



# Fourth Quarter and Fiscal 2017 Financial Results Conference Call

December 7<sup>th</sup>, 2017





# Presenters' Agenda

## Strategy and Outlook

**Chris Fowler, President & CEO**

- Financial highlights
- Execution of CWB's Balanced growth strategy



## Financial Highlights

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

- Fourth quarter and full-year results
- Net interest margin outlook
- Credit quality
- Capital management





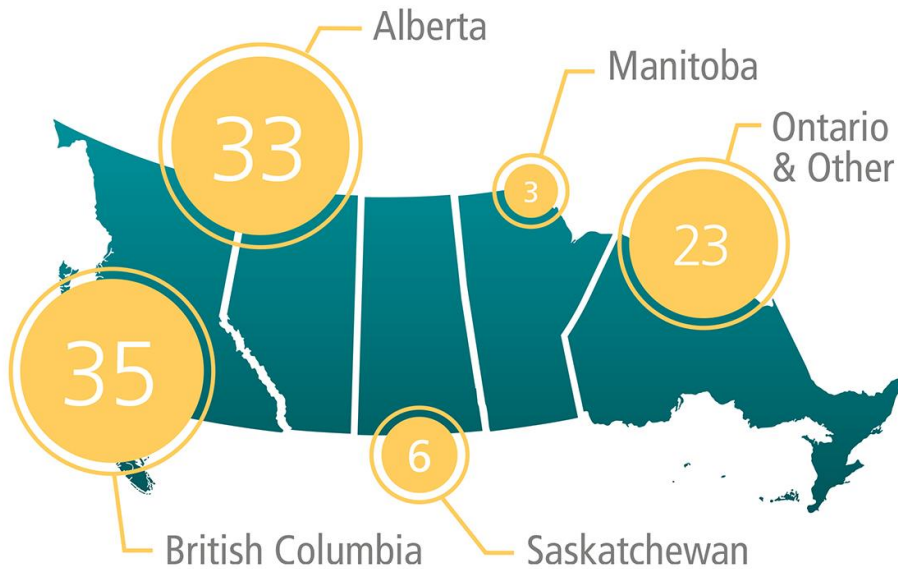
# Fiscal 2017 Highlights

<b>VERY STRONG CORE OPERATING PERFORMANCE</b>	<ul style="list-style-type: none"><li>• Record total revenue (teb) of \$729 million from core operations, up 10% year-over-year, including strong 10% growth of net interest income (teb)</li><li>• Common shareholders' net income of \$214 million, up 21% and record core pre-tax, pre-provision income (teb) of \$391 million, up 10% from last year</li><li>• Full-year net interest margin (teb) up 14 basis points to 2.57%</li></ul>
<b>SOLID CREDIT QUALITY</b>	<ul style="list-style-type: none"><li>• Gross impaired loans represented 0.72% of total loans, compared to 0.58% last year</li><li>• Full-year provision for credit losses as a percentage of average loans of 23 bp, normalized from 38 bp last year</li></ul>
<b>POSITIVE LOAN GROWTH WITH CONTINUED STRATEGIC DIVERSIFICATION</b>	<ul style="list-style-type: none"><li>• Year-end loan balance up 6%, with 11% growth outside of Alberta</li><li>• General commercial loans increased 12% from last year, with 18% growth outside of Alberta</li><li>• Solid contributions from CWB Maxium Financial and CWB Franchise Finance</li><li>• Trend of higher relative contributions from Ontario expected to continue</li><li>• Positive contributions expected from strategic asset purchase to close January 31</li></ul>
<b>STRONG EXECUTION OF FUNDING DIVERSIFICATION STRATEGY</b>	<ul style="list-style-type: none"><li>• Record issuance of senior deposit notes in capital markets</li><li>• Growth of securitization capabilities</li><li>• 7% growth in average balance of branch-raised deposits</li><li>• Stable average balance of broker deposits</li></ul>

