



CANADIAN  
WESTERN BANK  
GROUP

BANK • TRUST • INSURANCE • WEALTH MANAGEMENT

# Canadian Western Bank Group

## Fourth Quarter 2010

## Corporate Presentation



## Forward-looking Statements

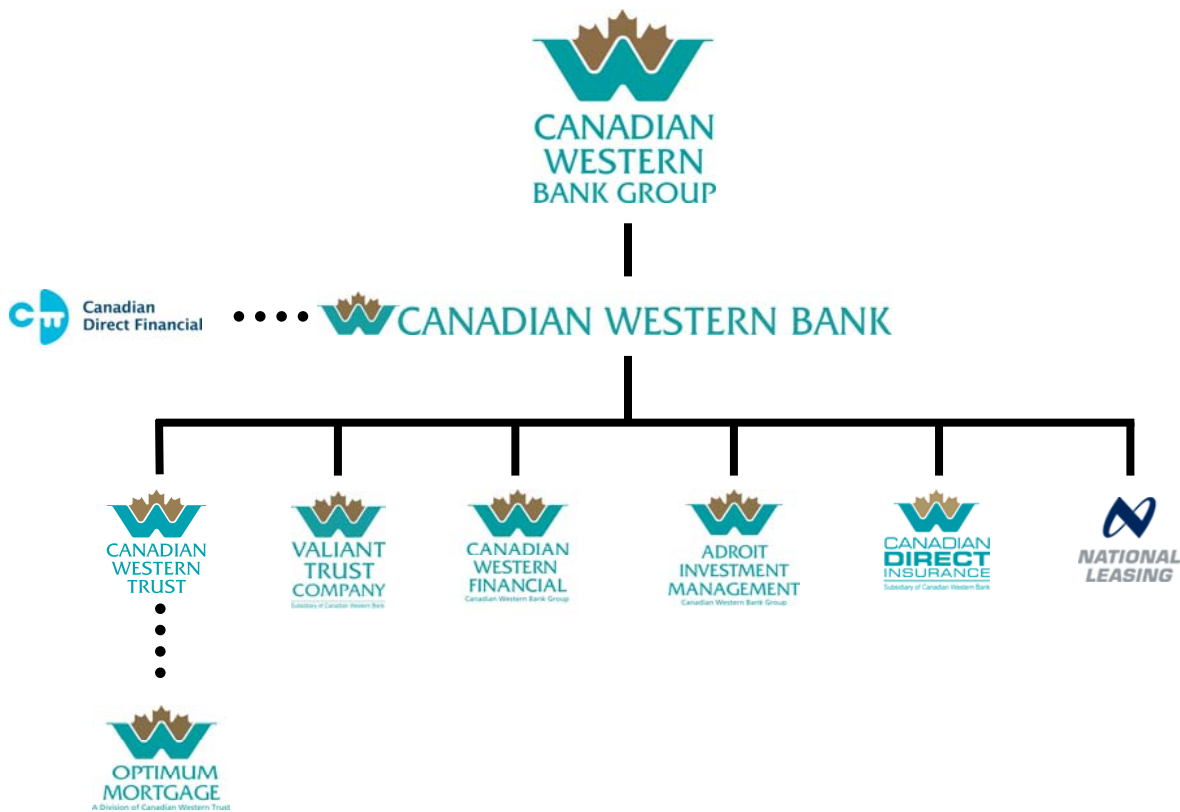
From time to time, Canadian Western Bank (the Bank) makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases 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 2011 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting minimum performance targets for fiscal 2011, management's assumptions include: moderate economic growth in Canada aided by positive relative performance in the four western provinces; relatively stable energy and other commodity prices; sound credit quality with actual losses remaining within the Bank's historical range of acceptable levels, including consideration for National Leasing; modest inflationary pressures and gradual increases in the prime lending interest rate beginning in early-to-mid calendar year 2011; and, a relatively stable net interest margin supported by a low deposit cost environment, favourable yields on both new lending facilities and renewed accounts, and relatively stable investment returns reflecting high quality assets held in the securities portfolio.

# CANADIAN WESTERN BANK GROUP



## LINES OF BUSINESS

- Mid-market commercial banking specialty
- Retail banking
- Commercial equipment leasing
- Alternative mortgage lending
- Personal trust
- Corporate trust
- Wealth management
- Auto and home insurance

**Bank** – 39 branches (+equipment leasing)

**Trust** – 8 locations

**Insurance** – 2 service centres

**Wealth management** – 1 location

**90 CONSECUTIVE PROFITABLE QUARTERS,  
OVER 22 YEARS**

# STRATEGIC PRIORITIES – FOCUS 2011

- **Maintain disciplined underwriting and secured lending practices**
- **Evaluate opportunities to deploy capital (loan growth & acquisitions)**
- **Invest in people/infrastructure/technology to support growth and improve efficiency**
  - Expand branch network
  - Enhance and diversify base of core retail deposits
- **Further develop and grow subsidiaries with a focus on increasing sources of both net interest income and non-interest income**
  - Small and mid-ticket leasing
  - Residential mortgages
  - Trust services
  - Insurance
  - Wealth management

# STRATEGIC VISION 2013

## FIVE-YEAR TARGETS (established at the beginning of fiscal 2009)

**Surpass \$200 million of net income**

**Achieve 30% earnings contribution from non-interest sources**

**Double income contributions from all CWB subsidiaries**

**Enhance retail banking franchise (including branch network and core deposits)**

**Increase industry and geographic diversification (specific business units)**

# 2010 MINIMUM TARGETS & PERFORMANCE WITH 2011 MINIMUM TARGETS

	<b>2010 Minimum Target</b>	<b>2010 Performance</b>	<b>2011 Minimum Targets</b>
<b>Net income growth <sup>(1)</sup></b>	<b>12%</b>	<b>54%</b>	<b>6%</b>
<b>Net income growth before taxes <sup>(2)</sup></b>	<b>n/a</b>	<b>42%</b>	<b>10%</b>
<b>Total revenue growth (teb)</b>	<b>12%</b>	<b>32%</b>	<b>12%</b>
<b>Loan growth</b>	<b>10%</b>	<b>14%</b>	<b>10%</b>
<b>Provision for credit losses</b>	<b>0.15% – 0.20%</b>	<b>0.21%</b>	<b>0.20% – 0.25%</b>
<b>Efficiency ratio (teb)</b>	<b>48%</b>	<b>44.1%</b>	<b>46%</b>
<b>Return on common equity <sup>(3)</sup></b>	<b>13%</b>	<b>17.1%</b>	<b>15%</b>
<b>Return on assets <sup>(4)</sup></b>	<b>0.90%</b>	<b>1.24%</b>	<b>1.20%</b>

(1) Net income before preferred share dividends. (2) Net income before income taxes (teb), non-controlling interest in subsidiary and preferred share dividends. (3) Return on common equity calculated as net income after preferred share dividends divided by average common shareholders' equity. (4) Return on assets calculated as net income after preferred share dividends divided by average total assets.

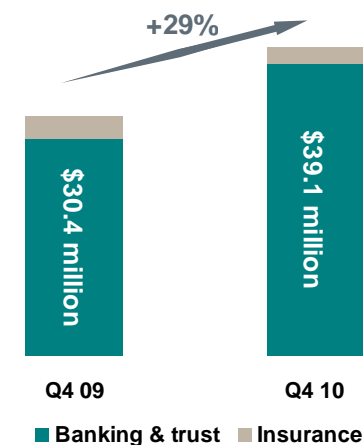
- Surpassed 2010 minimum targets for revenue growth, profitability and efficiency by considerable margins – higher provision for credit losses in 2010 largely reflects the acquisition of National Leasing, effective February 1<sup>st</sup>
- Challenging minimum targets established for 2011 reflect ongoing confidence across all of CWB Group's businesses, in addition to a relatively positive economic outlook for the Bank's core geographic markets in Western Canada

# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE – FOURTH QUARTER 2010

(\$thousands)	Q4 10	Q4 09	Change
<b>Net Income – Banking &amp; trust</b>	\$ 37,018	\$ 27,467	35 %
– Insurance	2,089	2,890	(28)
<b>Diluted earnings per share</b>	<b>0.48</b>	0.39	23

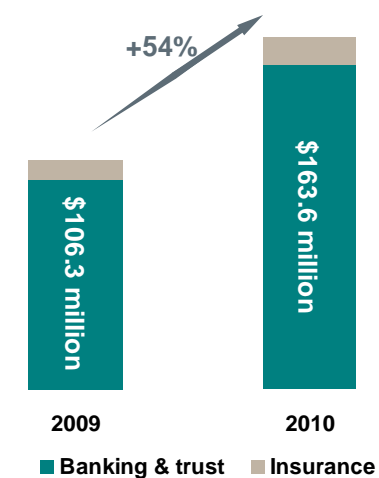
### Total Quarterly Net Income



## FINANCIAL PERFORMANCE – FISCAL 2010

(\$thousands)	2010	2009	Change
<b>Net Income – Banking &amp; trust</b>	\$ 151,233	\$ 97,174	56 %
– Insurance	12,388	9,111	36
<b>Diluted earnings per share</b>	<b>2.05</b>	1.47	39

