CANADIAN WESTERN BANK GROUP

CWB

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# Third Quarter Conference Call

## September 2, 2010

www.cwbankgroup.com

# Agenda

**1.** Third Quarter Review

**Tracey Ball, Executive Vice President & CFO**

**2.** Outlook & Strategy

**Larry Pollock, President & CEO**

**3.** Questions & Answers

# Performance Highlights

**Very strong third quarter financial performance (Q3 10 compared to Q3 09)**

- Total loans surpassed the $10 billion milestone to reach $10.1 billion
- Net income of $46.6 million, up 62%
- Diluted earnings per common share of $0.59, up 55%
  - results included a tax recovery and related interest receipt from prior period transactions that together increased net income by $8.3 million, or approximately $0.11 diluted earnings per share
  - net income before income taxes increased 34%
- Record total revenues (teb) of $111.0 million, up 30%
- 65 basis point increase in net interest margin (teb) to 2.78%
  - net interest margin expected to stabilize from this point
- Other income, up 6%
  - strong growth across almost all components of other income largely offset by $5.6 million lower gains on sale of securities
  - gains on sale of securities expected to remain subdued compared to the levels achieved in prior quarters

**89 consecutive profitable quarters, over 22 years**

# Performance Highlights (continued)

**Very strong results from both business segments**

- Included solid performance contributions from Canadian Western Trust and National Leasing
- Record net income from Canadian Direct Insurance for a third consecutive quarter

**Financial performance (Q3 10 compared to Q2 10)**

- Net income before taxes up 1% as the positive impact of three additional days, loan growth and slightly improved net interest margin was largely offset by a reduction in other income that was mainly due to lower gains on sale of securities

**Financial performance (year-to-date results compared to the same period in 2009)**

- Net income of $124.5 million, up 64%
- Total revenues (teb) of $322.7 million, up 36%
- Diluted earnings per common share of $1.57, up 45%

**Loan growth**

- Total loans up 2% in the quarter, 9% year-to-date and 11% over the past twelve months – the achievement of organic loan growth remained challenging in some sectors due to economic and competitive factors
- Management remains optimistic about the overall pipeline for new loans despite ongoing uncertainties

# Performance Highlights (continued)

**Regulatory Capital**

- Remained very well capitalized with a Tier 1 ratio of 11.4% and Total capital ratio of 14.4%
  - strong retention of earnings helped offset the capital impact of growth in risk weighted assets and the warrant purchases under the Bank's outstanding normal course issuer bid

**Dividends Declared**

- Quarterly common share dividend of $0.11 per share declared, unchanged from both the previous quarter and the dividend declared a year earlier
- Quarterly preferred share dividend declared

# Fiscal 2010 Minimum Performance Targets

| | 2010 Minimum Target | 2010 Year-to-date Performance (1) |
|---|---|---|
| Net income growth (2) | 12% | 64% |
| Total revenue growth (teb) | 12% | 36% |
| Total loan growth | 10% | 11% |
| Provision for credit losses | 0.15% - 0.20% | 0.21% |
| Efficiency ratio (teb) | 48% | 43.2% |
| Return on equity (3) | 13% | 17.8% |
| Return on assets (4) | 0.90% | 1.28% |

(1) 2010 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) Return on common equity calculated as annualized net Income after preferred share dividends divided by average common shareholders' equity. (4) Return on assets calculated as annualized net income after preferred share dividends divided by average total assets.

