



CANADIAN  
WESTERN BANK  
GROUP

BANK • TRUST • INSURANCE • WEALTH MANAGEMENT

# Canadian Western Bank Group

## Third Quarter 2011

## Corporate Presentation



## Forward-looking Statements

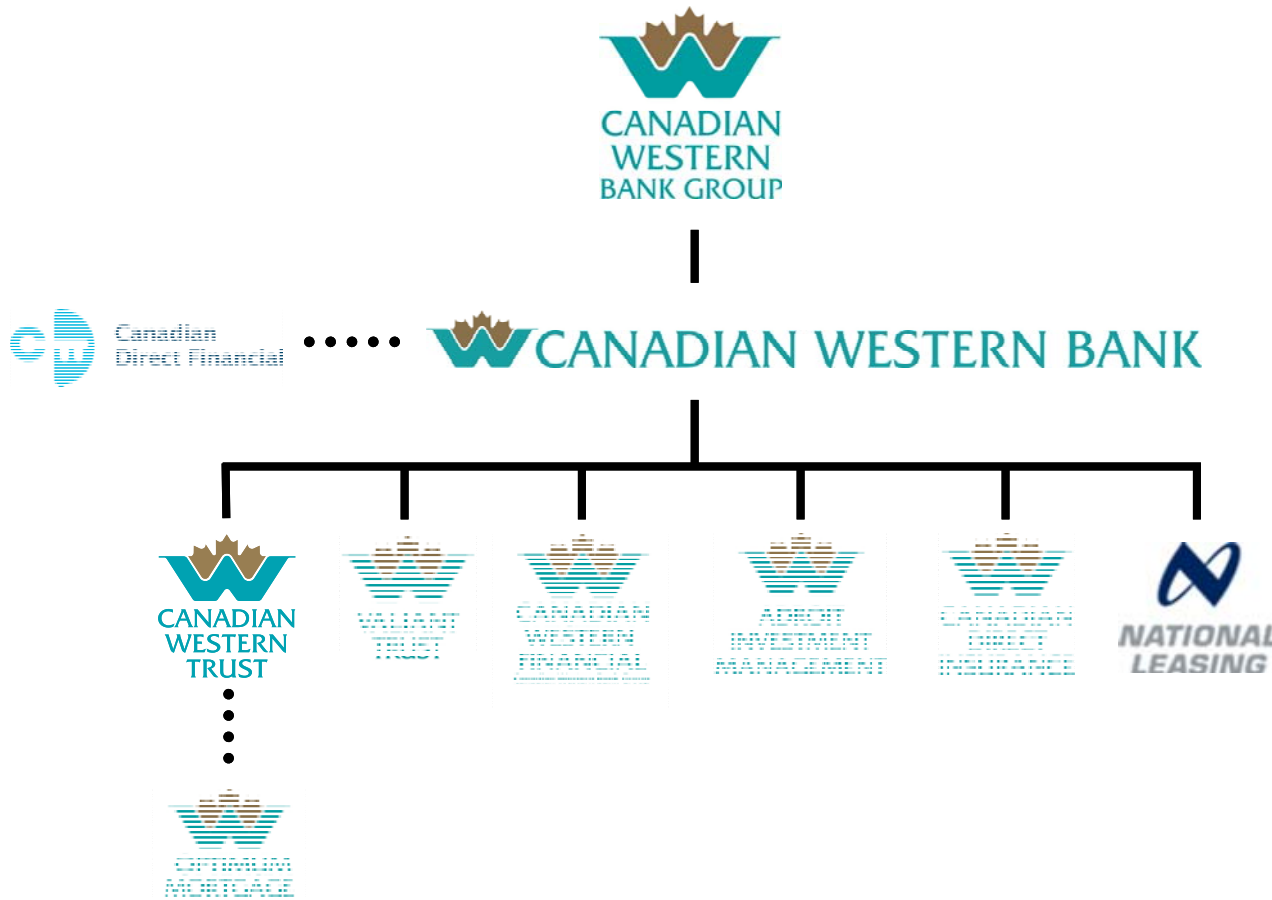
From time to time, Canadian Western Bank (the Bank) makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases 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 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.

# CANADIAN WESTERN BANK GROUP



## Lines of Business

- Mid-market commercial banking specialty
- Personal 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

**93 Consecutive Profitable Quarters,  
Over 23 Years**

# STRATEGIC PRIORITIES – FOCUS 2011

- **Maintain disciplined underwriting and secured lending practices**
- **Evaluate opportunities to deploy available capital**
- **Invest in people/infrastructure/technology to support growth and improve efficiency**
  - Expand branch network (target of 50 CWB branches by 2015)
  - Enhance and diversify base of core retail deposits
- **Develop and grow affiliate companies 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

# PERFORMANCE OBJECTIVES 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 operating affiliates**

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

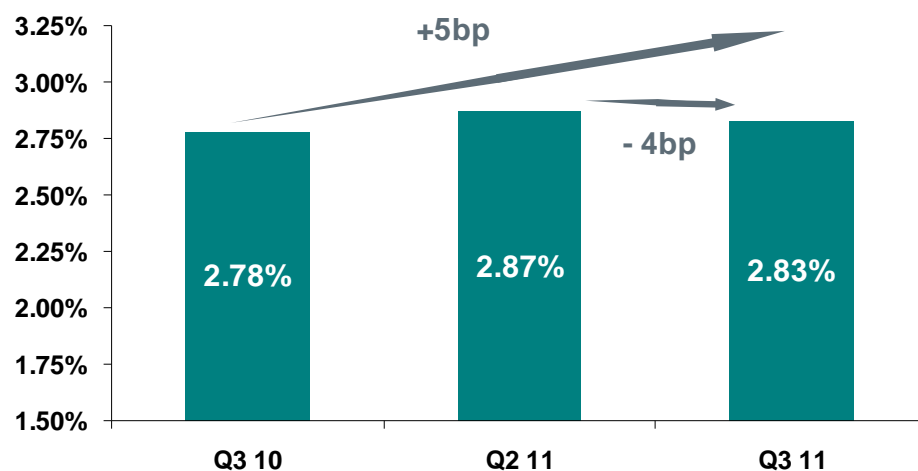
**Increase industry and geographic diversification (specific business units)**

# FINANCIAL HIGHLIGHTS

## Financial Performance – Third Quarter 2011

(\$ thousands)	Q3 11	Q3 10 <sup>(1)</sup>	Change
Net income – Banking & trust	\$ 41,338	\$ 43,040	(4) %
– Insurance	3,373	3,555	(5)
Diluted earnings per share	0.52	0.59	(12)

### Quarterly Net Interest Margin (teb)



### Quarterly Net Income Before Taxes (teb)



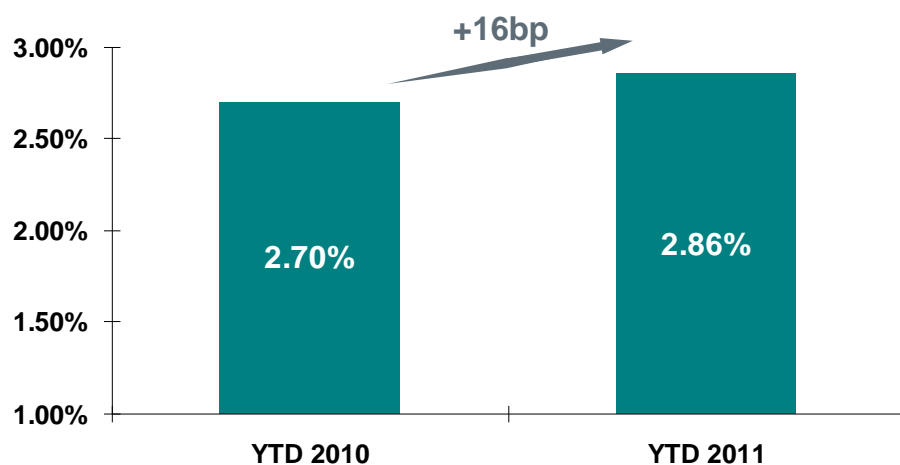
(1) Q3 10 included recognition of an income tax recovery that increased net income in that period by \$7.5 million. Q3 11 net income before taxes (teb) of \$62.0 million was up 11% (\$6.2 million) over the prior year

# FINANCIAL HIGHLIGHTS

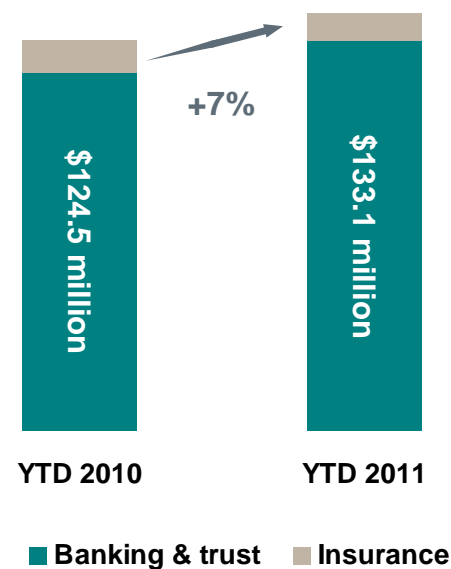
## Financial Performance – Year-to-date 2011

(\$ thousands)	YTD 2011	YTD 2010 <sup>(1)</sup>	Change
<b>Net income – Banking &amp; trust</b>	<b>\$ 123,709</b>	\$ 114,215	8 %
<b>– Insurance</b>	<b>9,394</b>	10,299	(9)
<b>Diluted earnings per share</b>	<b>1.59</b>	1.57	1

### Year-to-date Net Interest Margin (teb)



### Year-to-date Net Income



# 2011 MINIMUM TARGETS & PERFORMANCE

	2011 Minimum Target	2011 Year-to-date Performance <sup>(1)</sup>
Net income growth <sup>(2)</sup>	6%	7%
Net income growth before taxes <sup>(3)</sup>	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 <sup>(4)</sup>	15%	15.7%
Return on assets <sup>(5)</sup>	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.

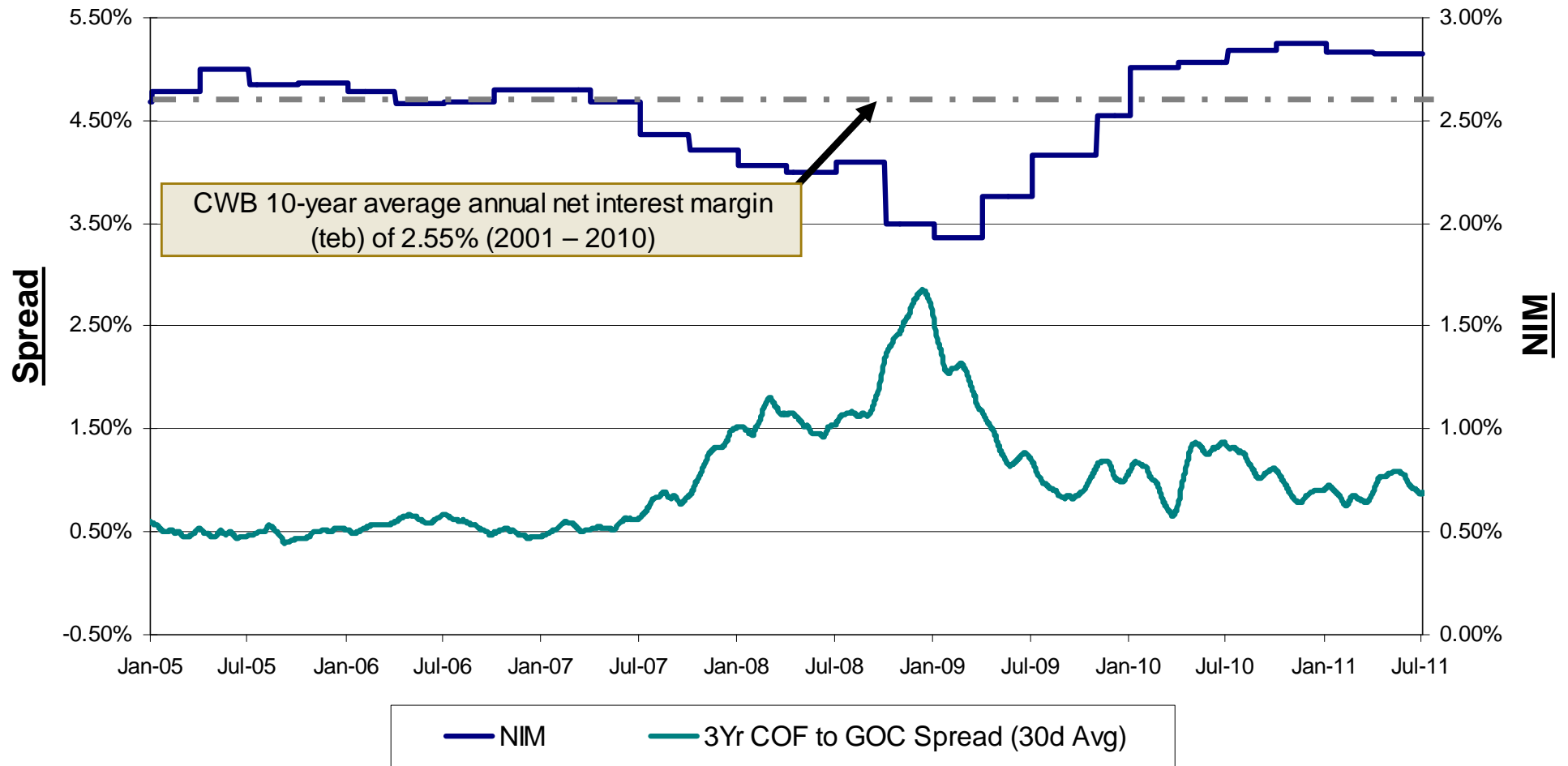
- **CWB well positioned to meet or surpass all of its fiscal 2011 performance targets for growth, profitability, efficiency and overall credit quality**

