



# 2017 Second Quarter Financial Results Conference Call

June 1<sup>st</sup>, 2017





# Presenters' Agenda

## Strategy and Outlook

**Chris Fowler, President & CEO**

- Second quarter financial highlights
- Balanced growth strategy
- Funding and residential mortgage update



## Financial Highlights

**Carolyn Graham, Executive Vice President & CFO**

- Second quarter and year-to-date results
- Credit quality
- Capital management





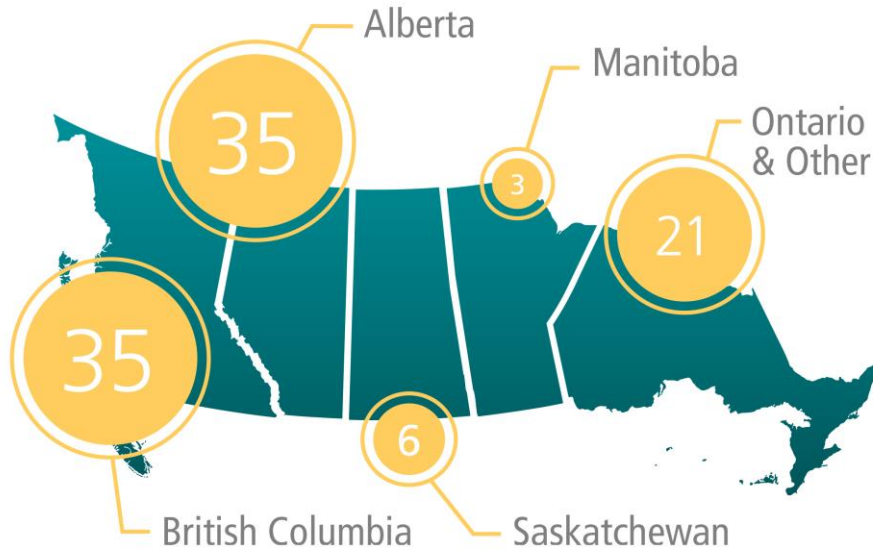
# Second Quarter 2017 Highlights

<b>STRONG CORE OPERATING PERFORMANCE</b>	<ul style="list-style-type: none"><li>• Quarterly total revenues and pre-tax, pre-provision income (teb), up 5% and 4%, respectively from Q2 2016</li><li>• Common shareholders' net income of \$47.6 million, up 48% year-over-year</li></ul>
<b>STABLE CREDIT QUALITY</b>	<ul style="list-style-type: none"><li>• Gross impaired loans represented 0.62% of total loans, down from 0.68% in Q2 2016 and up from 0.57% last quarter</li><li>• Provision for credit losses of 25 bp of average loans at the low end of management's fiscal 2017 guidance of 25-35 bp</li></ul>
<b>POSITIVE LOAN GROWTH WITH CONTINUED STRATEGIC DIVERSIFICATION</b>	<ul style="list-style-type: none"><li>• Quarter-end loan balance of \$22.2 billion, up 5% from Q2 2016</li><li>• Strong 10% year-over-year growth in general commercial loans, including contributions of CWB Maxium Financial and CWB Franchise Finance</li><li>• Very strong 21% year-over-year increase in personal loans and mortgages, including contributions of CWB Optimum Mortgage</li><li>• Trend of higher relative contributions from Ontario expected to continue</li></ul>
<b>VERY STRONG GROWTH OF LOWER-COST BRANCH-RAISED DEPOSITS</b>	<ul style="list-style-type: none"><li>• Continued growth and diversification of funding sources</li><li>• Growth of 9% in relationship-based branch-raised deposits from Q2 2016, including 15% growth in lower-cost demand and notice deposits</li></ul>

