CISION

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PRESENTATION

Patrick Gallagher – Vice President, Strategy and Investor Relations, Canadian Western Bank

Good morning, everyone. For those who I haven't had the pleasure of meeting yet, my name is Patrick Gallagher and I lead the Strategy and Investor Relations Team at Canadian Western Bank. We're absolutely delighted to have you all here in the room today and for those joining virtually on our webcast.

I'd like to begin by acknowledging that Canadian Western Bank recognizes that our work, the work of our partners and suppliers take place on traditional Indigenous territories across Turtle Island. We are grateful for their care of the land and their work to share it in peace and unity.

You'll see this morning—and there's a QR code on all the tables—that our materials have been loaded onto our Investor Relations page this morning.

I'd like to draw your attention to Slide 2, which is our forward-looking statements. Some remarks made here this morning are forward-looking in nature and based on assumptions and analysis by Management, outcomes and results may actually materially change as a result of the risks and uncertainties associated with our business model.

As you'll see in your package, we've got an agenda this morning, and we've also got on Page 5 the full list of CWB speakers. It's our full Executive Team and some members of Senior Management, and they're all looking forward to continuing to network with you this morning and over lunch this afternoon.

In the agenda, we've got two designated Q&As, that I'm just going to draw your attention to today. The first one is going to be after our first break this morning. The intention of that Q&A segment is to bring together our panel members, and also Stephen Murphy, and it's going to be a very, very client-focused panel, to give you a better understanding, from your questions' perspective, about who are the clients we serve, how we serve them, and, more importantly, why they love CWB. The second Q&A segment will follow towards the end of today's agenda, and that's when Chris Fowler, Matt Rudd and Carolina Parra will close out today's agenda by answering any of the questions.

We will have a mic runner in the room, and for those attending by webcast virtually, there is the ability to submit questions virtually. For those in the room, we would ask when you are asking a question if you could maybe state your name and the organization that you're representing as you pose the questions to Management. One last piece of housekeeping. We'd really appreciate if everybody can keep their phones and personal devices on mute over the course of this morning.

So, with that, I'm going to hand it over to a man who needs little introduction to many of you here today and on the webcast, Mr. Chris Fowler, our President and CEO.

Chris Fowler – President and Chief Executive Officer, Canadian Western Bank

Thank you, Patrick, and good morning everyone, it's great to see you all here in Toronto, and welcome for those of you that are tuned in virtually. Today, we'll outline why we're the best bank for business owners in Canada. Our strategic focus on business owners is unique in Canada, and we spent the last 38 years getting it right. We've elevated our digital capabilities, increased our physical presence in key markets and further improved our client offering to provide a foundation to accelerate full-service client growth. On top of this, we have many growth opportunities to enhance shareholder value. Our current share price doesn't reflect the embedded value of our transformation and the exciting growth opportunities ahead.

We win clients by really focusing on their requirements, and we do this with great teams, and our teams are the core to our success. People excel at CWB, starting with our entrepreneurial culture to build something special. Our clients consistently say they feel tired of feeling like a number elsewhere. Our approach is simple: we deliver expertise and exceptional service.

We started as a commercial lender and 10 years changed our strategy to win clients on both sides of our balance sheet. We have more products to deepen relationships, build lower cost funding and expand profitability. Unlike the broad focus of our competitors, our approach is targeted. We try not to be very limited and we're not all things to all people. Our start as a regional bank servicing midmarket commercial clients cemented our strong foothold in Western Canada. Our acquisitions have expanded our commercial footprint and added key financial solutions relevant to business owners. Our growth confirms many business owners are tired of other banks who are hot and cold through cycles and consistently provide poor service by operating in silos.

We have a business model that wins in any market, based on the experiences we deliver. The financial industry is complex, but our formula for success–building relationships–is simple: we hire and develop amazing people with exceptional institutional knowledge of commercial banking and credit structuring; we invest in the power of long-lasting relationships with business owners; we provide unrivaled moments that matter for them by going deep to understand their needs. Our teams are aligned to put the client at the centre, deliver a differentiated experience that helps our clients grow and creates a legacy for their business and family. Our goal is to exceed our clients' expectations.

Our fundamental approach is a comprehensive risk management framework, where we've demonstrated solid credit performance and resiliency through multiple periods of economic volatility. Our consistent through-the-cycle view on risk management has supported growth through economic headwinds and is how we'll meet the uncertainty ahead. Showing up for our clients is as important now as it was in the global financial crisis, the oil price crash, and the onset of COVID. We plan to show up for clients, and we'll deliver growth, robust credit performance and attractive earnings for investors through the cycle.

You'll hear this morning how we deliver a consistent operating model to fuel our growth. We'll demonstrate how we work as one team to win clients and increase their satisfaction and loyalty, how we operate with focus and efficiency, how our risk management DNA powers our risk culture, and how we'll hold ourselves accountable to financial targets.

Our strategic priorities are to drive long-term value for our people, clients, and investors. We've moved those priorities forward through the pandemic and 2022 to fuel our growth. We're closing our competitive gaps in our client offering and are nearing the end of this heavy investment cycle, ready to seize the opportunity and leverage what we've built. Investments and continuous improvement is a solid foundation that drives our profitable growth. Our core capabilities can provide full-service banking to more Canadian business owners today and in the future. Our growth in client relationships builds lower cost relationship-based deposits to support our funding profile and strengthen our earnings power. We've just scratched the surface on this opportunity and are confident we can drive higher earnings.

Our full-service offer is captured in general commercial loans and it aligns with a broad section of the Canadian economy that we believe is underserved by other banks, and we're delivering strong growth in this category. Full-service relationships drive ROE through higher fee income from payments and cash management solutions and wealth management. Our full-service client penetration with banking centre clients has improved to 41 percent. You'll hear throughout the morning about the upside from this penetration rate, as the solutions we're delivering are going to level the playing field.

We win clients from the large banks by translating relationships into market share gains as we strengthen our brand. Client referrals are the best way to build your brand, and our clients love us, and shortly you'll hear why.

Our main competitors are the large banks, and we've gone toe-to-toe with them since we opened our doors. We consistently win on the basis of the service we provide. We've exported our seasoned business model from Western Canada into growth in Ontario. We remain focused on our opportunities that present themselves, including the recent sale of HSBC Canada. For us, the opportunity is in our backyard, and we expect both clients and industry talent will look for us. We can deliver the experience they're looking for, and we believe the disruption caused by a transaction of this size provides us with tangible growth opportunities. No one is better positioned than us to capitalize on this.

As we think to the future, we're confident in our potential. We understand what it takes to win and maintain the trust of business owners across Canada. We've equipped our team with a stronger toolkit of expanded product offerings, and digital capabilities are close behind. Delivering on our strategy to win clients on both sides of our balance sheet will only further elevate our team's ability to consistently perform as the best full-service bank in Canada. I'm confident the Management Team you see here today can deliver the differentiated client experience, award winning culture, and use our increased capabilities to drive balanced and profitable growth.

Our investments to create shareholder value includes a sound approach to environmental, social and governance considerations. We're engaging with stakeholders to identify and understand the material ESG factors that will drive our part of sustainability. We'll maintain the trust of our stakeholders by embedding ESG into our culture and day-to-day activities. We're taking a thoughtful approach to climate change, starting with the climate impact of our operational footprint across Canada, to help us develop a reduction plan. We're also following a structured process to measure our Scope 3 emissions. This will better help us understand the GHG impact of our lending portfolio and develop a thoughtful approach to climate risk management. Our role in Canada's transition to a lower carbon economy includes managing our direct climate impact and exploring ways we can support our clients to achieve their climate goals. We expect to disclose our operational emissions in our next Sustainability Report in March 2023.

During our conference call last Friday, I outlined that we're confident in our transition to AIRB and not to expect that to occur in the next two years. You'll recall we identified the positive growth opportunity AIRB provides a number of years ago, as our commercial banking portfolio is 80 percent of our balance sheet and is at 100 percent risk weight. We commenced development of our AIRB processes in late 2016, after we launched our new core banking system. I share your frustration about where we're at today. Today, we have completed redevelopment of our underlying models, and with the help of third-party advisors. Our next steps include deploying and running the model to ensure we meet all the requirements for resubmission.

We've produced robust profitable growth for many years as a *Standardized* bank and will continue to do so until transition. The momentum from our investments to deliver full-service banking are reflected in our financial scorecard. The long-term AIRB operating model is the next step in our growth strategy. We're confident we'll succeed in the transition. Under AIRB, the speed we can grow before consuming capital will increase as a model-enabled bank. After a successful resubmission, we'll combine higher RWA growth with our strategic investments that deliver lower cost funding and are expanded addressable markets that will support ROE. Carolina and Matt will speak to this later this morning.

We've completed our heavy investments to support our strategy to win clients on both sides of the balance sheet and transition to AIRB. We're positioned to accelerate growth in full-service clients, branch-raised deposits, and revenue. We're committed to run at an efficiency ratio that's more in line with our traditional range. Our expansion of lower cost funding sources illustrates the importance and benefits of full-service client relationships. We're also true to our credit-focused DNA and haven't loosened credit risk standards to chase yield for NIM expansion. We believe this has been a prudent decision as we enter a period of economic uncertainty. We remain confident in our credit underwriting.

In our Q4 results, we provided our financial scorecard for 2023 and 2024. We're confident we can deliver strong outcomes as we leverage the investments we've made in our transformation to date. We can expand ROE to 12 percent by 2024, deliver greater than 10 percent growth in annual pre-tax, pre-provision income, and return to our historical level of efficiency, under 50 percent.

Before I hand it over to Kelly, I want to leave you with some key messages:

- We're the only bank in Canada dedicated to business owners and their families.
- We have a talented team with the right strategy to create sustainable shareholder value.
- While our industry faces challenges as economic uncertainty unfolds, our disciplined approach to lending has historically delivered very low through-the-cycle credit losses.
- We have a proven growth model. We're confident in the earnings power of our bank over the near and long term.
- Finally, we've demonstrated throughout our history that trading below book value and our current valuation range is unwarranted, based on our strong operations and consistent results for both our clients and investors.

There's a significant upside for investors today and our entire team is poised to deliver. By the end of this morning, you'll have better clarity on this tangible opportunity for CWB and our investors. With that, I'm delighted to hand you over to Kelly Blackett, our Chief People and Culture Officer, to bring you through how we create client relationships with award-winning employee experiences. I look forward to taking your questions later this morning in our dedicated Q&A with Matt and Carolina. Thank you.

Kelly Blackett – Chief People and Culture Officer, Canadian Western Bank

Good morning, everyone. It's great to be here. Thanks, Chris. As Chris mentioned, my name is Kelly Blackett and I'm the Chief People and Culture Officer here at CWB. We know that for an organization of our size that the ability to attract and retain top talent is top of mind for many of you. Our talent are passionate about business owners, and they also are with us because they want to be a part of building something that is truly special and unlike anything else in Canada. Culture is the key to that great client experience that we offer.

As you'll hear from Nick this morning, brand is delivered by people with a focus on creating an unrivaled experience for our clients. We know that living our values helps us deliver an award-winning employee experience, and it's how we consistently attract, develop, and retain industry-leading talent. Culture is that key enabler for how we show up and deliver differentiated results, but today, I'd like to tell you the story of how we built ours and what makes it special.

We first formally defined our culture in 2019. We were in the midst of an ongoing pretty significant transformation, and we really wanted to be clear about who we are and what we stand for. We introduced five values that we co-created with all of the members of our team. They form the foundation for how we manage our business, how we support one another, and how we help our clients be successful. They drive every aspect of how we recruit, engage, recognize, and reward our talent. They represent both the heritage of our entrepreneurial spirit, but they also stretch and challenge us to be inclusive, adaptable, and consistently put our people and our clients first.

Our collaborative, high-performance culture has been recognized by Great Place to Work as one of the top 20 workplaces in the country and one of the best for hybrid work. We've moved 21 places higher on the Great Places to Work list since 2020, and that really reflects the benefits of our culture and our investments in the employee experience. We have worked really, exceptionally hard at this throughout the pandemic. In what was an incredibly disruptive time, we doubled down in terms of our support of our employees' wellbeing, creating connections, and, again, really driving that level of engagement that we knew was a differentiator.

The reality is, is great cultures don't just happen. They need to be built, they need to be cultivated, and we do that through tone from the top, through specialized programs, through a consistent focus on leadership practices and very intentional decisions. So, I'd like to share with you some examples of how we built that culture and why it does create great outcomes for our clients and investors. We know when you come to these presentations, every organization says that they're people-first. What we hope you walk away with today is that at CWB, that really, actually, is true. When new people join CWB, they are greeted by a welcoming, supportive, and engaging culture, and the real key driver of that is our leadership. We all know, research shows, that one of the number one reasons why people leave organizations is because of their relationship with their managers. So, for us, leaders is a very key focus. We are really focused on hiring and developing leaders who genuinely care and who have a passion for developing talent. In fact, some of our highest scores on our trusted engagement survey are related to people's direct managers. We're really proud of that result.

We view that size is actually a key advantage for us. It helps us build strong relationships with our teams and be incredibly responsive with our clients. The reality is, is we do not have the bureaucracy of much larger banks. Our size allows us to be collaborative, decisive, and quick to get the answers that we need. We know that speed is an absolutely vital attribute for entrepreneurial clients. Our teams can quickly resolve issues and make client-focused decisions on the spot. Our size also means that we can build deep and lasting relationships with our people. As an Executive Team, we prioritize access to our senior leaders. We do that through things like "Ask Us Anything" live chat, participation in every single new hire orientation we hold, frequent banking centre visits, and even direct delivery of training.

A really great example of this is our Commercial Learning Program, which we delivered in-person coast-to-coast this year, by John Steeves, who's our EVP, Banking, as well as senior leaders in credit risk management. We went to four cities and met with over 340 commercial bankers, and through that program, we delivered skill-based training that was focused on topics like financial statement analysis, fraud awareness and prevention, credit structuring, really building the deep knowledge and skills that they need to deliver on our client experience, that could be immediately applied in their role. What we heard from teams that had joined from much larger FIs is they were amazed that our executive leaders would invest that kind of time in their development.

The reality is the work to improve culture, it's never done, so our focus is really around building a robust listening strategy, asking the right questions, and then having that really strong track record of acting on feedback to improve the employee experience. We're not focused on just building for our teams today, but really building for the workforce tomorrow. That includes looking at things like enhancing how we build personalized career development experiences, unique benefits, and total rewards enhancements, and also increasing our employee involvement in sustainability. We know when we do that well, it drives discretionary effort, higher talent retention and trust.