# FINANCIAL PERFORMANCE – HISTORY

<b>Year</b>	<b>Total Assets (\$ millions)</b>	<b>% Growth in Assets</b>	<b>Net Income Before Taxes (\$ thousands)</b>	<b>% Growth in Net Income Before Taxes</b>
<b>1990</b>	<b>\$418</b>		<b>1,444</b>	
<b>1995</b>	<b>\$1,331</b>	<b>218%</b>	<b>11,147</b>	<b>672%</b>
<b>2000</b>	<b>\$3,060</b>	<b>130%</b>	<b>35,435</b>	<b>218%</b>
<b>2005</b>	<b>\$5,705</b>	<b>86%</b>	<b>81,385</b>	<b>130%</b>
<b>2010</b>	<b>\$12,702</b>	<b>123%</b>	<b>211,180</b>	<b>159%</b>
<b>YTD 2011<sup>(1)</sup></b>	<b>\$13,997</b>	<b>10%</b>	<b>235,037</b>	<b>11%</b>

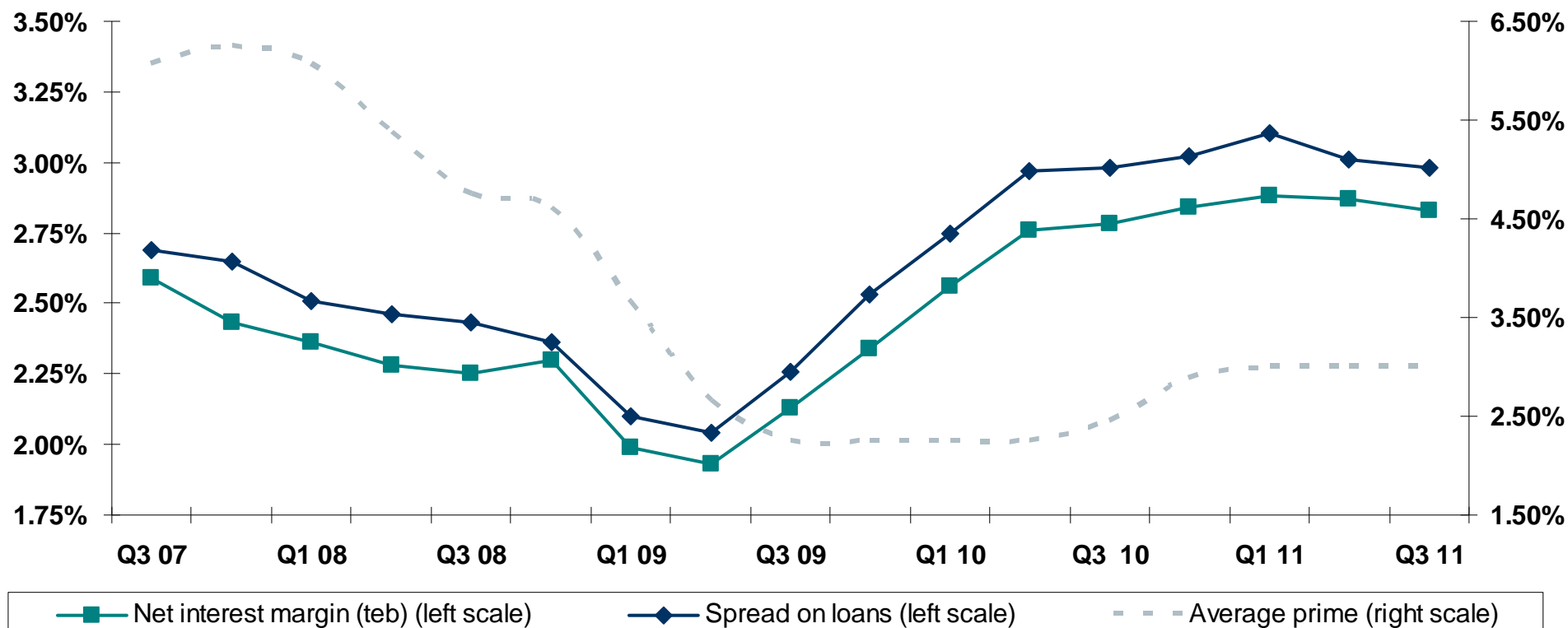
# FINANCIAL PERFORMANCE – MARGIN

## Net Interest Margin (NIM) vs. CWB Cost of Funds (COF) (spread over 3 year GOC bond)



# FINANCIAL PERFORMANCE – MARGIN

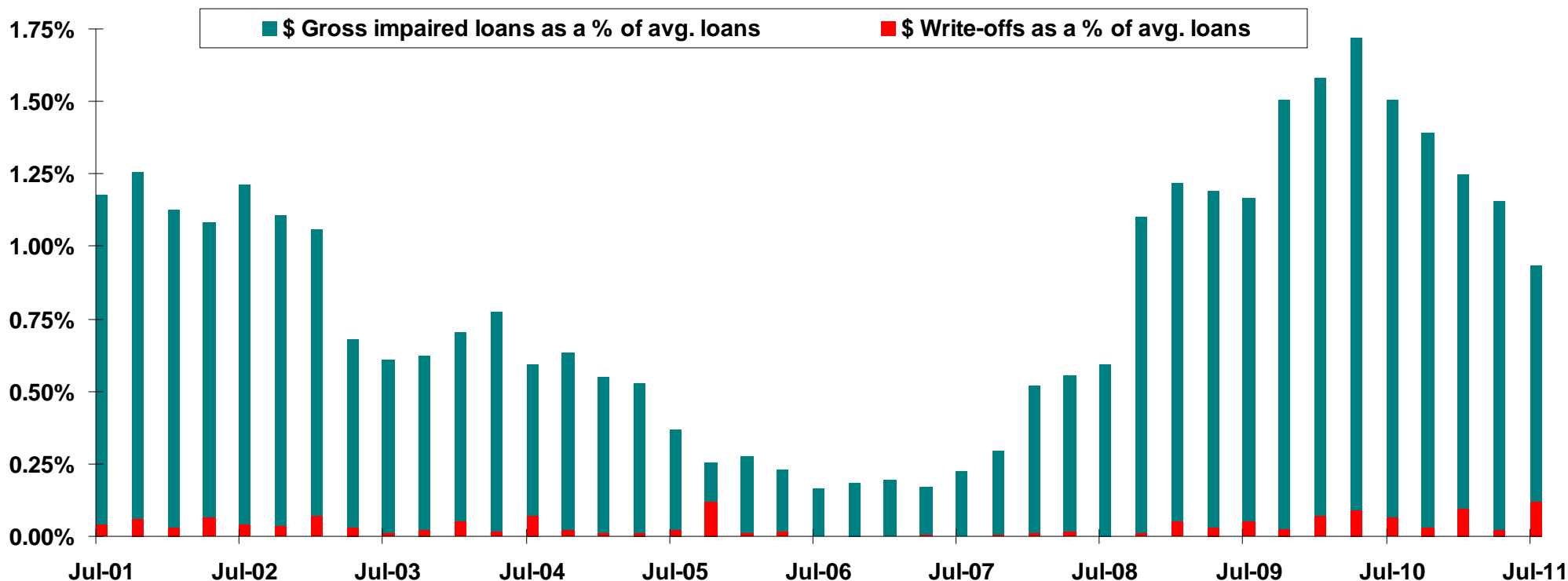
## Net Interest Margin (teb) and Spread on Loans



- Improvement in net interest margin (teb) over the same period last year mainly reflects changes in interest rates and lower average liquidity
- Based on increased competition and other factors, management believes some moderation in net interest margin (teb) will continue

# FINANCIAL PERFORMANCE – CREDIT

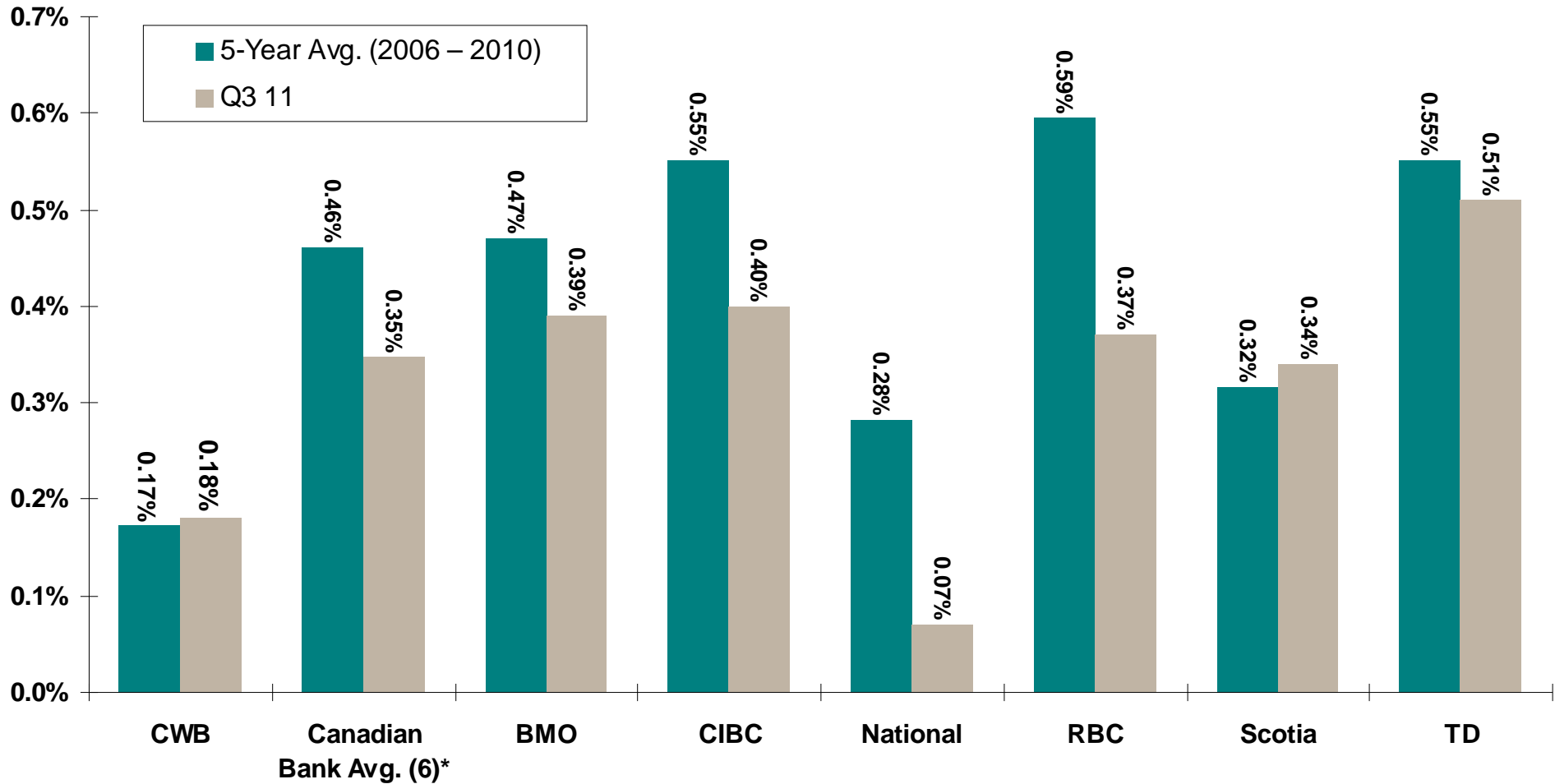
## Gross Impaired Loans & Write-offs (as a percentage of average loans)