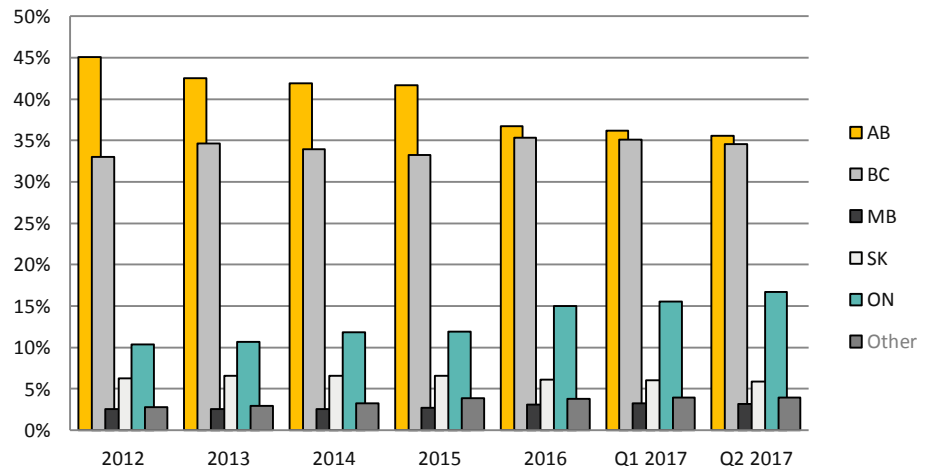


# Strategic Direction | Balanced Growth

## Loans by province based on location of security Q2 2017



## Consolidated portfolio exposure by province over time

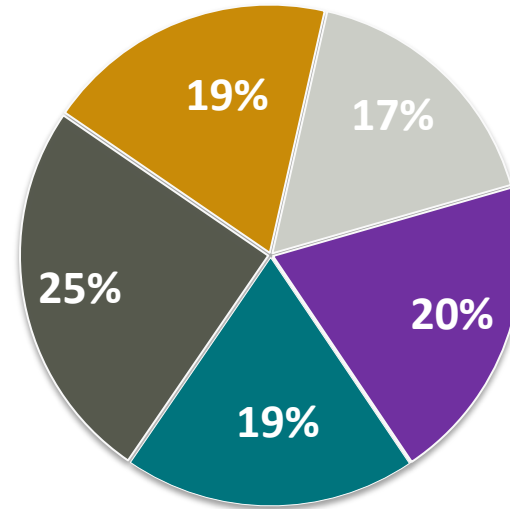




# Consistent business diversification and lower-cost deposit growth

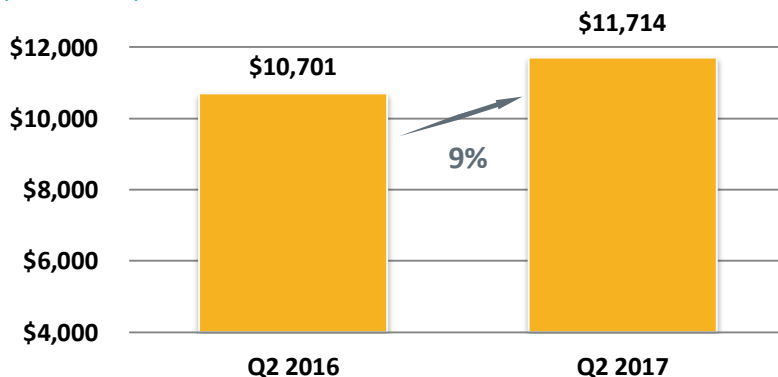
## Loans by lending sector Q2 2017

- Commercial mortgages - 19%
- General commercial loans - 25%
- Real estate project loans - 19%
- Equipment financing and leasing - 17%
- Personal loans & mortgages - 20%
- Oil & gas production loans - 0%



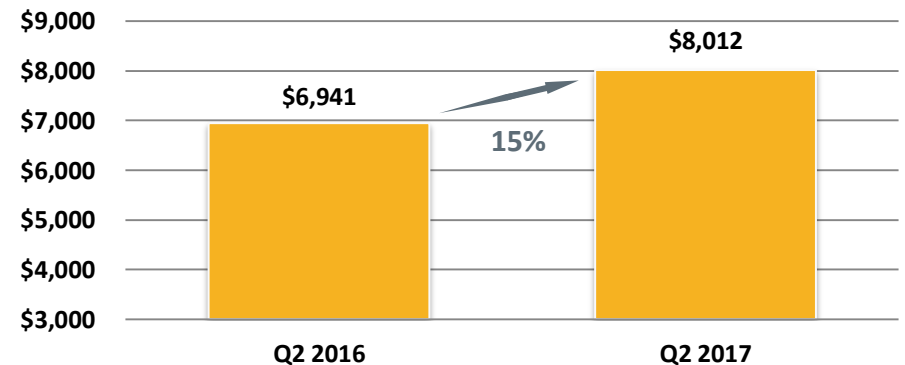
## Total Branch-raised Deposits

(\$ millions)