When we help people through change, it builds an agile, adaptable, and learning-focused culture. A great example of this is CWB's Coaching Program. Over the last few years, we've certified over 70 of our leaders as coaches, we've delivered our Leader as Coach Program to an additional 320 leaders, and we have over 400 employees who regularly meet with a coach. One-on-one coaching sessions cover a wide range of topics that are important to the talent. It could be career advice, personal development, working through challenges or roadblocks to change. We have a 94 percent satisfaction rate with the Coaching Program and well over a 95 percent retention rate of the people that participate.

In this kind of competitive talent market, we know that professional growth is absolutely central to our ability to be a destination for top talent and to drive the retention results that we need. This year, we piloted a Key Talent Retention Program, where we created customized learning paths, exposure opportunities, individual development experiences for over 250 of our key talents across the organization.

We have long prided ourselves on having a workplace that's welcoming and fair and rewarding. However, our focus on diversity and inclusion has been very significant over the last five years. That starts right at the top, having the right diversity of experience, perspective and skills to address both the opportunities and challenges that lay ahead, but the thing is representation improvements only matter if you can create a climate of inclusion.

One of the reasons we're especially proud of what we've built with our Employee Represented Groups. These are team member led, and we now have 11 of them across CWB. We have incredible participation in our ERGs. Over a third of our employees are a member of at least one group, many of them in several groups. ERGs provide incredible educational opportunities about crucial topics, anti-racism, the pressures of caregiving, indigenous culture and history, mental health stigma and gender balance. They enable connections across CWB, and they advance a very strong sense that people are seen, and they belong at CWB. Our work on inclusion is genuine and it is impactful because we know that inclusion is the absolute key to unleashing true diversity of thought and different perspectives.

Before I wrap up, I'm going to leave you with a few key thoughts. We've always had a really strong culture at CWB, but we have made it even better through the disruption of the past few years. Our culture is built every single day by our tremendous leaders and our teams. They are the driving force behind our client experience and our business results. We attract talent that's passionate about business owners and who want to be a part of building something that's special and unlike anything else in Canada. That's how we know that we're best full-service bank for business owners in Canada. We mean it when we say that. It's because of our people. They are the reason why our clients love it here.

Thank you so much for your time. I'm really looking forward to meeting some of you as the morning and the lunch progresses. Thanks. Nick?

Nick Culo – Vice President, Marketing and Client Experience, Canadian Western Bank

Good morning, everyone. So, gut feel, you didn't expect to be talking about love when you showed up to CWB's Investor Day on a Wednesday morning, but this is exactly why I feel as strongly as I do about the growth opportunity for our Company.

So, quick anecdote. I didn't grow up in banking, I actually grew up in telecom, which is a pretty tough business. I honestly felt sometimes like half the country hated your guts just for breathing the same oxygen as them. Fast-forward a handful of years and I'm thinking about joining CWB, very drawn to the culture, and also loved the clarity and the strategy about who we're focused on in the market, but I was kind of cynical about the question on this slide, "Can clients actually love a bank?" because I'm fervent about my belief that that's how you grow a company.

I joined CWB, and very quickly I realized that there was something special in terms of the relationship between the Company and the client, and as we developed a proper voice for the client program and a real kind of source of truth, it became really, really apparent that a lot of our clients really like us, and they even love us. I remember thinking at the time shame on us if we don't build a brand in the market around this, and a market position, because it's a really powerful substance, and it's true, and we can help grow the Company with it, and that's where our brand promise "obsessed with your success" actually came from. If you ask our clients, they will tell you when we're at our best, we're very proactive, we've got specialized expertise, and our people care a lot, and so it kind of feels like we're obsessed with their success, and it seemed to fit. I think it's a bold commitment that we're making in the market and I think the we're the only one in Canada that can make this commitment to business owners.

There's a lot of client experience data out there, but at the heart of this, if you accept the premise that client experience matters and it's why people choose you and stay with you, then it's not a huge leap of faith to say this is an important part of your growth, referrals and recommendations. The one number I'll highlight for you here, is that when you lift the hood on our business owners who consider us to be their main bank, 82 percent of them have recommended CWB once or multiple times, not they're likely to and not they're thinking about it, but they actually have. I couldn't have a big enough war chest to replicate that kind of marketing capability. If you think about these referrals, they're business-to-business referrals, and there is no more powerful or influential recommendation than that. So this really matters for us.

This is Vyvyan on this slide. Vyvyan is a pretty new client to CWB. She's the owner of a law firm in Vancouver. We probably weren't her first pick, we may not have even been her second pick, but when she talked to CWB, it stuck, and it felt very different to the other guys in the market. She was absolutely blown away by the expertise we brought to bear in terms of figuring out what the right solution was for her. A very happy client, so much so she actually came to our Leaders Conference in June of this year. She showed up with teal nail polish. You want to make 300 bankers in the room smile, you show up with our corporate colour on your nails.

But, the more interesting part about what Vyvyan said at our Leaders Conference was—she got a question from the audience, and it was, "Because you like CWB, surely you're recommending and referring us to other business owners," and she actually said no, and I'm in the back of the room going "She just broke my heart," but her reason was interesting, right? She said, "I'm going to put my shoulder into you and I will scream CWB from the rooftop when you improve your digital capability," and I remember thinking at the time, "We won this business with one hand tied behind our back. How much more are we going to win as we continue to improve digital and we turn on some of these other capabilities?" which Steve and the panel are going to be talking about later today.

I want to talk very quickly about brand awareness and familiarity among business owners in Canada. Chris touched on this, but I want to hone in on the midmarket, which, as you know, is our sweet spot. So, brand awareness, how many business owners have heard of CWB. Brand familiarity, higher thresholds, right, are you familiar with us. Brand familiarity to me, everyone, is like addressable market. If you don't have this, you don't have consideration, you don't have trust, you don't have a proper at bat with that client. So, this is super—this is a precondition to growth, in my opinion.

You can see our brand awareness—and this is the number for Ontario and the West—has gone up a nice 11 points over the last handful of years, but, more importantly, you can see the familiarity, up 20 percent over the last several years. That's a really important number for us, and it's a really good improvement. What's underneath that, I would say the word-of-mouth around CWB in the market has gone up a lot, okay? Business owners talk to each other a lot about who they're banking with in markets across Canada. I would say the name CWB is coming up a lot, and it's coming up in the context of what the experience is with us versus our competitors.

One of the cool things we've also done is we kind of unpacked and defined the ingredients of our secret sauce, and I'm always amazed at how few companies actually understand this about themselves. So, why, from a client experience perspective do clients actually choose CWB? Like, at the heart of it, why do we win? So, we went pretty deep on this with business owners. We talked to clients of our larger competitors, we talked to our own clients, and really the question was "What really matters to you? What moves the needle?" And by the way, if this is our secret sauce, what is CWB actually good at, and not just in an absolute sense, but relative to our competitors, and these are the four themes, behaviours that really, really emerged. So, proactive, okay? I can tell you this is a huge hole in the market. People do not feel like they're getting proactive service from anyone, and if you want to build trust, there's no better way to do it, from a neuroscience and psychology point of view. So, this is we anticipate people's needs, we act with urgency, and we go beyond what they're asking for. The next one is personalized, taking the time to understand our clients, tailoring a solution unique to them, and making them feel like a partner, not just a number. Easier said than done, right, because it doesn't have a lot these days. Specialized, okay? We are, at our core, strong experienced lenders. CWB is damn good at this, okay? We offer specialized advice and deep industry expertise. Finally, united, okay, this is a silo one. I think this has been an endemic problem in our industry for decades. Can we go to a client and bring all the pieces and all the capabilities together in a way that makes it easy for a client and not make them feel like it's Groundhog Day every time there's a change or they're talking to someone else in the Bank, really important, and this is a massive frustration for business owners. You talk to any one of them, they will likely cite this.

In terms of some data, if you lift the hood on this a little bit, taking the time to understand a client's needs, our clients —90 percent of them will say we do this very well. That's about 30 points higher than the industry average in terms of our larger competitor, so that's a massive competitive advantage for us in the market.

This is probably the best client photo in the interplanetary system, in my opinion. That smile kind of says it all, and that handshake. I want to go shake his hand right now. This is Calvin, he runs a pretty serious agricultural operation in Saskatchewan, was with one of our larger competitors, hugely frustrated, very cynical about banks. I would say two things. He was absolutely blown away by the speed with which we responded. It was a competitive situation, we were up against a lot of our big bank competitors, and we got there first, and we got there with a very integrated solution. Cash management—very impressed with the Ag expertise we brought to the table, so much so that Calvin actually volunteered to be part of a marketing campaign for us. Hence, this awesome photo that we have—and he's already referred and recommended business to CWB. Again, the power in terms of client love in a relationship and making a client feel a certain way, it's going to generate new business for CWB, and it has many times already.

One thing I'll leave you with this morning, and this one puts a smile on my face, it's kind of my way of thinking about the size of the prize for us in the market if we get this right, and it's through the lens of business owners and their switching behaviour, and, importantly, why they're switching, okay? Over the last five years, 30 percent of midmarket business owners have moved some or all of their banking. That's probably a bigger number than you thought. An additional 19 percent have started dating a new FI, okay, they've got a new product with them, whether it was a credit card or something else. So, there's movement happening. The top two reasons they're moving are client experience and service. They've been let down so many times, they are apoplectic and they want a change, and they are looking for an alternative. And the second one is price. In that order, in the midmarket, okay? By the way, small business, it's the same two factors that impact their decision to move.

I guess the thought I would leave you with is the way I think about this, if we can create a magnet in the market, a teal magnet for business owners who value experience and value something they're not getting from the other guys in the market, I think that's a massive opportunity for CWB, and it'll be the clients who prioritize number one on this list, not number two.

Thanks very much, I appreciate the time. I think now we're going to watch a short video that's going to kind of give you a sample of clients of CWB as they deepen the relationship with us and the value that has for CWB, and then I think Stephen is going to continue the conversation. Thanks very much.

(Video Presentation)

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Hello. I'm Stephen Murphy, Group Head of Commercial, Personal and Wealth at CWB. So, picking up where Nick left off, our clients already love us. Business owners love our focus and our differentiated experience. The path that is shown in Ram's video really illustrates how we win and broaden client relationships. You can think of it, it shows how we turn love into revenue. I'm guess I'm following the love guy, I'm going to talk about the revenue side. Once we've established that relationship, that's where we can build trust, loyalty and share of wallet.

What I want to talk about, is I want to go deeper into the operating model that Chris referenced, talk about how it works a bit, and also, most importantly, how we can scale it. We know we have the right model. We win often, but we can win more often. To unlock that scaling opportunity, we will continue to mobilize our sales activities, close a few competitive gaps and expand our addressable market. Strong growth more efficiently.

We have most of the puzzle pieces. As Kelly highlighted, it starts with culture. We have a highly talented, engaged, and entrepreneurial workforce. Our teams strive to make a difference for our clients. I'll tell you a story from the outset of the pandemic. One of our Relationship Managers called a prospect, he was just checking in, and the prospect had been trying to reach their Relationship Manager (RM) at their bank for several weeks and they just had not been able to connect. Ours called to them out of the blue. They were trying to figure out how the government lending programs worked, the new ones that were launched in the pandemic. So, our RM walked them through it. The business owner was so impressed that he wanted to switch his banking on the spot. Unfortunately, our RM had to explain that that was against the rules of the government lending programs, and so he couldn't do that right then, but the business owner said, "When this over, I'm going to switch to CWB from my bank," the Walmart of banks. Now, that is an expression, that's a statement of "I value premium advice and service." I think, if we were to ask that client, "Do you think we're obsessed with your success?" I think they'd say yes.

I was at an employee townhall one time and I actually said to the team, "It is our duty to liberate business owners from the big banks." It was just a different way to say that we're obsessed. But, this sense of purpose, it creates a compelling growth opportunity not just for us as a bank and our growth opportunity, our people see it. It's about their individual career opportunity and it's motivating and they feel like they're changing the world, changing the industry. We win talent from competitors every day, even here in the most competitive market for financial services talent in the country. It's also true at senior levels. Later, you're going to see on the panel a bunch of leaders who chose CWB and came from other FIs.

So, what other pieces do we have? As Nick talked about, it just starts with focus, and we have a tailored offering and experience for business owners. Chris talk about we started with the best commercial lenders, and we've been in build mode. We've transformed our technology, culture, processes, and sales activity. There's been a lot going on at CWB over the last several years, and you'll hear more about the outcomes of that transformation when the panel comes up later.

We continue enhancing our capabilities beyond lending and cash management, personal banking, and wealth management. We deliver what matters most to business owners in choosing their main bank in a way that it's hard for our larger competitors to replicate. Proactive, personalized, specialized advice delivered seamlessly by a united team.

I wanted to pause and talk a little bit about who do we mean by business owners. Broadly speaking, our primary target market is midmarket general commercial. This means companies bigger than small business and smaller than publicly traded, so say revenue between $5 million and $100 million. Our sweet spot are successful businesses with strong risk profiles and broad financial needs. Those are the kind of companies that will help us grow both sides of our balance sheet.

For most industries, we use commercial lending generalists. For certain high-growth or unique segments, such as those in specialty finance, equipment, or agriculture, we leverage lending specialists. But we're not trying to be everything to everyone. Our target client values superior advice and service, and will pay for value. And Nick's slide, we want the people who value client experience more, not the price shoppers. We're not saying the whole market is all business owners, we've got a target segment, and there's a segment that will pay for value. Our research suggests that this is a large proportion of business owners and that they are hungry for an alternative to the big banks.

The Ram video demonstrates how we leverage that core commercial lending relationship and then expand that into a range of additional solutions across cash management, personal banking, and wealth management. When you hear us say "full-service," that's what we're talking about, that's full-service. We want to be the client's main financial institution, not nibble at products. We've developed internal measures to track this, this concept of full-service, and so we know over the past five years we've made significant progress within our existing banking centre clients, and as Chris mentioned, we still have lots of opportunity, especially if you think of our other lending businesses.

Now, I'd like to dig into wealth management because it's so important to our differentiation. In 2020 we made a key wealth acquisition that tripled our assets under management and expanded our non-interest revenue. The T.E. Wealth and Leon Fraser teams came with deep financial planning and investment management expertise, providing us with the capabilities, scale, and geography to reach our embedded business owner wealth opportunity better and faster. A senior wealth leader at a competitor once said to me that he thought we had the juiciest embedded client opportunity that was untapped in the industry, and to unlock that opportunity, we can take a different approach to business owner advice.