### Total Net Income

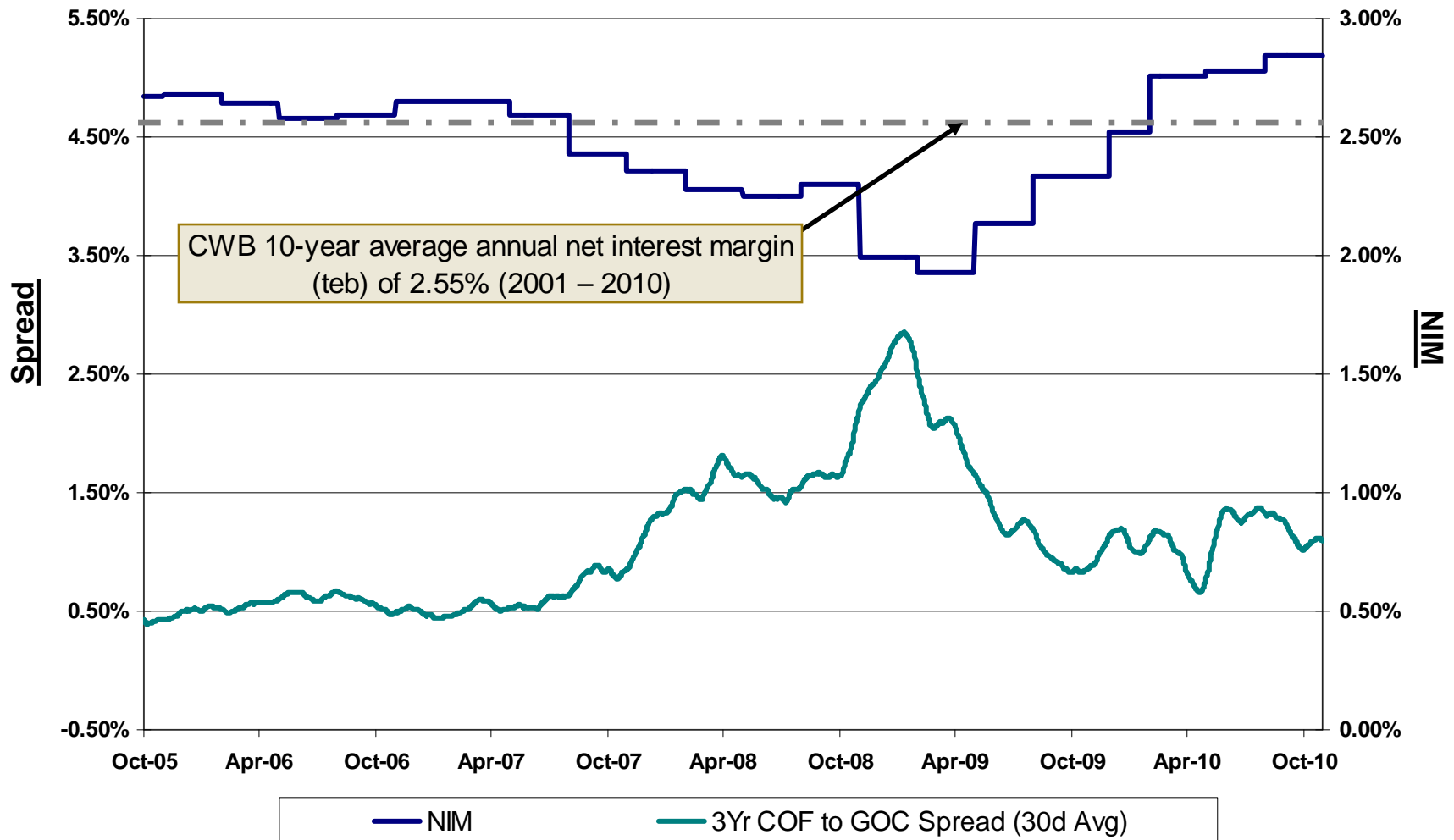


# FINANCIAL PERFORMANCE – HISTORY

YEAR	TOTAL ASSETS (\$millions)	% ASSET GROWTH	NET INCOME BEFORE TAXES (\$thousands)
<b>Starting 1984</b>	<b>\$31</b>		
1984	\$50	61%	1,352
1985	\$106	113%	2,408
1986	\$131	23%	540
1987	\$134	3%	546
1988	\$277	106%	-2,336
1989	\$341	23%	1,727
1990	\$418	22%	1,444
1991	\$486	16%	1,309
1992	\$543	12%	1,346
1993	\$598	10%	1,884
1994	\$706	18%	5,078
1995	\$1,331	89%	11,147
1996	\$1,754	32%	13,953
1997	\$2,023	15%	16,253
1998	\$2,386	18%	20,393
1999	\$2,692	13%	26,270
2000	\$3,060	14%	35,435
2001	\$3,440	12%	46,582
2002	\$3,828	11%	45,716
2003	\$4,344	13%	59,823
2004	\$4,919	13%	63,647
2005	\$5,705	16%	81,385
2006	\$7,268	27%	105,443
2007	\$9,525	31%	135,936
2008	\$10,601	11%	146,020
2009	\$11,636	10%	148,437
2010	\$12,702	9%	211,180
<b>Shaded areas represent prior recessionary periods</b>			

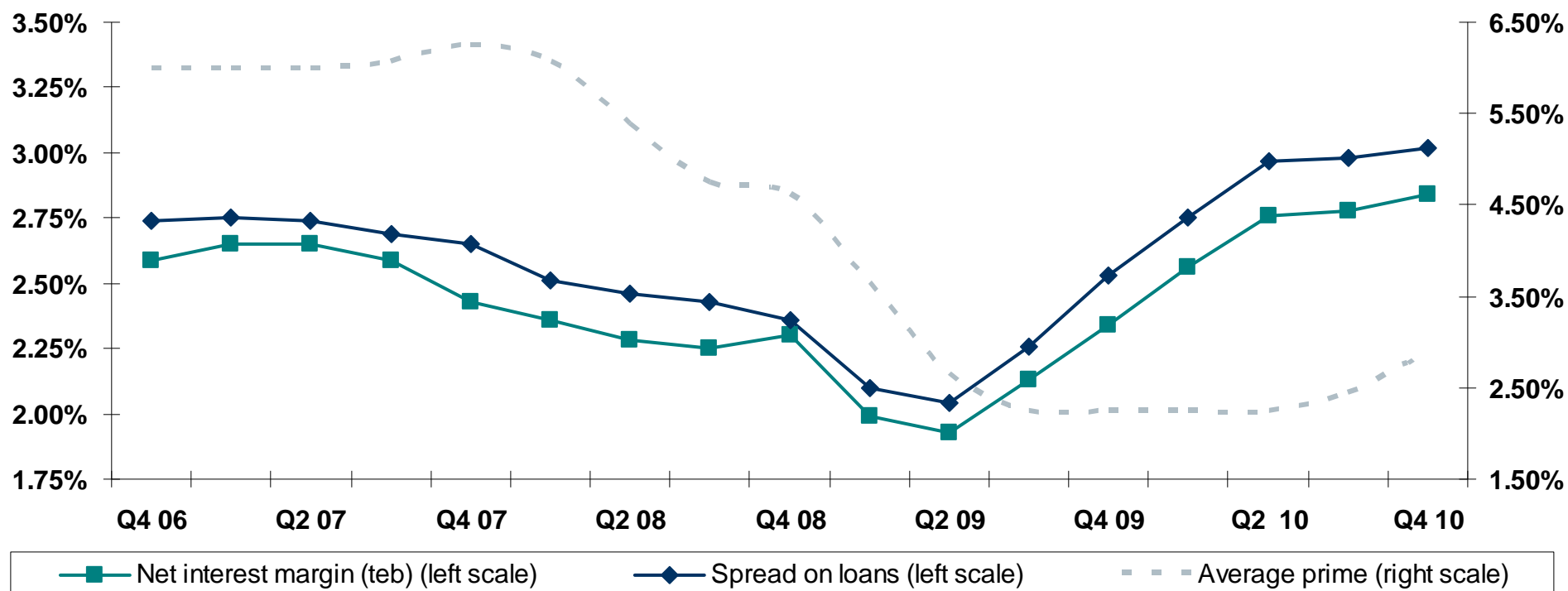
# FINANCIAL PERFORMANCE – MARGIN

## NET INTEREST MARGIN (NIM) vs. CWB COST OF FUNDS (COF) (spread over 3 year GOC bond)



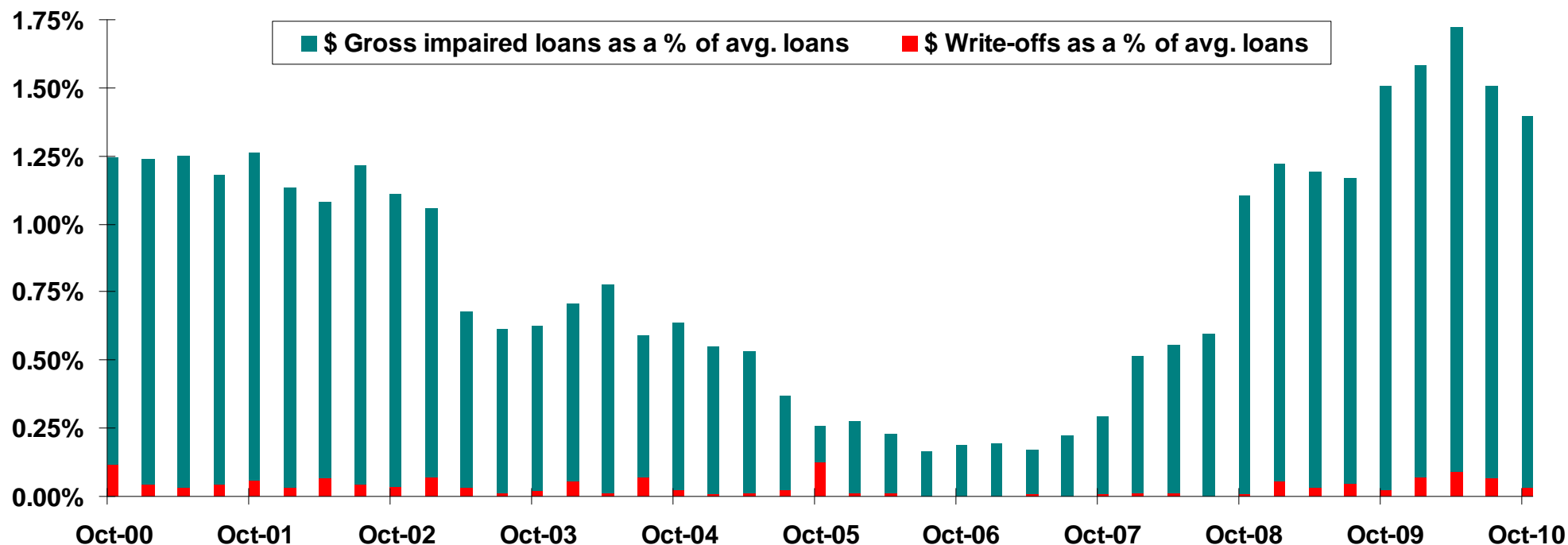
# FINANCIAL PERFORMANCE – MARGIN

## NET INTEREST MARGIN (teb) AND SPREAD ON LOANS



- Significant net interest margin (teb) improvement compared to the low established in Q2 09 reflects lower deposit costs, higher yields on fixed-rate loans (further augmented by National Leasing), a shift in the deposit mix and lower liquidity
- Based on management's assessment of competitive and other factors, material improvement in net interest margin compared to the level achieved in Q4 10 is unlikely in the absence of further increases in the prime lending interest rate

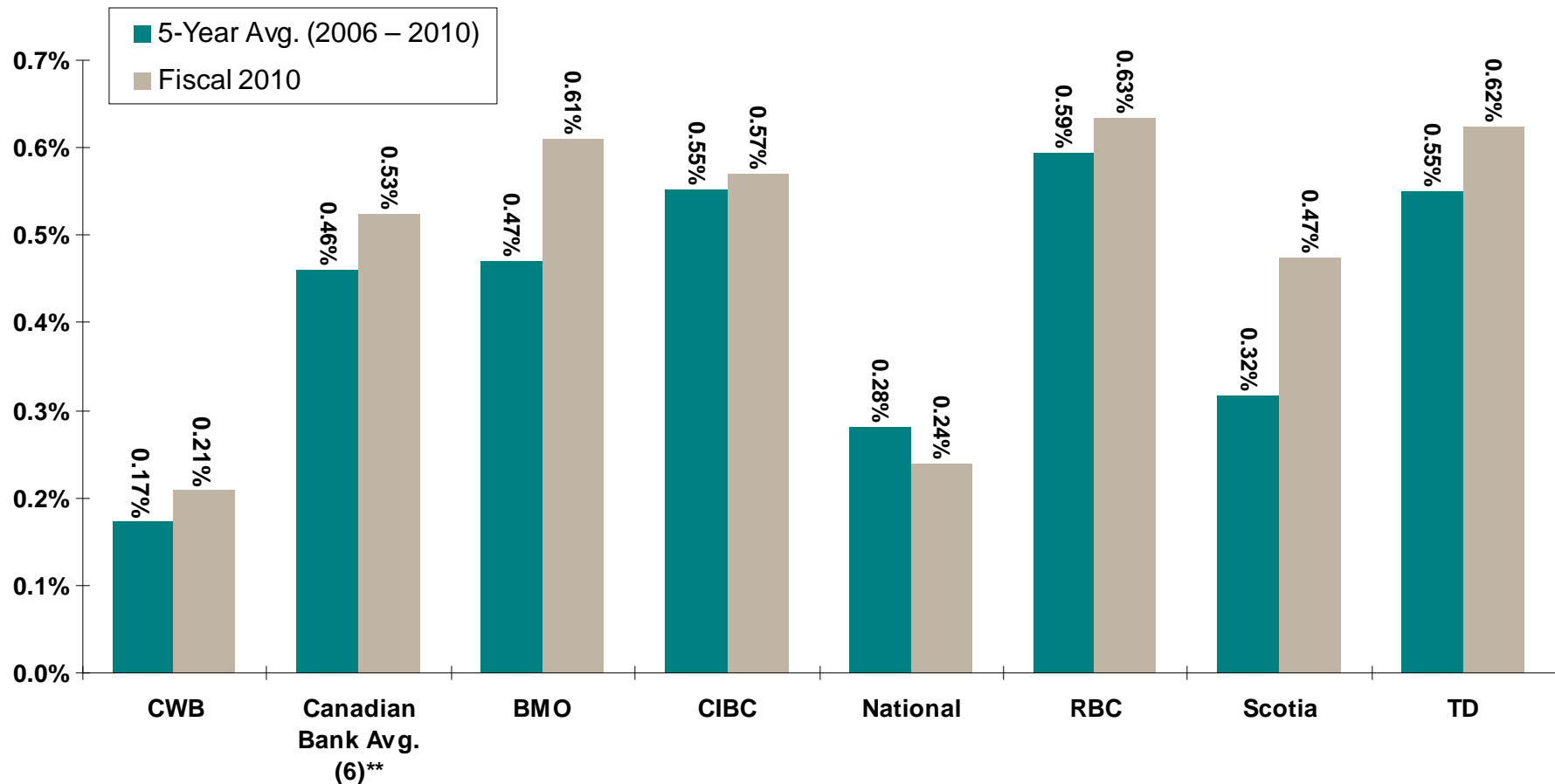
## GROSS IMPAIRED LOANS & WRITE-OFFS (as a percentage of average loans)