## Total Demand and Notice Deposits

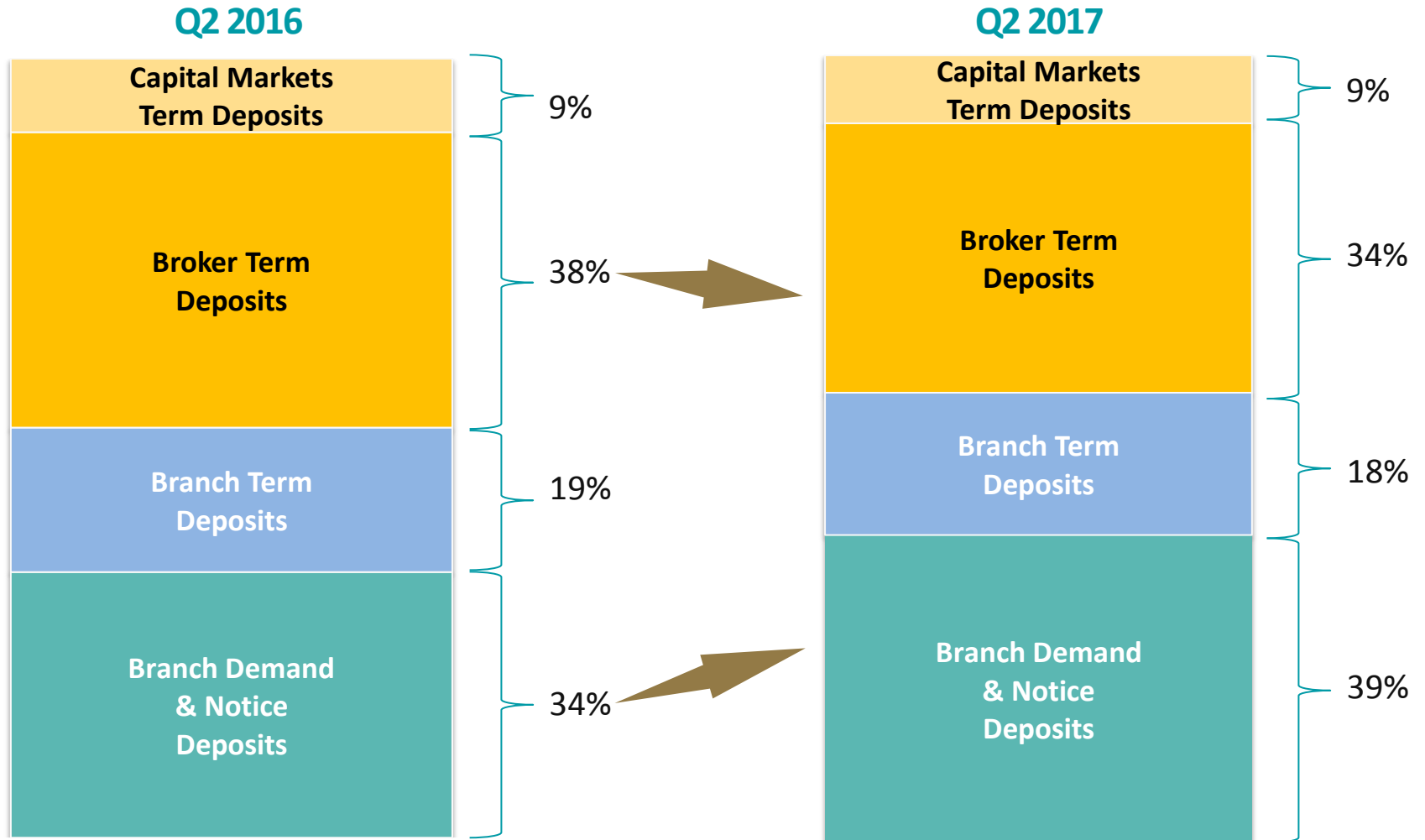
(\$ millions)