Often, traditional wealth advisors, they only want to talk to the already rich. Often, our clients are equity-rich, but not yet cash-rich, all their equity is tied up in their business, but we see their potential early, we know where it's going, and we see that before monoline or siloed wealth firms. We can offer financial planning when the business owner really needs it, and that is how we lock up the future wealth opportunity when the liquidity comes.

We've integrated our Wealth teams now under the CWB Wealth banner. This facilitates a simpler business model to help us drive internal referrals. This slide shows a screenshot of a recent video that tells the story of how we brought our Wealth teams together, and I'd encourage you to take a look. We also plan further enhancements to differentiate an integrated and tailored boutique private banking and wealth experience for business owners.

So, we have the right model, and we have most of the key pieces to win full-service business owner clients. As I said earlier, we're largely through this transformation. Chris talked about that in his section. We've been in a build mode, but we're coming out of it. However, we do still have some missing pieces, and those pieces do slow down our growth. There are a couple of key client experience gaps that make it challenging for business owners to choose us as their main bank. In some important ways, we're hard to bank with. For example, today, our clients log into multiple cash management systems that aren't integrated. Next year, as part of our digital transformation, we'll have a seamless experience with a single sign-on. Another example, our payments products are not fully competitive. Recently, a fairly complex client told me about how much extra work it was to bank with us then their old bank. Now, remember, they chose us and they still bank with us, but there are many lending-only clients or prospects who have not switched their cash management to us because of this gap. The good news is next year we're launching significant upgrades to our electronic funds transfer (EFT) solution and our corporate credit cards, closing this competitive gap. So, we're well down the path to closing our gaps and ramping up our cash management penetration, and so we can be the main bank more often.

There's another dimension for growth to our digital transformation, and it's expanding our addressable market. We're creating an entirely new scalable digital channel for small business owners. While it's almost ready for launch, this is a longer-term play, it will take a while to move our numbers. We are building for the future here. But, if you think about it, there's millions of Canadian small businesses who deal with the big banks and, like midmarket business owners, are hungry for an alternative. Small business owners represent attractive full-service opportunities, some of whom will grow into midmarket clients. In establishing those relationships earlier, it's just easier than waiting until they're already successful and they've been entrenched at one of our larger competitors for a decade.

We've not focused on this space before, because the typical challenge with small business is how to capture the opportunity efficiently. We solve this through our digital strategy. This is a deposit-rich segment. You can think of many small individual accounts that pay little or no interest. This has special strategic value to CWB, which over time will enhance our funding base and NIM.

Of course, we had to consider how we will win in the crowded online banking space. This involves translating our in-person client experience attributes into a virtual automated experience. For example, we applied that same proactive, personalized, and specialized mindset into creating the virtual Chief Operating Officer (VCOO). This tool provides insights for small business owners, basically making it as if they had a professional management team. That makes their life easier and their business more successful.

Carrying on with the concept of expanding our addressable market, I also want to talk about our expansion in Ontario. We are positioned to keep taking share in this very large market. I mentioned that talent is choosing us, and many of them are bringing relationships to us that speed our growth. To be clear, we've been delivering strong growth in Ontario for over 10 years. We've grown and diversified our loan book, leveraging several established businesses that have strong positions in Ontario. These footholds, as well as our wealth acquisition, set the stage for us to build a banking centre network here in Ontario.

Starting in 2020, we opened our first GTA banking centre in Mississauga, and despite the pandemic that team exceeded our growth expectations. That's how we know that we're onto something. Building off of that success, recently we opened our second banking centre in Markham. In 2023, we're coming to downtown Toronto at York and Adelaide. In this picture you can see a rendering of the new location. You probably walked by it today on the way over here. Like in Edmonton and Vancouver, we're going to have a tower in the heart of the financial district with the CWB logo on top. That visibility will be really important in boosting our brand awareness, that already has such momentum, that Nick talked about earlier.

So, we'll keep selectively expanding our footprint where we see opportunities. However, I wanted to point out that in our model, these three banking centres actually provide minimum critical mass for us to cover the GTA. We don't need a branch on every corner. Commercial's always been different than retail in that regard, relying on a few hubs, and technology trends just make it easier. With our foundation in a market the size of Ontario within Canada's overall economy, this expansion here really provides us with upside.

So, I'll close by summarizing a few key messages:

- The clients already love us. When they experience us, they know that we're obsessed with their success. We are unique.
- We have most of the key pieces in place, including the hardest part, culture, and we've also added full-service capabilities across cash management, personal banking and wealth management.
- For the missing pieces, we will soon close important gaps with our digital program. Our payments offering will better support clients choosing CWB as their main bank, making it easier for us to win in scale.
- We're expanding our addressable market, reaching small business owners through a new digital channel, and more mid-market business owners in Ontario through our expanding banking centre network.
- We know how to win. The next step is scaling that winning into a growth machine, with more clients, deeper relationships, and more revenue.

Thank you, and with that, we're going to turn it over to the panel, and I'll be joining the panel when we get in the Q&A session. Thank you.

Elizabeth Gandolfi - Senior Vice President, Client Solutions, Canadian Western Bank

Hello, and good morning, and thank you for joining us today. In the next 40 minutes, I look forward to a great discussion with our panelists. Our business leaders on stage will share our growth story, talk about our journey, and discuss the opportunities ahead as we continue to win for our clients, our employees and our shareholders. But before we get started, I wanted to take a couple of minutes for some introductions. Firstly, my name is Elizabeth Gandolfi, I'm the Senior Vice President of Client Solutions at CWB. I'm responsible to lead the Bank's personal and business product management, marketing and client experience, led by Nick, the project management office, and analytics. I joined CWB just about three-and-a-half months ago, from spending almost 20 years at Scotiabank. I wanted to join a workplace culture that truly challenged the status quo and work in an entrepreneurial environment where employees felt empowered to be change agents, and I can certainly say that it's been my experience since I joined this Bank. I also wanted to touch on I'm very passionate, I've got high energy and a strong drive to win, and this is truly the culture that I walked into. I'm really excited about our future and I'm excited to get into some questions today. So let's get a chance to get to know our leaders on stage. We've got four key members of our Senior Leadership team. Starting from my right, John Steeves, EVP, Banking; Matt Evans, President, CEO, CWB Wealth; Azfar Karimuddin, our Chief Information Officer; and Jeff Wright, who's also my leader by the way, Group Head, Client Solutions and Specialty Businesses.

Okay gentlemen let's get started. John, you stepped into the Executive Team in the last year. What do you oversee across the business and what brought you to CWB?

John Steeves - Executive Vice President, Banking, Canadian Western Bank

I work with Stephen Murphy and I lead our banking centre teams across the country. Why I joined CWB, that's simple. I spent 26 years between a large international bank and a large domestic bank, and I was looking for a new challenge. It was really CWB's strategy to focus on the business owner that really resonated with me, so in 2019, I left a successful career at CIBC to join the team at CWB because of that strategy, and because, honestly, I thought I could come here and make a difference. I still feel as passionate about that today, and I see so many opportunities on the road ahead for us. By the way, we're all kind of sitting forward because if we lean back we'll fall backward.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

We're going to tip backwards, right?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

This isn't meant to be an aggressive stance.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Thanks John, and thank you for pointing that out. Yes, these chairs are not the best for sitting in. Okay, Matt, over to you. So, you've been at CWB for just over a decade. What has your journey been like? Can you share that story?

Matt Evans — President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

Yes, thanks, Elizabeth. It's great to be here this morning. For me, it'll be 13 years on July 5, 2023. Back in 2010, I was working as an investment advisor in Edmonton at CIBC Wood Gundy. It was actually a client of mine there who introduced me to the founders at Adroit, which CWB had acquired in 2008. I was really attracted to their fiduciary investment counsel model. I could tell that it was more of a team-based culture as opposed to the individualistic culture you tend to find in the brokerage. I could sense their deep commitment to personal relationships and the client-centricity that was inherent in their model, and that approach really aligned to my personal values, it was a great fit for me at that time.

I'd also say, being born and raised in Western Canada, you're going to hear a lot about Ontario today, but I was born and raised in Western Canada, and so CWB's roots really appeal to me. As an advisor in Edmonton in the mid-oughts, you couldn't miss CWB as this fantastic local success story. If you like home country bias, let me tell you about hometown bias. A lot of my clients own the stock. A lot of them had made a lot of money owning the stock, especially the ones that bought it below book value, just saying. So, I was aware of this high-growth upstart bank that had really kind of taken the world by storm in the '90s and the 2000s, and this was just sort of as we were coming out of the financial crisis and CWB had come out of the financial crisis in a strong position, and so that started my love story, right? I love that kind of entrepreneurial challenger story. I loved what I saw as the potential in wealth management. I love it now more than ever, as you can tell. So, I jumped at that chance. In 2012, I moved over to the Bank and took on a series of corporate roles, including strategy and IR, where I first met many of the people here today, and then in 2020, moved back to lead the wealth business, reporting to Stephen.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

What a great journey, and lots of diversity along the way, too, in your career path. Thanks very much, Matt. Azfar, you made a move out to Edmonton about a decade ago—and for the audience, I do reside in Toronto. The gentlemen here are in Edmonton. What has that been like for you, and I also know that you also worked at one of the big five?

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

Yes, a lot sunnier, I'll tell you that. It might be a little colder. But, I joined CWB about nine years ago and I joined from BMO at the time. I had come in to do a core banking transformation program, which was the only one in a Schedule One bank in Canada, and a couple of years later, the only successful core bank migration program in Canada that took place. That coupled with the people and value that Kelly just talked about, was one of the reasons that I could see myself growing and really make a difference in what Canadian Western Bank could bring to the table. It's really been a amazing journey since then of growth, change, and all of the technology transformation that we've been able to do since then.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

I look forward to talking a bit more about that technology transformation.

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

Absolutely.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Thanks, Azfar. Jeff Wright, you also are from Toronto, spent time in the U.S., background as well in consulting, longstanding banker.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Yes, thanks Elizabeth. I partner with Stephen in leading the business, and sort of work two hats. On the corporate office side, I lead Client Solutions, Elizabeth's team, as well as our Digital Team, and then lead three of our specialty businesses in equipment financing, CWB Optimum our broker mortgage business, and our trust business. I joined four-and-a-half years ago from BMO, and really for a couple of reasons. I get energized by being able to bounce back and forth between strategy and just getting stuff done, and CWB is at a stage where we're just making a ton of change happen and really growing into who I think we can be, and it's really exciting. So, for me, the opportunity to go somewhere where you can have that kind of an impact was really attractive. Then, as Kelly talked about, we talk about being people-first, and at CWB it's a thing. We spend a lot of time thinking about the consequences of our choices on our people and our clients, and we attract a different kind of talent than I saw at other organizations, in a really good way. So, yes, four-and-half years in and I've been loving it.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Thank you very much, gentlemen, I really enjoyed hearing your stories, and what an impressive group of leaders we have up here. I'll throw myself into that boat, too, thank you. Okay. Let's get started with why we win with our clients, again, really important topic here, and we heard from Nick, we heard from Stephen. Talk about our differentiated experience. As we call it at CWB, it's our secret sauce, and I love that, I love that word, "our secret sauce". We understand that a business owner's needs, their ambition, their strategy extend beyond a set of financial statements, and that our clients require a special approach to bring together their combined personal, wealth and commercial offering. So, I wanted to unpack that a little bit from a couple of different vantage points, and I'll start with you, John. So as leaders of our banking teams, can you talk about what our clients' experience looks like on the ground day-to-day and how that allows us to build more full-service relationships?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

Yes, for sure. I think Nick said it well when he was talking about client experience. One of the things he said underpins that is unity. In the banking centres, unity really translates into what I'll call our deal team approach to serving clients. But before I talk about the deal team, I think it's important for everyone to understand how our banking centres are structured, because, unlike our peers, that are typically very siloed in their approach, each of our banking centres have our full-service locations that all have Personal, Commercial, and Cash Management teams on site to serve clients. Not only that, but they all report to a common leader. And that reporting structure is important, because that really is what underpins the success of our Deal Team, where we're trying to sell a partnership and not individual products and services. The mandate of the Deal Team, as Stephen and Nick talked about earlier, is to really deliver a differentiated client approach or experience that's rooted in proactivity, speed and advice, and as Stephen pointed out, clients will pay for that. If you ask prospects that we've gone out and visited with the Deal Team approach, they'll say we show up as more professional, we took the time to understand their business and their needs. But, even when you talk to our existing clients about their experience with the Deal Team, they'll tell you that, in addition to all that, it really helps them mitigate the impact of Relationship Manager turnover, which is a key frustration for business owners in dealing with their banks. But, maybe I can just underpin this with an illustrative example.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, an example would be fantastic.

John Steeves – Executive Vice President, Banking, Canadian Western Bank

We had a monoline real estate client that had dealt with Canadian Western Bank for a number of years, and the Relationship Manager was retiring, so we took that as an opportunity to introduce the full Deal Team. Fast-forward six months, and this client was so impressed with our integrated proactive approach that they asked us, sole-sourced us, to displace their 30-year banking partner for their $200 million-a-year revenue manufacturing business. The outcome of that was that our loan volume tripled with that client, and we sold at least 10 other products and services. We were only really selling a partnership, we just sold a whole bunch of other things along the way. So, to me, the Deal Team is really our secret sauce, and it's really what differentiates us in the market and helps us win.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, certainly, thank you for that example, and very powerful, the Deal Team and how the teams come together to deliver for the client at the right time.

So, let's keep the conversation going—and I'm going to put Jeff on the spot here—and I want to talk a little bit about our specialty businesses, and specifically the equipment business, where we already have a well-established client base. What are you focused on to leverage those relationships, Jeff, and how do we continue to grow the broader full-service opportunity?

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Sure. You might have caught in the video Ram's story starts with an equipment loan. It sort of epitomizes the opportunity that's in front of us, as we've got this business that we've built up over the years with many clients that are really happy with their service, but right now their relationship's limited to us working with them on equipment financing. We can take advantage of these relationships. Clients trust people that they have great relationships with, and so when we talk to them about broadening their relationship, they're often very, very open to it.