- Improved credit quality evidenced by five consecutive quarters of reducing gross impaired loans
- The level of actual write-offs for FY' 2011 expected to be relatively consistent with the annual provision for credit losses and remain within the Bank's range of acceptable levels

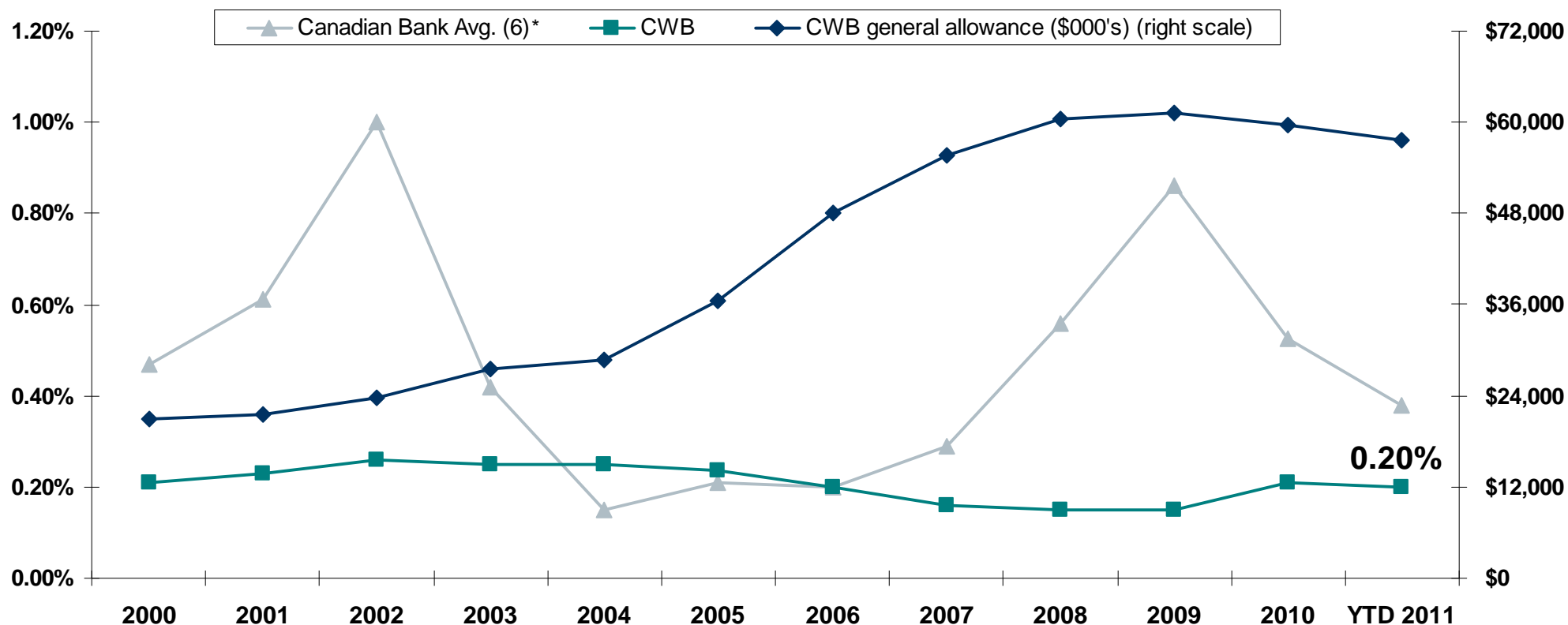
# FINANCIAL PERFORMANCE – CREDIT

## Annual Provision for Credit Losses (as a percentage of average loans)



# FINANCIAL PERFORMANCE – CREDIT

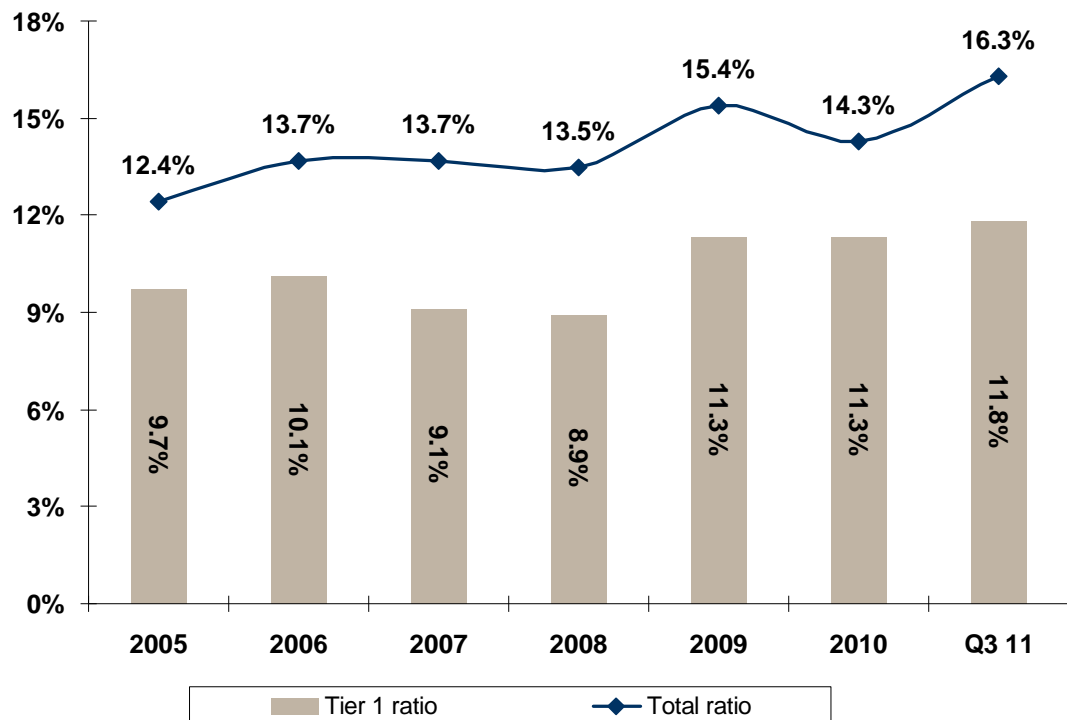
## Provision for Credit Losses (as a percentage of average loans)



- Provision for credit losses expected to remain at or slightly below the lower end of the 2011 target range of 20 to 25 basis points of average loans
- Based on the current view of credit quality, the dollar level of the general allowance for credit losses at year end should be relatively consistent with Q4 10

# FINANCIAL PERFORMANCE – CAPITAL RATIOS

## CWB Historical Capital Ratios



### Compared to Peers (Q3 11)

	(Basel II)	
	<u>Tier 1</u>	<u>Total</u>
BMO	11.5%	14.2%
CIBC	14.6%	18.7%
<b>CWB</b>	<b>11.8%</b>	<b>16.3%</b>
National	13.9%	17.2%
RBC	13.2%	15.2%
Scotia	12.3%	14.1%
TD	12.9%	16.3%

- Capital strength expected to support continued growth as well as provide flexibility to manage future challenges that may arise
- Subsequent to quarter end, on August 31, 2011, CWB redeemed all of its outstanding warrants (TSX: CWB.WT) for cash of \$72.4 million. The pro forma impact of the redemption is a reduction to the July 31, 2011 regulatory capital ratios of approximately 60 basis points

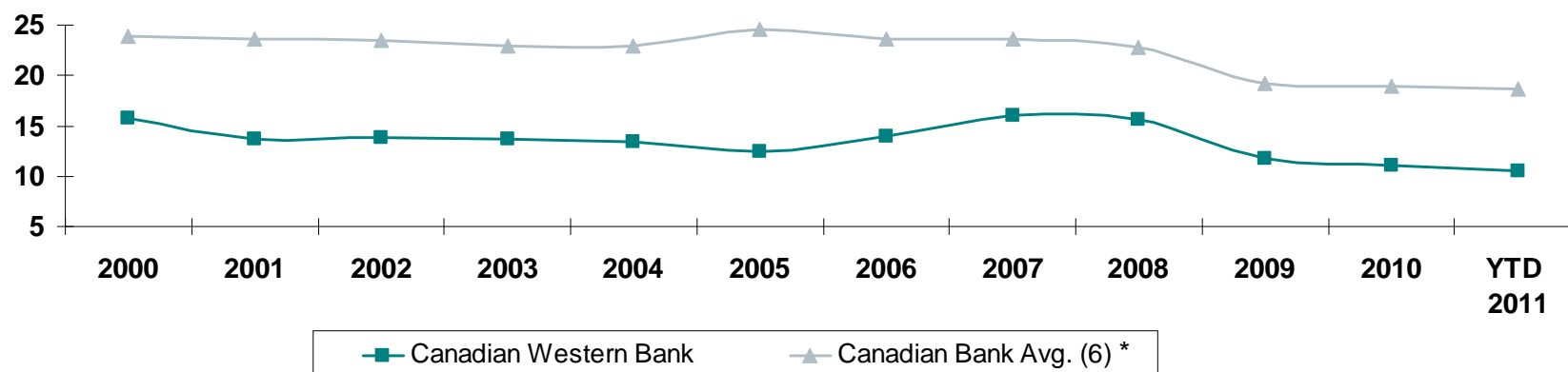
# FINANCIAL PERFORMANCE – CAPITAL & LEVERAGE

## Regulatory Capital Structure (as at July 31, 2011)

➤ Well positioned for the new Basel III capital standards beginning in 2013

	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

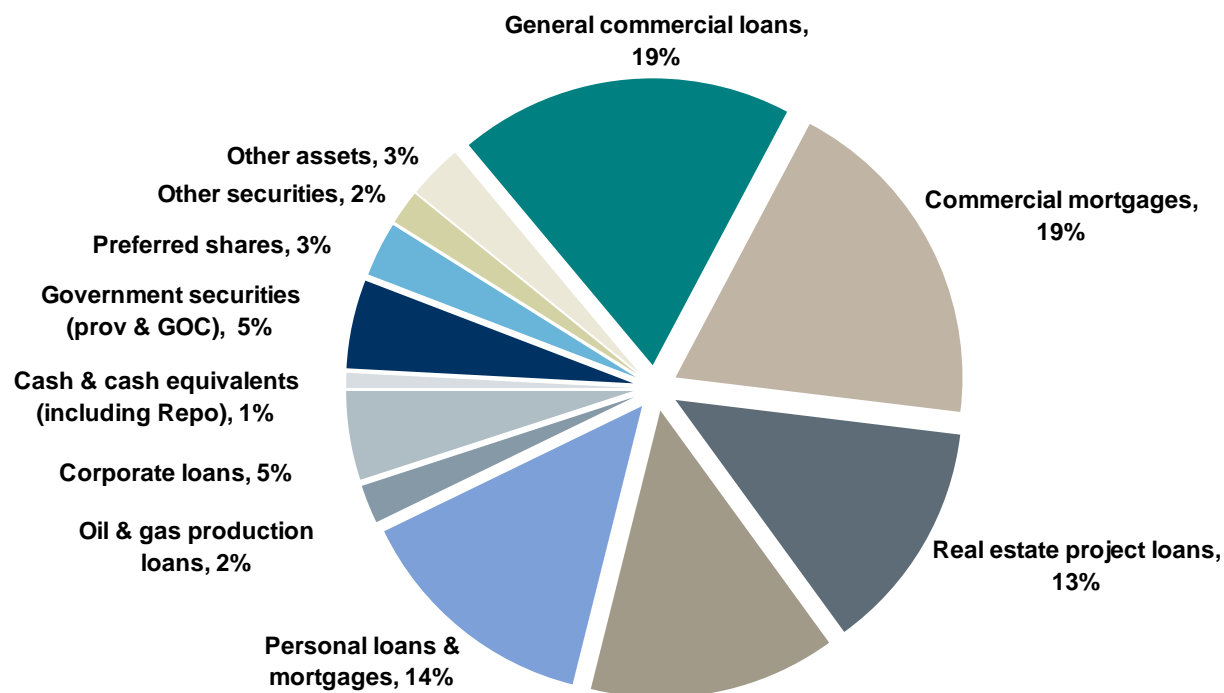
## Low Leverage (total assets-to-equity)