# Composition of Deposits

Strategic emphasis on growth of lower-cost branch-raised deposits

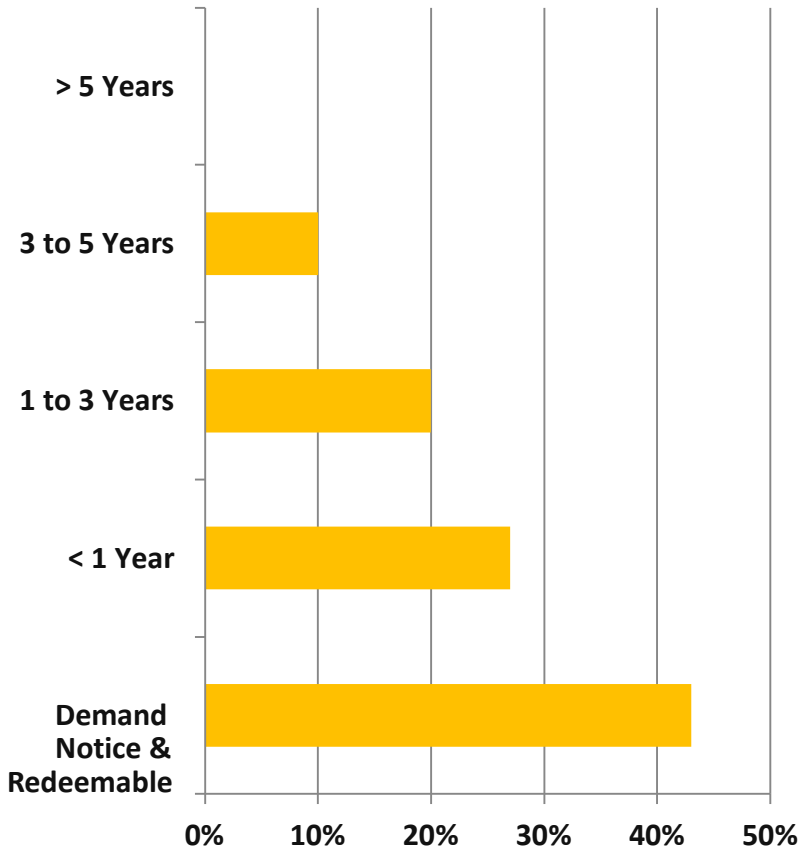




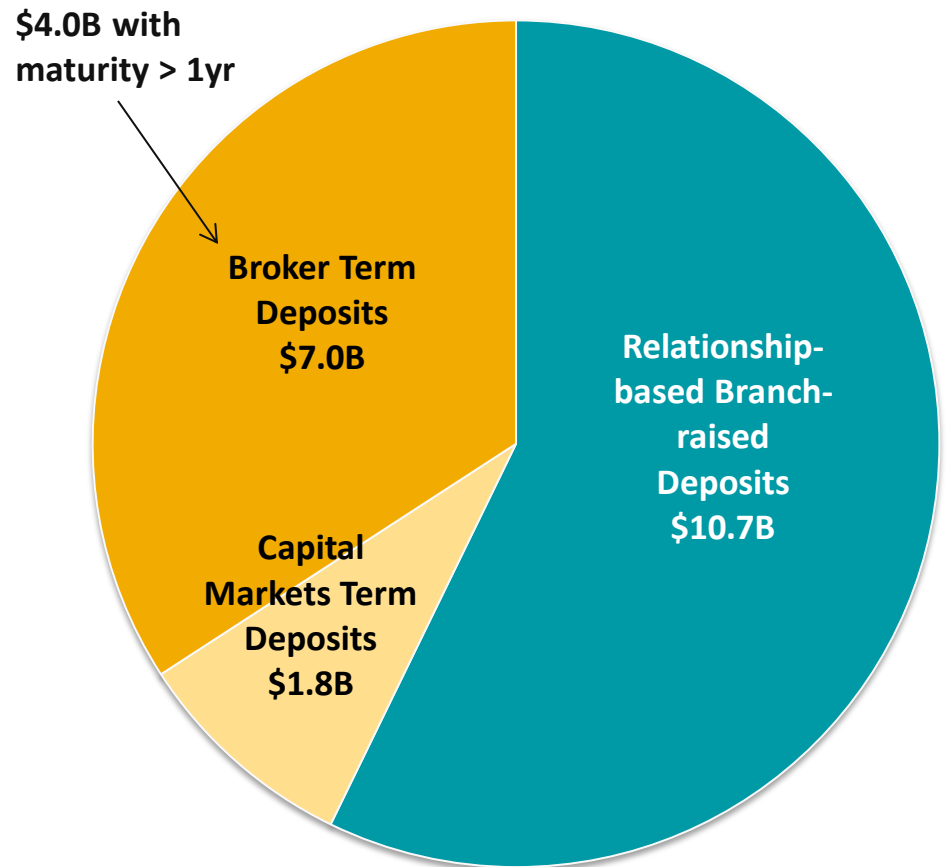
# Composition of Deposits

## As at April 30, 2017

CWB Financial Group deposits maturity profile



Deposits by source





## Quarterly Results compared to Q2 2016

- Pre-tax, pre-provision income (teb) of \$90.8 million, up 4%
- Total revenues (teb) of \$173.0 million, up 5%
  - Net interest income (teb) of \$152.7 million, up 5%
    - Total loan growth of 5%, with general commercial loans up 10% and personal loans and mortgages up 21%
    - Net interest margin (teb) of 2.55%, up eight basis points
  - Non-interest income of \$20.3 million, up 5%
    - Primarily reflects the growth in wealth management and credit related fees, as well as net gains on securities
- Common shareholders' net income of \$47.6 million, up 48%, and adjusted cash earnings per common share of \$0.59, up 44%, primarily due to the decline in energy-related provisions and the factors noted above. EPS also reflects the issuance of common shares in 2016.