We had a client recently, just outside Winnipeg, that we've been working with since early in the 2000s, had done a number of equipment leases for them, small things, like air drills, and they became unhappy with their main bank, and so their first call was to our Relationship Manager, who they'd got to know over the years, and asked for advice, and they quickly reached out to John's team and brought in the full team with the expertise in the client's industry, and everything that we could do for that client. And the client was wowed, just at how quickly we came to the table, the way we could demonstrate our knowledge of their industry, and really quickly put a solution on the table that exactly met their needs, and so they've moved their whole relationship. We took a small equipment relationship with that client into a multimillion-dollar full relationship now.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, fantastic, Jeff, thank you for that, and I know that's still very much the case across our broader businesses. Thank you for that example.

Matt, over to you, as we continue to talk about why we win with our clients. We've heard Stephen talk about our Wealth business, we've got a great opportunity to continue to expand. Where do we bring Wealth into the equation, I'd like to understand that a little bit further, and, more specifically, if you can talk about how it drives referrals between Commercial and Wealth.

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

Sure. So, to frame this up, I'd like to kind of go back to the beginning. CWB's first step into wealth management, which was in 2008. You think about the period from 2000 to 2007 in Western Canada, it was a pretty robust economic environment. Particularly in Alberta, there was a lot of interest in mid-market companies and a lot of wealth-creating transactions for business owners.

There comes a certain point in every company's life where the next step seems pretty naturally obvious, and given those circumstances, it was a great time for CWB to get into wealth management. They had these relationships, the Bank was seeing these relationships with borrowers, who—the loans were getting paid out from these transactions, and now they needed high-end wealth advisory services.

When I came into the business in 2010, part of my job was to be the person to be that liaison between wealth and banking centres. It was our only private wealth operation at the time, so I was able to get into every banking centre, meet everybody, meet all the branch managers, meet a lot of clients, and what I could see right away is it was different at CWB. Like, when a client shows up, it's like Norm walking into Cheers, right? Like, the whole front line knows who they are, their Commercial team is out there to say hello, the branch manager's coming up to greet them, and it's truly this warm welcoming experience, right, and that's where the love starts. Then, you get that sense of personal familiarity and being seen starts to kind of foster that trust and loyalty, that's the start of the love story, and then you combine that with our culture of proactivity and specialization and speed, and you do get these potent experiences that can really deliver in the moments that matter for business owners.

We've got lots of examples of this. One that comes to mind for me was a meeting I had in the Lower Mainland in B.C. with a client family that had dealt with CWB for a long time, and they were going through a series of transactions to transition from an operating company to more of an investment holding company as the second generation came in. I was there to make a presentation, do my little proposal, and they were very polite and attentive, but by the end of it I sort of expected, okay, well we're going to do the pleasantries and commit to meet again at some point in the future, but one of them turns to the other members of the family and just says, "Well who brought the chequebook?" and so they wrote out a cheque for a few million dollars, right there, and …"

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Right on the spot?

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

Right on the spot, and I was kind of blown away, right, and a little taken aback, and I asked them to tell me a little bit more. It wasn't about me, right. That was pretty obvious to me, but there was something there. What they shared with me was their story. They said CWB had stepped up for their family at critical points when they weren't getting solutions from other banks, and they used these words, which I'll always remember: "We would not be where we are without CWB." So, it just was natural for them to continue the relationship, to grow with this other capability that they were very pleased to know that CWB had.

So, we still see a lot of those transaction-based opportunities in our client base, where it's very natural to bring Wealth Management into the picture, but as Stephen said, our real growth and differentiation opportunity is getting in there early with business owners with a great planning experience, recognizing the future potential when that equity wealth is building up, before they started to take it out as cash wealth from the business, and just create something strong, durable, and as those needs grow, we're in a great position, and along the way, we're delivering something very unique, seamlessly, combining Commercial, Personal and Wealth.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Fantastic, and I mean you've touched on the financial plan, which is so key to unlocking the growth, and also building the trust, showing up with passion. Thanks very much, Matt.

So, what I've been hearing so far is that clearly we've got a great story, we're at a really strong place today, and as we're continuing our charge to build our share of wallet, we all know that we can do better, and there are some gaps that we're looking to close to make it easier for our clients, and of course easier for our bankers, so we can move with speed agility. I'd like to get into some of those efforts that you and your teams are driving to close those gaps, okay? So, let's start with Azfar.

Azfar, you oversee the technology infrastructure at CWB, which I've heard you've completely transformed, you and your team, over the last 10 years. Can you talk about those changes and how it's allowing us to deliver a better front-end experience?

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

I've been thinking about how to wrap in love somewhere, so I think that's where I'll start off with. We've got to remember what we're focusing in on. We're focusing in on our small business clients. That's where the win is for our organization. How do we do that? What is the different—the secret sauce that we're using is we've built everything ground up. So, we start with our core banking system, all the way up to our digital platforms, which is very different shading in itself. Many organizations are trying to put sprinkles on top of something that's already antiquated, and what we're doing is we've started building it ground up.

What does it allow us to do? It allows us to put in elements of our technology strategy, which are key to building something which is scalable and flexible, and those are things like data and architecture elements, that you wouldn't have if you didn't build it from ground up. What does it help us do? It helps us do things like AIRB, we just heard about that program. So all of the data elements, all the way from our core banking to our digital platform, allow us to be able to do that. How do we do all of the digital enhancements that we're talking about? We do it because we've got a truly integrated experience front to back, and what does that allow us to do? It allows us to be scalable and work with partners in fintechs and other Gartner top-right quadrant solutions, which help us speed up our pace of delivery and solutions.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, Azfar, I'm very excited about that, and I think the big differentiator for CWB. And, as I mentioned, coming from Scotiabank, you've got a lot of legacy systems, and we don't have that antiquated system here to navigate, so that's really a great differentiator for us.

So, I'd like to go deeper on the topic, and turn it over to Jeff now to talk about the specific gaps we're closing on our digital and payments transformation. We heard Stephen talk about some of those, as well, so I'd like to unpack that a little bit further. Jeff, if you could talk about what are those gaps today, maybe we'll paint the picture on what does that user experience look like, and then how are we moving forward to drive those better outcomes?

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Sure. You talk about gaps, I just see opportunity. Maybe I'm a glass-half-full guy. The way I look at it is we've got a lot of clients, as Stephen talked about, that are choosing us today, they have their banking with us, and yet we know we can be better. So to me, the opportunity is right in front of us. Let me give you a sense, a little bit, of what some of those challenges we have are.

When you talk about our digital platform, a number of our solutions, we work with partners, we work with them to bring solutions to our clients, but we haven't integrated all those solutions. A client who works with us on the cash management side might be logging into six or seven different platforms, each of which have their own user ID and login, and a different user experience when you get in there, and so bringing in all those together into one seamless experience is a huge win for our clients.

At the same time, some of our solutions were great for us five or ten years ago, but we've grown up. We're a bigger bank, we're working with more complex clients, and we need to upgrade some of our solutions. When you think about our EFT solution, for example, the opportunity to self-serve is just not where it should be. When a client wants to stop a payment or trace a payment, they need to call in to our Relationship Manager and get help. It's inconvenient for our clients, it's inefficient for our teams, and just something that we can make go away. So, what's exciting to me is it's all going away this year. When I look at the year right in front of us, we'll be upgrading our digital platform, launching new EFT solutions and new corporate card, and it's going to make a meaningful difference. I can say that confidently, because in 2022, we launched a new personal credit card. Similarly, we had a product that just wasn't up to snuff. Now, we have a credit card that's just as good as any credit card out there, and we've had a whole pile of clients jump onboard. So, the opportunity to me is right there and I can't wait to go get it.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

You're also talking about the work that I have to continue to do (cross talking).

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Elizabeth will deliver all this, which is great, and, John, maybe you want to talk a little bit about how this'll play for our frontline teams.

John Steeves - Executive Vice President, Banking, Canadian Western Bank

Yes, I think Nick said it really well earlier. If you ask my team what it's like to go and compete and drive full-service general commercial growth, they'd tell you that they feel like they're doing it with one hand tied behind their back, and that's exactly what Nick said. I'm just looking forward to Jeff and Elizabeth delivering this year, so we can box with two hands.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Thanks very much, gentlemen. We're going to continue on our theme of transformation, one of my favourite words, and how we're making it easier, again, to work with our employees, to work with our clients. We've always been known—and, again, I talked about this, this is not just from the client perspective, but also from the employee perspective—as being very entrepreneurial. That means we move with speed, we move with agility, we move with flexibility.

So, Azfar, just going back to the theme of transformation and technology being so critical to our teams in their day-to-day, so that they're targeted and effective, can you talk about how we're equipping them with a better toolkit and how is that making them more effective in growing our clients and growing our business?

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

So, there's two elements of that, right? One is the client experience part, and one is the efficiencies that we bring into the organization. The client experience part is how does the person feel loved—see, I brought it up again. Really, it's about data and our digital capabilities, right? There's a lot of data that we're collecting, like the VCOO, like other AI models that we're building, and we're really integrating them into the digital platform and really being able to have the customer feel how they're interacting with us. On the efficiencies part, it's really about integrating into an experience and really focusing on digitization of our core processes. We've already gotten examples of both of them that we've taken a look at.

On the client experience part, we've recently launched our digital client onboarding platform, which took a process that used to take approximately 45 minutes with a client and we've taken it down to under 10. Then, that entire time now, our frontline teams can go and actually building the relationship, which we believe to be our secret sauce. On the efficiency side, we've taken a look at our credit support process, which is core to our businesses, and really taken a look at how to make it more efficient end-to-end. Digitizing the entire process.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Can you talk more about that?

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

Yes, absolutely. So, what we've done is, straight from initiation, we take a look at how do we get all the documentation, all the details of the client and really systemically process that through all the way to adjudication, and actually paying out to the clients, but the only way you can do that is to have that integrated system view. What we're doing is picking up: picking up all of these processes one by one and bringing them in, and that's really been our technology strategy and transformation roadmap, to be able to say which ones are the more critical features that we need to pick on, and the reason that is being easier and more cost-effective and efficient for us to do it is because we've already invested in the core infrastructure needed to do it, not just from the application side but also on all of the elements of our data centre and infrastructure components.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Excellent, Azfar, and so that makes it even easier to continue to build on those efficiencies as we move forward.

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

That's how we become the best bank for business owners in Canada!

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, thank you. Okay. So, John, maybe just building on what Azfar talked about, but going a little bit deeper on the process side—again, we're on the theme of transformation, we're on the theme of making it easier for our clients to bank with us, for our employees to do business with our clients. And so what would you say we're doing on that front to improve deficiencies on the frontline?

John Steeves - Executive Vice President, Banking, Canadian Western Bank

The people that work for me will know one of my favourite saying is "Speed is a powerful weapon," and why I say that is, if you don't want to compete on price, you don't want to compete with off-market deal terms, the only lever you really have is speed, paired up with advice. It's my job, really, to turn over every rock in our processes to increase our speed to market and serve clients better. This year, we streamlined a number of our credit processes. We also took a bunch of our existing FTE [full-time employees] and shifted them over to our portfolio management side, so that we could just juice our speed to market and get back to clients quicker.

I'll give you another great example of the outcome of all of that. So, we were out seeing a wholesale distribution company just outside Edmonton. This company was in the middle of an acquisition that was going to expand their geographic presence and their existing bank had been working on the acquisition financing for almost eight weeks.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

That seems like a long time.

John Steeves - Executive Vice President, Banking, Canadian Western Bank

Yes, we thought so too, but not to be critical. To our surprise and ultimately our benefit, this bank didn't deliver on time and this business owner had to go to a personal friend and borrow some pretty substantive money to close this acquisition that he had committed to do. So, our team got an opportunity to go in and meet with this business. We initially took the time to get to know the business, their needs, their ambitions, their goals. They gave us a bunch of information and we took that away, and seven business days later we came back with a $30 million credit commitment.

Now, I think I should stop and just paint you a bit of a picture. Like, this deal was about as up the middle of the fairway as you can get, in that they did about $100 million a year in revenue, strong balance sheet, and about $10 million a year consistently in profits. My colleague Jeff will say how do you know what up the middle of the fairway's like, because I'm rarely there. But I just wanted to paint that picture, because it really wasn't a transaction that needed a lot of cerebral work on it. But, anyway, seven days later, we delivered a commitment, not a proposal, along with a full cash management offer and personal banking solutions for both the owner and his adult son. The owner signed our deal on the spot, never seen a bank respond that fast. So, like, key for us is to make our clients' timelines our timeline and not the other way around.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, and these are extremely busy people, and so excellent example there on speed.

Matt, I guess, building on what Azfar and John just spoke about, I'd like to talk a little bit about transformation and making it easier from the Wealth side and how we're streamlining our businesses there, so if you can talk a little bit about that.

We also know that we made a big acquisition in 2020. That was a big deal. How are we leveraging each of our Wealth Teams, and aligning them under the CWB Wealth brand?

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

So, this transformation, Elizabeth, really does come right off the back of that 2020 acquisition, and so it's a good place to start. Stephen talked about the benefits of that acquisition, including capabilities, scale, and geography. We saw the benefit of just increased scale right away, right? So, quite simply, that was one of the best outcomes that we delivered through that acquisition. John talked about larger clients, more complex needs. So we're seeing that all the time, and I'll give you one example. Soon after we closed the acquisition, we had a client family sell their business, and this is a large transaction, so significant sale proceeds. Very significant sale proceeds, and their phone is ringing, right, they're taking calls from all over the place, people they know, people they've never heard of, and people coming out of the woodwork. So, they're looking for trusted advice. It was really as they came through the transaction, the ability of our team to collaborate effectively across teams at speed that created a lot of value for clients.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, I think that's so important. Again, we're talking about the client at the centre, bringing the teams to the clients.

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

It was really their ability to get lots done with one or two trusted points of contact, right, and then everything is sort of coordinated for them. This client family, they already trusted CWB. The business relationship went back to a small line of credit that had been originated for the father, who had founded the business, and the second-generation business owners had gone global with it and massively scaled it up. And in doing, so they'd utilized the services of other banks, but they had always maintained that relationship with CWB as their main bank. That's why we were on point to take care of all the mechanical bits and pieces that needed to get taken care of to close this deal and bed it all down.

The key thing is, if we had not made that acquisition, we would not have been seen and we would not have been a credible option for them on the Wealth opportunity. They really admired, or what appealed to them about our Wealth positioning as we started to talk about those needs and that opportunity, was our positioning Wealth Management as a boutique within the boutique. Their experience with CWB had always been very personal and had boutique feel to it, but what they loved was we continued to invest in the business, and that inspired confidence that we could deliver against their larger and more complex needs.