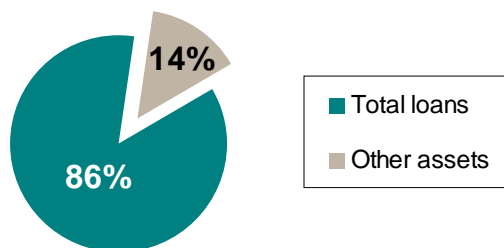
\* "Canadian Bank Avg. (6)" as referenced within this presentation is calculated based on information contained in the publicly available company reports of Canada's six largest banks (TSX trading symbols: BMO, BNS, CM, NA, RY, TD)

# FINANCIAL PERFORMANCE – ASSETS

## Composition of Assets (as at July 31, 2011)



## Total Assets



## Loans by Province

	Q3 11	Q3 10
British Columbia	33%	33%
Alberta	47%	48%
Saskatchewan	6%	6%
Manitoba	3%	3%
Ontario & other	11%	10%

## Loans by Lending Sector\*

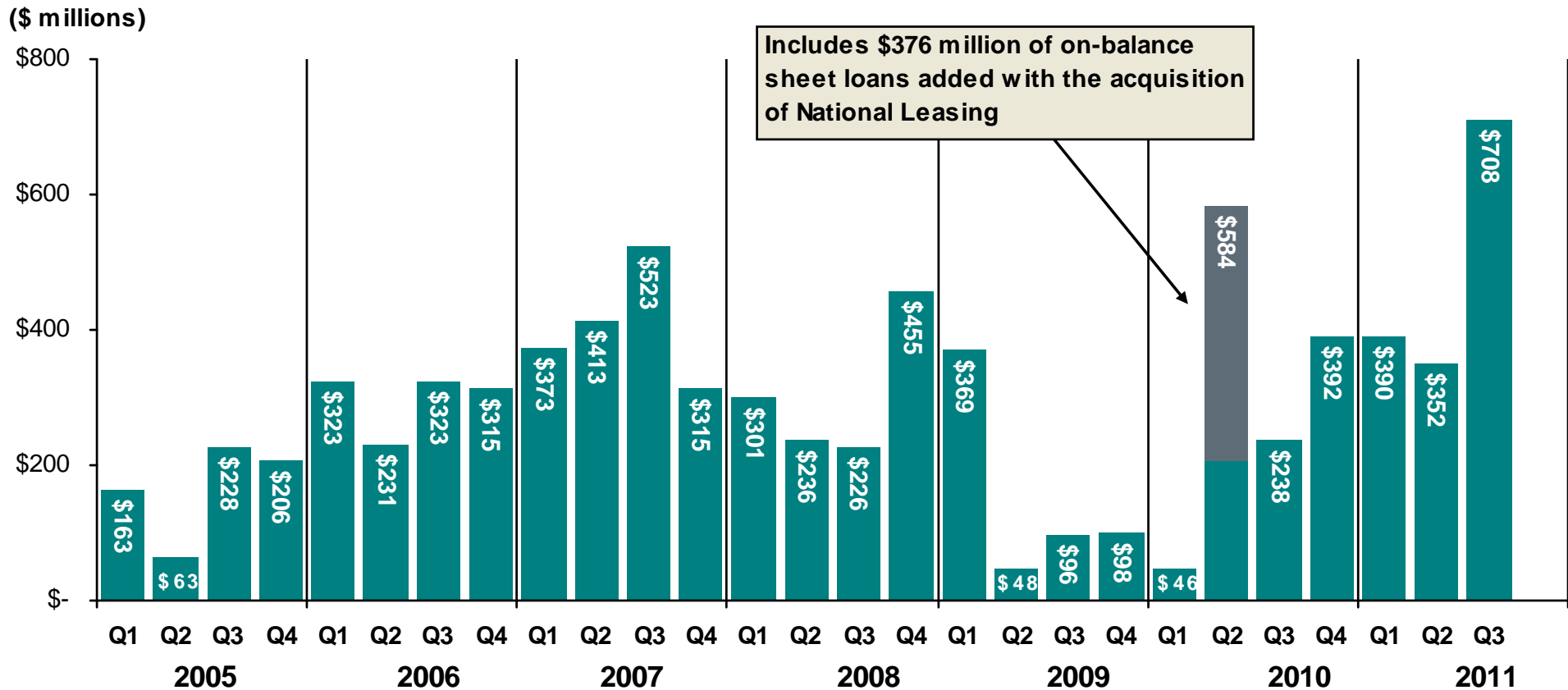
(\$ millions)

	Q3 11	Q4 10	Change from Q4 2010	
			\$	%
Commercial mortgages	\$ 2,641	\$ 2,458	\$ 183	7%
General commercial	2,603	2,197	406	18%
Real estate project loans	1,835	1,576	259	16%
Personal loans & mortgages	1,996	1,794	202	11%
Equipment financing	1,922	1,624	298	18%
Corporate loans	674	660	14	2%
Oil & gas production	347	266	81	30%
<b>Total loans outstanding</b>	<b>\$ 12,018</b>	<b>\$ 10,575</b>	<b>\$ 1,443</b>	<b>14%</b>

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

# FINANCIAL PERFORMANCE – ASSETS (LOAN GROWTH)

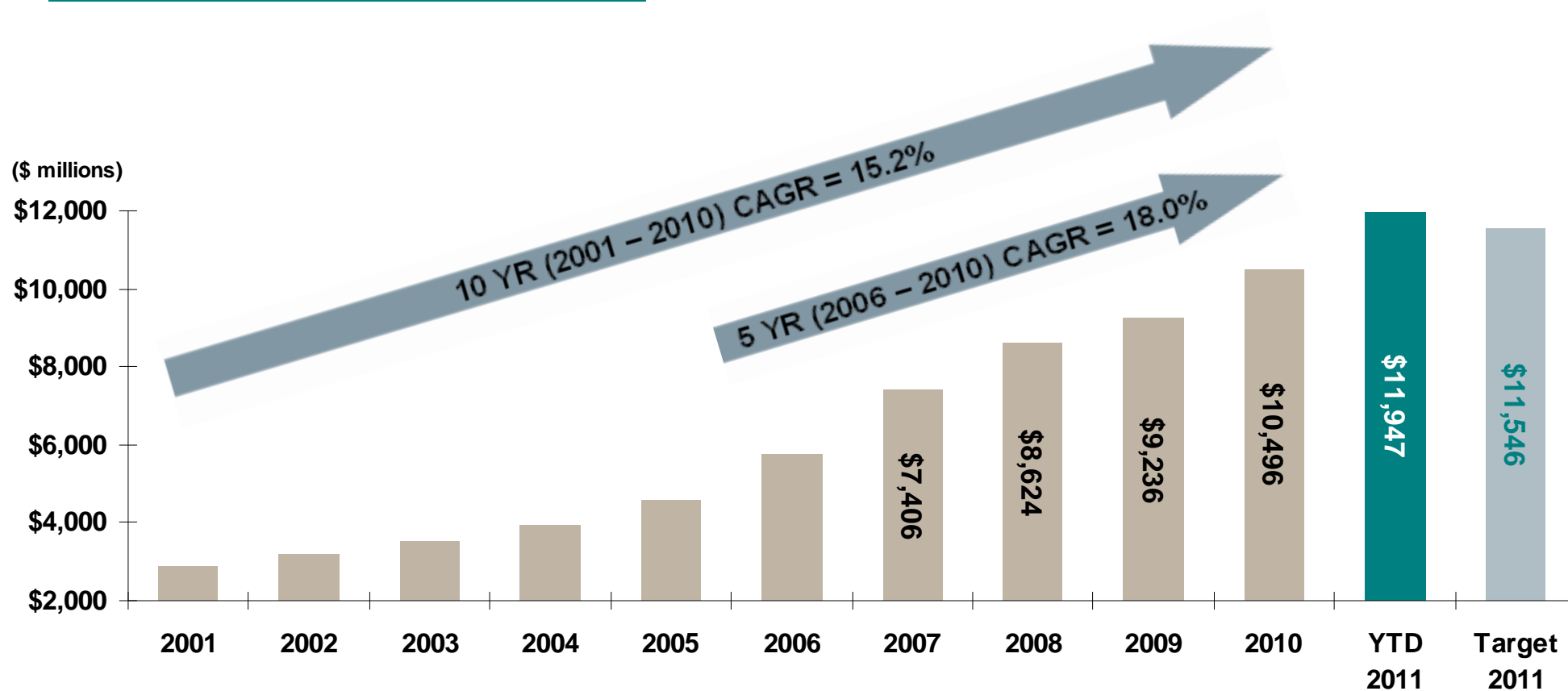
## Total Quarterly Loan Growth (\$ millions)



- Record volume of quarterly loan growth in Q3 11 reflects strong performance across all lending sectors and geographic regions within the Bank's key markets

# FINANCIAL PERFORMANCE – ASSETS (LOAN GROWTH)

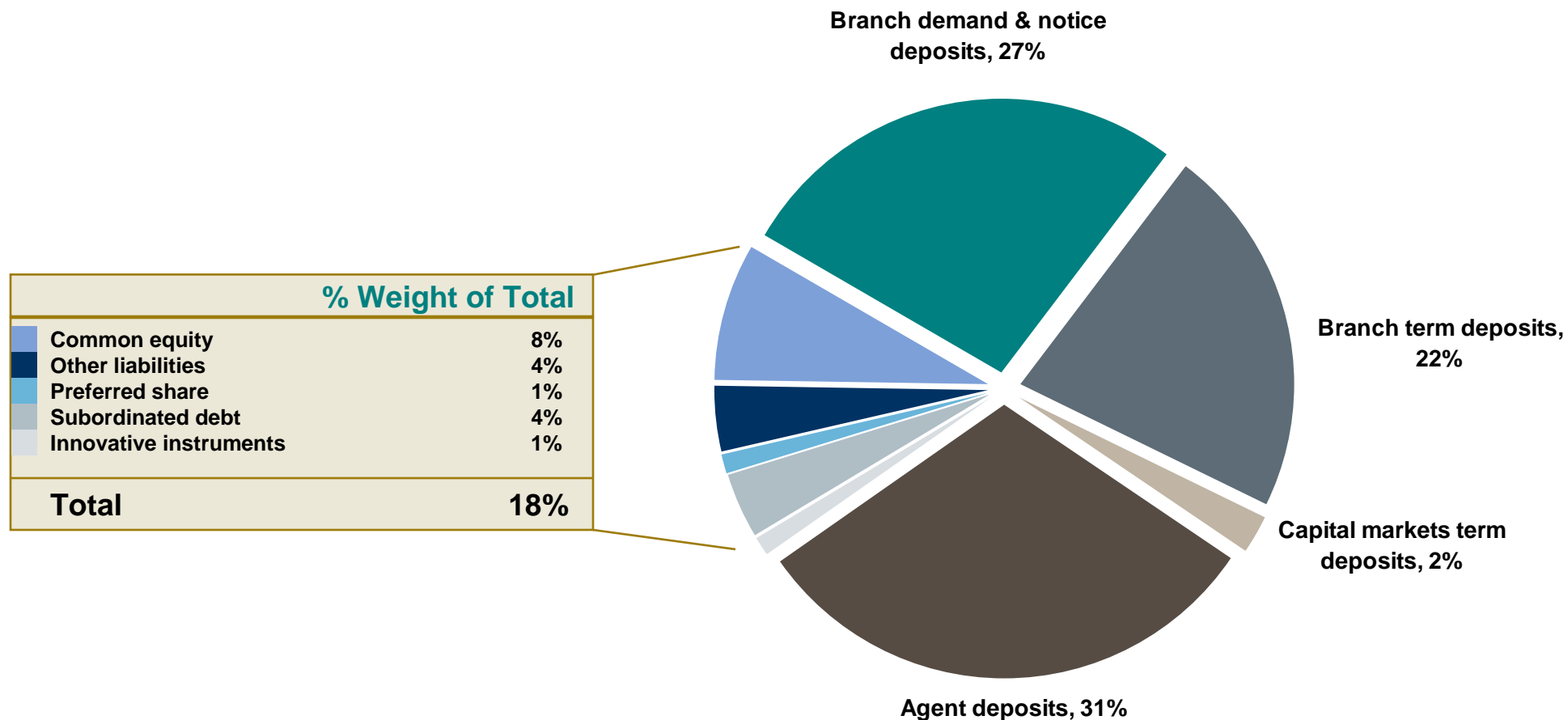
## Total Loans Outstanding (\$ millions)