- Currently in the latter stages of the credit cycle, as evidenced by consecutive reductions in the level of gross impaired loans compared to Q2 10
- Overall credit quality remains satisfactory in view of continued impacts from the post-recessionary environment
- Actual credit losses expected to remain at acceptable levels relative to historical experience (reflects disciplined underwriting and secured lending practices)

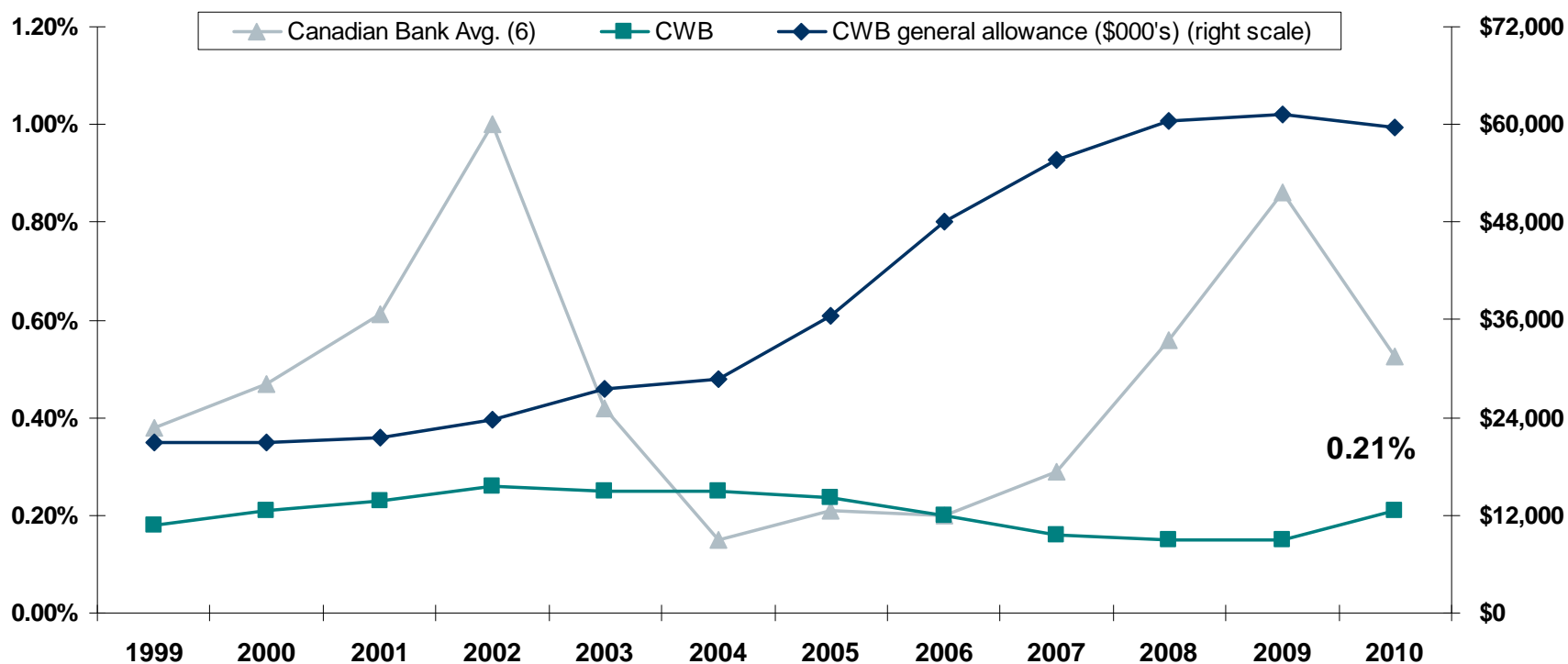
# FINANCIAL PERFORMANCE – CREDIT

## ANNUAL PROVISION FOR CREDIT LOSSES (as a percentage of average loans)



# FINANCIAL PERFORMANCE – CREDIT

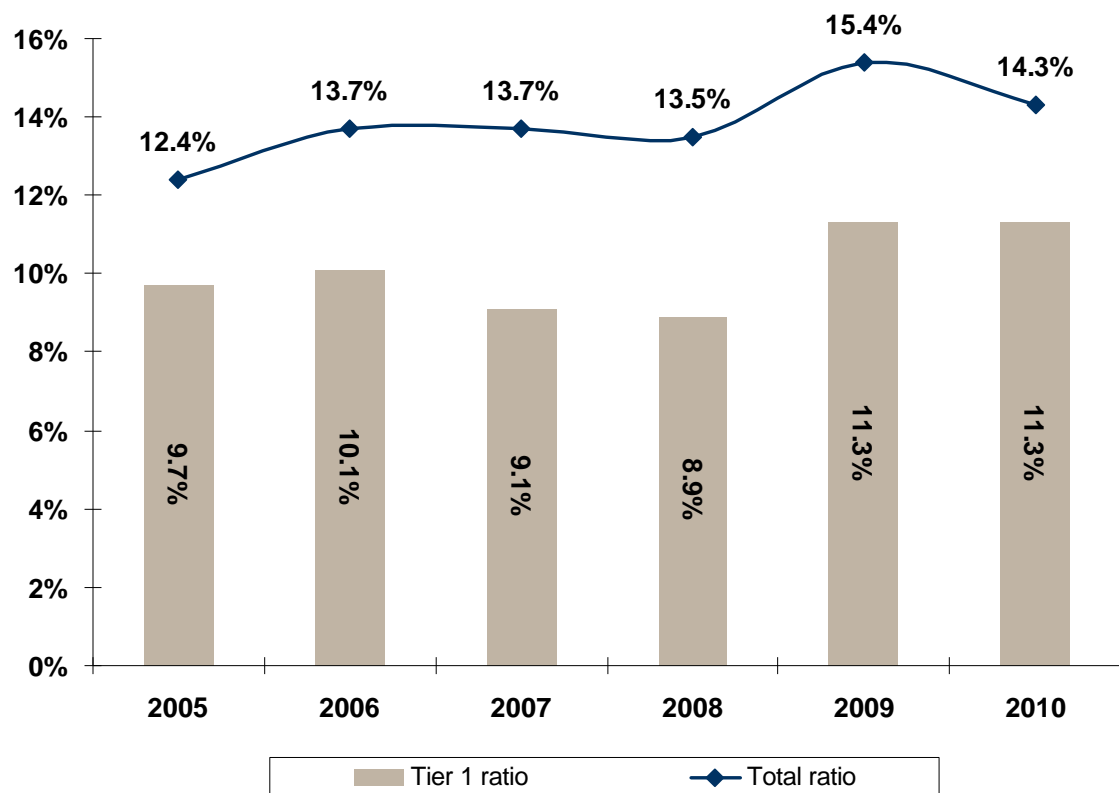
## PROVISION FOR CREDIT LOSSES (as a percentage of average loans)



- The Bank's long history of relatively low loan losses coupled with a consistent provision for credit losses has led to a significant increase in the dollar level of the general allowance
- The provision for credit losses going forward is expected to represent 20 to 25 basis points of average loans including the impact of higher inherent losses in the portfolio of National Leasing (overall earnings impact more than offset by comparatively higher yields on National Leasing's assets)

# FINANCIAL PERFORMANCE – CAPITAL RATIOS

## CWB HISTORICAL CAPITAL RATIOS



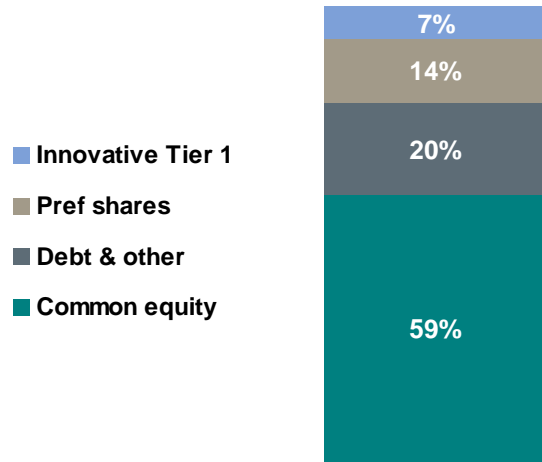
### Compared to Peers (2010)

	(Basel II)	
	<u>Tier 1</u>	<u>Total</u>
BMO	13.5%	15.9%
CIBC	13.9%	17.8%
<b>CWB</b>	<b>11.3%</b>	<b>14.3%</b>
National	14.0%	17.5%
RBC	13.0%	14.4%
Scotia	11.8%	13.8%
TD	12.2%	15.5%

- In November 2010, subsequent to year end, issued \$300 million and redeemed \$70 million of subordinated debentures. Including the impact of these transactions, the pro forma total capital ratio as at October 31, 2010 was 16.4%
- CWB well positioned to manage expected changes under proposed “Basel III” capital adequacy standards

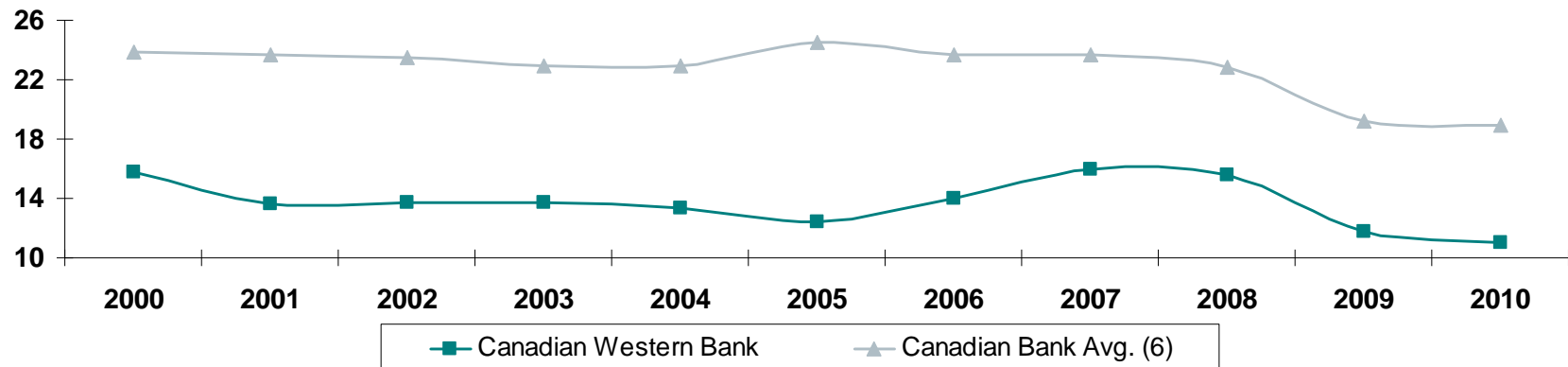
# FINANCIAL PERFORMANCE – CAPITAL & LEVERAGE