The thing that really stood out to me in this whole experience with this family is actually not about Wealth Management, but it does speak to another future growth opportunity. There's a certain meeting that where we're just talking about mostly about the Wealth Management needs, but one member of the family kind of stopped the conversation and said, "Can someone just make sure my credit card bill is paid every month?" These are very affluent folks, right, but their lives are busy and complicated, and the boundary between business finances, personal finances and wealth is blurry, so they need help, right, they need people who can show up to that complexity and help to simplify things just through a small number of trusted relationships.

That's what gives me confidence that we do have this opportunity in Private Banking with families like this, who are looking for that experience with a trusted sort of boutique provider. As we've come out of the acquisition over the last couple years, we've really focused on strengthening those points of integration between banking operations and Wealth Management, so we really can deliver differently than our client families are going to find from siloed or monoline wealth providers.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Okay. Fantastic. I'm thinking about, as well, if you can maybe touch on the Wealth brand, like what does that mean. We've got a couple of different players there within our umbrella. We've recently launched our new Wealth brand. How is that impacting our clients?

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

We have built the business through a series of acquisitions, right, 2008, 2013 and 2020, and there've been some sort of incremental steps toward brand harmonization over the years, but we're still left coming out of the 2020 acquisition with five or six sort of core private wealth brands. That is a fairly noisy landscape of brands to operate in the market, especially when you're pointed at a pretty coherent client segment. We took our time with it, though. Because the brands that we acquired in 2020 have been in the market a long time. Leon Frazer was the first investment counsel ever registered by the OSC in 1939, and George Frazer was sort of an institution in asset management in Canada for a long time, and so there's a very rich heritage there. T.E. Wealth was one of Canada's first planning-only, fee-only planning shops, started by Tim Egan in Montreal in 1972, 50 years old this year, right? So, we're contemplating bringing these brands together and harmonizing them and aligning them to CWB, just as T.E. Wealth is ready to celebrate its 50th anniversary. You do have to be sensitive to that heritage and that legacy, and so I've been able to build a relationship with Tim Egan, who's still close to the firm. He started the firm when he was 28, so he's now 78, and still very dynamic, very … (cross talking).

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Still very involved?

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

… and just a gentleman, right? He's generous with his time in helping us understand his founding vision, which is included in the video that Stephen mentioned.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

I think that's so important to carry through, right? That's very impactful, very meaningful.

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

Yes, So, our commitment was really to sort of nurture and build on those legacies. The cultures are very aligned, and that's why we can bring them all together, and you know, folks, whatever journey they've come to this from, see themselves in their peers, and they see this as something that has this shared culture client-centricity, very aligned to CWB.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Thank you very much, Matt, I really enjoyed hearing that. So, I want to shift now to the closing part of our panel, we're getting almost up at time. We've talked about our strong position, we've talked about our client experience, that's well understood. We've also discussed what we're doing to close our gaps, the opportunities, as Jeff put it, to scale our business. So, I want to close by talking about the opportunity to expand the broader addressable market and reach more clients.

Jeff, we've heard a few people today talk about our brand, our brand familiarity at this moment, and hopefully you guys caught that picture on the screen. There are these city buses rolling around the GTA and other major city centres across the country with our CWB branding, and with our tagline, "You'll love it here." Big banks don't talk like that, we both know that. So, what was the thinking behind that, and if you could talk a little bit about how that's also resonating with clients?

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Sure. As you can tell, Nick's got us comfortable with the word "love. But when we started it, it was a bit of an internal debate, because, as you said, banks don't really talk like this, and it really came from a couple places. First, we've talked a fair bit about we have a number of clients that pick us because we're not one of the big banks, they're looking for an alternative, they're looking for that higher level of service that we can provide, and we thought it was important that, through our advertising message, it stood out as a different message, and said that we're not the same as all the other banks out there.

The second was we actually borrowed the word from Frank Reichheld. Frank is the founder of the Net Promoter Score, and as he was talking about what he's found over the years as he's studied client experience, it was clients that give companies the kinds of scores that we get love the companies they work with. It resonated with us, and it stuck, so we decided to incorporate it into our external messaging.

We've heard from number of clients, they love our campaign, they think it describes us well and it's part of why they came to us. We actually had one client in Vancouver that walked in, they'd seen our advertisement and they said, "You know what, I want to put this to the test. You say you're different, you say people that don't love banks will love it here. Well let's see." Over the span of about a week, we got to know their business, brought forward a proposal that reflected the fact that we really understood their industry and what they were all about, and they said, "You know what, you're right, you are different, I love this," and they moved all their business.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

I think what that means for me, it's like a very genuine way to operate, and I'm glad that that client just after a week was able to feel that. Jeff, while we have you, I wanted to go a little bit deeper on small business. So, this is a newish segment that we're focusing on. Stephen highlighted that a little bit, as well. Could you unpack that opportunity, and also from a client standpoint, what outcomes can they expect?

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

As Stephen said, this is a longer-term opportunity for us, one that's really attractive, with a lot of low-cost deposits that really help our funding mix. When you think of the small business space, you're talking of more than 95 percent of the businesses in Canada, they represent more than a third of our GDP, but they're really hard to serve. The fact that you've got so many clients, and they're small, makes it very difficult for banks to serve them in a way that gives them what they're looking for but is economic for us, and it comes across in Net Promoter Scores. When you look at industry results, small businesses are consistently the lowest segment in the industry.

When you go talk to them and you say, "Well, what's going on here?", what they think about is feeling isolated. Small business owners are passionate about whatever their business is. They're not passionate about running their business, and they're not particularly skilled at running their business. Yet, when they look for help, whether it's from their banker, their accountant, their lawyer, they have trouble finding it, because they're just not big enough to get sort of the time of the experts.

So, we believe we've got a way to help them. We look at a strong digital platform, combined with a contact center with real people, not an IVR, you don't get voice mail, it's real people that answer the phone, they're bankers that can provide advice, and when you put those together, it's a strong solution. Then, you layer on some points of differentiation. Initially, for us, that's the Virtual COO that we've talked about, and it's the ability to take our client's data, use some AI capabilities and provide them the kind of information that a larger company might go to their Head of Finance and get that kind of information, and these small business owners just can't get it.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Those actionable insights are very, very powerful.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Yes, and it's the help they need, right? They feel alone, they don't know where to turn, and if the digital platform can be that place where they get the advice they need, then they can focus on what they actually want to do, which is actually delivering whatever their business is about.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, certainly, the small business segment is quite underserved today. I'm looking forward to also driving a part of that in my journey ahead at CWB.

John, we're going to close with you today. We've talked about scalability and how we're reaching more clients with our unique experience, and Ontario is a big part of that, we've been speaking about the expansion in Ontario, and again the new building at York and Adelaide coming next year, but we know Ontario's not the only part. So could you highlight a few of our strategies to target some of these segments and our markets?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

We're certainly looking to expand our addressable market, but in a very targeted fashion. Ontario obviously is a very big piece of this, it represents 40 percent of Canada's GDP, and to put that in perspective, the Ontario economy is the same size as the four Canadian western provinces put together. So, Ontario is really about taking what made us successful out West and bringing it East. When we opened our Mississauga banking centre in 2020, we actually had a debate around whether to deemphasize the "Western" in "CWB". We didn't know how that would resonate.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

You mean in our name?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

In our branding and everything, right, and our marketing, and, ironically, it's been a differentiator for us, something we hadn't anticipated. I'll give you an example. I was at the Markham grand opening a couple months ago and was talking to some business owners, and one of them had just moved all their business to Canadian Western Bank, so I asked this gentleman, "Why'd you choose CWB?" Normally, I hear things like "I just love the team approach" or "you took the time to get to know me and my business" or "great service"—none of those.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

What did he say?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

He said, "Well, I just figured all the other Toronto-based banks were just like the one I was at and I wanted to go somewhere different." It's why we didn't de-emphasize "Western". Anyway, it was certainly something that I wasn't prepared for.

But, as important as Ontario is, our success doesn't solely depend on that, right? Like, we're just still scratching the surface out West when it comes to full-service general commercial growth. In the West, it's really about picking industries that we think we can compete and win, and then leaning hard into those industries.

I'll give you a great example. You heard a couple of agriculture stories today. You might be surprised to know we didn't lend into primary Ag 18 months ago. Since then, we developed a strategy, we've assembled a team, and we're having a lot of success, where 90 percent of farmers that we partner with are choosing us to be their main bank. It's just one great example of where you create focus and lean into things, how much success we can have.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Yes, and the Ag business in Ontario is a big opportunity, for sure.

John Steeves – Executive Vice President, Banking, Canadian Western Bank

Yes, I'm not sure Mississauga and Markham are the best positions, or York and Adelaide for that matter, but we've got a strategy for that. We'll leave that for another investor day.

Just switching gears quickly, as Chris touched on it in his opening remarks, but certainly the opportunity in front of us, particularly in Alberta, and B.C. as you see right now, is the pending sale of HSBC to RBC. I spent 11 years at HSBC when I started my career, and I can tell you I was in three different cities across the country with them, and one of the common themes I saw was that people picked HSBC because they wanted an alternative, particularly out West, to an Eastern-based bank. And so, I think we're squarely in the fold of being able to take advantage of that, particularly in B.C. and Alberta, so like I see a lot of opportunity for us in the next 12 to 24 months there.

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

Thank you very much, John. You had me thinking as you were talking about the expansion and our new segments and our addressable markets, maybe just to close out, on the people front, can you talk about how you develop your teams, the people to support that growth?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

Yes, I'd say there's multiple things we're doing. Internally, we've created what I'll consider like a market-leading banking associate program, where we're taking—I say "kids," but HR corrects me on that, I'm not allowed to use that term. We're taking people out of university, typically with finance and accounting backgrounds, we're bringing them in, we're giving them a very intensive 12- to 18-month training program that's heavily oriented towards credit and credit structuring. Then, they'll typically spend another two or three years paired up with some of our senior underwriters to really learn the ropes on credit structuring, before we kind of let them loose as a Relationship Manager. And then it's really about continuing to build some of the skills over time that's relevant for their job and will help them both win business and manage the risks appropriately, and Kelly talked about some of that earlier.

Then, in addition to that, it's about complementing—like, when you're growing fast it's tough to develop everything internally, and what we're really finding, particularly coming out of the pandemic, is—and maybe this is because of Nick's slide where it shows like the brand familiarity with CWB—like, we're getting opportunities to hire great people across the country that we frankly didn't have before. So we don't have to search them out as much as we used to, they're actually approaching us and saying, "Hey, I've heard the story, I want to be part of it."

Elizabeth Gandolfi – Senior Vice President, Client Solutions, Canadian Western Bank

I know that's increased in 2022, so it's pretty fantastic. Thanks gentlemen, and with that, our panel has come to a close, and so I just wanted to thank each of you for being here, and of course to our audience for listening. We've covered a lot of ground and we've got some excellent client success stories. For me, I love hearing those stories, they really resonate, and it's what I've been hearing as I've been visiting the banking centres, taking an opportunity to learn myself. There are so many of those examples that I hear over and over again.

So, couple of key themes I heard.

- Firstly, we are competing and winning the best talent, John talked about that, and, of course, our panelists are four great examples of that.
- Secondly, our key is the team approach, and I think that is such a differentiator for us as we continue to grow and scale our businesses.
- Third, I'm going to maybe think about the momentum. We've talked about the momentum we've created to seize even more opportunities. We've touched on how we are streamlining our businesses and how we're closing key gaps, like our digital and our payments transformation; and again all of this making it easier for our clients, for our employees, so that we can continue to move with speed and urgency and deliver for them at the right time at the right moment.

I just wanted to again say thank you. We, obviously, have a very exciting path ahead and CWB is definitely an organization on the rise, and I am thrilled to be a part of this journey. With that, we are going to pause and take a short break. We will, please, get back together at around 10:10. It's just over 9:45 right now. Following the break, Stephen Murphy will join the panelists on stage for the audience Q&A. So, thank you very much again, and have a good rest of the morning.

(Short Break)

Q & A

Patrick Gallagher - Vice President, Strategy and Investor Relations, Canadian Western Bank

Okay. So, this is the first of our two Q&A segments this morning. You'll see that Stephen has rejoined our panelists from earlier, so the focus of maybe the next 30 minutes is on the clients component of what we discussed this morning. I just want to remind people, we do have a second Q&A segment towards the very end, where Chris, Carolina and Matt will take further questions.

I would just ask that—we've got a mic on the floor, we've also got some questions coming through from the webcast. So, if you have a question, just raise your hand, and can you just introduce yourself and the institution you work with, as well, as you ask the question.

Mike Rizvanovic – Analyst, KBW

I Had a question about pricing power. I think it was Nick that had a slide earlier about pricing being secondary with respect to what the client cares about, and, obviously, you have some really deep relationships here, so what I'm wondering is why have you not been able to utilize that pricing power a bit better to maybe offset some of the funding side headwinds because, I tend to equate pricing power with margins, and so if you could talk to that, that would be super-helpful.

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Sure, I can start. I think what you would see for us in the marketplace, we tend, through our experience, we're not trying to be the cheapest price, we need to be competitive, we often get a premium price, and I would say, when you look at the margin forces—Matt's going to talk about that in his presentation later to unpack a bit of NIM and what is happening on that side. But, I mean, we can be competitive on price, and we generally aren't the lowest price. When you've got an extreme rate increase market, things can happen around—you know, just depending on how cost of funds and yields are moving, so.

Stephen Boland – Analyst, Raymond James

Good morning. A question for Matt. One of the things that CWB has always attempted to do with the Wealth Management operations is to convert those entrepreneurs, those business leaders, and move them into Wealth Management products. Can you talk about, now with T.E. Wealth being there, what's happening on the ground? Are you training in the branches. The lending officers, are they starting to refer to T.E. Wealth, and maybe just talk about that, please?

Matt Evans – President and Chief Executive Officer, CWB Wealth Management, Canadian Western Bank

Yes, thanks, Steve. Again, we were really happy with the results we've seen on what we call shared relationship growth over the last number of years. We had some traction there prior to the 2020 acquisition. As I mentioned, I kind of came into the business circa 2010, trying to get some of that shared relationship activity underway. We never fully integrated those previously acquired Wealth Management operations and didn't really build a business model that would result in kind of that seamless partnership that we've talked about today. What we've spent quite a bit of time on over the last couple years, myself working with John and with Stephen directly, is on the business model, the operating model that creates the connection, the points of integration between banking operations and Wealth Management, and create that seamless client experience.

