



CANADIAN
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GROUP

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Canadian Western Bank Group

Third Quarter Results Conference Call
September 2, 2011

www.cwbankgroup.com



Review of Third Quarter Results

Tracey Ball, Executive VP & CFO

- Financial Highlights
- Fiscal 2011 Performance Targets
- Basel III Capital Adequacy

Outlook & Strategy

Larry Pollock, President & CEO

- Loan Growth
- Credit Performance
- Strategic Priorities

Questions & Answers

PERFORMANCE HIGHLIGHTS

- **Strong third quarter performance** (Q3 11 compared to Q3 10, unless otherwise stated)
 - Net income of \$44.7 million, down 4% (\$1.9 million); net income before taxes (teb) up 11% (\$6.2 million)
 - \$7.5 million tax recovery recognized in Q3 10
 - Total loans up a record \$708 million from Q2 11
 - very strong loan growth of 6% in the quarter, 14% year-to-date, 18% over the last twelve months
 - Record total revenues (teb) of \$123.1 million, up 11%
 - Net interest margin (teb) of 2.83%
 - up five basis points over Q3 10
 - down four basis points from Q2 11
 - expect some moderation of net interest margin will continue
 - Diluted earnings per common share of \$0.52, down 12%; up 8% excluding Q3 10 tax recovery
 - impact of 8.1 million common shares issued since December 2010 upon exercise of warrants
 - Diluted cash earnings per share of \$0.54

- **Subsequent to quarter end, on August 31, 2011, redeemed all of the remaining 4.2 million warrants for cash of \$17.21 per warrant**
 - Aggregate cost of \$72.4 million will be charged to retained earnings

PERFORMANCE HIGHLIGHTS (continued)

➤ **Strong capital position at July 31, 2011**

- Tangible common equity ratio of 9.3%, Tier 1 ratio of 11.8%; total capital ratio of 16.3%
 - pro forma impact of the warrant redemption results in a reduction of approximately 60 basis points in the July 31, 2011 regulatory capital ratios

➤ **Quarterly financial results** (Q3 11 compared to Q2 11)

- Net income increased 1% (\$0.3 million)
 - impact of three additional revenue earning days and very strong loan growth more than offset \$3.6 million lower other income
 - gains of sale of securities \$4.4 million lower
 - future level of net gains on sale of securities expected to be near or below the \$0.9 million realized in Q3 11

➤ **YTD financial results** (compared to the same period in 2010)

- Net income of \$133.1 million, up 7%; diluted earning per common share of \$1.59 up 1%
 - impact of very strong loan growth and improved net interest margin partially offset by higher non-interest expenses

• **Dividends declared**

- Quarterly dividend declared of \$0.14 per common share; dividends paid year-to-date represent ~24% of net income available to common shareholders – compares to a target payout range of 25 to 30%
- Quarterly dividend declared on Series 3 Preferred Shares

FISCAL 2011 PERFORMANCE TARGETS

	2011 Minimum Target	2011 Year-to-date Performance ⁽¹⁾
Net income growth ⁽²⁾	6%	7%
Net income growth before taxes ⁽³⁾	10%	9%
Total revenue growth (teb)	12%	14%
Loan growth	10%	18%
Provision for credit losses	0.20% – 0.25%	0.20%
Efficiency ratio (teb)	46%	45.4%
Return on common equity ⁽⁴⁾	15%	15.7%
Return on assets ⁽⁵⁾	1.20%	1.22%

(1) 2011 year-to-date 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) Net income before income taxes (teb), non-controlling interest in subsidiary and preferred share dividends. (4) Return on common equity calculated as annualized net income after preferred share dividends divided by average common shareholders' equity. (5) Return on assets calculated as annualized net income after preferred share dividends divided by average total assets.