## REGULATORY CAPITAL STRUCTURE (as at October 31, 2010)



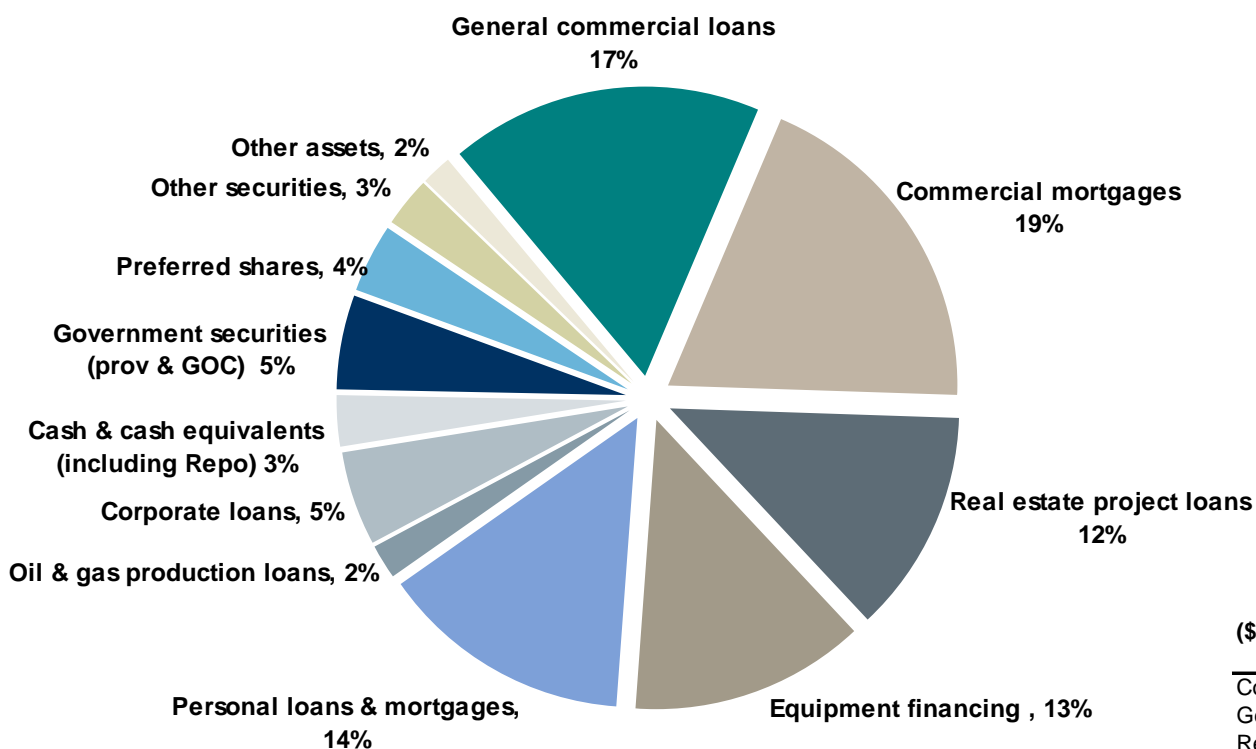
	CWB	Current Regulatory Minimum
Tangible Common Equity	8.5 %	—
Tier 1 Capital	11.3	7.0 %
Total Capital	14.3	10.0

### Low leverage (total assets-to-equity)

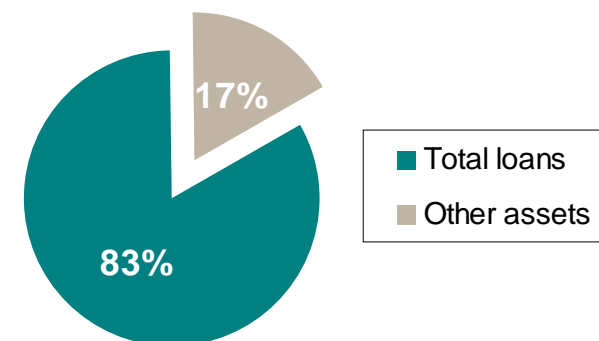


# FINANCIAL PERFORMANCE – ASSETS

## COMPOSITION OF ASSETS (as at October 31, 2010)



### Total Assets



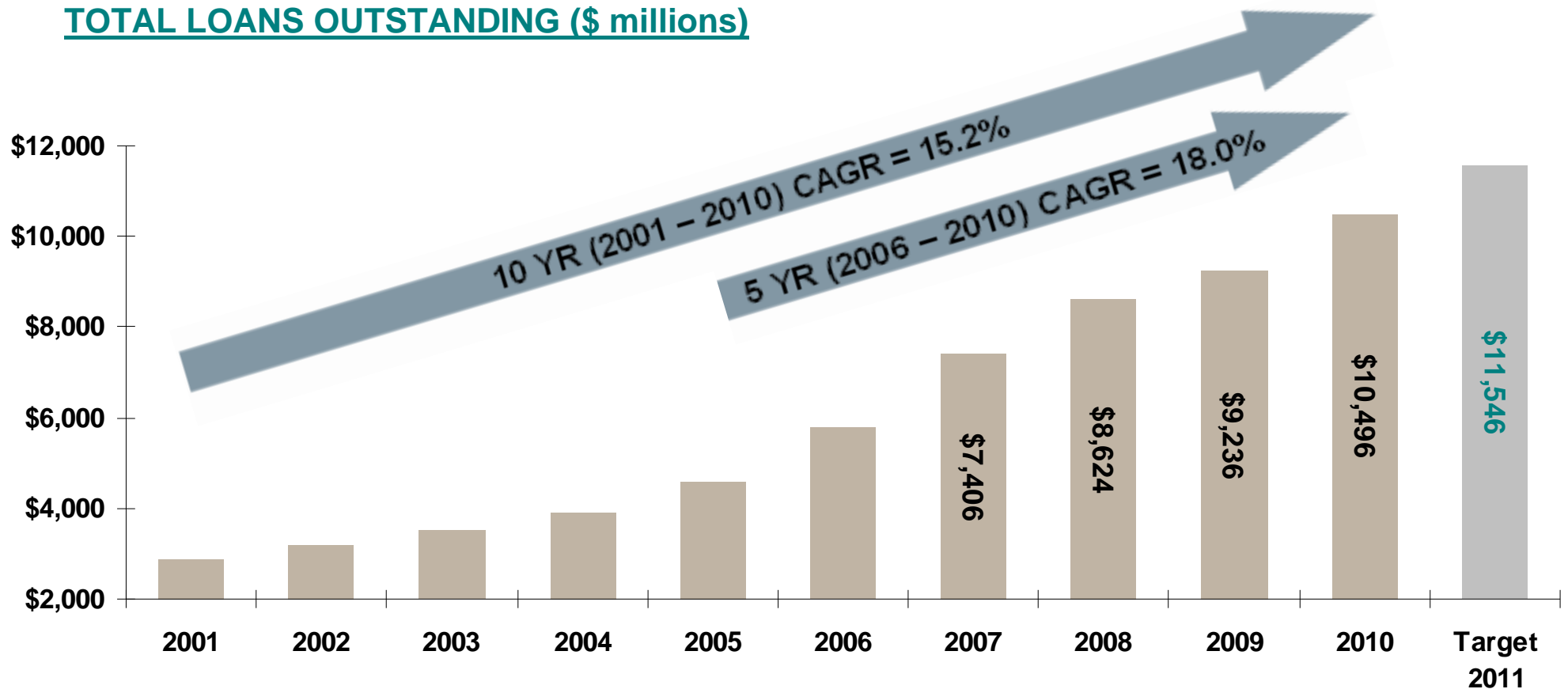
### Loans by lending sector\*\*

(\$ millions)	2010	2009	Change from 2009	
			\$	%
Commercial mortgages	\$ 2,458	\$ 2,051	\$ 407	20 %
General commercial	2,197	1,992	205	10
Real estate project loans	1,576	1,803	(227)	(13)
Personal loans and mortgages	1,794	1,451	343	24
Equipment financing	1,624	1,186	438	37
Corporate loans	660	672	(12)	(2)
Oil & gas production	266	157	109	69
<b>Total Outstanding Loans</b>	<b>\$ 10,575</b>	<b>\$ 9,312</b>	<b>\$ 1,263</b>	<b>14 %</b>

\*\*Loans by lending sector exclude the allowance for credit losses

# FINANCIAL PERFORMANCE – ASSETS (LOAN GROWTH)

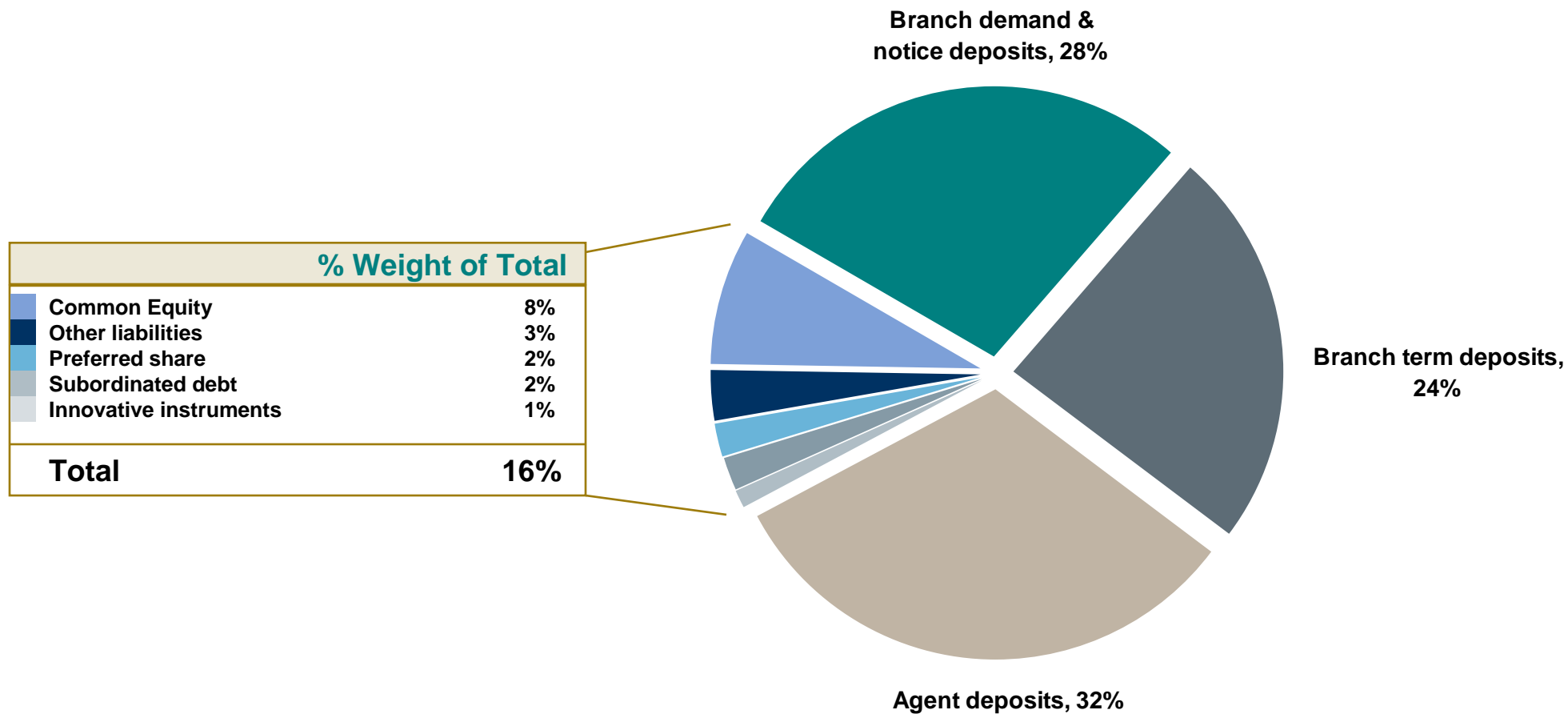
## TOTAL LOANS OUTSTANDING (\$ millions)



