



CANADIAN
WESTERN BANK
GROUP

BANK • TRUST • INSURANCE • WEALTH MANAGEMENT

Canadian Western Bank Group

Fourth Quarter & Annual Results Conference Call
December 6, 2011

www.cwbankgroup.com



Review of Fourth Quarter & Annual Results

Tracey Ball, Executive VP & CFO

- Performance Highlights
- Regulatory Capital
- Fiscal 2011 Performance Targets
- Fiscal 2012 Performance Targets

Outlook & Strategy

Larry Pollock, President & CEO

- Credit Performance
- Strategic Priorities 2012

Questions

PERFORMANCE HIGHLIGHTS

➤ Highlights

- Achieved new milestones for total loans and total assets of \$12 billion and \$14 billion, respectively
- Opened a new full-service branch in Richmond, BC, marking the Bank's 40th branch
- Recognized as one of the *50 Best Employers in Canada*
- Met or surpassed all 2011 minimum performance targets, led by very strong loan growth of 16%
- Improved credit quality as evidenced by a relatively stable provision for credit losses and a 32% reduction in the dollar level of gross impaired loans compared to Q4 10



➤ Quarterly financial results (Q4 11 compared to Q4 10)

- Net income of \$45.0 million, up 15% (\$5.9 million); 94 consecutive profitable quarters
 - Diluted earnings per common share of \$0.54, up 13%
 - Diluted cash earnings per share of \$0.55, up 12%
- Record total revenues (teb) of \$124.3 million, up 11% (\$12.7 million)

➤ Fourth quarter net interest margin (teb) of 2.72%

- Down 12 basis points from Q4 10
 - Decrease mainly resulting from lower yields on loans and investments, as well as increased expense related to additional subordinated debentures issued in November 2010
- Down 11 basis points from Q3 11
 - Decrease mainly resulting from lower loan yields, a very low interest rate environment (including a flat yield curve) and competitive pressures in some areas; further impacted by a higher average liquidity level raised in response to global uncertainties
- Expect pressure on net interest margin will continue

PERFORMANCE HIGHLIGHTS (continued)

➤ **Annual financial results** (fiscal 2011 compared to fiscal 2010)

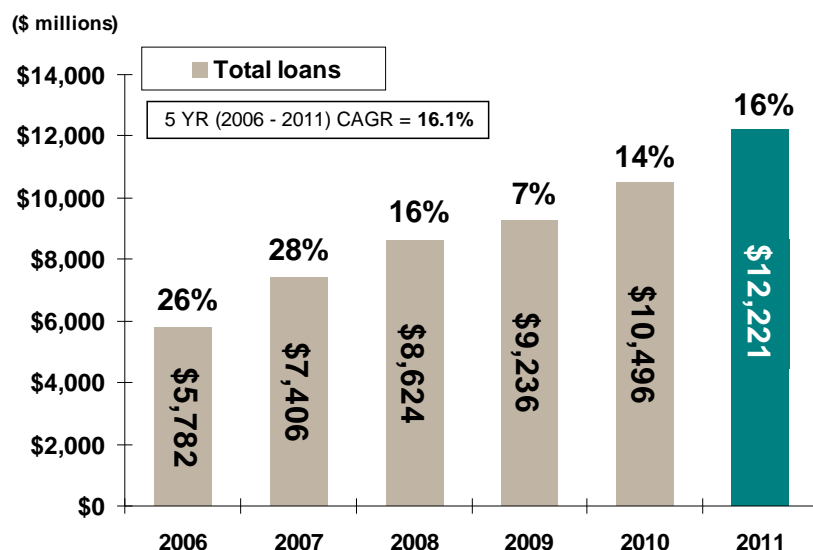
- Record net income of \$178.1 million, up 9%
 - Record diluted earnings per common share of \$2.12, up 3%
 - Record diluted cash earnings per share of \$2.18, up 4%
- Record total revenues (teb) of \$491.0 million, up 13%
 - Net interest income (teb) of \$384.7 million, up 17%
 - Very strong loan growth and eight basis point improvement in net interest margin (teb)
 - Other income of \$106.3 million, up 1%
 - Led by growth in trust and wealth management revenues and credit-related fee income; partially offset by lower net gains on sale-of-securities and a reduction in net insurance revenues reflecting a lower contribution from the Alberta auto risk sharing pools