- Total loans grew 6% (\$708 million) in the quarter, 14% (\$1,450 million) year-to-date and 18% (\$1,842 million) in the past twelve months

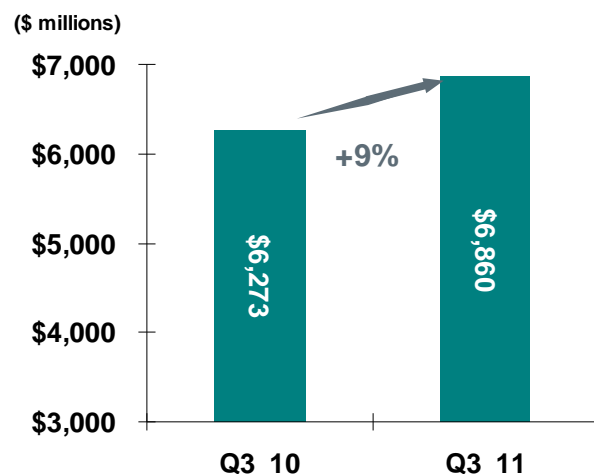
# FINANCIAL PERFORMANCE – FUNDING SOURCES

## Composition of Liabilities & Equity (as at July 31, 2011)

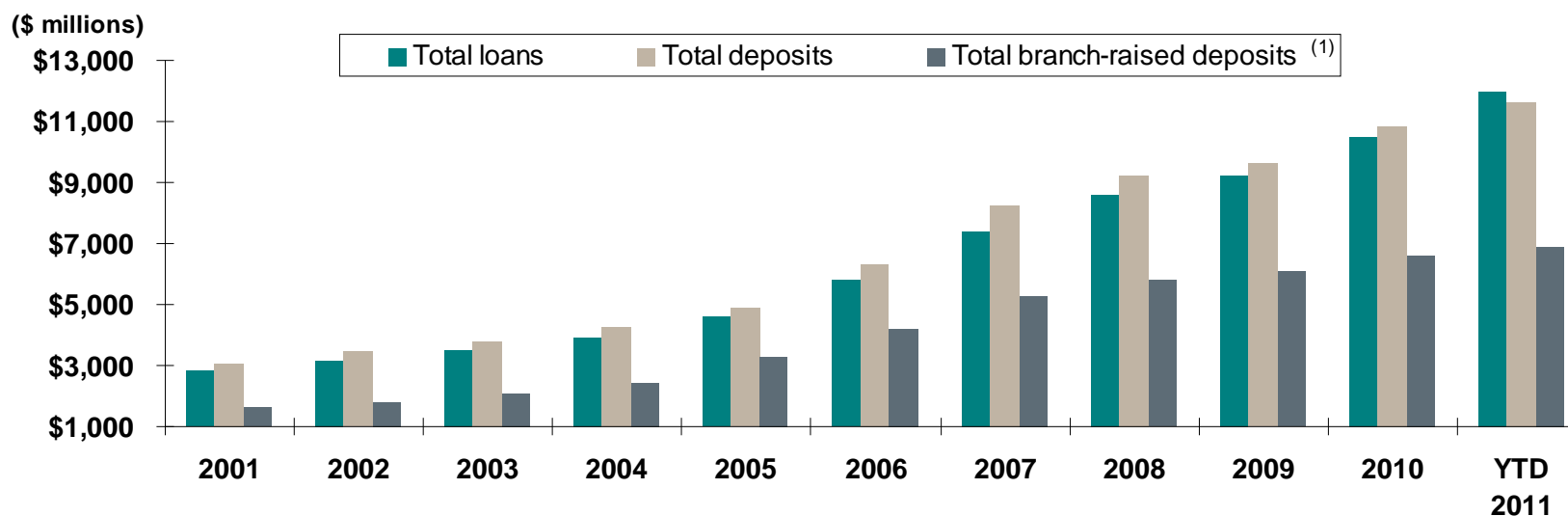
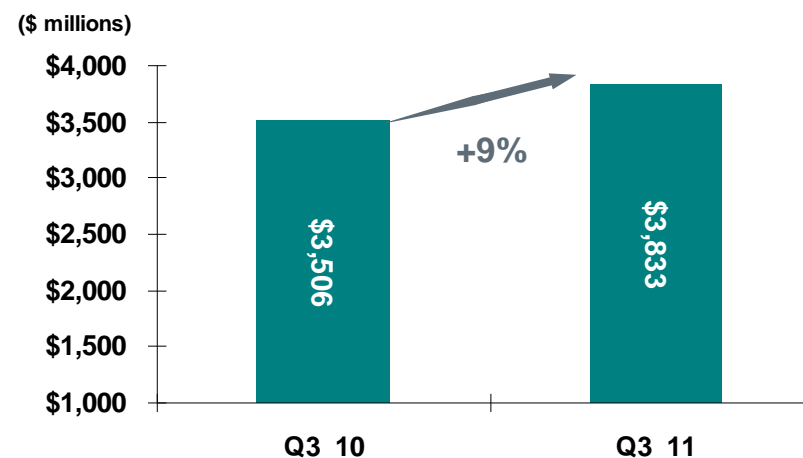


# FINANCIAL PERFORMANCE – FUNDING SOURCES

## Total Branch-raised Deposits <sup>(1)</sup>



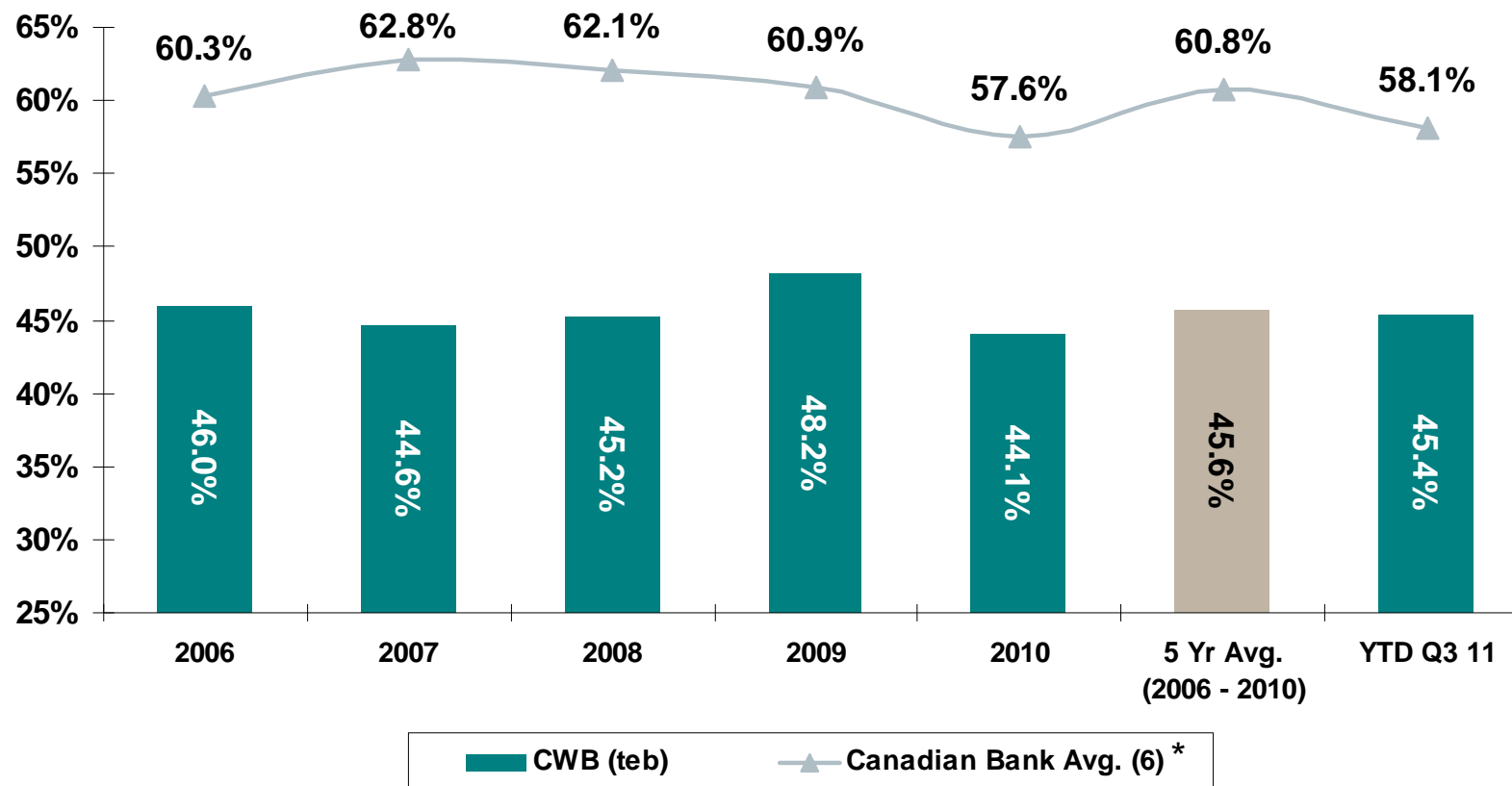
## Total Demand and Notice Deposits



<sup>(1)</sup> 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))

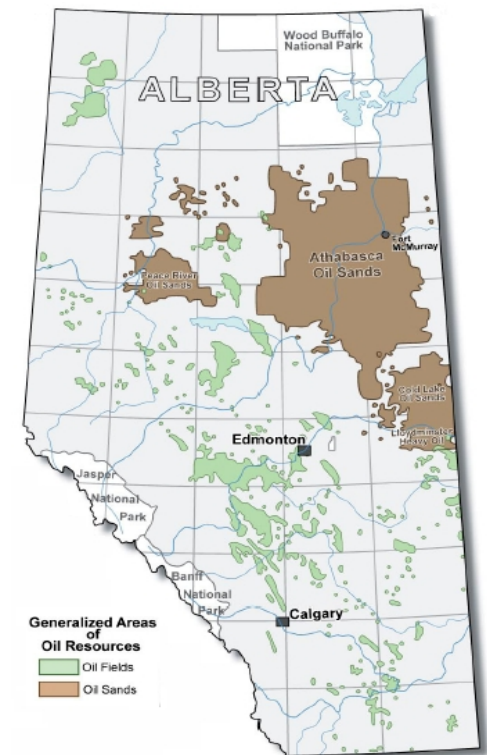
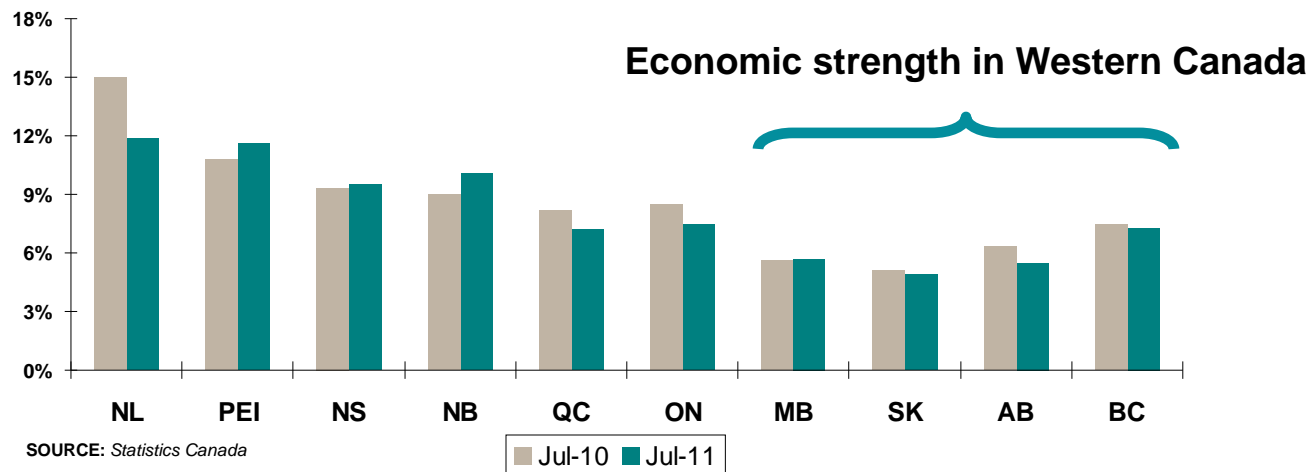