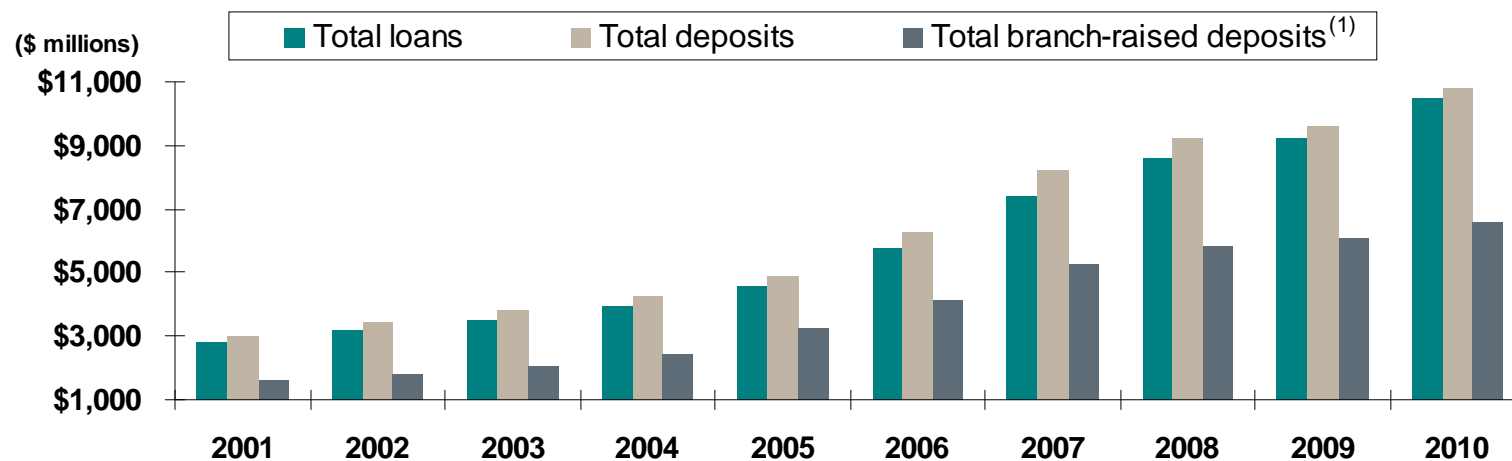
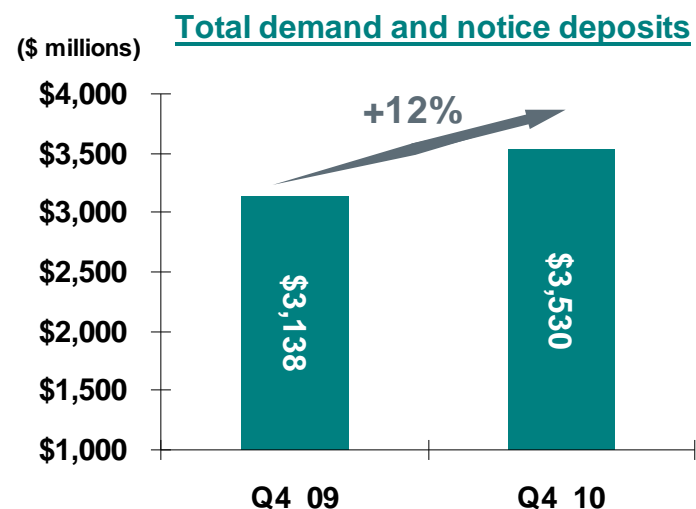
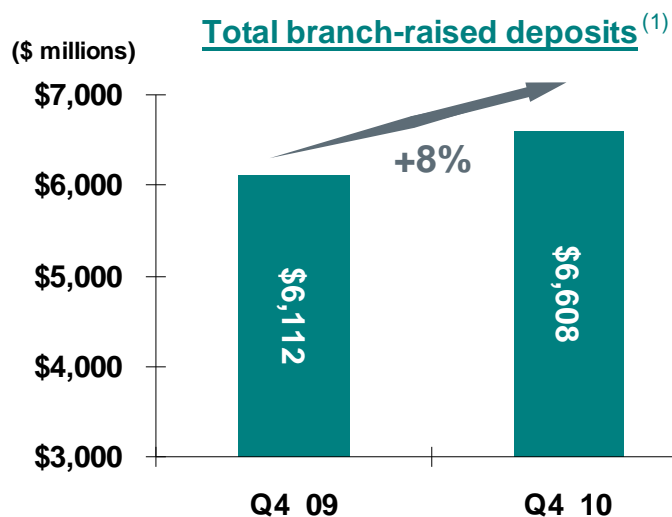
- Total loans grew 4% (\$392 million) in Q4 10 and 14% (\$1,260 million) in the past twelve months (includes the on-balance sheet growth contribution from National Leasing)
- Results marked the achievement of double-digit loan growth in 20 of the past 21 years (the exception being 2009)

# FINANCIAL PERFORMANCE – FUNDING SOURCES

## COMPOSITION OF LIABILITIES & EQUITY (as at October 31, 2010)



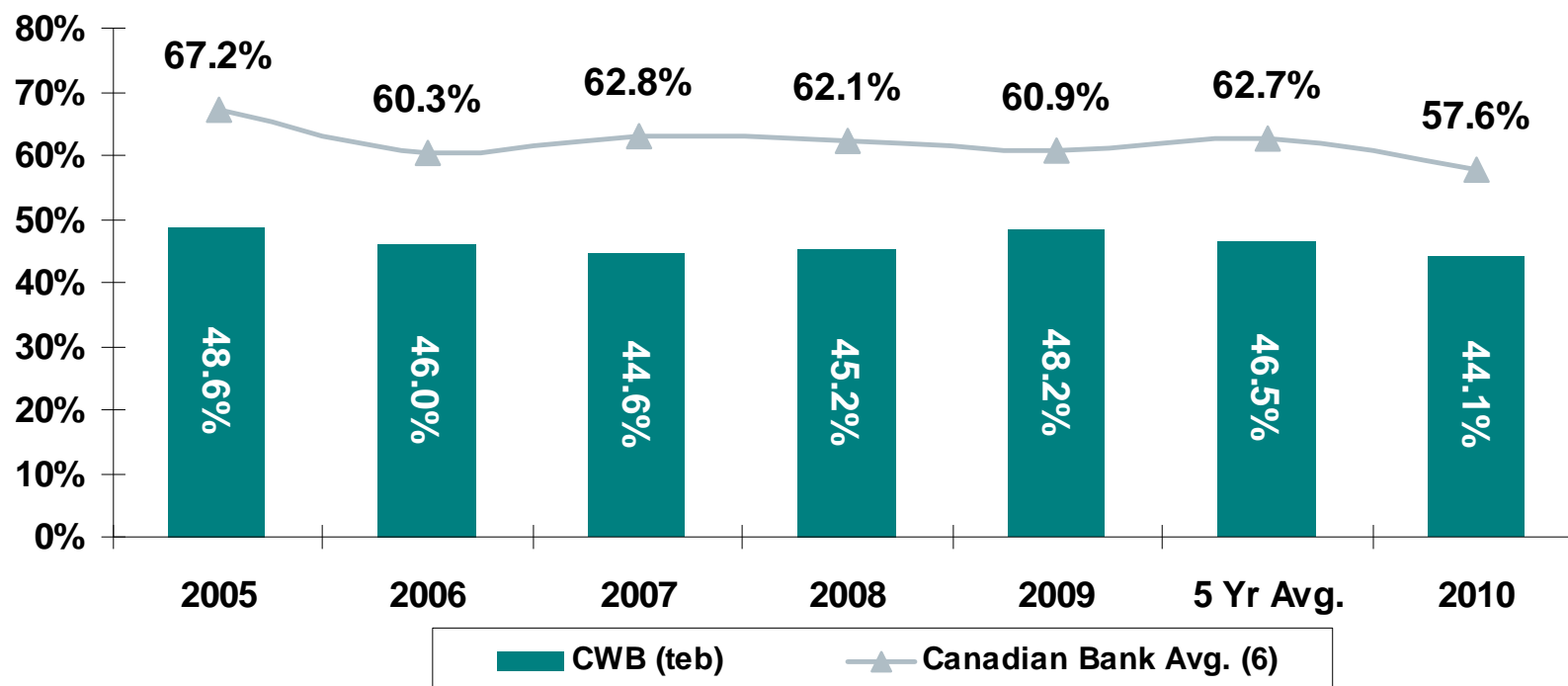
# FINANCIAL PERFORMANCE – FUNDING SOURCES



(1) Branch-raised deposits include deposits raised through CWB's fiduciary trust businesses, Canadian Western Trust and Valiant Trust

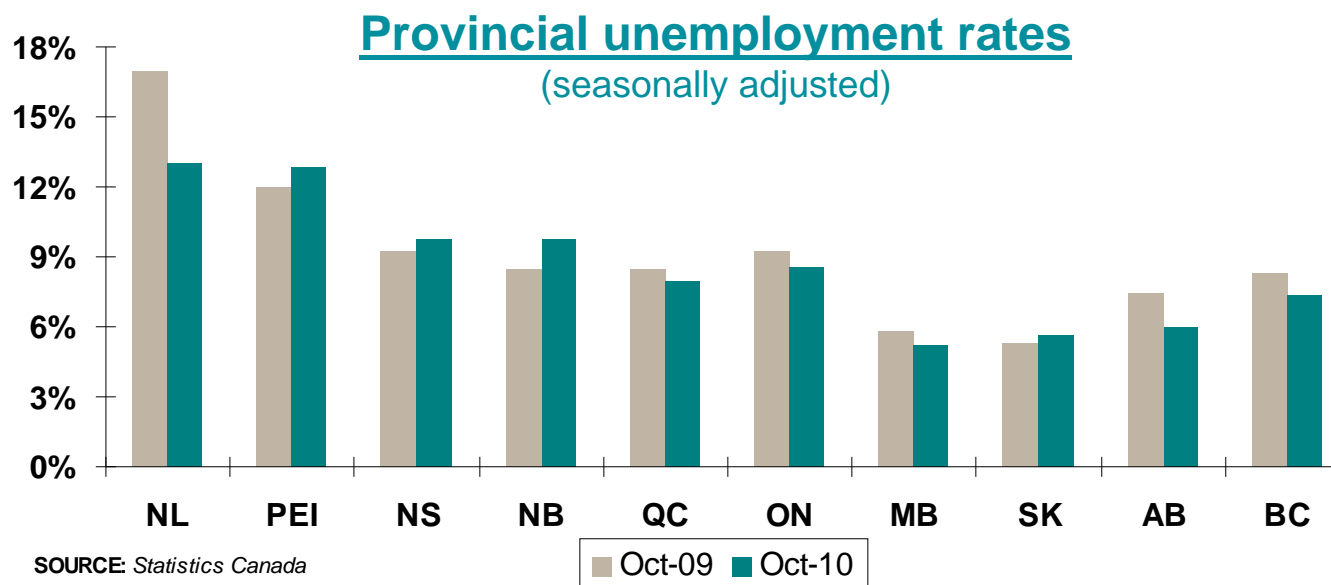
# FINANCIAL PERFORMANCE – EFFICIENCY

## EFFICIENCY RATIO (non-interest expenses as a % of total revenues (teb))



- Exceptional efficiency relative to the six largest Canadian banks – demonstrated ability to effectively control costs while maintaining expenditures necessary to support sustained growth

- **Canada’s economic fundamentals suggest moderate growth for 2011 despite continued uncertainties in the U.S. and globally**
- **Management believes Western Canada will continue to perform well relative to the rest of Canada**
  - strong resource-based economies
  - fiscal flexibility (relatively low debt levels)
  - moderate inflationary pressures (labour, construction costs, etc.)
- **Revised framework introduced for oil & gas royalties in Alberta (March 2010)**
  - expected to drive increased exploration and drilling activity over time