➤ **Positioned to meet or surpass all fiscal 2011 targets**

- Expect to exceed loan growth target by a considerable margin
- Provision for credit losses likely to remain at or slightly below lower end of the 2011 target range

BASEL III – CAPITAL ADEQUACY

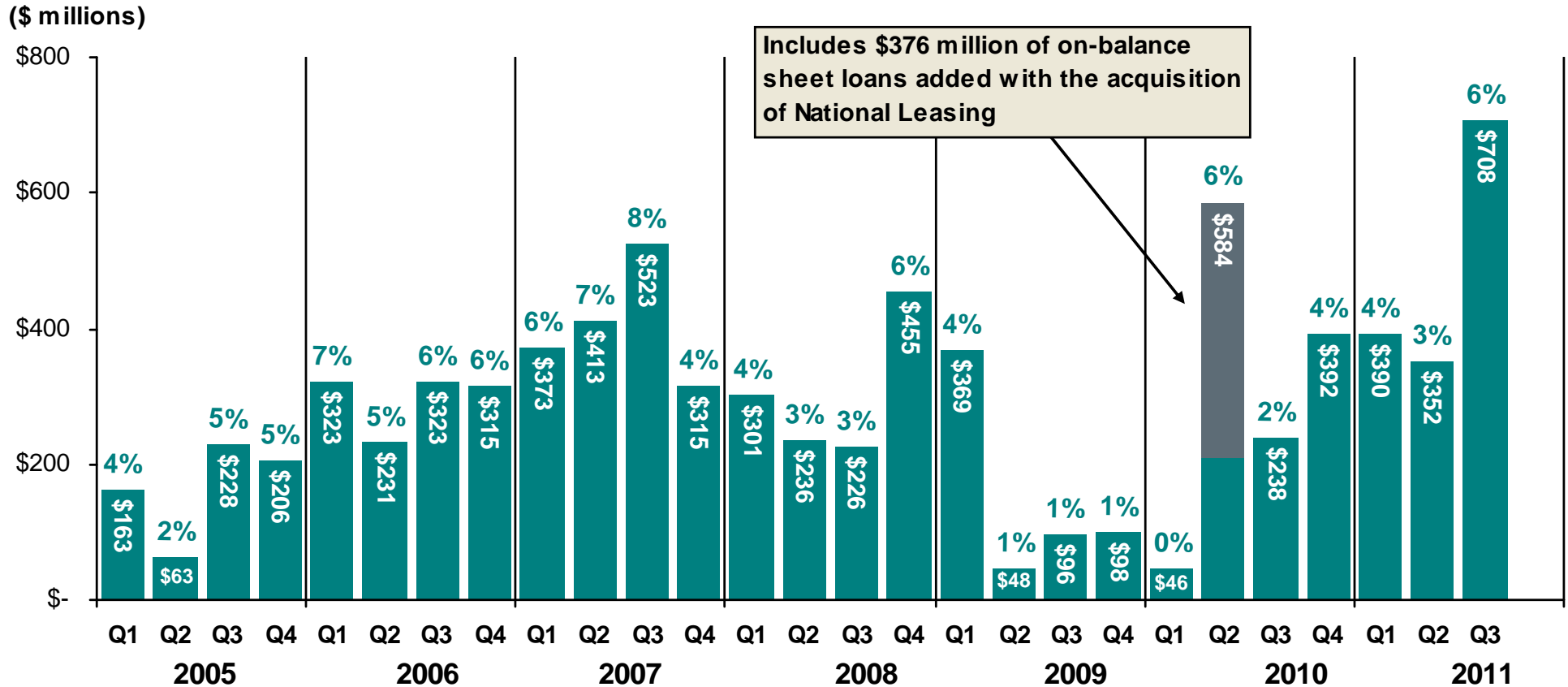
➤ Basel III pro forma calculations ⁽¹⁾

- Application of 2019 Basel III capital rules against the Bank’s financial position at July 31, 2011 confirms management’s view that CWB is already in compliance with forthcoming regulatory capital requirements:
 - attributed to an already strong base of tangible common equity, relatively straightforward operations and composition of capital

	Q3 11 (Basel II) Actual	Current Regulatory Minimum	Q3 11 (Basel III) Pro Forma	Expected Regulatory Minimum
Tangible common equity	9.3 %	—	8.5 %	7.0 %
Tier 1 capital	11.8	7.0 %	9.4	8.5
Total capital	16.3	10.0	14.1	10.5

⁽¹⁾ Pro forma estimates do not include assumptions about the potential impact of management strategies, changes in composition of regulatory capital or financial performance in the future