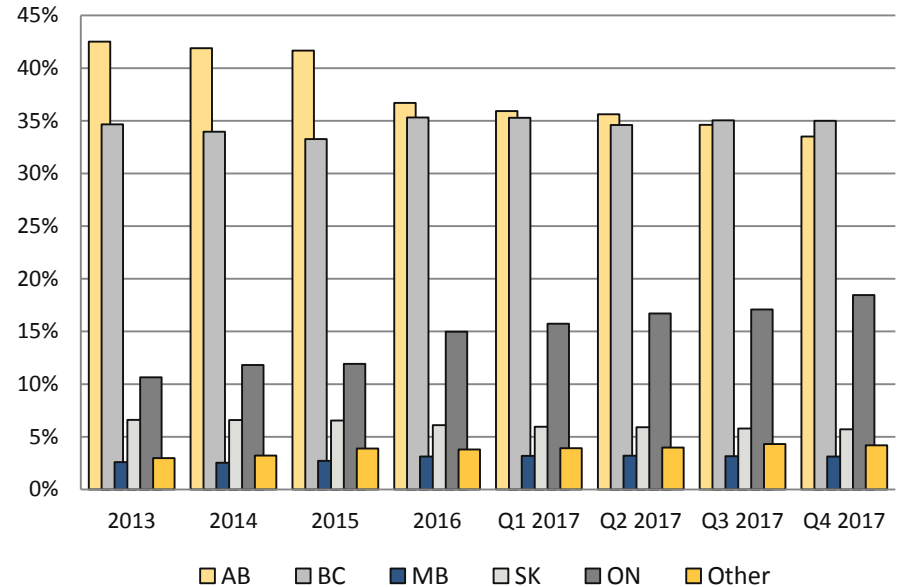


# Balanced Growth | Geographic Diversification

### Loans by province based on location of security Q4 2017



### Consolidated portfolio exposure by province over time

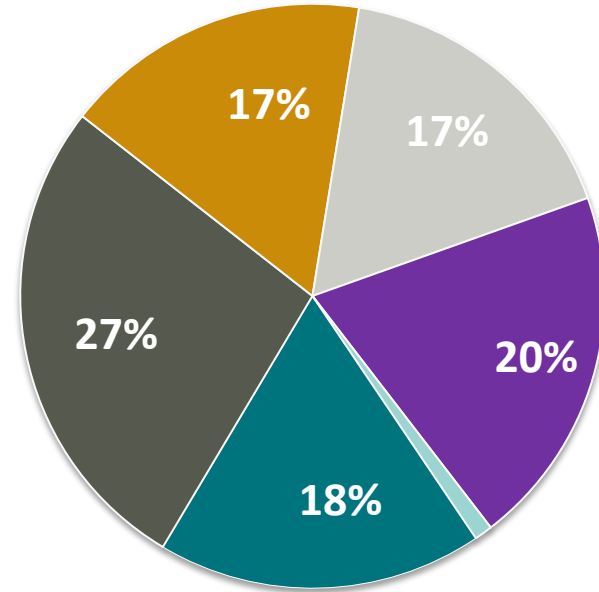




# Balanced Growth | Industry diversification and funding mix

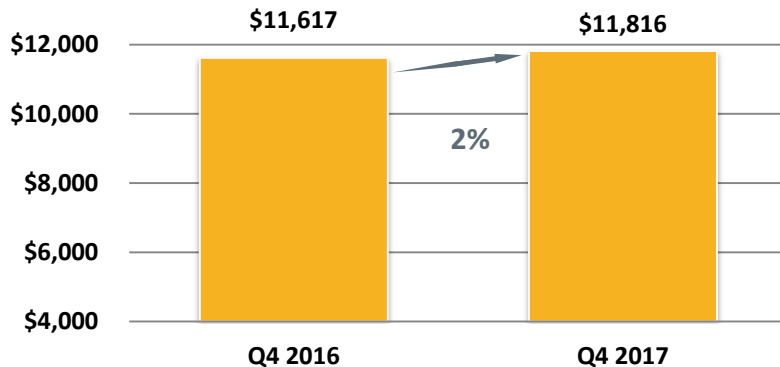
## Loans by lending sector Q4 2017

- Commercial mortgages - 18%
- General commercial loans - 27%
- Real estate project loans - 17%
- Equipment financing and leasing - 17%
- Personal loans & mortgages - 20%
- Oil & gas production loans - 1%