## OPPORTUNITIES IN ALBERTA'S OIL & GAS SECTOR

- 170+ billion barrels of proven oil reserves
- In 2009, Alberta produced 544 million BOE, the equivalent of approx. 1.5 million BOE per day (current estimates call for 3.2 million BOE per day by 2019)
- In 2009, there were 9,342 oil & gas wells completed in Western Canada; this compares to CAODC estimates for 2010 of 11,587
- In 2009, rig utilization in Western Canada was 25%; this compares to CAODC expectations for 2010 of 42% (50% in the last two quarters)
- Economic activity related to Canada's oil sands contributed over \$1.7 trillion toward national GDP in 2009



**Sources:** ERCB ST98-2010: Alberta's Energy Reserves 2009 and Supply/Demand Outlook / Overview  
Canadian Energy Research Institute (CERI) Study  
The Canadian Association of Oil Well Drilling Contractors (CAODC) <http://www.caodc.ca/index.html>

# INFRASTRUCTURE

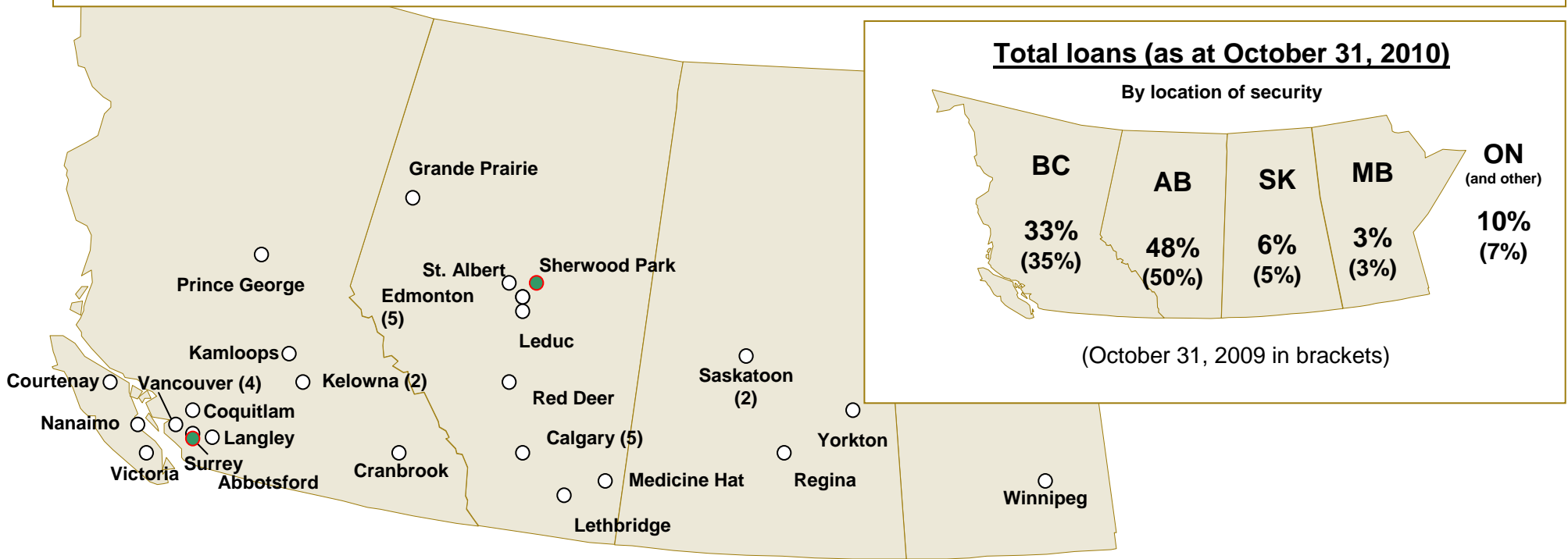
**Banking branches** – across Western Canada

**Equipment leasing centre** – headquartered in Winnipeg (satellite offices across Canada)

**Trust services offices** – Vancouver, Calgary, Edmonton, Toronto

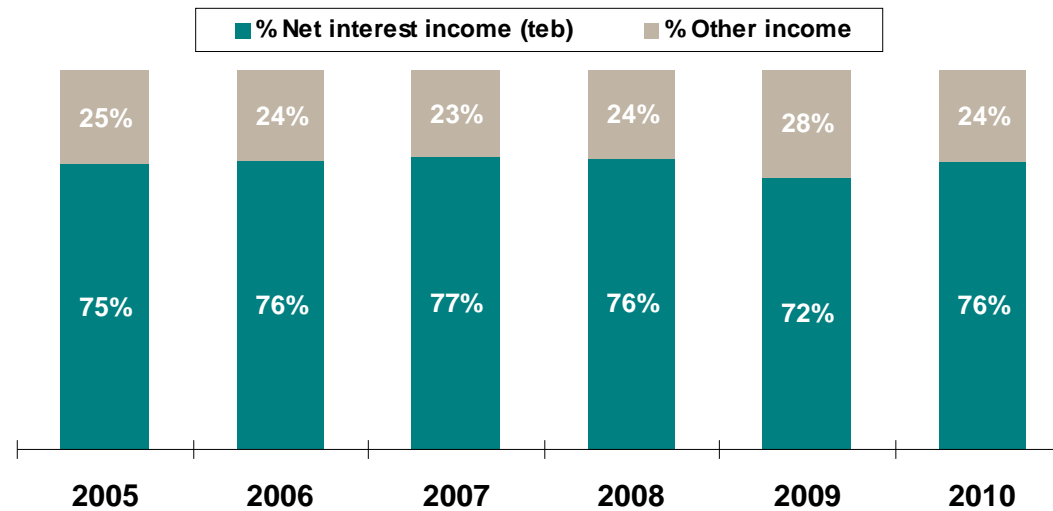
**Insurance call centres** – Vancouver, Edmonton

**Wealth management office** – Edmonton

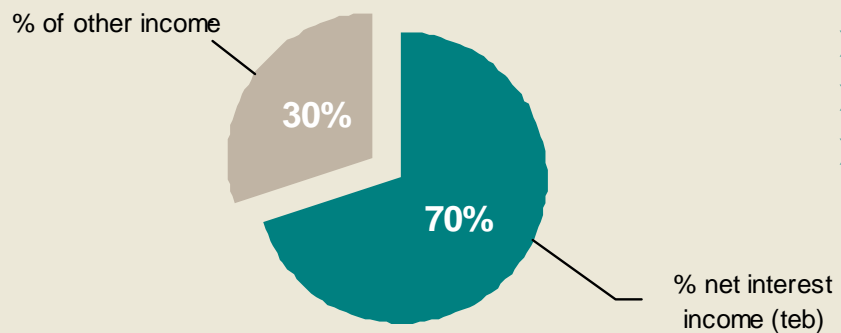


● New full-service branches in Surrey, BC & Sherwood Park, AB opened in Q4 10

# COMPOSITION OF INCOME



Medium-term objective to grow other income to encompass 30% of total revenues



- Trust services & wealth management
- Insurance
- Other (accretive and complementary)
  - enhance fee-based income
  - fill product gaps

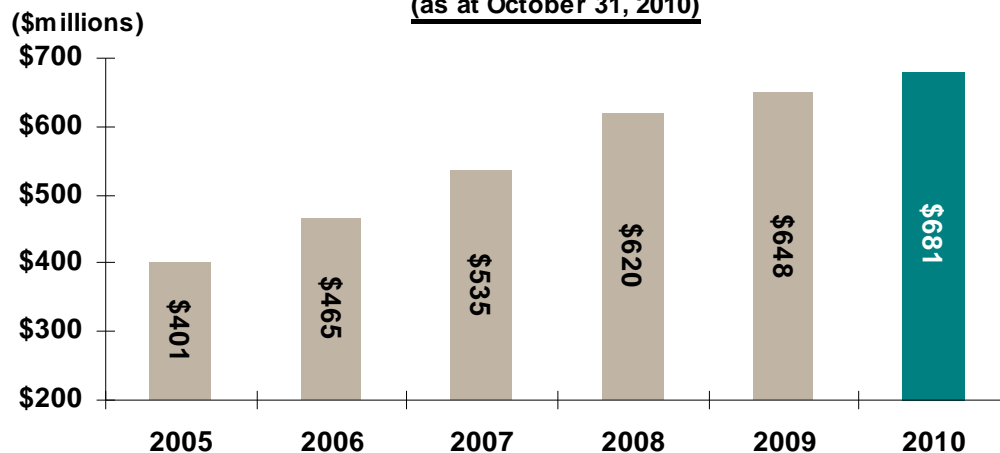
# BUSINESS DIVERSIFICATION

## NATIONAL LEASING – INDUSTRY LEADER IN SMALL-TICKET EQUIPMENT LEASING

- **Acquired February 1st, 2010**
- **Strong management team and ~300 employees**
- **Long history of strong performance (30+ years in business)**
  - over 58,000 active leases providing diversification by geography, industry and equipment type
  - established presence across Canada
  - synergies with existing banking/lending operations (funding, growth, technology)
- **Much higher yields compared to the Bank's core lending business; partially offset by an increased provision for credit losses**

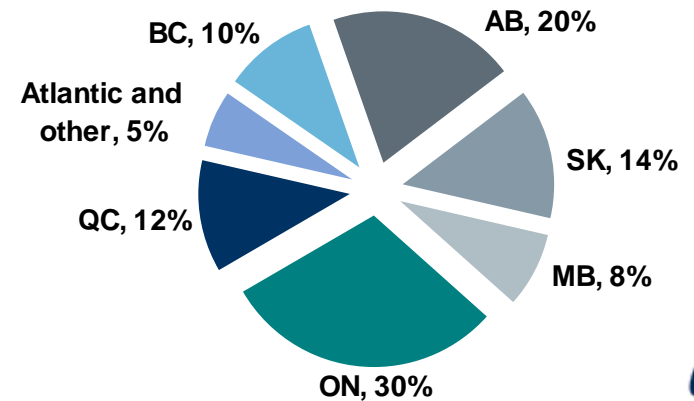
### Total leases (including securitized portfolios)

(as at October 31, 2010)



### Provincial breakdown of leases

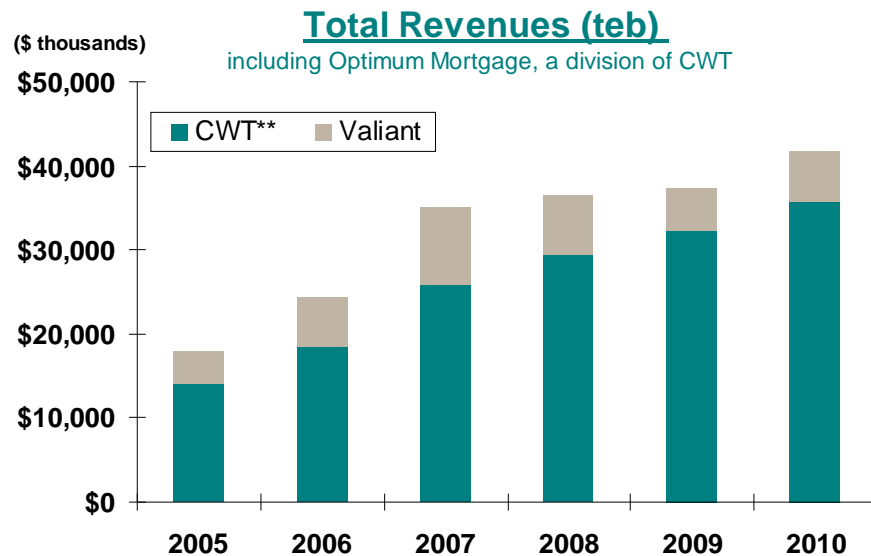
(as at October 31, 2010)