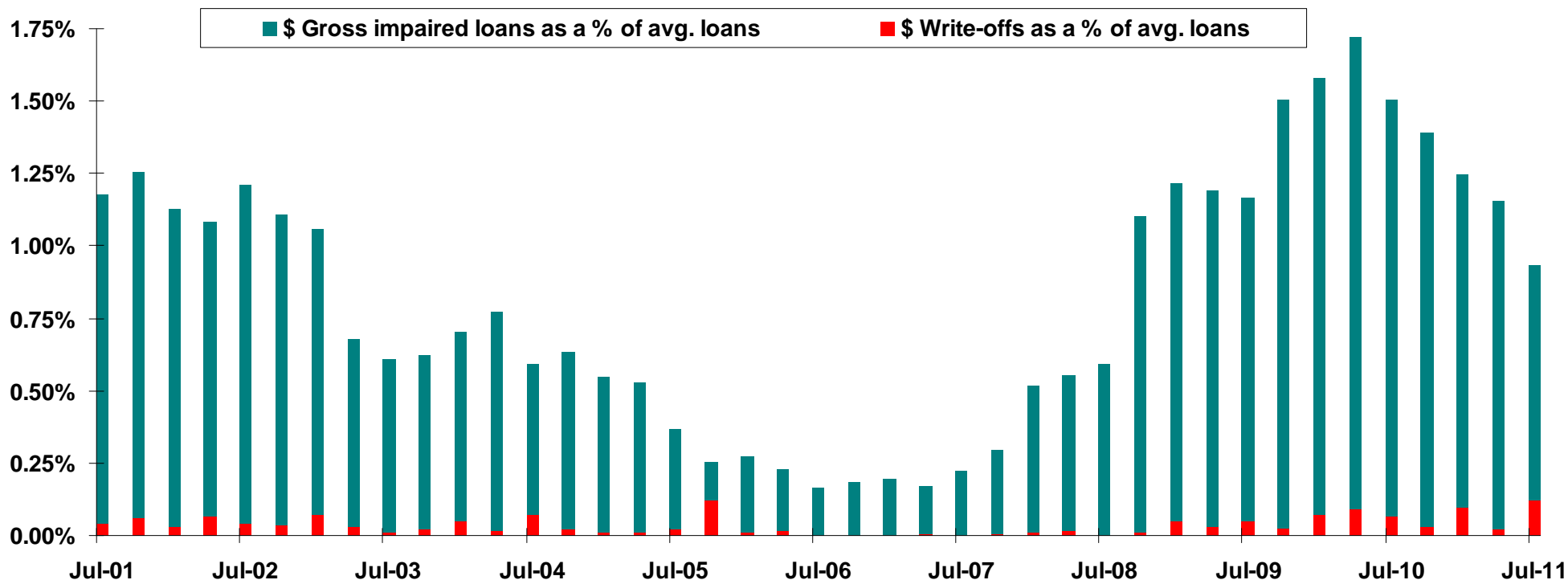
OUTLOOK – LOAN GROWTH



➤ Record volume of quarterly loan growth in reflects strong performance across all lending sectors and geographic regions within the Bank’s key markets

OUTLOOK – CREDIT PERFORMANCE

Gross Impaired Loans & Write-offs (as a percentage of average loans)



- **Positive trend in credit quality – fifth consecutive quarter of reducing impaired loans**
 - Gross impaired loans of \$107.9 million, compared to \$128.5 million in Q2 11 and \$150.0 million in Q3 10
 - Write-offs in Q3 11 reflect a change in internal process - future write-offs expected to remain within the Bank’s range of acceptable levels

➤ **Improve across each line of business**

- Build on competitive advantages
- Enhance focus on business banking and diversification in complementary financial services areas
- Ongoing investment in people, infrastructure and technology while maintaining effective cost control
 - new loan origination deployed to all CWB branches in Q3 11
 - further development of the branch network (Richmond, BC; Winnipeg, MB)
- Excellent earnings growth and strong operating results in all affiliate companies

➤ **Optimize capital base to maintain a strong position while improving earnings per share and return on equity**

- Warrant redemption completed August 31, 2011
- Eventual transition to an AIRB methodology for calculating risk-weighted assets
- Target growth in less capital intensive areas
- Well positioned to support continued growth while remaining flexible to manage future challenges

➤ **Outlook**

- Positioned for another year of record results
- Positive outlook despite expectations for ongoing challenges (elevated global uncertainties and increased competition)

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 included: 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. At the end of the third quarter, management believes increased global uncertainties and ongoing concerns related to the fiscal positions of certain major economic regions could negatively impact the global economic recovery. As a result of economic uncertainties, anticipated increases in the Canadian prime lending interest rate did not occur.

Q&A WITH EXECUTIVE MANAGEMENT