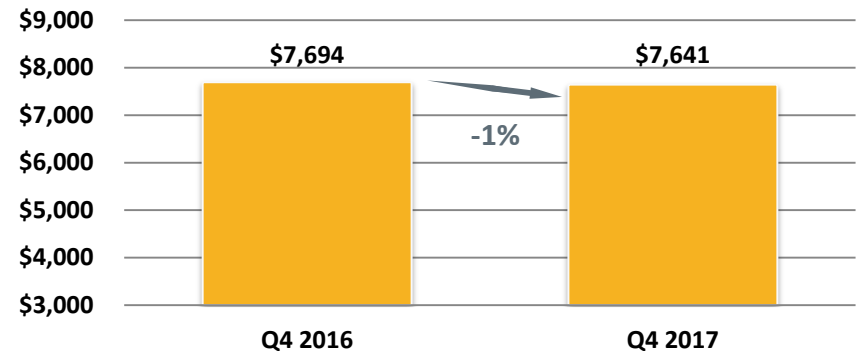
## Total Branch-raised Deposits

(\$ millions)



## Total Demand and Notice Deposits

(\$ millions)





## Quarterly Results compared to Q4 2016

- Record core common shareholders' net income of \$61 million, up 27% and record core pre-tax, pre-provision income (teb) of \$104 million, up 17%
- Adjusted cash earnings per common share of \$0.74, up 25%, primarily due to very strong revenue (teb) growth and lower provision for credit losses, partially offset by higher non-interest expenses and acquisition-related fair value changes
- The after-tax gain on sale related to appointment of a successor trustee for CWT's exempt market securities business contributed \$0.06 to adjusted cash EPS
- Record total revenue (teb) from core operations of \$196 million, up 16%
  - Net interest income (teb) of \$171 million, up 14%
    - Total loan growth of 6%, with general commercial loans up 12% and personal loans and mortgages up 16%
    - Net interest margin (teb) of 2.64%, up 28 basis points
  - Non-interest income of \$25 million, up 29%
    - Primarily reflects the gain on the sale related to the appointment of a successor trustee for CWT's exempt market securities business



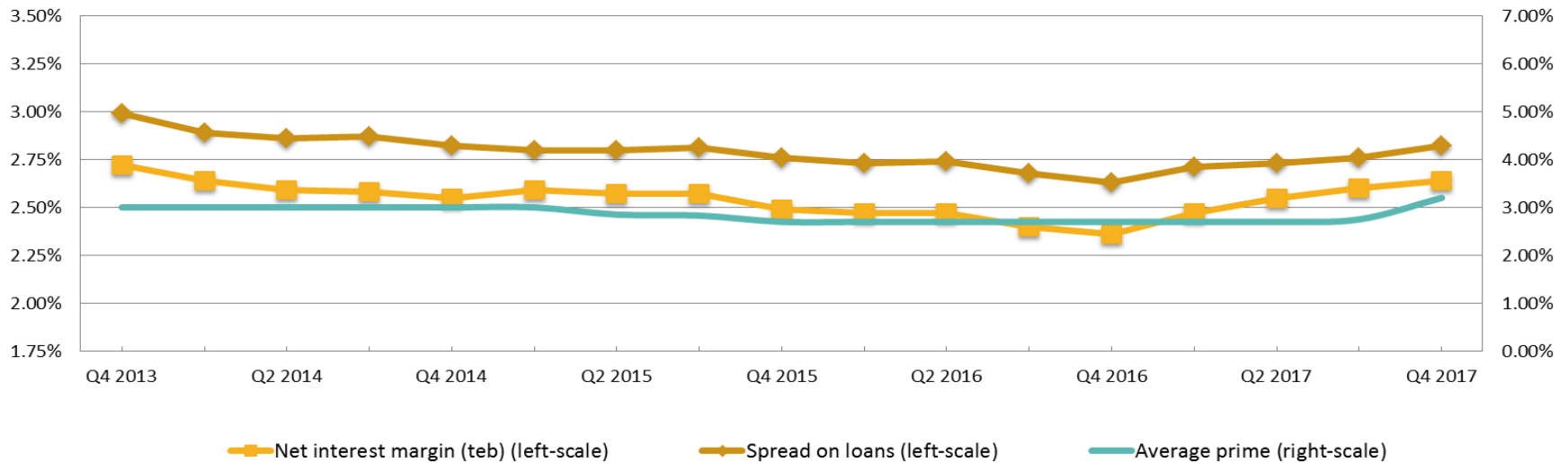
## Annual Results compared to Fiscal 2016