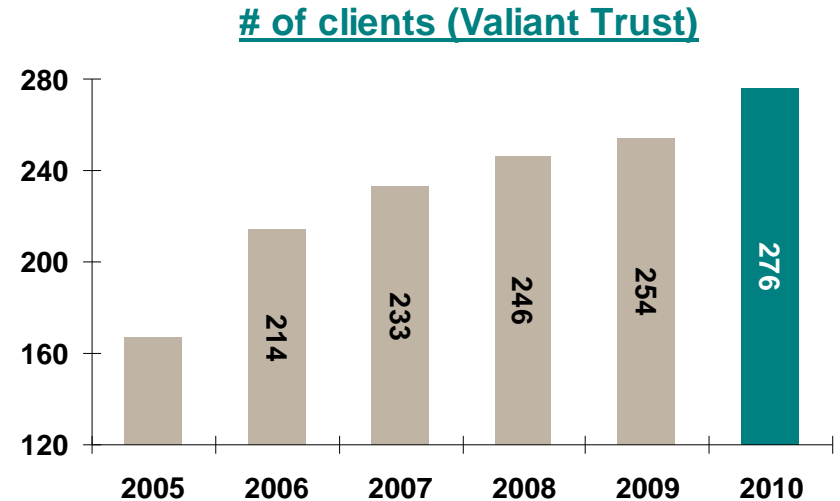
# BUSINESS DIVERSIFICATION

## TRUST SERVICES – CANADIAN WESTERN TRUST(CWT) & VALIANT TRUST

- Trust offices in Vancouver, Calgary, Edmonton and Toronto
- Trust assets under administration of over \$6.0Bn; lower cost deposits of more than \$1.0Bn
- 46,000+ CWT investment accounts
- Scalable growth opportunities that offer both geographic and product expansion
- Stable source of fee-based revenues (less cyclical than core banking business)



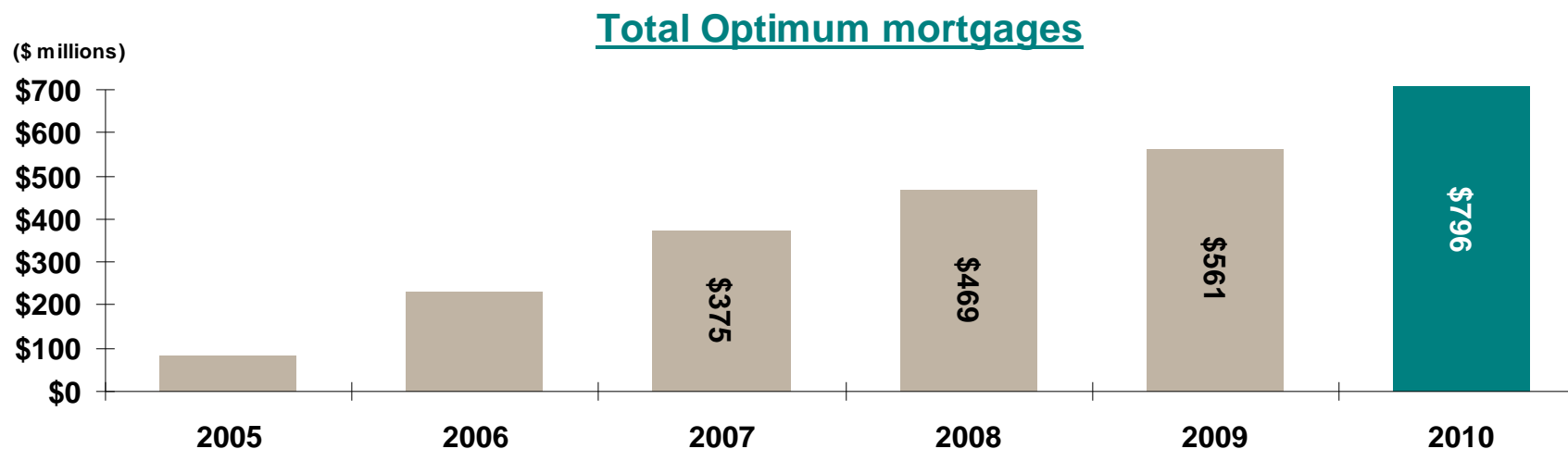
\*\* Total revenues (teb) for CWT include net interest income plus other income, excluding changes in fair value of intercompany swaps



# BUSINESS DIVERSIFICATION

## OPTIMUM MORTGAGE – RESIDENTIAL MORTGAGE LENDER

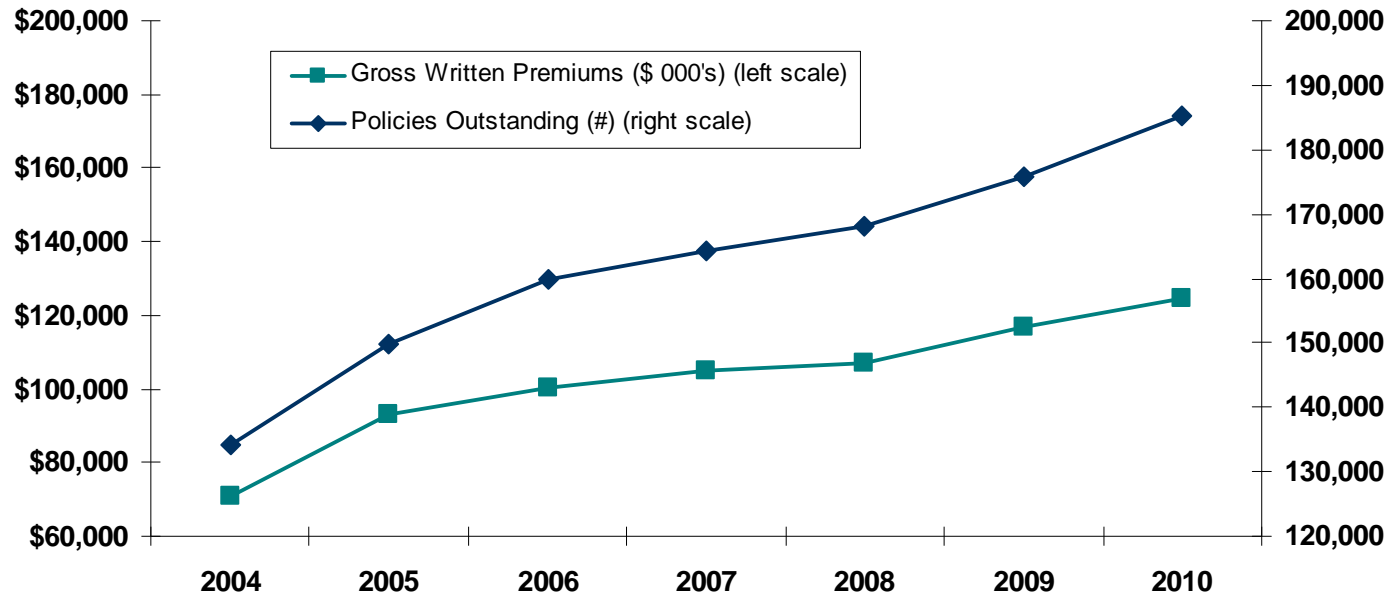
- Business started by CWB in 2004
- Broker-driven model providing residential mortgages across Western Canada and in select regions of Ontario
- As at October 31, 2010, alternative mortgages represented ~63% of Optimum's total portfolio and carry a weighted average loan-to-value at initiation of ~70%; also provide higher ratio insured mortgages
- Strong source of loan growth and excellent profitability (blend of fee-based income and interest revenues)
- Significant growth opportunities – business still in the early stages of realizing potential



# BUSINESS DIVERSIFICATION

## CANADIAN DIRECT INSURANCE – PERSONAL HOME & AUTO INSURANCE

- Personal auto and home insurance in Western Canada (British Columbia and Alberta)
- Offers steady source of revenue, independent of economic volatility (2005 – 2009 average combined ratio of 93%; YTD combined ratio of 89%)
- Distribution of policies through telephone, internet and broker network
- Over 182,000 policies outstanding (solid growth profile)
- Growth has come through organic sources, but potential remains for strategic acquisitions



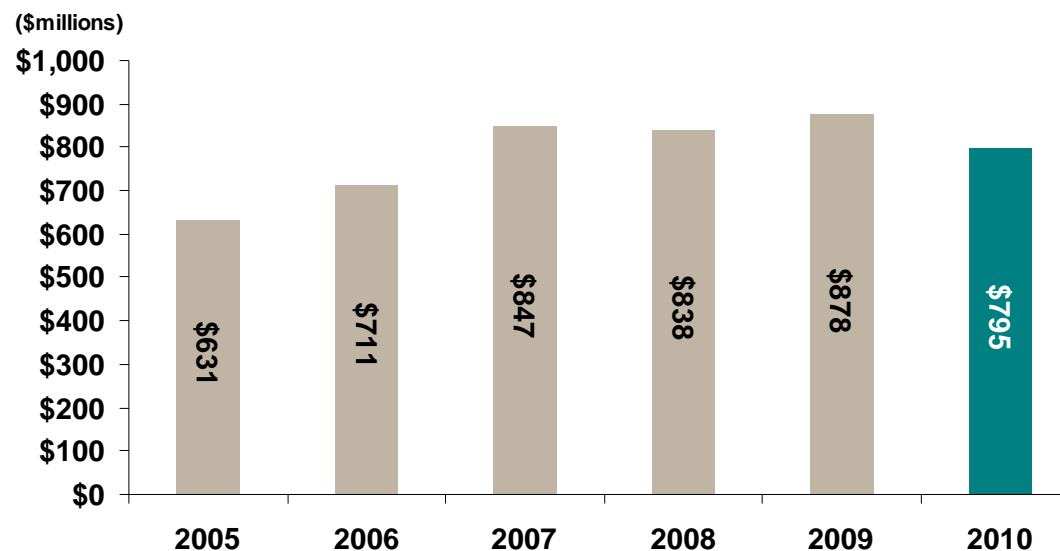
Gross written premiums in 2004 reflect a 10-month fiscal year due to CWB acquisition

# BUSINESS DIVERSIFICATION

## ADROIT INVESTMENT MANAGEMENT – WEALTH & PORTFOLIO MANAGEMENT

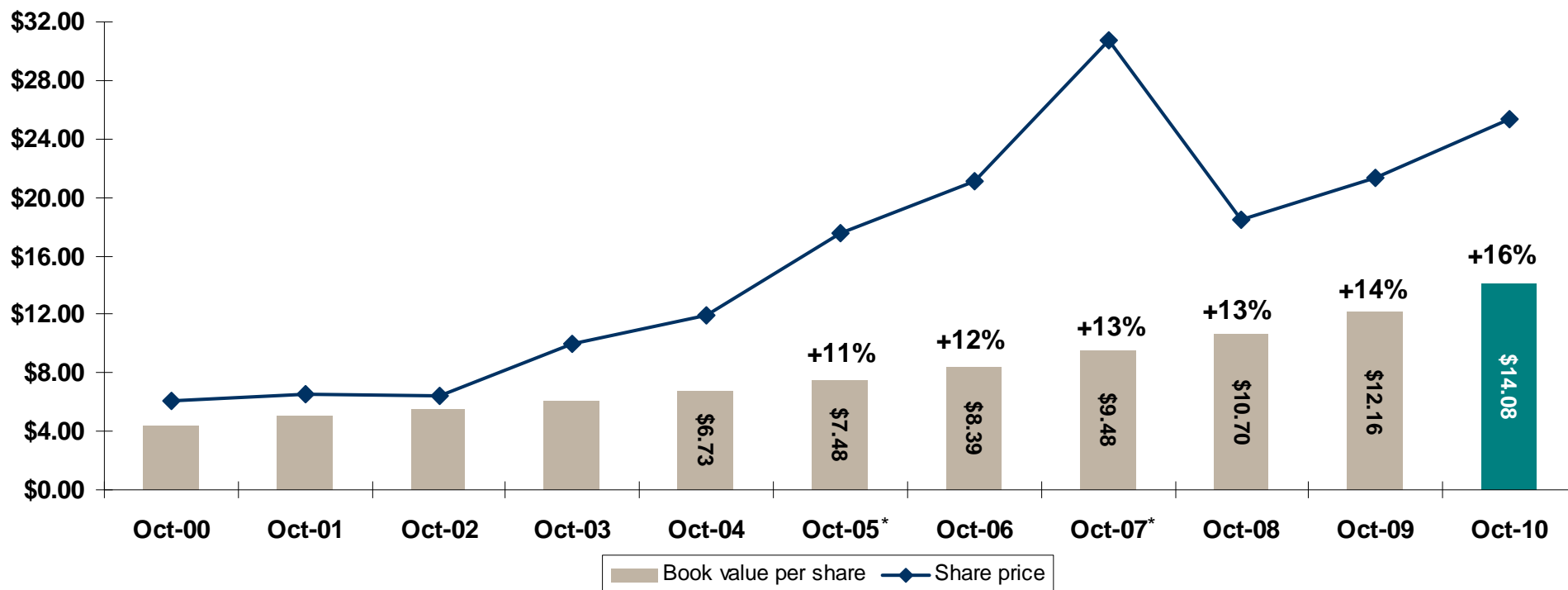
- Acquired in December 2008
- Specialize in wealth and portfolio management
- Complementary business line with good growth potential – fills an important product gap for high net worth and corporate clients
  - additional synergies with banking and fiduciary trust operations
- Provides a relatively stable source of fee-based income with low capital investment