I wouldn't focus so much specifically just on T.E. Wealth, right? The increased size and scale of the business, generally speaking, the coverage that we now have in Vancouver, Edmonton, scaled up operations in Calgary, the coverage we have in Toronto, we also have Montreal as part of those acquired wealth operations, it really matches the footprint, as I said before, so that's a key benefit.

In terms of our business model for driving that shared relationship growth, what we've landed on is what I would describe as an intermediated relationship introduction model. We want to make it as simple as possible for our partners in the banking regions, inside the banking centres, to know who to call when they have a question about a wealth opportunity or they've identified a wealth opportunity. So that's going through one point of contact, and we're just in the process of creating a regional coverage model for that so they have one point of contact. "I think I might have a wealth opportunity, who do I call?" It's that one point of contact. That person's job is to do some discovery. So, their job is to sort of surface, sort and distribute Wealth relationship opportunities to the right person.

Because what we find in the wealth advisory experience is fit really matters, right? It's not the case that every advisor is going to fit every prospective client. What that intermediary needs to be expert in is understanding the attributes of the client situation, understanding the attributes of each of our private wealth advisors, and landing that prospective client with the advisor that's going to fit them best. There's some finesse to that process, and there's some subjectivity, and there's an art and science to it, and we've spent a lot of time just on the parts of the business model that are going to create the right client experience and drive as much business growth as possible.

Planning is a big part of it. So, the T.E. Wealth planning capability, specifically thinking about that business model, is sort of the capability we brought in through the acquisition that we want to deliver consistently in all of our markets. So, there is some training component to that, there is some cross-training and some sort of cultivation of shared capabilities through that, and we're focused on that, in due course.

Meny Grauman – Analyst, Scotiabank

A few times in the presentation, you referenced the 41 percent full-service as a percentage of total business clients, and I'm just wondering if you can give us a little bit of perspective in terms of where that number has been five, ten years ago, and as you look forward, where can that go? In the discussion, you talked about a lot of digital capabilities coming online, so I'm wondering will we start to see or do you expect to see that number to really step up as you're able to provide a more fulsome digital experience to clients to get that full-service business?

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank. Sure, Meny. I would say, if we go back five years, we didn't have the metric actually. We can infer where we would be back around that time, and I would say it's probably about double what it would've been if we wound it back to when I joined the organization, and so we've made tremendous progress.

Just so you understand what the metric is, it's essentially a basket of goods concept whereas—so, because all of the metrics, what we've been very careful about is to ensure that our teams are always looking at the needs of the clients and they're not hawking individual products and jamming them down their throats, and so it starts with the need, give them what they need.

The metric basically looks to, if we have this certain subset of basket of goods that has flexibility in it, we must be their main bank. So, that is the purpose of the metric. It's intended to ensure that teams are always kind of discovering needs, but not kind of going and trying to jam a specific product down their space.

So, when we think about where could we go, we certainly could see going over 50 percent, how far can we go in the future, but I think for me, for sure, we can take that penetration rate over 50 percent in the medium-term, so that's where we're going. In terms of an ultimate, I would say, could you get it to 70 percent, I bet you could. For us, the biggest thing is—when we were talking about that number, that's in the banking centres. If you looked at national leasing clients within our equipment business, it'd be much, much lower than that, because we just haven't had the capabilities to wrap ourselves around those clients and integrate everything together yet.

Lemar Persaud - Analyst, Cormark Securities

I want to continue along the same lines as Meny's questioning over there, but I want to take it a little step further. It sounds like, from your presentation this morning, the investments required are more at the margin in order to bring the full-service penetration numbers up, is that correct, or are there other products or specialty gaps you guys need to close in order to really supercharge that kind of 41 percent full-service penetration? Thanks.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

At the margin, yes, but there are big, important changes that are coming. Then, we're in a place where our offering meets the needs of most of our clients. There's always some nuances that individual clients need, but we're focused on what do most need. Our goal is not to win based on our product offering. If we can be as good in our digital platform and our product offering, then all the things around our client experience that Nick and Stephen and John are talking about, that's why we win the business.

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

In my presentation, I would just add, part of this is a time element, too. We've got some things around our offering that we wanted to spike out that are a near-term inflection point, but we've also been in this transformation with a lot of people stuff, about how we mobilize our teams and equip our teams to go out and deliver in a way, and ramping up our sales activities, and so that's been a multi-year process of change. What we wanted to kind of convey is that we've kind of got to the end of that change, that we're at a position now where it's kind of "unleash the hounds".

Darko Mihelic – Analyst, Desjardins Capital Markets

Before I ask my technology question, maybe just finalize on this whole 41 percent. What does it mean if you get to 50 percent? Like, how much extra money does it make for the earnings? What if you get to 70 percent? Have you guys done any analytics behind that?

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Yes, so we've done some preliminary analytics around that. Like, when you look at the Ram video, you can do some averages and infer some money, like when you get this collection of products around full-service and what that money is. I don't have the number to tell you of what 50 percent equals, but I think we can take that away and we can look at some math to give you more of a sense at a future session.

Darko Mihelic – Analyst, Desjardins Capital Markets

Okay, thank you. I just wanted to actually ask about technology, so I'm staring at you, Azfar, I've got a few here lined up for you. The first question is—you had a ramp-up in expenses in 2022. So, when we talk about closing those gaps, technology gaps next year, is that already sort of accounted for in the expense run rate? Secondarily, you keep talking about the digital improvement. I just want to make sure that I understand this. I know you have a mobile app, but do your business customers have a mobile app?

Azfar Karimuddin - Chief Information Officer, Canadian Western Bank

On the first part of the question about, is it already—so this has been a roadmap that we've been on for a while, right? Not all of the cost attribution of the expenses is related to the technology build, a lot of that has already been done. Even if we take a look at where we are right now, we've built out our personal and small business digital offerings, and where we're actually starting to migrate clients onto it. Your second question about small business, we had a small business platform even before this. What we're doing is improving it. Now, we had a shared model with one of the centrals, and now we're taking that and building it, because we believe this to be a differentiator for us as a business, and we wanted to make sure that we were owning that experience ourselves, and that's what our journey's getting to now. That's always been the roadmap, yes.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Maybe I'll build on that a little bit. When you're talking about the digital capabilities, you can think of digital in two halves. There's, functionally, what does the digital platform do, and then what's the user experience for our clients. We're functionally fine. Our clients can do what they want to do. What we don't have yet is a user experience that makes it easy for them, and so things like the multiple logins to different providers, we just make it difficult for our clients to do the things they want to do today.

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

That integrated experience is exactly what we're trying to. When we started building it from the bottom up, that's exactly been our focus right now, so all of the new offerings that we have are a single sign-on across the entire board. Stephen referenced this in his presentation as well, about some of the things that clients talk about as being different from other organizations, and we're closing the gap wholesomely.

Darko Mihelic – Analyst, Desjardins Capital Markets

I don't want to get too theoretical here, but while you're closing these gaps, there's a threat or a possibility that open banking is coming to Canada. But if it does, where are you on that road?

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

As part of our digital transformation, we actually made sure that we were also taking a look at aspects of open banking that we do know. We don't have all of the rules and regulations around it yet, but we know some of the technical guidance that they will follow. So, some of the API build work that we needed to do, we've already done that. We already have a robust mobile platform that integrates with our core systems. We have a robust data warehouse solution that we use to be able to house and be able to provide data back and forth, and we've been using a lot of these technologies at the back end to enable some of the services around digital and AIRB. I think that's why it's so important to understand that when we built the roadmap, it took a lot of investment to get here. How we move further on is something we're anticipating to be in a much more efficient and faster model.

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Darko, if you imagine open banking and the vulnerability there with the small business client—like, if you think of who you're going after, right? Once the client owns their data and you can go and get the data about them to tailor an offering for them, and see where all those clients in the small business space currently bank, we're coming for them, right? We're the predator in that situation looking to grow that side of the business.

Paul Holden – Analyst, CIBC World Markets

Hi, two questions, if I may. The first one's regarding customer retention. There's been a lot of focus this morning on you winning customers from your competitors. The cheapest way to grow, technically, is to grow with your existing customers, so wondering what your retention rates look like? Then, second question. Again, a lot of focus on growing general commercial, that message has been clear. I'm wondering if you can give us a picture on five to ten years from now what would the loan mix potentially look like in terms of general commercial versus your other lines of business?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

What was the first question again, Paul?

Paul Holden – Analyst, CIBC World Markets

Retention.

John Steeves – Executive Vice President, Banking, Canadian Western Bank

Yes. So, we do lose the odd client here and there, I think we'd be lying if we said we didn't. Most of the clients we lose, it's because of an event; for instance, they sell, they pay off their loans. So, a lot of what our work has been on that front is partnering with Matt and his team around positioning ourselves better, so that we capture the monetization event that occurs. Some of the attrition would be attributed to frustration with the digital platform, that we're looking to fix. I think we've closed those two gaps, and those are the major ones that sit within our control. Obviously, the sale of their business is completely outside our control. What our general commercial looks like, we're growing it at circa 15 percent a year, so do that math.

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Yes, I think that's fair.

John Steeves – Executive Vice President, Banking, Canadian Western Bank

Yes.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

A thing I'll just add on retention is not every client's equal. When we talk about full-service, those are the clients that matter the most to us, where we have the deep relationships, and we want to grow them further and make sure we retain. When we look at our retention stats, we are rapidly growing the number of clients that we have in full-service. Stephen shared the CAGR before. We don't see the same growth on single-service clients, and that's fine.

Gabriel Dechaine – Analyst, National Bank Financial

A question on expenses, and then on originations, I guess. On the expenses, the message I'm getting is that the heavy lifting and digital transformation is behind us now. How do you know that to be the case? I'm hearing some connectivity features still need to be added. Then, in general, tech spending, there's always a new source of cost inflation in technology, so how do we really know that the heavy lifting is behind us?

Azfar Karimuddin – Chief Information Officer, Canadian Western Bank

I'll just start off with it and Jeff can add the business lens to it. From a technology infrastructure build perspective, we've put in a lot of the larger components that we needed to spend on, and a lot of that was with the digital pieces that we've been doing for the last couple of years. Furthermore, in our roadmap, the way we've designed our solution, we believe that we're going to be more efficient at launching those services going forward, as well. Especially compared to a lot of our peers.

How we actually utilize those services—so for example, when we have—and I'm just picking on this one—when we have a single sign-on mechanism for the digital solution, we have it for everything. We can use it multiple times across our API capabilities. They're not just restricted to the digital platform, we can use it for open banking, for payments, for the payments roadmap. So, there's a lot of reuse of the technology build that we've already done.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Yes, no, I think that's the essence of it. The big build is creating the foundation and then adding on smaller features or plugging into fintech, given the nature of the tech stack that Azfar and team have built is relatively easy.

Gabriel Dechaine – Analyst, National Bank Financial

Okay. An origination question then. You have heard a lot of the customers love you. I'm wondering if, like, a parent and their children, do you love all your customers equally? I'm joking, but there's …

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

No.

Gabriel Dechaine – Analyst, National Bank Financial

… changes coming in the CAR that are going to be beneficial to you in some ways and some won't be beneficial, so I'm wondering how—and that could be a situation you're facing for several years, where some loans, and you have a lot of them today, that are going to be much higher capital consumption for the next several, years until you transition that AIRB. How are you managing relationships that you may want to de-emphasize over the next couple years?

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Yes, I would say on that question, we look for each relationship to be profitable. If there's a headwind, if for a particular reason there's a situation and that relationship is going to carry more capital, well, we would look for that to be profitable, and we look at that through every client relationship, that we think about it on a potential basis of what's the whole relationship profitability we can get to.

If you've got everything aligned to the right delivery model, you should love every client equally. That's why if you've got an in-person, in-branch delivery model for small business and you don't make money on individual relationships, well, guess what, they get treated like that and they feel it, and that's why, and Jeff talked about, the NPS sucks in small business across the industry. But, if you've got a highly efficient, digitized model and you make money, and you've added value for them, well, they're going to feel the love there. So, we've just got to make sure we've got the right delivery model and the right approach, and then we price for that relationship and we make money on them, yes.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

And specific to CAR, Carolina's up next and she's going to dive into that a little bit more too.

Patrick Gallagher – Vice President, Strategy and Investor Relations, Canadian Western Bank

Just looking at the time here, we probably have enough time for three more questions. Chris, have you got one on the webcast?

Chris Williams – Assistant Vice President, Strategy and Investor Relations, Canadian Western Bank

I do. This next one is for Kelly Blackett. Is she out there?

Kelly Blackett – Chief People and Culture Officer, Canadian Western Bank

Yes.

Chris Williams – Assistant Vice President, Strategy and Investor Relations, Canadian Western Bank

We have a question here from Doug Young at Desjardins. "Kelly, can you talk about employee retention and how that's trended over the past five years? Can you also quantify the retention ratio for CWB's Commercial Banking Relationship Managers …" It's a multi-parter, so you get a little more. "… because this helps give a feel for the culture and consistency, and if you have the average tenure of your Commercial Bank Relationship Managers and how that compares?" Just to put you on the spot, you get all three.

Kelly Blackett – Chief People & Culture Officer, Canadian Western Bank

Thanks, Doug. You know, we're really pleased with how our retention rates have trended over the last five years, I'd say they've steadily increased. As all of you know, this last year has been a pretty significant change in the labour market, we're really pleased with where we landed. I would say we ended the year with basically 12 percent on turnover. That is, we believe to be very strong compared to many of the others in the industry. Actually our Commercial Bankers are basically right on that amount, as well. So, our Relationship Managers we're able to retain them at the same rate as the rest of the workforce.

One of the key things, though is—I mean, you asked the question about are all talents—or are all customers created equal. I think with our people, also, we are really focused on who are the key talents, and making sure that, especially, that we create, that we scale an experience for everyone, but that also we have a differentiated experience for our key talent. So, we put in place customized retention plans, key contributor programs that really helped us. We did that very early when we started to see the sort of competition for talent heating up, and that's really carried the way for us. It's not just about money, it's about that piece that size as our advantage, it's about creating those right exposure opportunities with them, those right career paths, and so we're really pleased with where we've landed and where we're headed on that.

I don't have the tenure metric, but I can get back to you on that.

Joo Ho Kim – Analyst, Credit Suisse

Hi, thank you. The way I look at it is, for the Commercial Banking space, it seems like we're coming out of a year that was pretty competitive in terms of—you know, you're seeing some of the bigger peers put out very strong growth in their commercial lending business, and you spoke briefly about the pricing, how you're not really giving up on the pricing side, but just wondering, as we head into next year, how do you see that competitive environment sort of evolving, and your plan in terms of balancing that, I guess, pricing power with the volume growth?