➤ **Dividends**

- Quarterly dividend declared of \$0.15 per CWB common share, an increase of 7% (\$0.01) over the prior quarter and 15% (\$0.02) compared to the dividend declared a year earlier
 - Total common share dividends in 2011 of \$39.2 million represented approximately 24% of net income available to common shareholders
- Quarterly dividend of \$0.453125 declared on Series 3 Preferred Shares

PERFORMANCE HIGHLIGHTS (continued)

Historical Loan Growth



Loans by Lending Portfolio

(\$ millions)

	Q4 11	Q4 10	Change from Q4 2010	
Commercial mortgages	\$ 2,700	\$ 2,458	\$ 242	10%
General commercial	2,606	2,197	409	19%
Real estate project loans	1,888	1,576	312	20%
Personal loans & mortgages	2,020	1,794	226	13%
Equipment financing	2,006	1,624	382	24%
Corporate loans	709	660	49	7%
Oil & gas production	363	266	97	36%
Total loans outstanding	\$ 12,292	\$ 10,575	\$ 1,717	16%

Loans by Province

	Q4 11	Q4 10
British Columbia	33%	33%
Alberta	46%	48%
Saskatchewan	6%	6%
Manitoba	3%	3%
Ontario & other	12%	10%

REGULATORY CAPITAL

	Q4 11 (Basel II) Actual	Current Regulatory Minimum	Q4 11 (Basel III) Pro Forma	Regulatory Minimum
Tangible common equity	8.6 %	—	7.9 %	7.0 %
Tier 1 capital	11.1	7.0 %	8.6	8.5
Total capital	15.4	10.0	12.8	10.5

➤ **Strong regulatory capital position – Basel II**

- Tangible common equity ratio of 8.6%; Tier 1 ratio of 11.1%; total ratio of 15.4%
 - Warrant redemption completed in August 2011 reduced regulatory capital ratios by approximately 60 basis points; impact of warrant redemption more than offset by common equity raised in the year upon the exercise of warrants

➤ **Well positioned for Basel III**

- Common equity Tier 1 ratio of 7.9%; Tier 1 ratio of 8.6%; total ratio of 12.8%
- Target capital ratios, including buffer, to be determined in conjunction with CWB's 2012 Internal Capital Adequacy Assessment Process (ICAAP)

➤ **International Financial Reporting Standards (IFRS)**

- Transition in fiscal 2012 not expected to have a material impact on regulatory capital ratios

FISCAL 2011 PERFORMANCE TARGETS

	2011 Minimum Target	2011 Performance
Net income growth ⁽¹⁾	6%	9%
Net income growth before taxes ⁽²⁾	10%	11%
Total revenue growth (teb)	12%	13%
Loan growth	10%	16%
Provision for credit losses	0.20% – 0.25%	0.20%
Efficiency ratio (teb)	46%	45.3%
Return on common equity ⁽³⁾	15%	15.6%
Return on assets ⁽⁴⁾	1.20%	1.20%

(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.

FISCAL 2012 PERFORMANCE TARGETS

“2012 Minimum Targets” are calculated under Canadian Generally Accepted Accounting Principles (GAAP). The 2011 transition adjustments between GAAP and IFRS will be pre-released before the end of the first quarter 2012. The percentage targets will be amended at that time to reflect updated comparatives for fiscal 2011.