### Assets under management (AUM)



# SHAREHOLDER RETURN

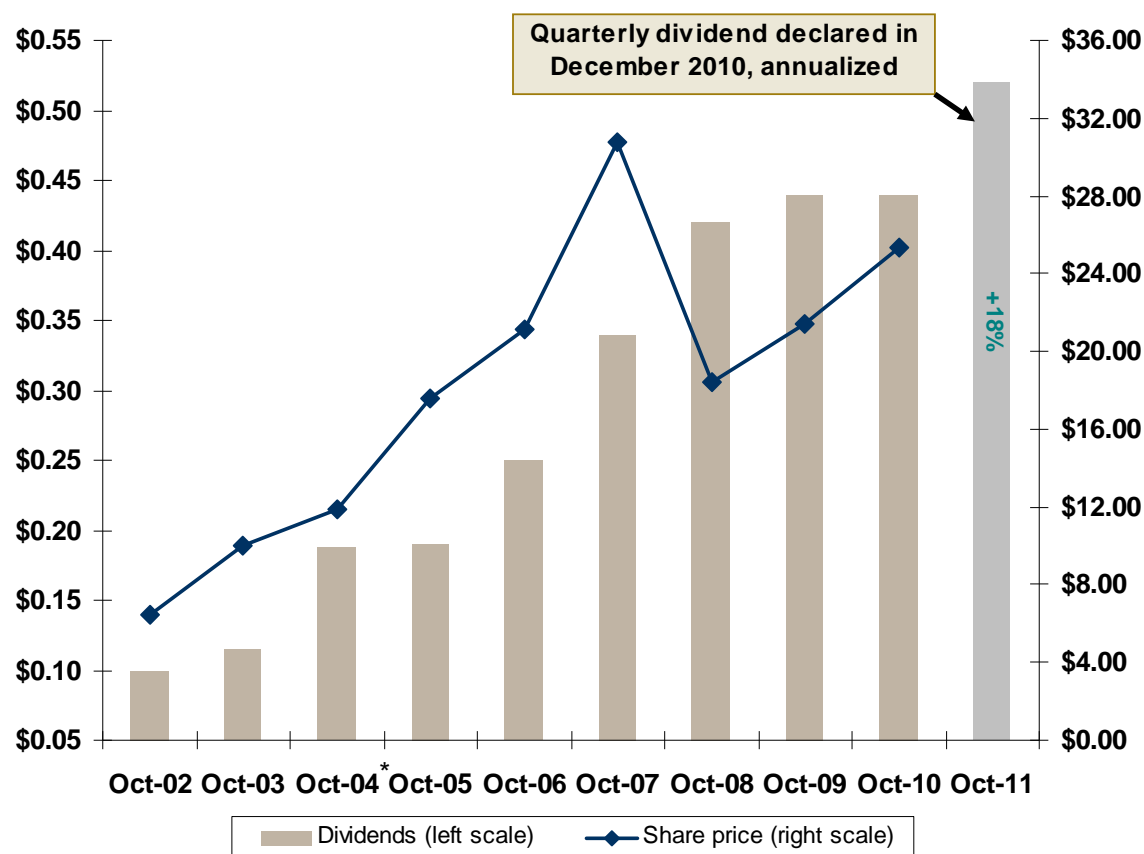
## HISTORICAL VALUATION (share price and book value per share\*)



\* Values adjusted to reflect 2 for 1 stock dividends paid in both 2005 and 2007

# SHAREHOLDER RETURN

## DIVIDEND GROWTH



**Dividend increases:**

- June 2008 (+10%)
- December 2007 (+11%)
- June 2007 (+13%)
- December 2006 (+14%)
- September 2006 (+17%)
- December 2005 (+20%)

**Dividend payout ratios\*\*:**

- Fiscal 2009: ~29%
- Fiscal 2010: ~19%
- Target payout range: 25-30%

\* Dividends paid in 2004 appear unusually high as they included the last semi-annual dividend and three quarterly dividends

\*\* Payout ratios represent common share dividends (including shares issued under CWB's dividend reinvestment plan (DRIP)) measured as a percentage of net income available to common shareholders

# SHAREHOLDER RETURN

## SHARES OUTSTANDING (October 31, 2010)

- 66.6 million common shares (TSX: CWB)
- 13.5 million warrants (TSX: CWB.WT)
- 8.4 million preferred shares (TSX: CWB.PR.A)

## EMPLOYEE SHARE PURCHASE PLAN (ESPP)

- over 90% employee participation

### Canadian Chartered Banks & Trust Companies - Common Shareholder Annual Total Rate of Return<sup>(1)</sup> Calendar Years 1990 - 2009

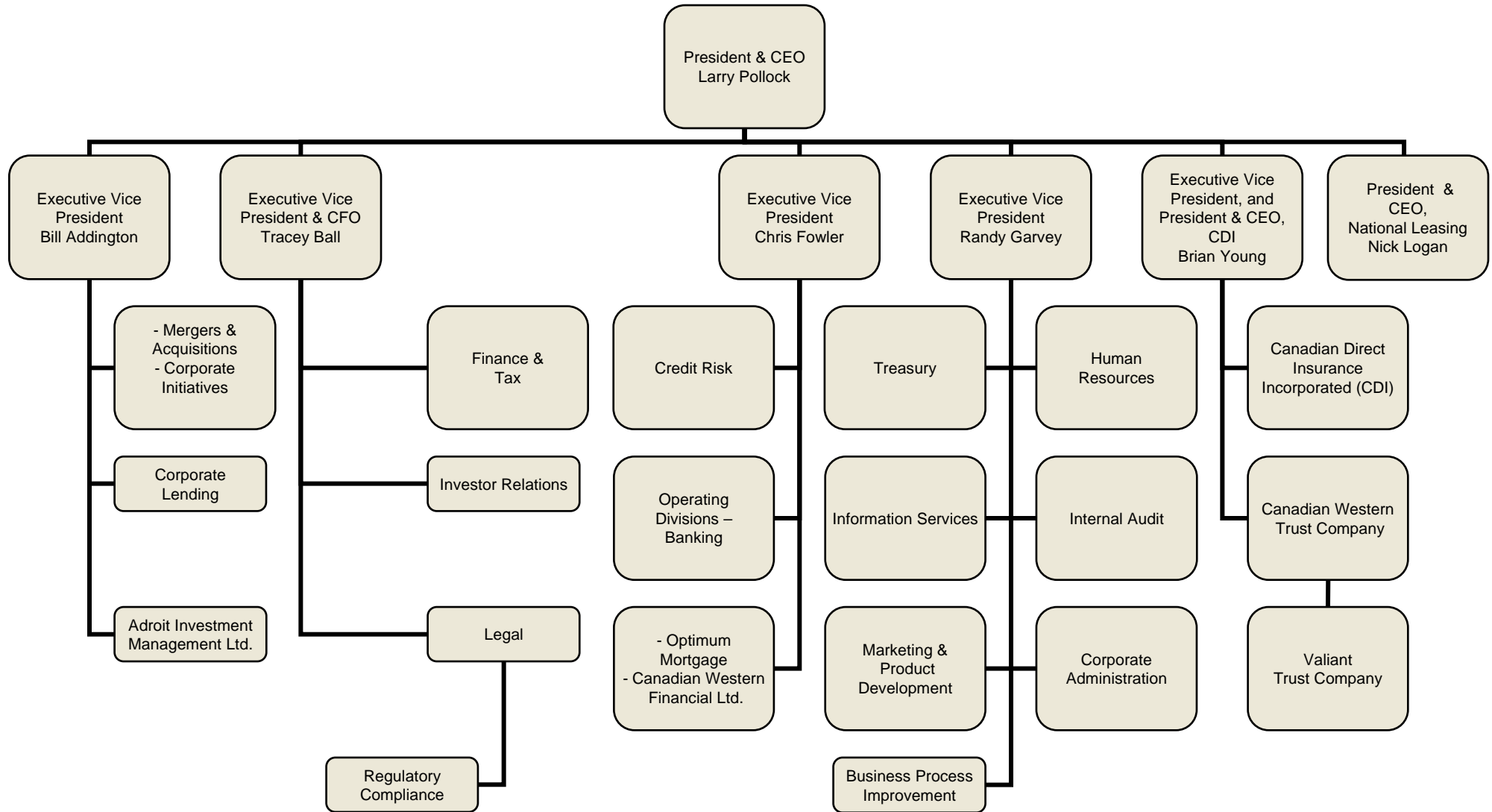
Bank	12/31/2009	1990 - 1999	2000 - 2009	1990 - 2009	2005	2006	2007	2008	2009	2005 - 2009
Royal Bank	\$56.40	13.9%	17.3%	15.6%	45.9%	26.0%	-5.5%	-25.9%	63.7%	16.1%
CIBC	\$68.15	12.3%	11.2%	11.7%	9.7%	32.9%	-25.6%	-23.1%	41.6%	3.4%
Bank of Montreal	\$55.85	16.9%	12.8%	14.8%	16.3%	9.8%	-15.0%	-41.3%	91.3%	4.0%
Scotiabank	\$49.22	19.3%	16.1%	17.7%	17.0%	16.7%	-0.1%	-31.6%	57.2%	8.0%
TD Bank	\$65.96	18.5%	8.8%	13.5%	26.1%	16.6%	2.8%	-35.1%	59.2%	9.3%
National Bank	\$60.24	9.4%	16.7%	13.0%	25.6%	12.8%	-17.3%	-36.6%	101.8%	8.4%
Laurentian Bank	\$42.75	4.7%	13.5%	9.0%	47.1%	-7.7%	13.6%	7.3%	28.9%	16.4%
<b>Canadian Western Bank</b>	<b>\$21.94</b>	<b>17.8%</b>	<b>18.6%</b>	<b>18.2%</b>	<b>36.5%</b>	<b>49.2%</b>	<b>20.3%</b>	<b>-59.6%</b>	<b>82.2%</b>	<b>12.5%</b>
S&P/TSX Bank Index	1,856	15.5%	13.8%	14.6%	24.9%	20.0%	-7.0%	-31.3%	62.6%	9.3%
S&P/TSX Composite Index <sup>(2)</sup>	11,746	10.6%	5.6%	8.1%	24.1%	17.3%	9.8%	-33.0%	35.1%	7.7%

<sup>(1)</sup> Dividends reinvested quarterly at quarter end price

<sup>(2)</sup> Effective December 16, 2005, 69 income trusts were included in the S&P/TSX Composite Index at 50% weight

Source: FAME, Bloomberg, BMO Capital Markets

# CWB GROUP – CORPORATE STRUCTURE



# INVESTOR RELATIONS

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