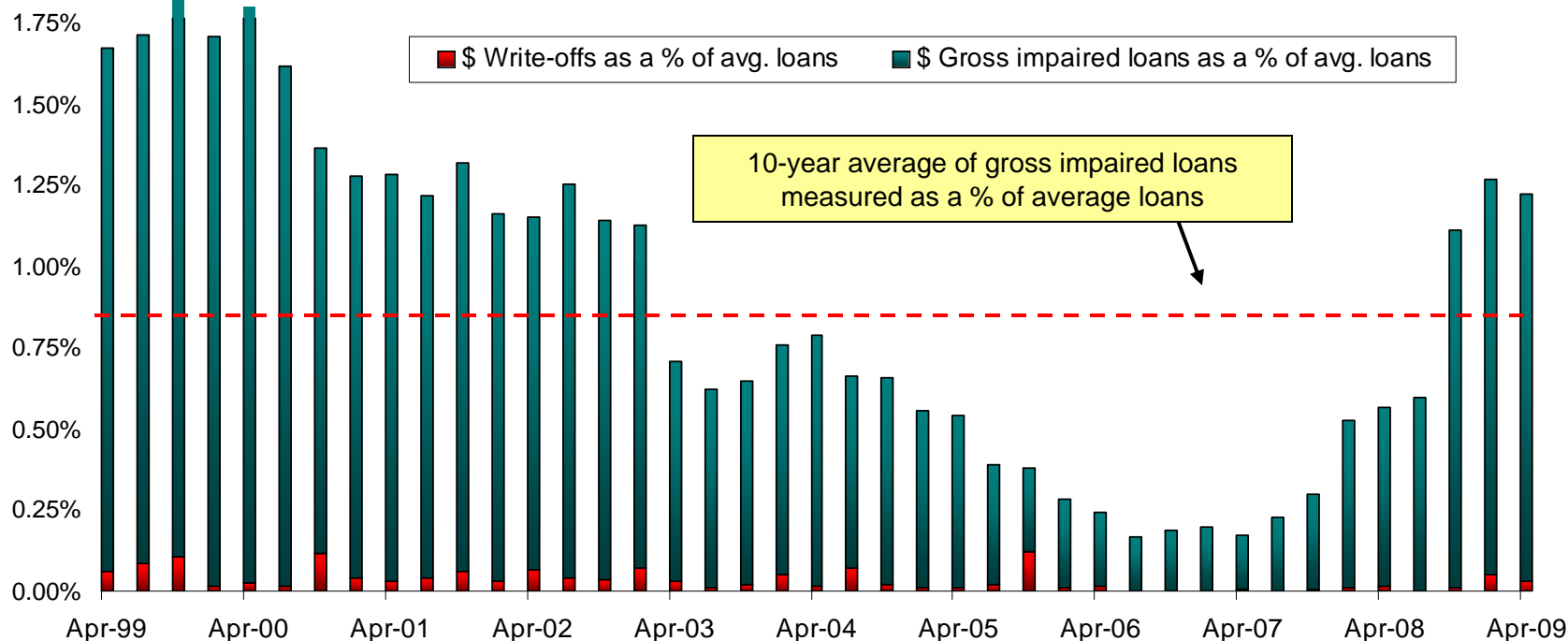
- Western Canada well positioned relative to the rest of Canada
 - some positive indicators (government stimulus, lower operating costs, etc.)
- Margin enhancement currently a key focus over loan growth
- Fiscal responsibility
 - spending consistent with long-term strategic plan (enhanced growth platform, including ongoing branch expansion)
- Changes to the Bank's long-term employee incentive program (restricted share units)
 - additional \$1.7 million of non-cash stock compensation expense



SOURCE: *Statistics Canada*



Gross impaired loans & write-offs (as a percentage of average loans)



- Good overall credit quality in view of recessionary environment
 - resolved some accounts in the quarter – other problem loans in various stages of being worked out
- All current expected losses reflected in specific provisions
 - no material changes to the Bank’s general reserves for credit losses



- **Minimum \$20 billion of high quality assets**
- **Minimum \$200 million net income after taxes**
- **Minimum 30% earnings contribution from non-interest sources**
- **Double current income contributions from all CWB subsidiaries**
- **Enhance retail banking franchise (including core deposits)**
- **Increase geographic diversification (specific business units)**





Forward-looking Statements

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, general business and economic conditions in Canada including the volatility and lack of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, regulatory and legal developments, the level of competition in the Bank's markets, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, 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. It is important to note that 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 as a number of important factors could cause the Bank's actual results to differ materially from the expectations expressed in such forward looking statements. Unless required by securities law, 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.

Assumptions about the performance of the Canadian economy in 2009 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting performance target ranges for fiscal 2009, management's expectations assumed prolonged economic uncertainty that included significantly challenged global economies and troubled markets; moderated economic activity in Western Canada; a declining interest rate environment supported by stable inflation partially attributed to lower energy and commodity prices; sound credit quality with actual losses remaining within the Bank's historic range of acceptable levels; and, a compressed net interest margin consistent with elevated deposit costs, reduced prime lending rates, comparatively lower investment returns reflecting high quality assets held in the securities portfolio and the Bank's higher liquidity levels maintained in response to disruptions in financial markets, partially offset by expectations for higher credit spreads and a corresponding increase in loan yields on both new lending facilities and renewal accounts. As at April 30, 2009, interest rates had fallen much more than management anticipated at the onset of fiscal 2009 and there was also a confirmed recessionary environment in Western Canada.

Q & A / Executive Management