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Yes, I think as we look into next year, I'd say I would expect from a rate perspective that it would be a more stable year than this year, and I think that is positive. If you look at it from a credit environment, or an economic environment, it looks a little cloudy. Actually for us, that can turn out to be positive, as well, because, as Chris talked about and as Carolina will talk about later, we have a very conservative approach to lending, we have a very strong portfolio, and we are going into next year in a very strong position, and what we tend to find is in periods of economic disruption, we do better. That is actually when a lot of relationships get disrupted at the other FIs, and even somebody who maybe isn't that happy that can't kind of bring themselves to go to the effort to switch, that's when the rubber hits the road in those more turbulent times, is that we tend to take extra market share during those times. So, from that perspective, I think we look to be competitive on the pricing side and I think next year will be a more normalized environment on that side. Then, I actually think that if it ends up being a choppier economic environment next year, that that will actually bring more relationships to CWB.

Marcel McLean – Analyst, TD Securities

The first one is just a quick one. On the technology rollouts, the single sign-on and EFT. Just where are you guys in the stage of developing that, is that 50 percent of the way done, and is that a near-term, where you're going to flip a switch in Q1, because we're already halfway through Q1 here, or is it a later in the year strategy?

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

It'll be second half. It's well underway, it'll be second half of the year.

Marcel McLean – Analyst, TD Securities

Okay, and then, secondly on loan growth, with the HSBC disruption, we've seen Ontario loan growth sort of dominate the picture for the recent few years. Do you see some of that growth shifting back to Alberta and B.C., and maybe more even growth across the provinces, or how do you view that going into the next year or two?

John Steeves – Executive Vice President, Banking, Canadian Western Bank

I think there's certainly the potential for that, particularly with what we're seeing with HSBC. We planned—I'm sure there's other institutions in this room that are planning the same thing—but we plan to go hard at the HSBC relationships that we've been calling on for years and seeing if we can disrupt. We've already had some success in the last couple of weeks on that front, so we're going to continue in that vein.

Richard Tattersall – Analyst, Heathbridge Capital Management

Hi, the question's related to the lending. One of you had said that the credit card business is all sort of white label, you don't take any of the risk, so how does that make it an attractive business? I guess it's another product you can cross-sell, but I presume that there's some money you make. Then, Alberta's got the Homestead Act where mortgages are nonrecourse, so how much risk do you have? You've got 19 percent in personal loans and mortgages. How much is in Alberta and how do you mitigate that risk, where people can just give you the keys and walk away if things get bad for them?

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

I'll take the first half.

Stephen Murphy – Group Head, Commercial, Personal and Wealth, Canadian Western Bank

Both of those are yours.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Let's talk credit cards first. On the credit card side, on the personal card, which is what we were referring to, we don't carry the risk. It's not as big a business for us. We are not at the scale you need to operate that kind of a business properly. We essentially get referral fees with our partner. On the corporate card side, which we'll be upgrading in the middle of this year, we do hold the risk on that and all the economics that come with that.

Can you repeat the second half of that again?

Richard Tattersall – Analyst, Heathbridge Capital Management

How it's an attractive business. I guess, if you get a referral fee, it's worth it, it certainly helps cross-sell …

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

On the cards, yes, absolutely. Yes, it's a profitable product for us. What was the second question?

Richard Tattersall — Analyst, Heathbridge Capital Management

(Inaudible) a lot of people walking away, saying, "Here's the keys to the house. I'm underwater in my house. You can't come after me personally, so it's all yours."

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Yes. So, I guess I'd step away from Alberta and I just think broadly about our personal lending and our mortgage business, particularly in the Alt-A space within CWB Optimum, where we work on the broker side, it's a pretty risk-averse profile. We're only in certain geographies. We only do mortgages under a million dollars. We have about three-quarters of our book looks more like a prime book than an Alt-A book, and a low loan to value. So, at the end of the day, we don't see tremendous risk in that book with what's right in front of us. Carolina can back me up when she's up, but we feel good about it.

John Steeves – Executive Vice President, Banking, Canadian Western Bank

What I think the economic forecasts actually demonstrate that the housing markets in Edmonton and Calgary, particularly, should be more resilient than other parts of the country.

Jeff Wright – Group Head, Client Solutions and Specialty Businesses, Canadian Western Bank

Yes, that too.

Patrick Gallagher – Vice President, Strategy and Investor Relations, Canadian Western Bank

So, that concludes our first Q&A segment. Thank you for the panellists and Steven for joining back for the Q&A. We'll have our second one at the end of Matt's remarks later on, but first up, we're going to have Carolina Parra.

Carolina Parra – Chief Risk Officer, Canadian Western Bank

Well, good morning, everyone. I'm Carolina Parra, Chief Risk Officer here at CWB. I joined over a year ago, leaving as Senior Risk Associate at Scotiabank to join CWB at an exciting time, and an exciting time in the risk management area, as well, as we are deploying and leveraging a risk management capability to enable the scalability of our operating model.

Since joining CWB, and having come from a much larger operation, I have seen the strong foundation and the maturity that the enterprise risk management framework at CWB has, compared to other financial institutions so far as size. Our approach to risk management is supported in six principles, that we're showing here. Three lines of defense delineation. We have clear roles and responsibilities across all risk types, financial and non-financial risks. Pretty much every person of the team at CWB has a role to play in the management of our risk. We take accountability for those risks across the institution. Why would we do that? We understand the risks that we take and we manage them accordingly, and proper risk management includes to really understand the client base we're serving. You're hearing this morning how we really get to understand the needs of our clients, and how different macroeconomic conditions could affect their businesses over time. We make sure we receive the right compensation for the risks we're taking. We are focused on risk-adjusted returns from this aspect. Through the proper understanding and management of those risks, we're protecting our brand, the trust that our stakeholders have in CWB, and this trust has been really, really built over many years of delivering consistently and strong risk management performance.

No strategy is without a risk, and when we look at the risk universe, we have a standardized and disciplined approach to risk management. It is not our intention to eliminate risks, but rather to manage them within our strategic priorities, meeting our strategic priorities so that we can identify, measure, monitor and manage within the confines of our risk appetite. This will lead to sustainable risk-adjusted returns over time. Our enterprise risk management provides the foundation to assure we uphold the principles I just mentioned before, so we can meet regulatory expectations, but also show up confidently to our customers in the good times and in the bad, as we just mentioned before. This has been a true differentiator when we look at relationships compared to our peers over the last 38 years.

We are highly experienced at managing financial risk, and we make sure, through our framework, that our non-financial risks are also managed and we have the capability to manage them, and that is with a real focus on ensuring operational resiliency across the organization.

Our risk management framework has been strengthened in the last few years, since our last Investor Day in 2017, through various enhancements. We've built our three lines of defense across our lines of financial risk, and we've made significant investments both in talent and in tools. This framework is really supported by a strong risk culture. It is in the DNA of all our team members, and it has contributed really greatly in our success over the last years.

I want to highlight some of the investments in our risk toolkit that has really strengthened the core elements of our operating model. Conversion to AIRB, it's really a new operating model. To support this, we have completed several steps to provide our teams with better tools and processes. We've built a technology platform to collect granular data to really work into our model, but also to drive risk and data-driven decisions. We significantly enhanced the overall enterprise risk function to put in AIRB tools. We enhanced our credit risk rating to be more granular, more precise, and this really helps us clearly delineate the risks between grades, and this targets our notion of really being good at borrower selection. We enhanced our stress testing capabilities. This is key to allow us to assess our portfolio readiness, to take actions to face potential economic headwinds. We have an ability to measure concentration risk, and that has helped support, as well, our decisions regarding diversification across portfolios, and of course, our risk-adjusted return on capital.

AIRB provides the opportunity to enhance overall risk management. Through consistent model risk rating, we create robust portfolio management practices and expand opportunities in specific niches that, because of the risk-adjusted returns, were not evident before. All these opportunities will really translate in prudent growth accompanied with aligned return to maximize ROE and earnings per share.

The core ingredients to our success in managing risk across our balance sheet is our people. You have heard throughout this morning how we have a highly engaged team of people really focused on activities to drive our relationship with our clients but underpinned with our credit risk management DNA. Our experienced underwriting and adjudication teams really work hands-on to understand the needs of the client, so that we can really provide them with the right lending and collateral structures that will help us understand and align to their financial capacity. The continuous training we provide to our teams across the Bank really helps us align and create consistency in how we deliver this credit acumen.

We ensure our teams are proactive in monitoring our accounts. That way we can identify changes in trends that could pose risk to any of our clients or to any of the portfolios that we manage. If deterioration occurs, a prompt transfer to a special management unit team, who are a group of professionals specialized in credit and restructuring, really helps and supports the strong recovery track record we have in the last years. Our conservative underwriting principles are driven by expertise at origination and credit risk management and supported by the risk appetite and the strong risk culture.

As we look at credit performance, there are four components that are important for us to consistently deliver.

- We have a secured lending and underwriting philosophy that is managed consistently, conservatively throughout the business cycle and with a long-term view.
- One of the key drivers of our performance can be attributed to specialization. We focus on business owners. We spend time building specialization through the front-line Adjudication Teams, to ensure we have a solid understanding of the risks we are undertaking.
- We account for potential headwinds at origination, and that’s why we stress test our client’s debt service capability at the start.
- And we incorporate other risk measurements, such as economic capital, to be able to identify concentration risks of our portfolio.

All these components support our consistent performance over time, through the cycle, and reinforce the readiness for potential headwinds of our portfolio.

Across our portfolio, the consistency in our underwriting is key to our credit performance. What we hear the most when we onboard new talent and experienced talent, it’s the depth that we go, we focus on asset valuation and cash flow capabilities of the borrower. As a secure lender, we go to extensive lengths to make sure we understand the underlying asset. It may sound obvious, but this is a step that really underpins our strong recovery outcome in the event that we do realize on the asset.

Going through some of the portfolios, some of the characteristics our adjudication I want to highlight in specific portfolios are:

- In the general commercial, it’s the strength of the cash flows complemented with tangible security.
- Our exposure to commercial mortgages, it’s limited to smaller properties with high selling opportunities. We have no exposure, or very limited exposure, in the office realm, and, literally, no exposure to high rise offices.
- Our personal lending book is focused on mortgages with conservative loan to value and asset size. We have limited exposure in unsecured lending and no personal credit card exposure.
- In the equipment financing, our key, as I mentioned, is specialization combined with equipment and high resell opportunities.

- The realtor projects, we focus with top tier developers that have significant experience and track records and a very strong credit capacity and balance sheet.
- In the oil and gas segment, we have a very selective risk appetite, with very, very low exposure in that portfolio.

So, the consistent approach has remained aligned with risk appetite over time and has proven effective during challenging markets and economic conditions.

Turning to historical credit performance, we have maintained our conservative underwriting principles through many credit cycles and delivering industry-low net charge-offs for many years. This includes the global financial crisis, the oil crash in 2016, and through COVID.

If we look specifically at 2016, where we have the higher number there, a regulatory change in the energy sector resulted in higher than historical losses – that really restricted our ability to realize on our securities. These changes were completely out of our control, but what was within our control was our risk appetite on a go-forward basis, and so we pivoted, and we adjusted our risk appetite for our oil and gas production loans after these regulatory changes. If we look at this, even accounting for that isolated event, our 16 basis points average of net charge-offs over 15 years, it's really the result of our credit discipline and expertise.

As we think about capital demand, and relative to the Advanced Rating-Based approach, which is really beneficial for a commercial lender with strong track record of credit performance, there is embedded conservatism in the Standardized approach. As we operate as a Standardized bank, we're required to hold 100 percent capital against—100 percent risk-weighted assets against all our commercial exposures. This approach does not differentiate if the commercial exposure is secured or unsecured, has a low or a high loan to value. We believe this approach does not provide accurate reflection of the credit risk of a secured lender to high quality borrowers and with a strong historic credit performance. Additionally, as we can see, the conservatism in the Standardized approach results in consistently low leverage for us and, conversely, a higher leverage ratio, compared to our peers.

Starting in February 1, 2023, both under Standardized and Advanced rating approach, we have a change coming in the new 2023 Capital Adequacy Requirements from OSFI. The change will embed certain levels of risk sensitivity to capital requirements. As shown on the slide, there is a series of puts and takes in terms of the risk-weighted impact between CAR 2019 and CAR 2023, and we have provided some high-level examples of what these are. As we think of this upcoming change in capital guidelines, we project that the overall impact of these changes will likely be moderately positive to our regulatory capital ratios upon adoption.

To your question, Gabe, before, we think that this risk sensitivity within CAR 2023 has a portfolio allocation decisions that create capital addition over time. Our lending profile already targets some of this segment and will benefit from a lower risk-weighted asset from CAR 2023, and further targeting some of these specific segments will allow us to accommodate a higher level of organic growth after we adopt CAR 2023 guidelines, as well.

To better illustrate this, I would like to bring us through a couple of examples of a general commercial loan, both under CAR 2019 and CAR 2023, for both Standardized and AIRB approach. Starting with the Standardized approach, as you will see from the illustration, the RWA density drops from 100 percent to 85 percent for a strategically targeted general commercial portfolio, which creates a risk-weighted asset benefit. This benefit, combined with some of the other portfolios that I showed in the previous slide, really supports a strategic priority of the benefits of continued diversification in our portfolio.

Before I follow this example through the Advanced ratings approach, I want to touch on a few points related to our AIRB transition program. Through the parallel run, we've identified enhancements for our efficiency and effectiveness of our tools and processes. We have completed redevelopment of the underlying model and we included the CAR 2023 requirements in them. We made sure, with the help of a third-party advisor, that our approach was reflecting industry best practices. So, with the redevelopment of this AIRB tool, it will now better reflect the underlying credit risk of our efficient link to our underlying data on businesses.

Next stage is the implementation of the model and tools into our processes. This includes all the technological delivery, the deployment part, but also ensuring our teams have the right training and operational readiness to operate under this model. Our focus is to ensure our processes are sustainable and scalable to support our long-term growth aspirations. Following that implementation that I just spoke about, we will operate our revised tools for a sufficient period of time to support the successful resubmission of our application.

I want to go back to our example of our commercial loans. Revisiting that example, we'll see that upon a successful transition to AIRB, and utilizing the enhanced capabilities, we will create additional risk-weighted asset benefit. This is a significant reduction in risk-weighted asset density between the standardized and the AIRB approach under CAR 2023.