- Common shareholders' net income of \$214 million, up 21%
- Record core pre-tax, pre-provision income (teb) of \$391 million, up 10%
- Adjusted cash earnings per common share of \$2.63, up 16%, primarily due to strong revenue (teb) growth and a normalized provision for credit losses, partially offset by higher non-interest expenses and acquisition-related fair value changes. EPS also reflects the issuance of common shares in 2016
- Record total revenues (teb) from core operations of \$729 million, up 10%
  - Net interest income (teb) of \$645 million, up 10%
    - Total loan growth of 6%, with general commercial loans up 12% and personal loans and mortgages up 16%
    - Net interest margin (teb) of 2.57%, up 14 basis points
  - Non-interest income of \$84 million, up 16%
    - Primarily reflects higher credit related fees, the CWT-related gain on sale, and higher wealth management fees



# Financial Performance | Margin

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



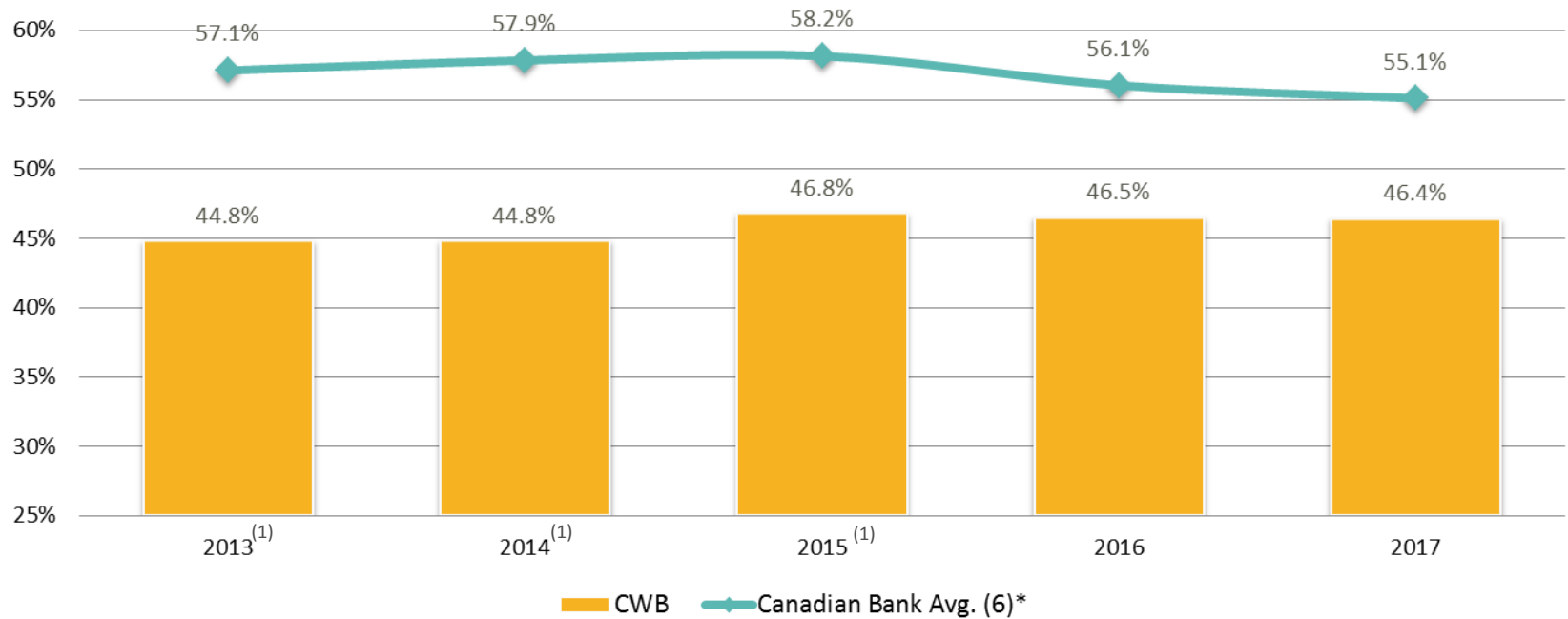
- Net interest margin (teb) up 28 basis points from Q4 2016, reflecting a number of factors, including:
  - Increased asset yields due to the higher interest rate environment, steepening of the yield curve, and the positive impact of pricing discipline across the portfolio;
  - favourable changes in asset mix with increased contributions from the relatively higher-yielding CWB Maxium and CWB Franchise Finance portfolios, and lower average balances of cash and securities; and,
  - favourable changes in funding mix through a combination of branch-raised deposit growth, stable utilization of deposits sourced through the broker market, and redemption of higher-cost capital markets funding instruments.
- Net interest margin (teb) up four basis points from Q3 2017 and full-year net interest margin (teb) up 14 basis points
  - Primarily driven by the same factors noted above.