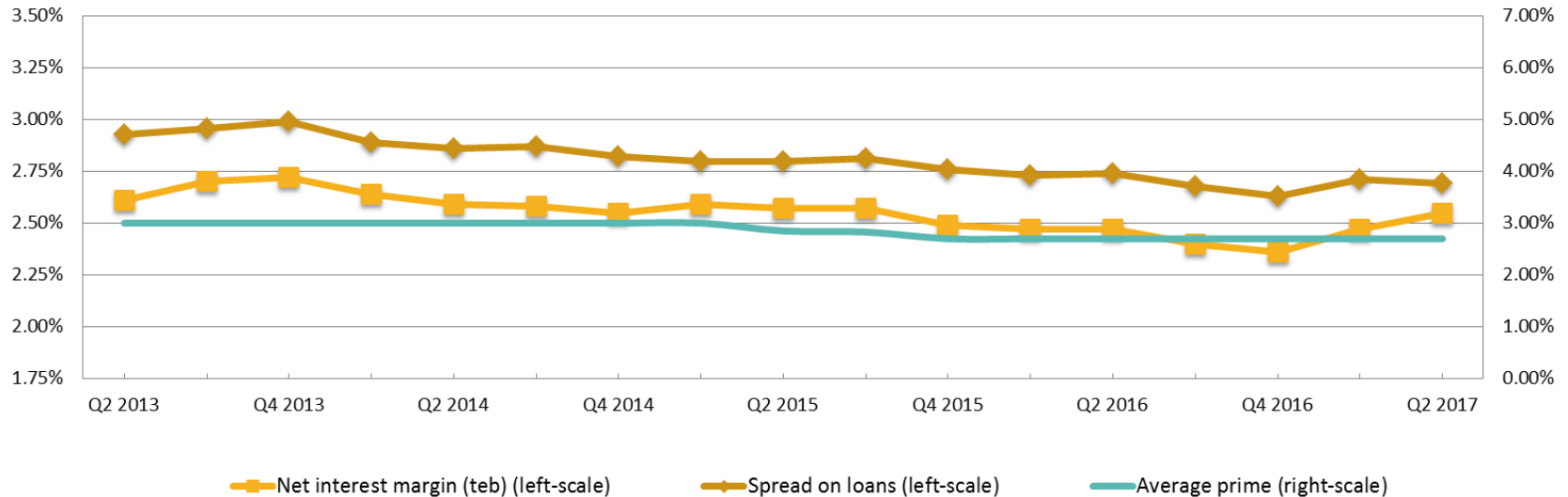
## Year-to-date Results (compared to YTD 2016)

- Pre-tax, pre-provision income (teb) of \$185.7 million, up 8%
- Total revenues (teb) of \$348.9 million, up 8%
  - Net interest income (teb) of \$309.1 million, up 7%
    - Total loan growth of 5%, with general commercial loans up 10% and personal loans and mortgages up 21%
    - Net interest margin (teb) of 2.51%, up four basis points
  - Non-interest income of \$39.8 million, up 17%
    - Primarily reflects net gains on securities compared to net losses last year, higher credit related fees, and higher wealth management fees
- Common shareholders' net income of \$97.1 million, up 15%, and adjusted cash earnings per common share of \$1.20, up 12%, primarily due to the 42% decline in energy-related provisions and benefits from the factors mentioned above