➤ **Exceptional efficiency relative to the six largest Canadian banks – demonstrated ability to effectively control costs while maintaining investment necessary to support sustained growth**

# ECONOMIC OUTLOOK

- **Canada's economic fundamentals support expectations for moderate growth in 2011**
- **Western Canada expected to perform well relative to the rest of Canada despite increased global uncertainties**
  - strong resource-based economies

## Provincial Unemployment Rates (seasonally adjusted)



# INFRASTRUCTURE

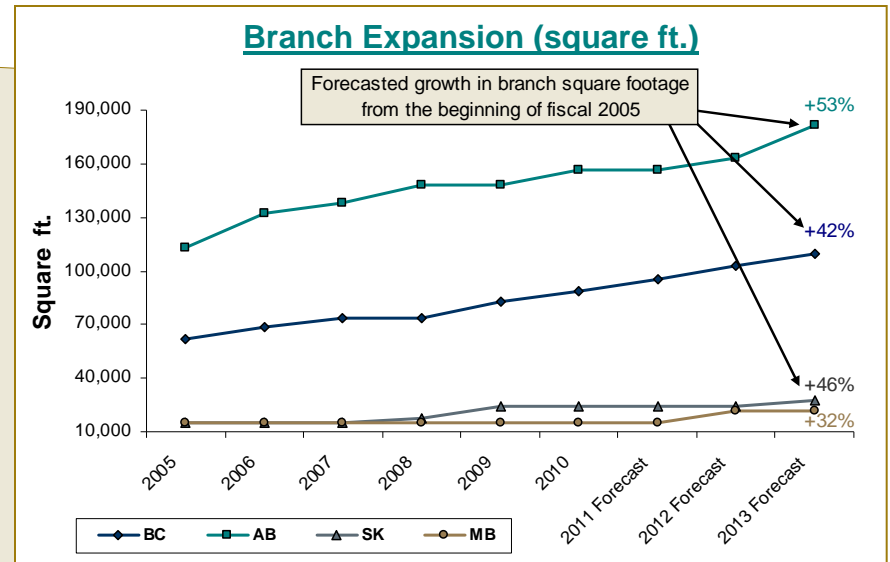
**Banking branches** – across Western Canada

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

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

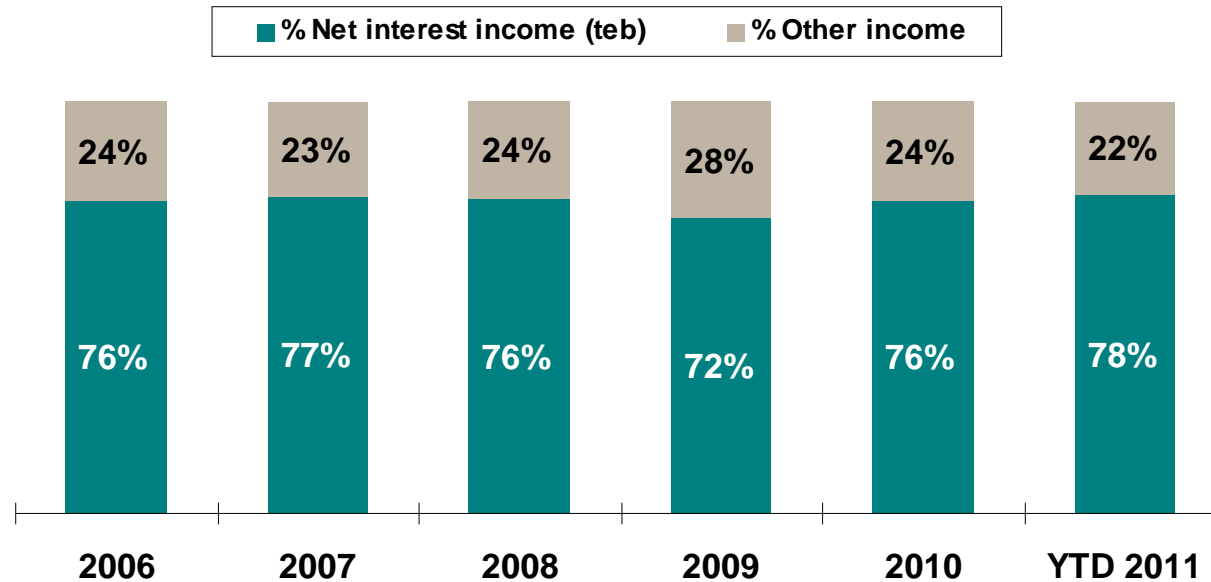
**Insurance call centres** – Vancouver, Edmonton

**Wealth management office** – Edmonton

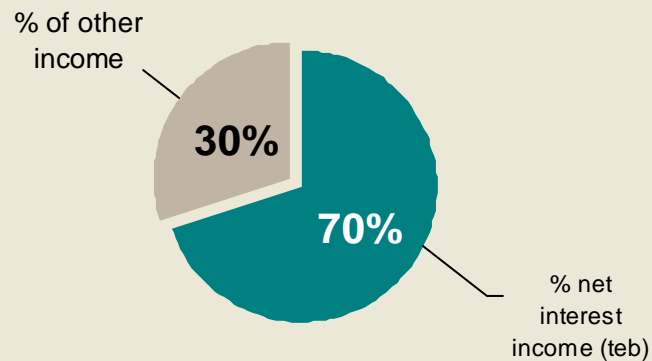


- New full-service branches in Surrey, BC & Sherwood Park, AB opened in Q4 10
- New full-service branch in Richmond, BC expected to open in Q4 11

# 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

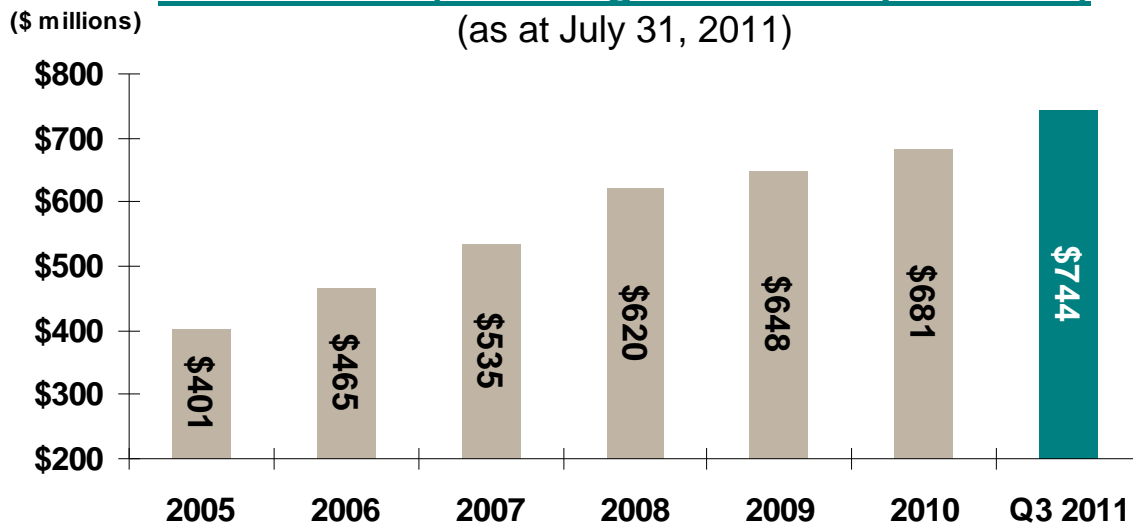
# BUSINESS DIVERSIFICATION

## 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**

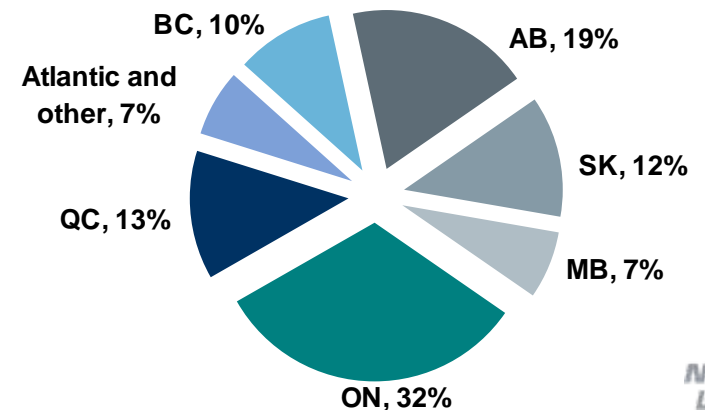
### Total Leases (including securitized portfolios)

(as at July 31, 2011)



### Provincial Breakdown of Leases

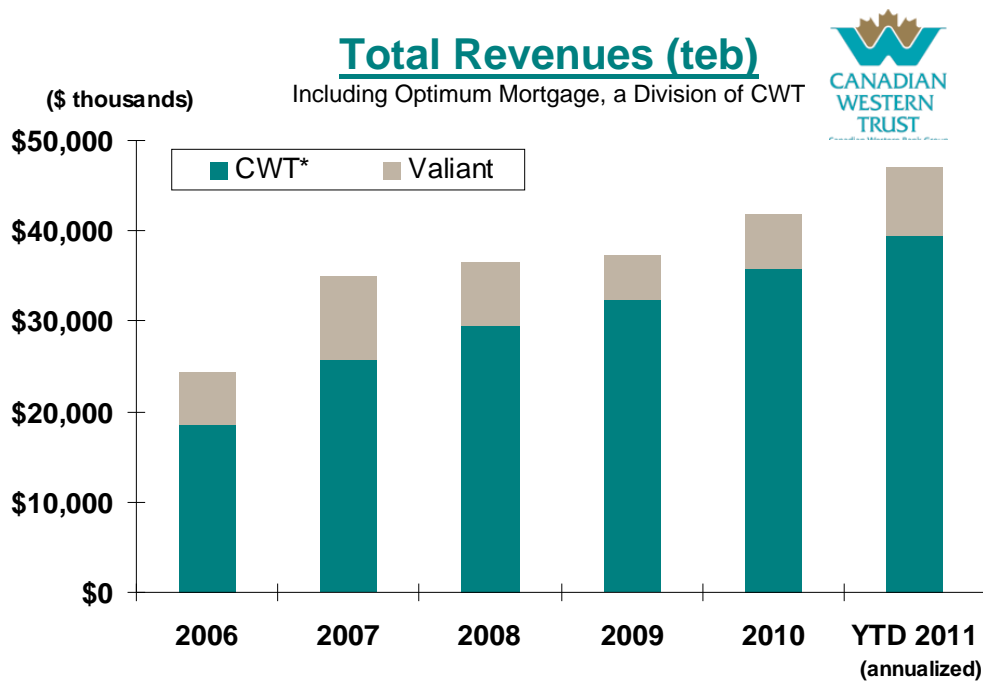
(as at July 31, 2011)