**Positioned to surpass minimum performance measures related revenues and profitability by a considerable margin**

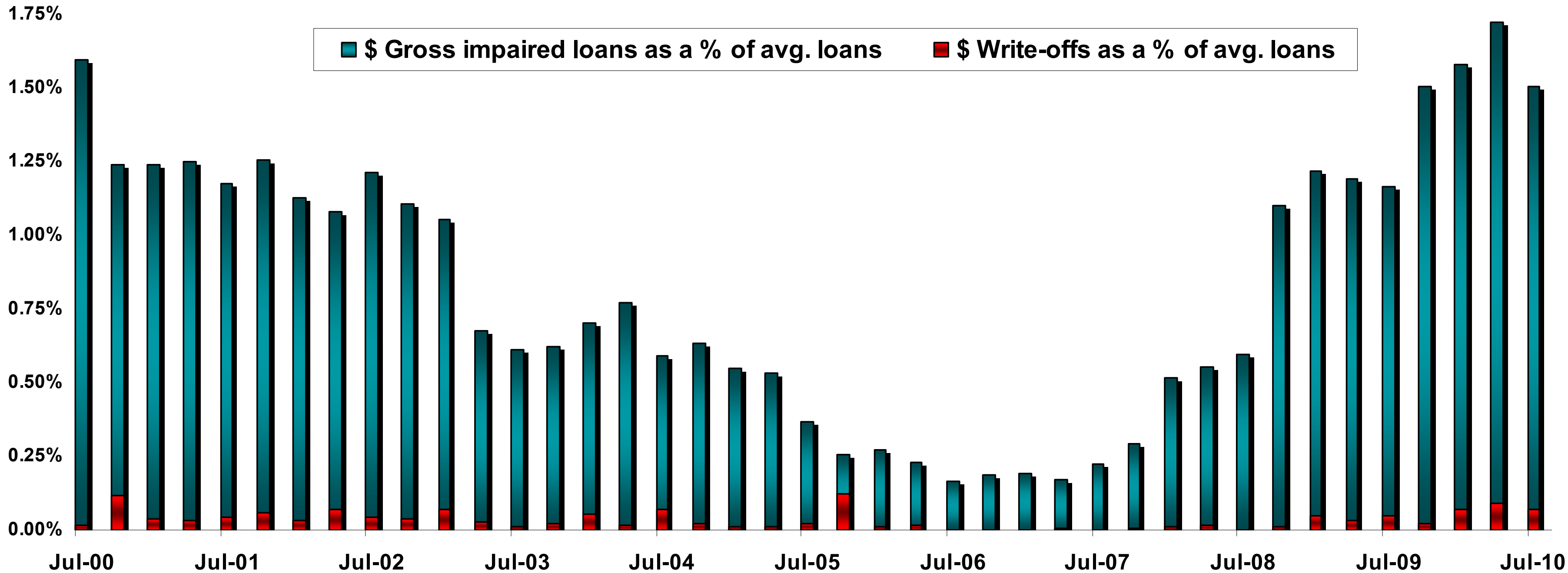
- Annual efficiency ratio (teb) should be much better than 48%

**Performance related to loan growth and the provision for credit losses impacted by National Leasing**

- Expect to meet or exceed the target for loan growth
- Provision now expected to be in range of 20 to 25 basis points of average loans

# Outlook – Credit Performance

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




**Impaired loans continued to be at upper level of the Bank's historical range**

- Gross amount declined compared to last quarter
- Overall credit quality remains within expectations; will be subject to ongoing fluctuations but actual losses expected to remain within acceptable levels

**General allowance for credit losses increased slightly compared to Q2 10 and remains sufficient in view of current expectations for credit quality and <u>secured lending practices</u>**