# Financial Performance | Margin

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

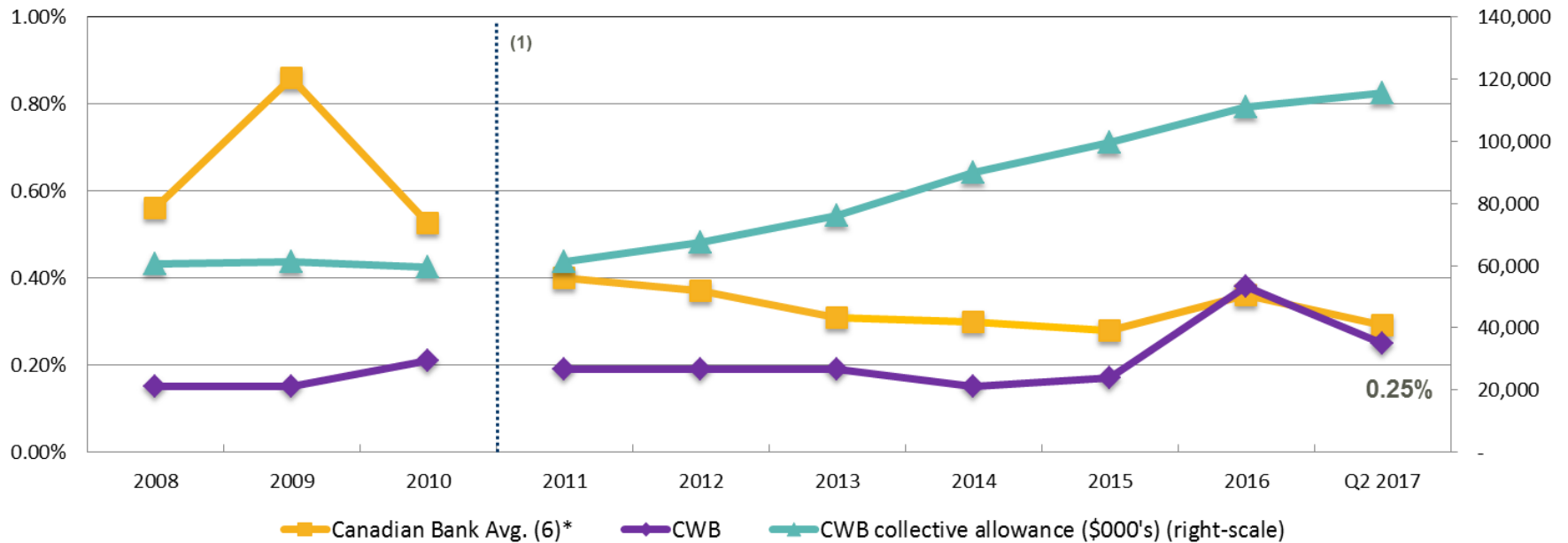


- Net interest margin (teb) up eight basis points from Q2 2016
  - Favourable changes in funding mix with lower utilization of higher-cost broker-sourced and capital markets deposits as well as higher growth in lower-cost relationship-based branch-raised deposits
  - Growing contributions from relatively higher-yielding CWB Maxium and CWB Franchise Finance portfolios
  - Partly offset by competitive factors that continued to impact loan yields
- Net interest margin (teb) up eight basis points from Q1 2017
  - Positive impacts of favourable changes in funding mix, higher yields on average balances of cash and securities, and continued growth within the higher-yielding CWB Maxium portfolio