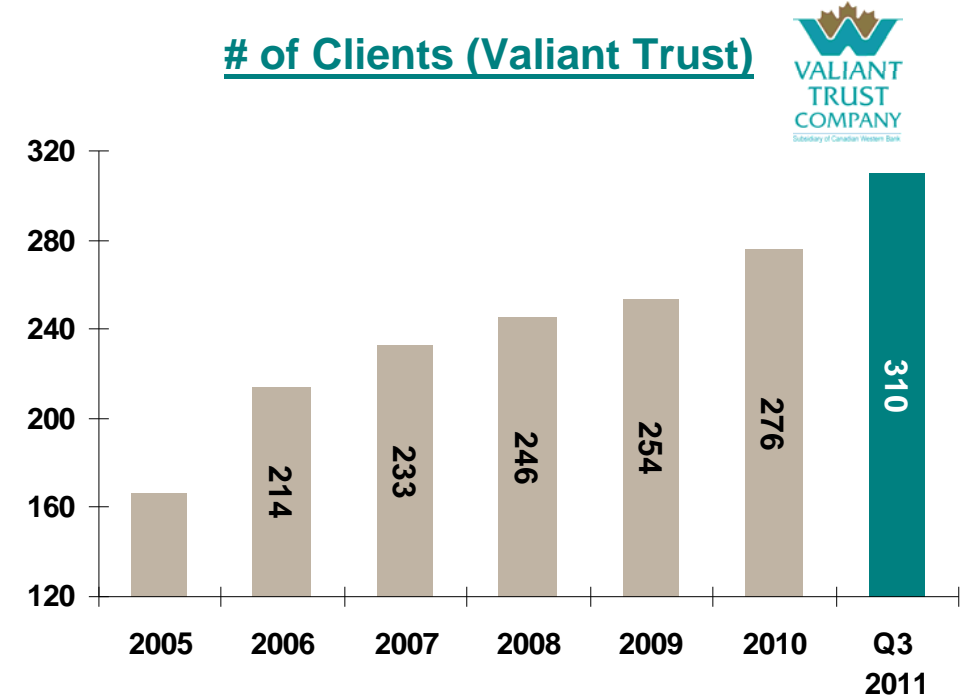
# BUSINESS DIVERSIFICATION

## Trust Services – Canadian Western Trust (CWT) & Valiant Trust

- Trust offices in Vancouver, Calgary, Edmonton and Toronto
- Trust assets under administration over \$6 billion; lower cost deposits more than \$1 billion
- 47,000+ CWT investment accounts
- Scalable growth opportunities that support 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.

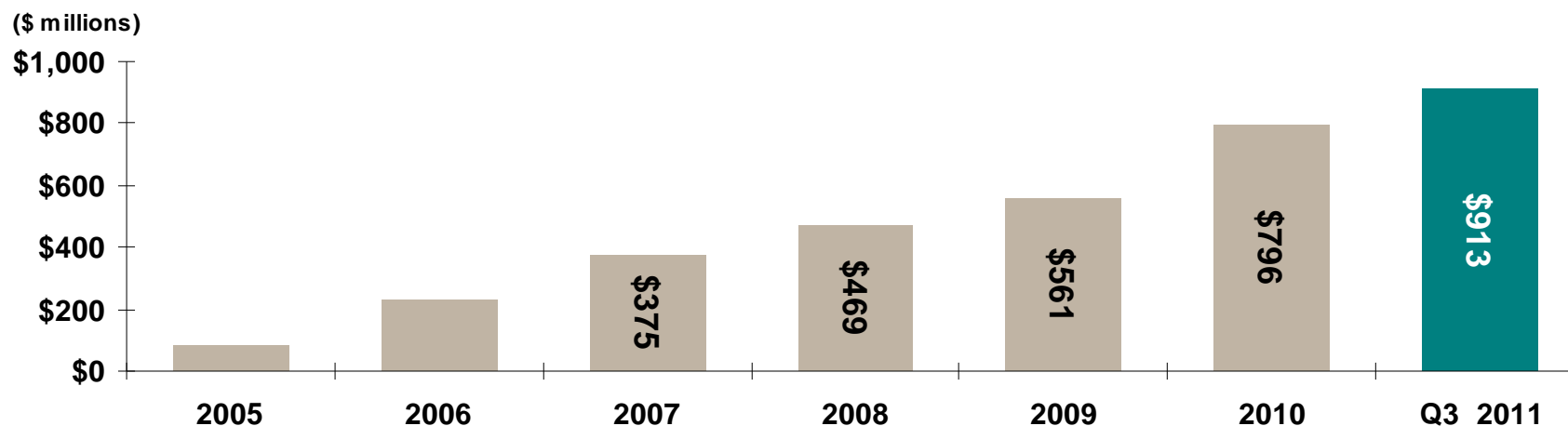


# BUSINESS DIVERSIFICATION

## Optimum Mortgage – Residential Mortgage Lender

- Broker-driven model providing residential mortgages across Western Canada and in select regions of Ontario
- Underwrites alternative mortgages and higher ratio insured mortgages. As at Q3 11, alternative mortgages represented ~65% of Optimum's total portfolio and carry a weighted average loan-to-value at initiation of ~70%
- Solid source of loan growth and profitability (blend of fee-based income and interest revenues)
- Considerable future growth opportunities

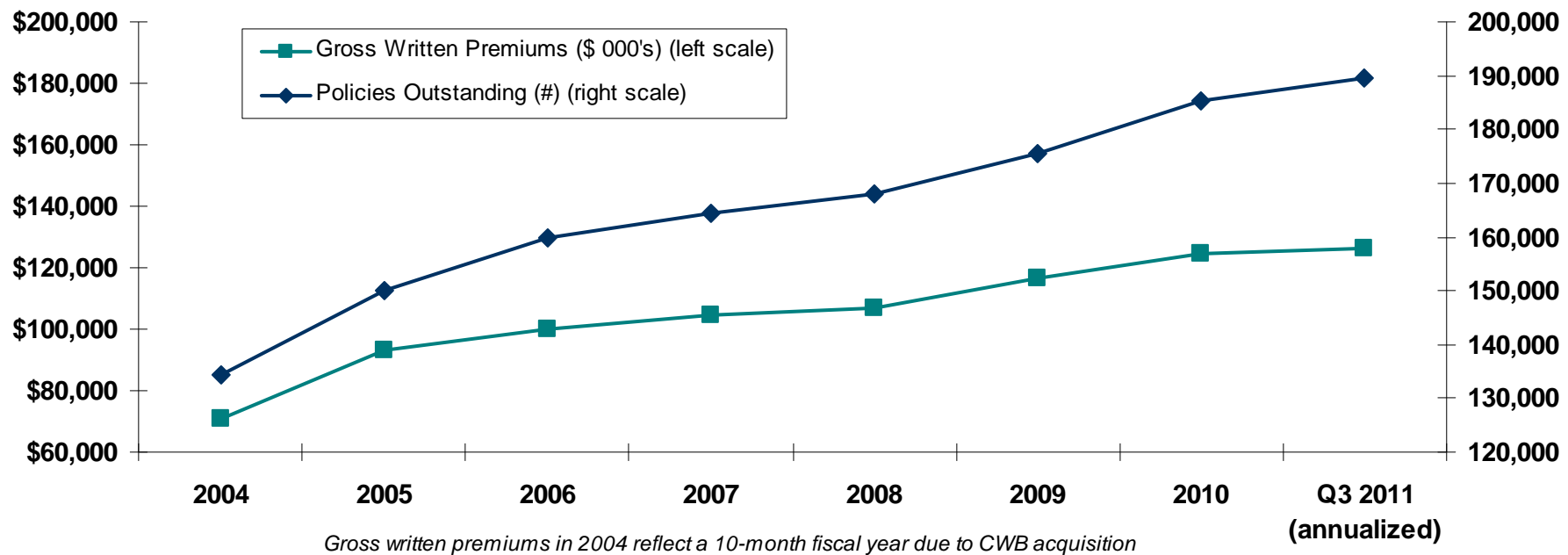
## Total Optimum Mortgages



# BUSINESS DIVERSIFICATION

## Canadian Direct Insurance – Personal Auto & Home Insurance

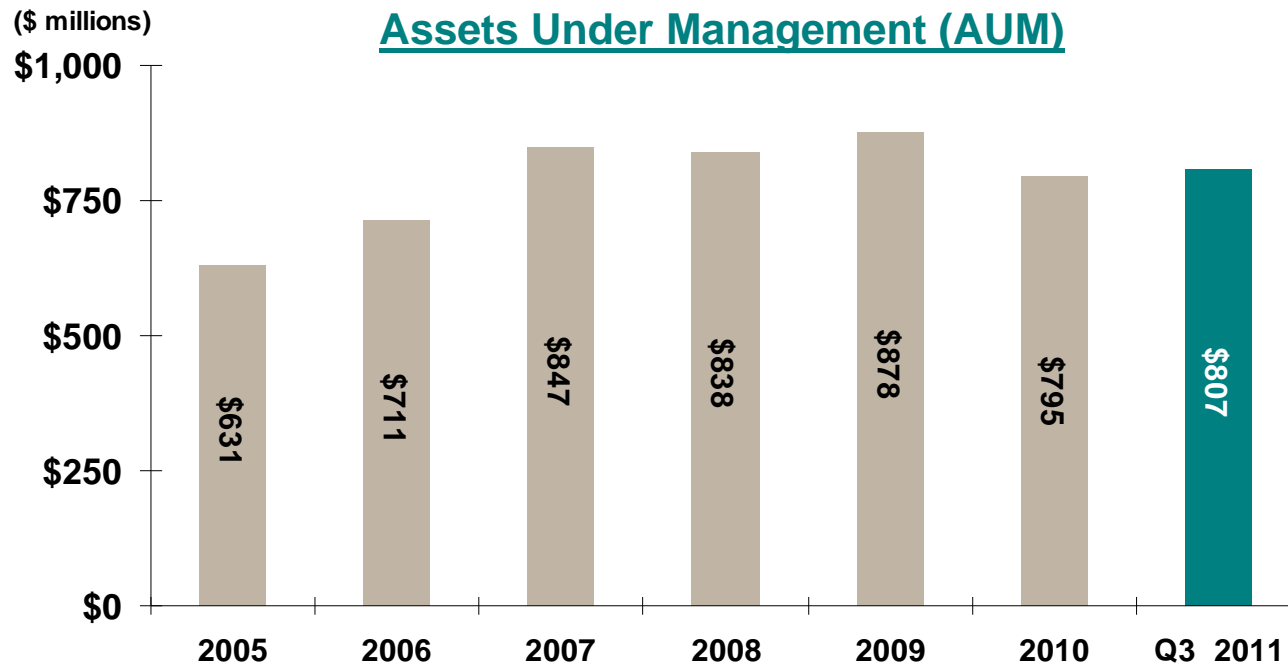
- Personal auto and home insurance in Western Canada (British Columbia and Alberta)
- Distribution of policies through telephone, internet and broker network
- Offers steady source of revenue independent of economic volatility (2006 – 2010 average combined ratio of 93%; Q3 11 combined ratio of 91%)
- Over 189,600 policies outstanding (solid growth profile)



# BUSINESS DIVERSIFICATION

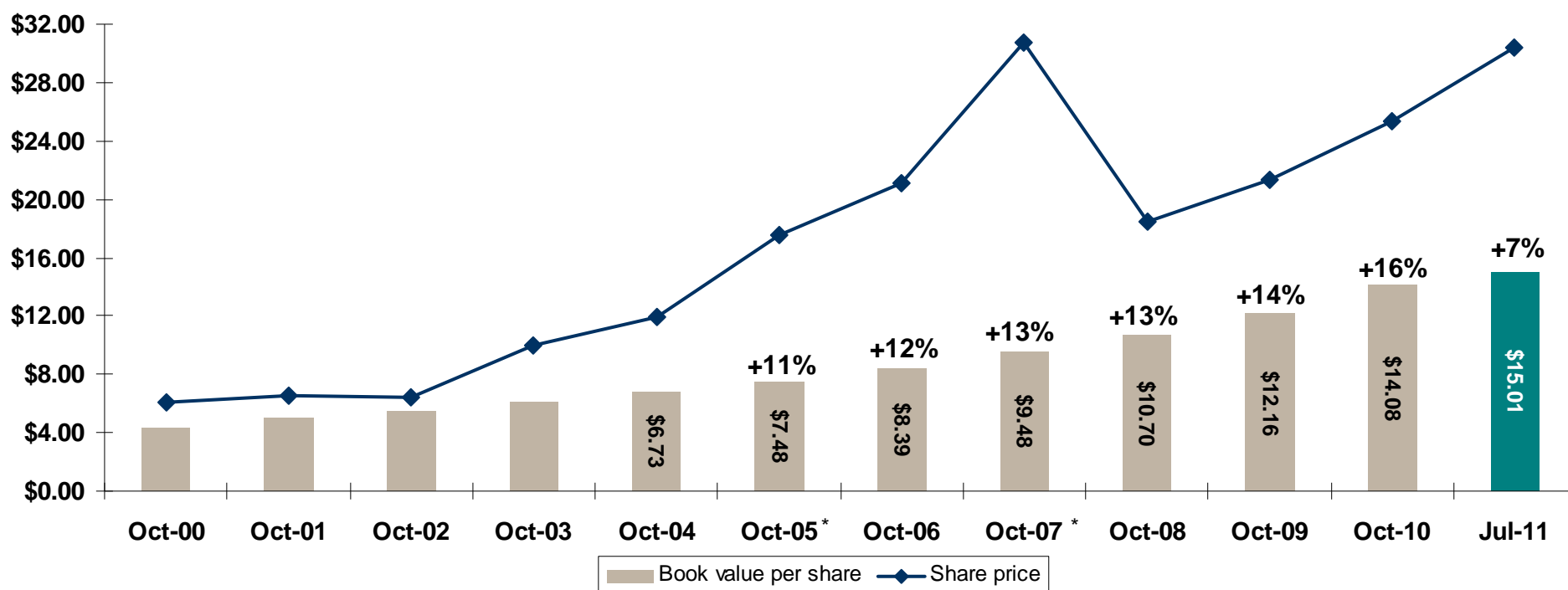
## Adroit Investment Management – Wealth & Portfolio Management