# Financial Performance | Efficiency

## Efficiency Ratio (non-interest expenses as a % of total revenues (teb))



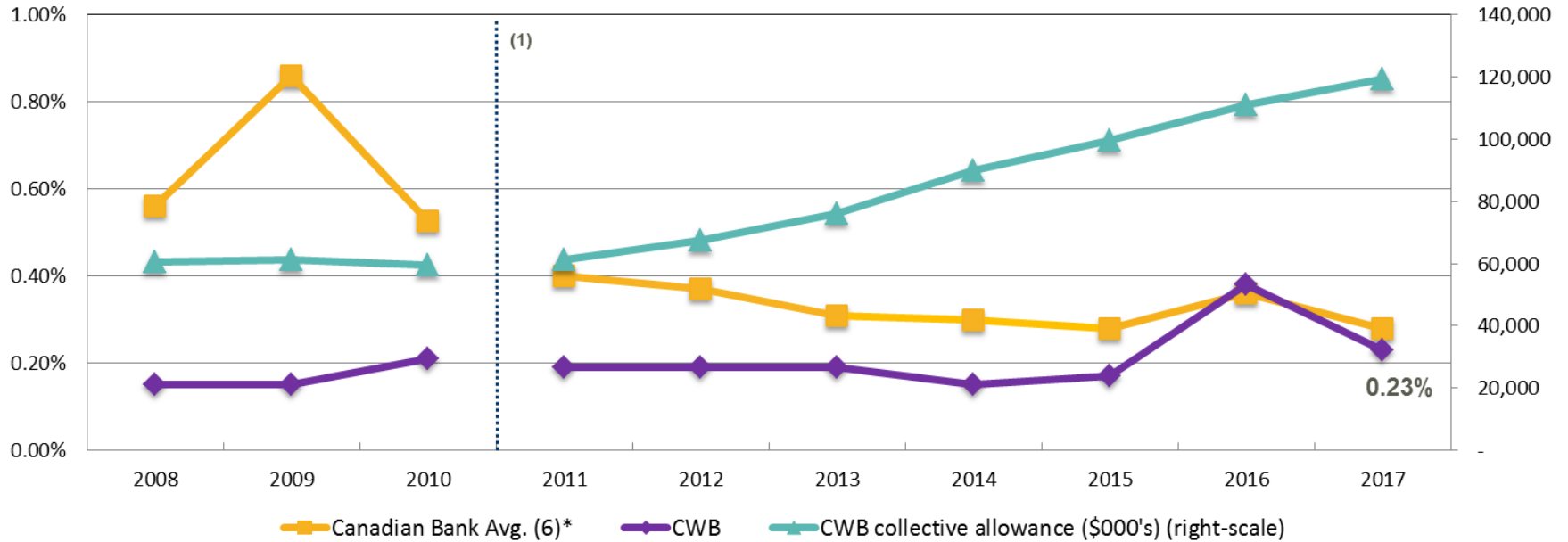
\* "Canadian Bank Avg. (6)" as referenced within this presentation is calculated based on information contained in the publicly available company reports of Canada's six largest banks (TSX trading symbols: BMO, BNS, CM, NA, RY, TD).