# Financial Performance | Credit

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



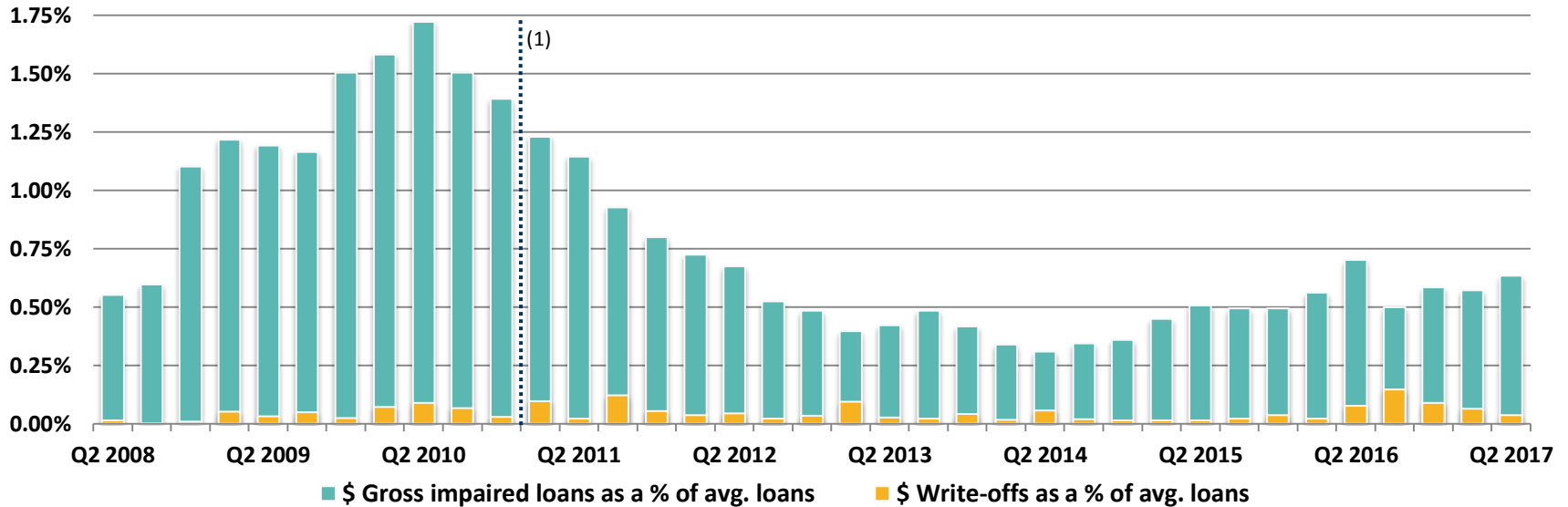
(1) As of Q1 11, financial results are reported under IFRS, as opposed to GAAP, and are not directly comparable.

- Oil and gas portfolio now represents less than 1% of total loans
- The second quarter provision for credit losses represented 25 basis points of average loans, compared to 78 basis points last year and 27 basis points in the prior quarter
- Annual provision expected to fall toward the low end of a range between 25 and 35 basis points as a percentage of average loans



# Financial Performance | Credit

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



(1) As of Q1 11, financial results are reported under IFRS, as opposed to GAAP, and are not directly comparable.

- The dollar level of gross impaired loans fluctuates as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures
- Actual credit losses as a percentage of total loans remain low and continue to demonstrate the benefits of CWB’s secured lending practices and disciplined underwriting
- Expect periodic increases in the balance of impaired loans going forward



## Regulatory Capital Ratios

<i>Standardized approach</i> for calculating risk-weighted assets	<b>Q2 2017</b>	Regulatory Minimum
Common equity Tier 1 capital (CET1)	<b>9.6%</b>	7.0 %
Tier 1 capital	<b>10.9%</b>	8.5 %
Total capital	<b>12.7%</b>	10.5 %
Basel III leverage ratio	<b>8.7%</b>	3.0 %

- Very strong regulatory capital position under the *Standardized* approach
- Increase in CET1 capital ratio compared to the prior quarter reflects contribution of common shareholders' net income to retained earnings
- Redemption of all \$75 million outstanding 5.571% subordinated debentures in March reduced Total capital ratio by approximately 40 basis points
- Very conservative Basel III leverage ratio



# Advisory

## Forward-looking Statements

From time to time, CWB 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 CWB's objectives and strategies, targeted and expected financial results and the outlook for CWB'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", "goal", "focus", "potential", "proposed" 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 and are subject to inherent risks and uncertainties, which give rise to the possibility that management's predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that its assumptions may not be correct and that its strategic goals will not be achieved.

A variety of factors, many of which are beyond CWB'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 level of liquidity in financial markets, fluctuations in interest rates and currency values, the volatility and level of various commodity prices, changes in monetary policy, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition, the occurrence of natural catastrophes, changes in accounting standards and policies, the accuracy and completeness of information CWB 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 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.

Additional information about these factors can be found in the Risk Management section of CWB's annual Management's Discussion and Analysis (MD&A). 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 CWB's actual results to differ materially from the expectations expressed in such forward-looking statements. Unless required by securities law, CWB 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 over the forecast horizon and how it will affect CWB's businesses are material factors considered when setting organizational objectives and targets. In determining expectations for economic growth, CWB primarily considers economic data and forecasts provided by the Canadian government and its agencies, as well as an average of certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward looking statements are disclosed .