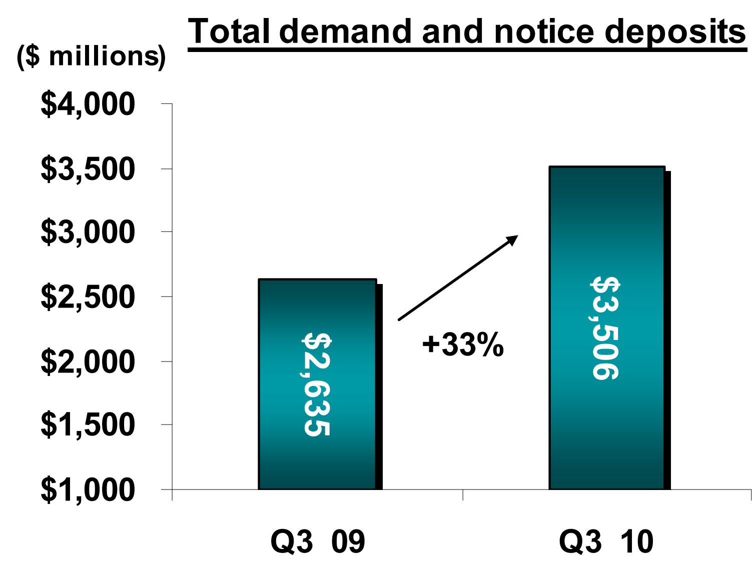
# Strategic Priorities & Outlook

**Objective to grow across all business areas (banking, trust, insurance, wealth management)**

- Focus on loans and deposits – growth of high quality assets and retail products
- Proactive business development initiatives – increased market presence
  - two new full-service banking branches set to open in Q4 10
  - significant growth potential from National Leasing
- Enhance funding sources with a focus on diversification and increasing the proportion of lower cost retail deposits

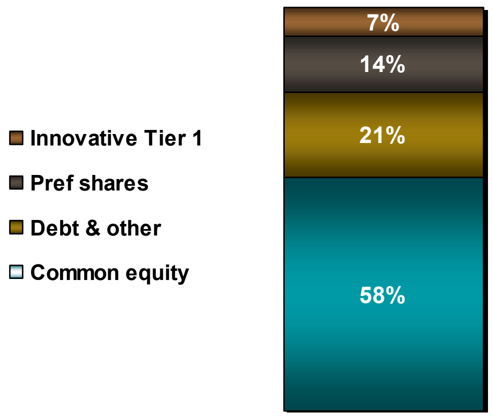
**Ongoing development of subsidiaries**

- Insurance
- Trust services
- Wealth management

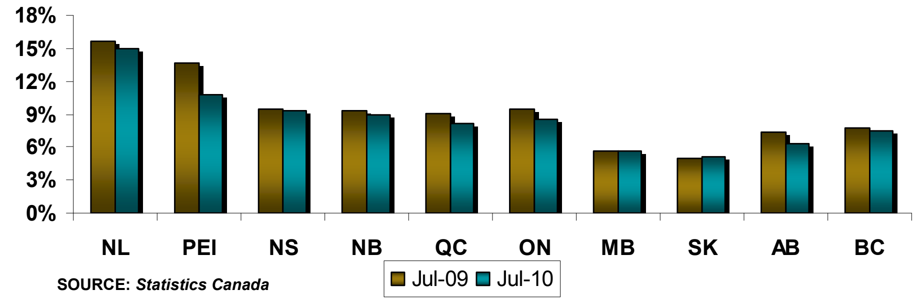


# Outlook

**CWB Capital Structure**




**Provincial Unemployment Rate**
(seasonally adjusted)




SOURCE: *Statistics Canada*

**Very well positioned to capitalize on opportunities**

- Expect benefits from the Bank's strategic focus and core geographic position in Western Canada will become more apparent as the economic recovery firms up

**Ready to manage any unforeseen challenges that may arise**

- Disciplined credit underwriting, strong balance sheet and solid capital position

**Increasing franchise strength**

- Expect to deliver continued strong performance

# Advisory

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 2010 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 2010, management's expectations assumed: moderate economic growth in Canada aided by positive relative performance in the four western provinces; stable or slightly higher energy and commodity prices; sound credit quality with actual losses remaining within the Bank's range of acceptable levels; modest inflationary pressures; and, an improved net interest margin resulting from lower deposit costs, a stable prime lending interest rate, favourable yields on both new lending facilities and renewed accounts, and relatively stable investment returns reflecting high quality assets held in the securities portfolio, partially offset by a reduction in the level of gains on the sale of securities compared to fiscal 2009. Through the first nine months of fiscal 2010, very strong results reflect a significant recovery in net interest margin that materialized more quickly than management anticipated and a further positive impact from the February 1st acquisition of National Leasing Group Inc. Gains on sale of securities through the first three quarters were also much higher than management expected at the onset of fiscal 2010. The provision for credit losses measured as a percentage of average loans reflects higher inherent losses in the portfolio of National Leasing Group Inc. due to the nature of its business.**

# Q&A Executive Management