(1) Represents Continuing Operations



# Financial Performance | Credit

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



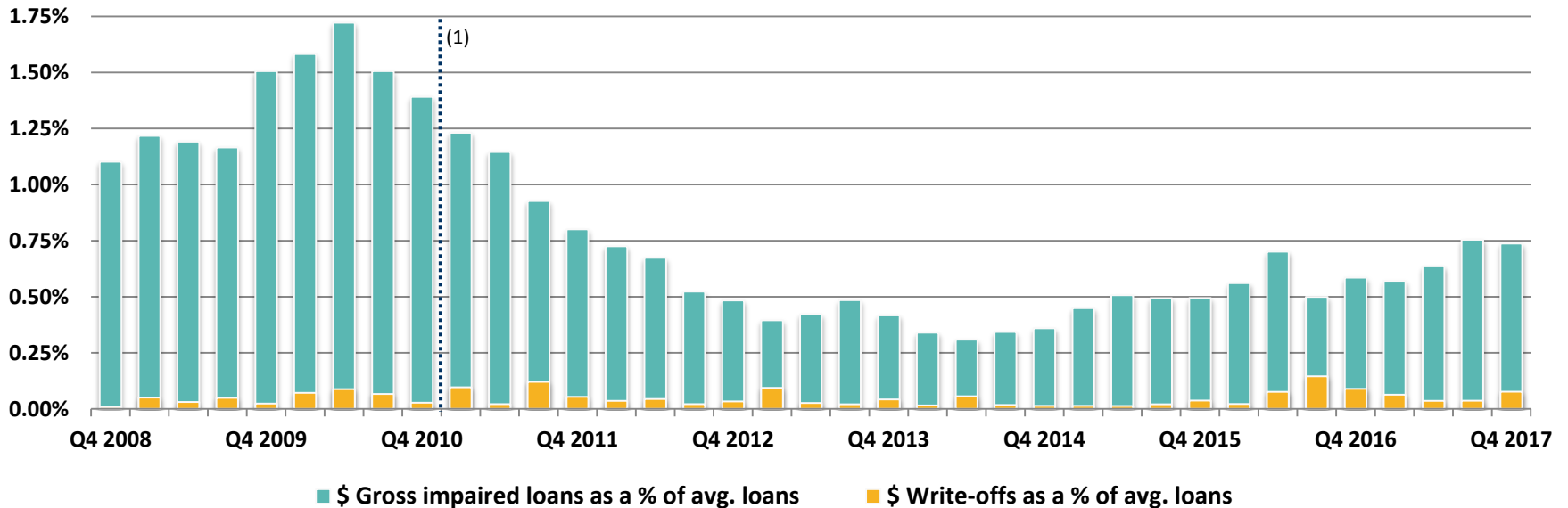
(1) As of Q1 11, financial results are reported under IFRS, as opposed to GAAP, and are not directly comparable.

- Full-year provision for credit losses normalized to 23 basis points of average loans, compared to 38 basis points last year
- The fourth quarter provision for credit losses represented 20 basis points of average loans, down from 24 basis points last year and unchanged from previous quarter
- Oil and gas portfolio now represents less than 1% of total 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
- Improving trend in past due loans supports a more positive outlook for credit quality



# Regulatory Capital Ratios

<i>Standardized</i> approach for calculating risk-weighted assets	Q4 2017	Regulatory Minimum
Common equity Tier 1 capital (CET1)	9.5%	7.0%
Tier 1 capital	10.8%	8.5%
Total capital	12.5%	10.5%
Basel III Leverage Ratio	8.3%	3.0%

- Very strong regulatory capital position under the *Standardized* approach
- Increase in CET1 capital ratio compared to last year reflects retained earnings growth
- 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 .