- Acquired in December 2008
- Specializes 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



# SHAREHOLDER RETURN

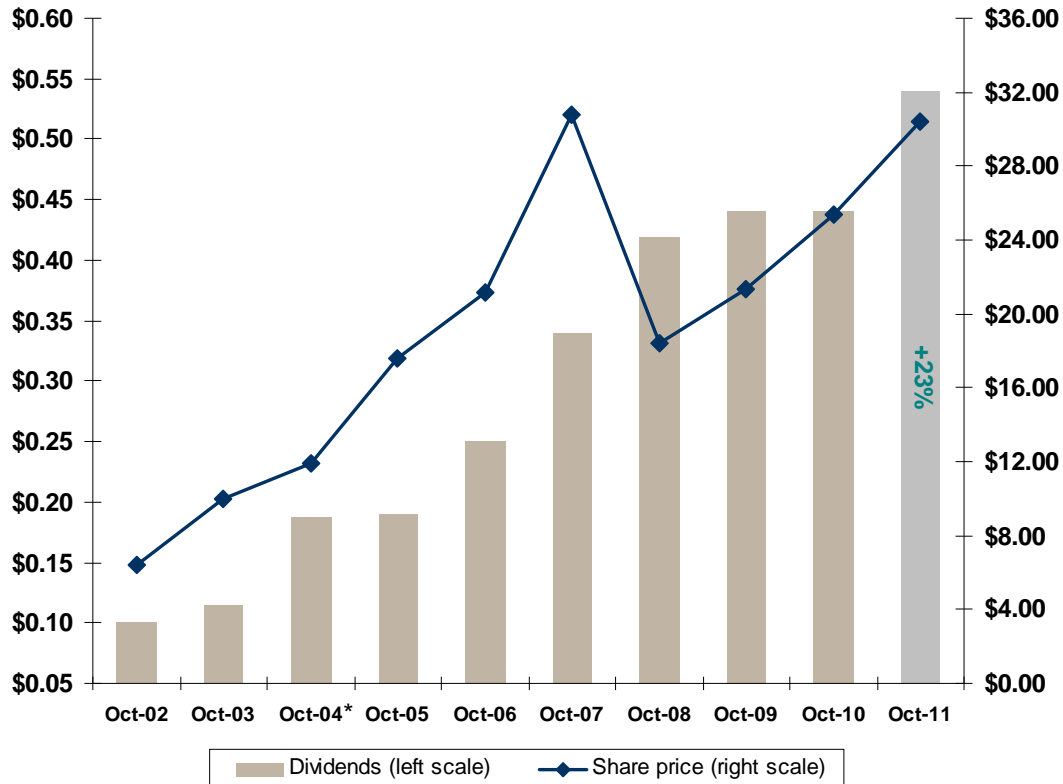
## Historical Valuation (share price and book value per share\*)



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

# SHAREHOLDER RETURN

## Dividend Growth



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

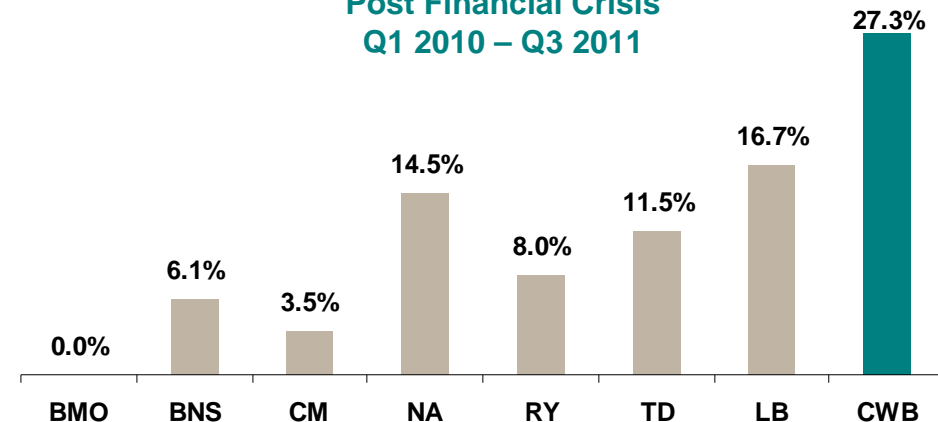
\*\* Dividend payout ratios represent common share dividends (including shares issued under CWB's dividend reinvestment plan (DRIP)) measured as a percentage of net income available to common shareholders

### Dividend Payout Ratios\*\*:

**Fiscal 2009:** ~29%  
**Fiscal 2010:** ~19%  
**YTD 2011** ~24%  
**Target payout range: 25-30%**

### Canadian Bank Dividend Increases

Post Financial Crisis  
Q1 2010 – Q3 2011



Source: Publicly available company reports of Canada's Schedule I Banks (TSX trading symbols: BMO, BNS, CM, LB, NA, RY, TD)

# SHAREHOLDER RETURN

## Shares Outstanding (August 31, 2011)

- 75.4 million common shares (TSX: CWB)
- 8.4 million preferred shares (TSX: CWB.PR.A)

## Employee Share Purchase Plan (ESPP)

- Over 94% employee participation

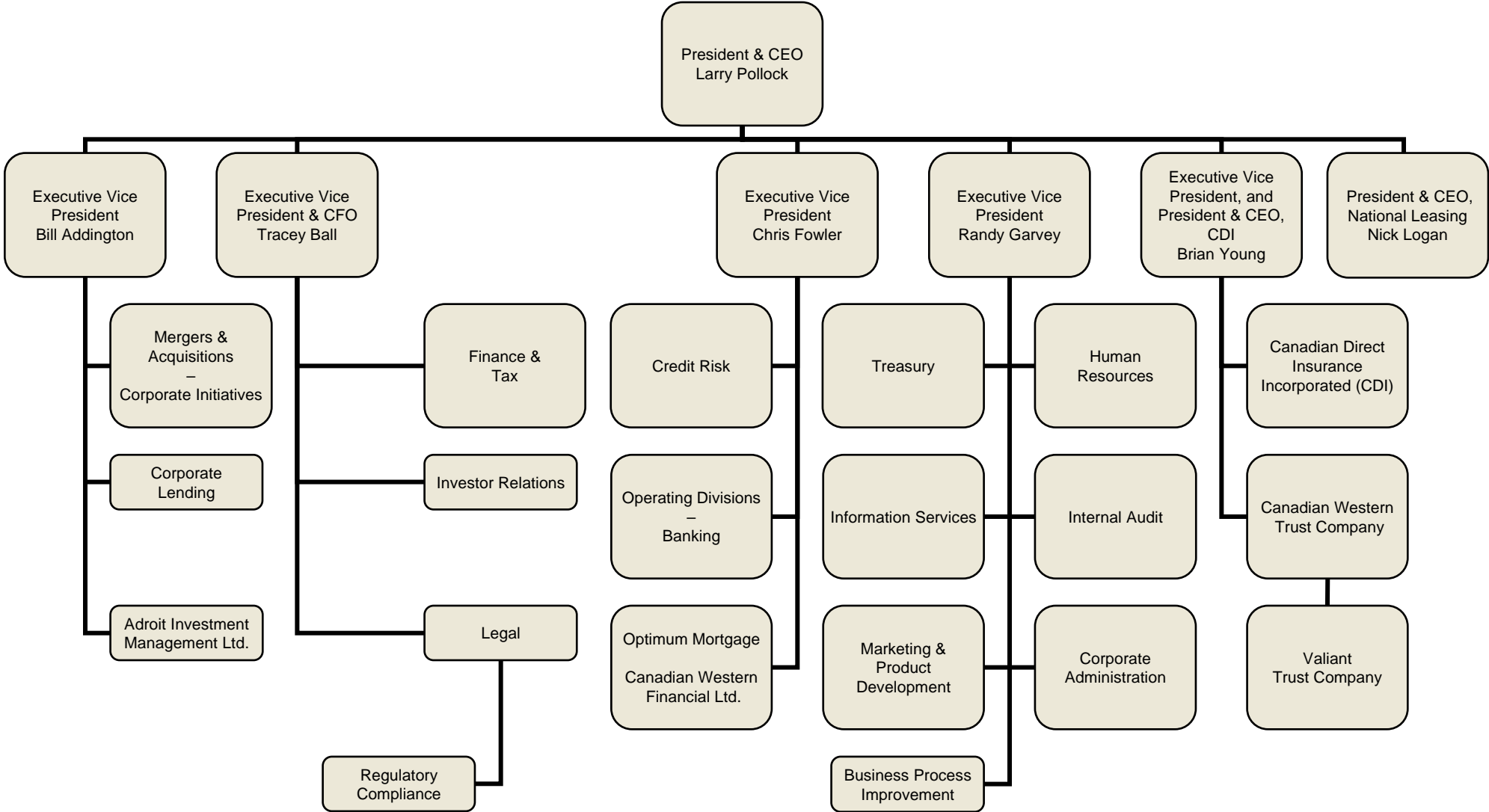
### Canadian Schedule I Banks - Common Shareholder Annual Total Rate of Return<sup>(1)</sup> for the Calendar Years 1991 - 2010

Bank	12/31/2010	1991 - 2000	2001 - 2010	1991 - 2010	2006	2007	2008	2009	2010	2006 - 2010
Royal Bank	\$52.24	20.2%	11.2%	15.6%	26.0%	-5.5%	-25.9%	63.7%	-4.0%	6.8%
CIBC	\$78.33	17.6%	9.6%	13.6%	32.9%	-25.6%	-23.1%	41.6%	20.4%	5.3%
Bank of Montreal	\$57.48	23.2%	8.1%	15.4%	9.8%	-15.0%	-41.3%	91.3%	7.9%	2.5%
Scotiabank	\$57.10	26.1%	14.1%	20.0%	16.7%	-0.1%	-31.6%	57.2%	20.5%	8.6%
TD Bank	\$74.25	22.1%	8.9%	15.3%	16.6%	2.8%	-35.1%	59.2%	16.6%	7.6%
National Bank	\$68.52	17.7%	14.1%	15.9%	12.8%	-17.3%	-36.6%	101.8%	18.4%	7.2%
Laurentian Bank	\$48.06	12.2%	9.7%	10.9%	-7.7%	13.6%	7.3%	28.9%	16.2%	11.0%
<b>Canadian Western Bank</b>	<b>\$28.36</b>	<b>23.2%</b>	<b>17.7%</b>	<b>20.4%</b>	<b>49.2%</b>	<b>20.3%</b>	<b>-59.6%</b>	<b>82.2%</b>	<b>31.7%</b>	<b>11.7%</b>
S&P/TSX Bank Index	1,987	n/a	n/a	n/a	20.0%	-7.0%	-31.3%	62.6%	10.6%	6.6%
S&P/TSX Composite Index	14,137	n/a	n/a	n/a	17.3%	9.8%	-33.0%	35.1%	17.6%	6.5%

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

Source: Bloomberg

# CWB GROUP – CORPORATE STRUCTURE



# INVESTOR RELATIONS

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