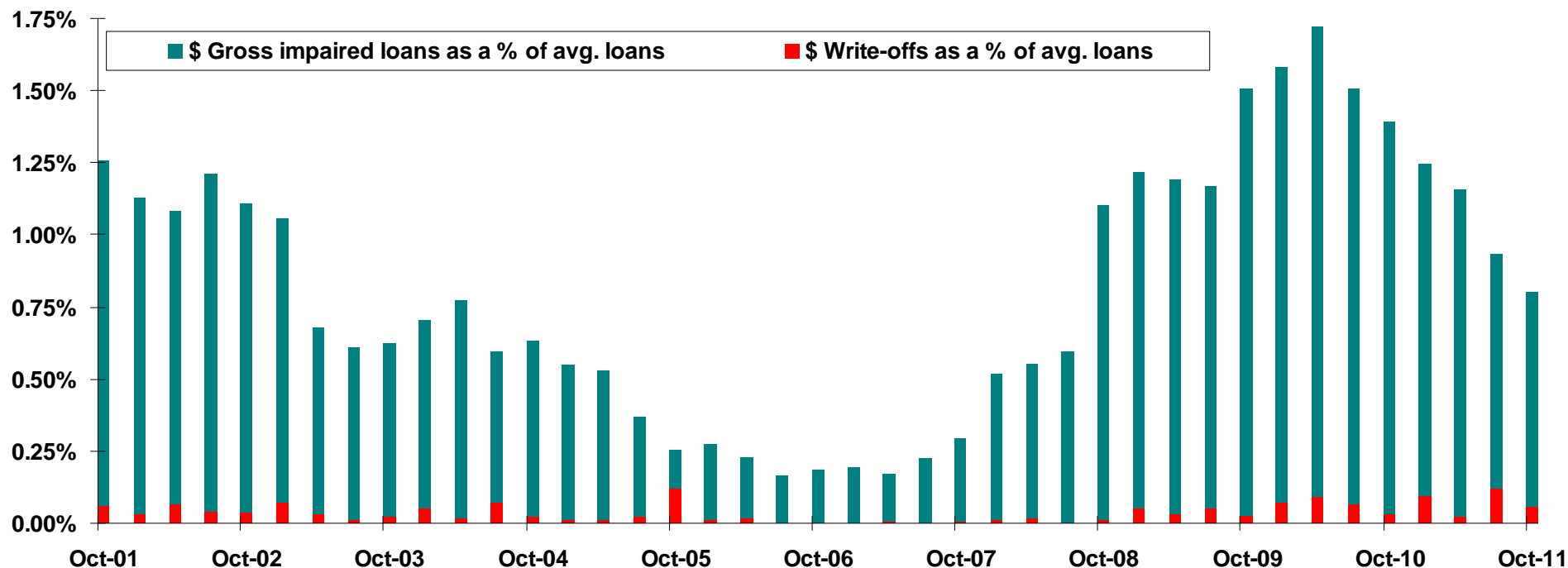
	2012 Minimum Target
Net income growth ⁽¹⁾	6%
Total revenue growth (teb)	6%
Loan growth	10%
Provision for credit losses	0.20% – 0.25%
Efficiency ratio (teb)	46.0%
Return on common equity ⁽²⁾	15.0%
Return on assets ⁽³⁾	1.10%

(1) Net income, before preferred share dividends. (2) Return on common equity calculated as net income after preferred share dividends divided by average common shareholders' equity. (3) Return on assets calculated as net income after preferred share dividends divided by average total assets.

- **Minimum targets confirm ongoing confidence in CWB's strategies and core geographic focus in Western Canada**
 - Performance expected to be tempered by ongoing global economic headwinds (European debt crisis) and expectations for continued pressure on net interest margin
 - Expect to maintain strong efficiency while continuing to invest in people, infrastructure and technology

OUTLOOK – CREDIT PERFORMANCE

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



- **Continued positive trend in credit quality – sixth consecutive quarter of reducing gross impaired loans**
 - Gross impaired loans of \$97 million, compared to \$108 million in Q3 11 and \$143 million in Q4 10
 - Overall credit quality expected to remain strong
 - Gross impaired loans will likely fluctuate around the current level going forward
- **Fiscal 2011 write-offs of \$32.1 million include five quarters of losses reflecting a change in internal process**

OUTLOOK – STRATEGIC PRIORITIES

“Do what we do, only better”

➤ **Improve across each line of business**

- Focus on and refine proven business models in the bank and all subsidiaries
- Enhance focus on business banking and diversification in complementary financial services areas
- Build on competitive advantages

“Make the whole worth more than the sum of the parts”

➤ **Excellent potential to do more business with existing clients**

- Additional cross-partnering opportunities

Strong efficiency

➤ **Ongoing investment in people, infrastructure and technology while maintaining effective cost control**

- Goal to maintain or improve operating leverage in 2012

Strong capital position

- **Well positioned for transition to Basel III**
 - Low leverage (CWB total asset to equity of ~11 times, compared to ~19 times for Canada's six largest banks)
 - Relatively high retention of earnings to support ongoing growth
 - Evaluating potential transition to an AIRB methodology for calculating risk-weighted assets
 - Eventual transition would likely take several years and requires approval of OSFI
- **Prepared to manage ongoing global economic headwinds**

Dividends

- **Medium-term dividend increases dependent upon financial performance and any further regulatory and/or economic developments**

Overall outlook

- **Targeting another year of record results – building on the Bank's history of double-digit growth**
 - Strong growth potential across key areas of banking, trust, insurance and wealth management

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 2012 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 2012, management's assumptions included: modest 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; and, a lower net interest margin attributed to expectations for a prolonged period of very low interest rates due to uncertainties about the strength of global economic recovery and potential adverse effects from the European debt crisis.

Q&A WITH EXECUTIVE MANAGEMENT