We recognize this will not be reflected immediately upon transition in our capital level. It must follow a fulsome regulatory process. However, the benefits from stronger risk management capabilities to drive targeted portfolio management are immediate and will support our strategic priorities and risk-adjusted growth within our risk appetite.

In closing, I want to leave you with the following key messages:

- We have the right team, we have the right culture, and we have the right risk management focus.
- We deeply understand our clients and the risks we undertake. We are really focused on borrower selection and our tools will continue to enhance that.
- We have demonstrated a history of strong credit performance and continue to become even more resilient. Our portfolio quality is strong and downturn ready.
- CAR 2023 adoption gives moderate capital benefit for some elements of our low-risk lending structures.
- Our successful transition to AIRB provides enhanced risk management processes, improved portfolio management, and will assign commensurate capital treatment for our low-risk borrower selection.

Combining our risk culture with the enhanced utilization of our AIRB tools, delivering the materially improved funding capabilities, and a focus on geographic and revenue diversification builds our franchise strength and our risk profile. With that, I'm just going to hand it over to Matt, who will bring us through how our risk management and business performance will walk us through a path of a 12 percent ROE. Thank you.

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Good morning. Now, I've got a clock down here, because if we're talking numbers, this could go on. This is going to keep me on time. I joined CWB about four years ago. My background prior to that was mostly in professional services and banking and in the financial services industries. I also spent about three years of an adventure being a financial executive in the retail space. What that taught me was the power of brand, culture, and client experience, and how being different in those areas can drive a sustainable growth model. So, when I joined CWB, and first realized that we already had a very powerful brand, the brand I would've killed for to have in retail, but that we were making investments to make it even stronger, to deliver an even better client experience, I totally got it, I was on board.

I didn't have to leverage much of my financial background, though, to understand the concept of return on investment, and that's what I'm here to talk about today, where have we invested, what is it going to drive in this first step? For us as a core, we are a 12 percent ROE bank, at least. So, I'm going to outline the path to get there as the foundational first step of leveraging the investments we've made, and maybe give you a bit of a glimpse into the future.

If we go back to the last time we almost delivered 12 percent ROE, I'd call that close enough, rounds up, back in 2018, and we compare that to where we are today—again, this is stating the obvious—our growth in earnings hasn't kept pace with the growth in equity over that period. We've made some foundational investments over these years, and you've heard us reference it, but just to recap, when we looked back at our balance sheet, the size we were, it wasn't about making investments to optimize a $25 billion balance sheet, we were thinking $50 million, $100 million, what are the foundational platform investments we need to get to that sort of scale, because that's what we saw in front of us as an AIRB bank.

So, we targeted diversification of our funding profile, strengthening that, giving us broader access to lower cost, more stable sources of funding. We looked at diversification of our loan portfolio, by industry, by geography, and of course, you've heard us talk about it already, but we needed a more efficient capital model and it required significant investments to go down the path to AIRB. That has absolutely put pressure on our ROE from an expense perspective. The second piece of this, if you go back to 2018, the interesting difference in that year is we were running a 260 NIM. This year, we're in the 240s. That NIM compression alone is driving 180 basis points of ROE compression. So, you're going to hear me talk through these two points today. The investment path, you've heard us hint at it, but I'm going to put a little more meat on the bone on why that lessens going forward in terms of our expense growth rate. I'm going to talk about net interest margin, as well, and why we believe this is a temporary headwind, and I'm going to give you a picture in terms of how we see this resolving.

Our path to 12 percent ROE isn't a big, splashy "we need to do something totally different" bold move. This is just leveraging the investments we have, continuing to operate our business model. We have the sort of brand, we have the sort of client experience that brings new clients to the Bank. You heard from the panel and you heard from Stephen how once we get that client in, how we convert them to full-service and some of the economics around that. Couple that with the NIM expansion and we have significant revenue upside.

Expense management will be a focus. We have a clear path to delivering an efficiency ratio that starts with a four instead of a five. That's our legacy, that's our history. That's not what we delivered last year, but I'm going to talk you through that.

The stability we have in our credit losses, from Carolina, highlighting our strong credit risk management practices and profile, that's going to be a key earnings driver for us, especially as we go through a bit of a volatile time here on the horizon. And, I'll talk you through a path to more capital efficiency today, not as an AIRB bank, but what can we do today to drive optimal efficiency, what is the path to reducing our reliance on a tool like the ATM in advance of AIRB transition. I'm going to talk about all this stuff. That's why I need the clock.

If we start on revenue, let's talk about loan growth first. This has been an area of strength for us. We've been through a significant transformation as an organization the last five years, but through that path, we've over-delivered, compared to our large bank peers, in every year but one. If we think about the trajectory going forward, you know, between us and our large bank peers, who's more likely to sustain their growth rate, I'd put your money on us. We've been very targeted in how we've grown. I'm going to take you through some of those decisions we've made, but for us, we have a very consistent business model that drives in clients, and we lead with lending, that's our strength, and we see nothing but upside going forward.

So, where have we grown? What you're looking at here, from left to right, these are our loan portfolios sorted from highest yield to lowest yield, and it shows you over the last five years how have our proportions changed.

The first bucket I want to talk about is real estate project lending. You heard Carolina reference in her section our focus on a tier one borrower. So low credit risk, strong balance sheet, strong record of project completion, and that's exactly what's happened in this space, our borrowers have completed their projects, paid out as planned, and this is the sort of class of borrower who's very prudent and careful about bringing new projects to market. They're timing the markets, they're holding their breath when they have to, and so as a result, as a proportion of total loans, this book has shrunk.

Equipment finance is an area that, again, has reduced its concentration, but that one, we point to a bit of supply chain issue the last couple of years, and, fortunately, we're starting to see that resolve. You would have already seen through the back half of this current fiscal year, we've started to deliver stronger growth in that portfolio, and we expect that to continue. No pressure, Jeff. This is helpful to NIM. This is our second highest-yielding portfolio.

So, where have we targeted our growth? You've heard the theme already, it's general commercial. This is the portfolio that has the biggest opportunity for full-service client conversion. You saw in a video that we played earlier a client called Ram. We have a lot of Rams in this portfolio that are yet to be harvested.

We heard a lot of talk, and we heard a question earlier, about the strong commercial loan growth that the large banks have put up, they're in the teens this year. In this bucket that we've circled and said that's where we want to grow, we've been in the teens, on average, over the last five years, and our strong growth will continue.

We’ve been harvesting this growing pool of general commercial loans to focus on diversification of our funding, and, really, that's through the branches and that's a lower-cost source of funding for us. It took us a bit of time to get our momentum going, but once we hit our stride, as you can see, we have outperformed the large banks consistently over the last several years in growing branch-raised deposits, on average. You heard from Stephen, you heard it from the panel, we are just getting started here and expect this outperformance will continue.

Let's talk about net interest margin. Here’s where I really need the clock, but I'll keep it brief. If we start in 2018, this is the fourth quarter, we were running a NIM above 260, and I'll bridge it all the way through to the just over 230 basis points we put up in our latest fourth quarter, and I've separated the key drivers here. It shouldn't be surprising, based on the slide I showed you two ago about how our concentration in our portfolios have shifted that we see our lending mix creating a pretty significant headwind on our net interest margin.

Our real estate project lending, our highest-yielding book, it would have been awfully tempting within that book to go fishing into tier two or tier three borrowers to go chasing yield. You heard from Chris that has not been our strategy. That's not in our playbook. What we've been doing instead is working to offset this less favourable loan mix, from a yield perspective, by focusing on lower cost sources of funding. Through a more favourable funding mix that contains, now, more branch-raised deposits, we've been able to, so far, offset about half of that loan mix impact and of course a lot more room for this to go.

The differential so far between performance of our asset yields relative to the increase in our funding cost in this rising interest rate environment, I'm going to unpack that in a bit more detail. Let's talk asset yields first. Average Bank of Canada, up over 100 basis points year-over-year. Our asset yields, only about 30. Now, this isn't overly surprising in terms of a trend when I tell you that two-thirds of our loan portfolio, fixed interest rates, fixed-term. The average term to maturity of that portfolio, two and three-quarter years. So, this portfolio just simply hasn't had a chance to reflect the rising rates of the last nine months. It hasn't churned through this portfolio much yet, but you can see the upside.

Comparatively, our deposits, like loans, about two-thirds of those are at fixed terms, fixed rates, but a much shorter term to maturity, about half that of loans, about a year-and-a-half term to maturity of this portfolio. So, in terms of the rising rate environment over the last nine months, our deposit book has reflected more of that cost and we’re actually quite pleased with this result.

You heard me on the earnings call, for those that listened, I referenced the stat of our deposit cost increase relative to the large banks. I brought the data with me this time. Our performance has not only been better than the average of the big six, it's a lot closer to the best performer than the average, and there are many large banks that have actually had a more significant increase in funding costs than we have over the last year. This is another example of how our investments to create a more mature and stable funding profile have absolutely paid off.

Our efficiency ratio has grown about 50 percent that's been a sore spot for the market, for us. That's not in our core. Our core DNA is to run a bank with an efficiency ratio that starts with a four instead of a five. So, I went back again to 2018 when we were in the mid 45s and created a waterfall to bridge all the way to the efficiency ratio we ran this year at 51.5 percent. In that time period, we performed a wealth acquisition. You heard Matt and the panel talked about the capabilities that that's brought us, the scale that's brought us, the credibility of the offering we can now give to a client as a result of that investment, but wealth it's a high efficiency ratio business. Structurally, this has increased our efficiency ratio compared to 2018 pre-acquisition, by 160 basis points. Now, this is a very worthwhile investment based on what it's brought to the table for us and that full-service client offering.

Net interest margin, I hope I persuaded you on why we believe this is a temporary headwind. Why we do not believe this is a structural decline in our earnings power. This year, when we started to see the net interest margin pressure, we made the call that we were not going to slow down our strategic investments in two areas, digital and payment transformation, and I hope the panel explained why we're bullish on continuing that investment profile, and, of course, AIRB. These were too important for us to consider pausing, deferring, canceling to try to maintain our efficiency ratio back where we're more comfortable, starting with a four instead of a five, but for good reason.

When we think forward to next year and us targeting an efficiency ratio below 50 percent; revenue growth, NIM expansion and a moderation of our expense growth. You heard today about the big lift we've had on these foundational investments we've had to make in our technology stack, in our core digital platforms, and a lot of the risk management capabilities we need to have to become an AIRB bank. Those investments have been made. We're now thinking about incremental tweaks, adding new features, but a much smaller lift. So, when we think about our trajectory going forward of expense growth, for us, we're thinking single-digits, not double-digits, we're thinking about positive operating leverage on a go-forward basis.

So, what we have is an engine that brings in clients at an accelerated rate. You've heard from the panel and from Stephen's presentation how when we get those clients in, we can convert them to full-service. To answer the question, I can't remember if it was Darko or Marcel who had asked it, but the impact on that full-service client penetration, what happens—it might have been Paul, actually—we bring in branch-raised deposits at an accelerated rate compared to loan growth. Higher growth of branch-raised deposits versus loans. We also generate fee income in Wealth that outpaces what you'd be seeing in terms of fee income growth in the market, outperformance there, and we see growth in transactional fee income in excess of what you'd normally see indexed to our loan growth or deposit growth.

So, this opportunity of converting clients from single-product lending to full-service, combined with an expanding NIM, we're pretty bullish on revenue looking forward. We couple that with an approach to expense management, and, frankly, some help just from the heavy lift slowing, that we've created a machine capable of producing annual, pre-tax, pre-provision income growth in the double-digits.

Let's go below that line, let's talk about credit. Carolina talked you through just structurally how we lend, who we target, how we structure those deals, and why we're confident that when you look backwards at our credit performance, that is not accidental, that is intentional, this is how we structure our lending, and we've done nothing but improve our capabilities the last couple of years. So, if we do think there's volatility coming on the horizon, we believe our historical normal range of 18 to 23 basis points still holds and for us that's an earnings driver. If you look back through other cycles—I wish I would have brought the slide with me — but if you look at our earnings performance relative to large banks in downturns, you'll actually see more stability in our earnings through those periods, and it's credit. We have a lot of stability there, that's our strength.

You would think with this strength of credit, underwriting, structuring, that we would hold a lower amount of capital relative to the other banks. You might also come to that conclusion when you look at our CET1 ratio. I'm here to persuade you that that's not the case. When you look at our dollar amount of CET1 capital relative to the dollar amount of our actual losses, we hold more capital than the large banks. Compared to our average annual write-offs, our capital covers 69 times that amount. For the large banks, on average, it's 65. The large banks are celebrated for having these fortress balance sheets. I would argue we've built a bigger fortress. You just can't see it through the clouds of the Standardized approach.

Hopefully, this cements our business case for pursuing AIRB and the tremendous opportunity that provides, but you've heard me say it before, we're a Standardized bank until we are not, and we will manage our capital ratios prudently as a Standardized bank until we are not. The way we've been managing this has been through the use of an ATM program. I know that hasn't resonated well with many in the audience, so let me outline the business case of why we've been pursuing that as an option.

So, we've built a brand, we've built a client experience, and we've built a team out there to go aggressively sell that and win full-service clients from other institutions. We've successfully persuaded that client to come over, and through issuing capital through an ATM, we're telling them, "We have your back with the capital support you need to win this client, onboard them". Because we know once we get them in, we have a big opportunity to convert them to full-service and increase our economics even further. But if we look at just the lending piece of that equation, I'm ignoring full-service, the incremental income from the loan growth we're bringing to the table is in excess of the dilutive impact of the incremental shares, so for us, the economics make sense.

Now, I also understand that the economics would be significantly better if we didn't have to use an ATM, so I'm going to outline a path to reduce our reliance on use of this tool, and it won't involve the acronym, AIRB.

Let me talk you through first our liquidity portfolio, and this is a core liquidity portfolio, this is not trading. This is federal and provincial bonds. We have no commercial paper in here. We take on, well, virtually no credit risk. But, this portfolio is required to be fair-valued at each quarter end. Gains or losses—and with the rising interest rate environment, it's been losses—are recognized in other comprehensive income. They are a direct deduction to our CET1 capital. Now, these bonds, of course, we'll hold them to maturity They'll mature at face, we won't realize losses on these, but the capital treatment's very punitive, you're holding capital against these as if it were a trading book. To put a blunt point on it, we could sell our entire bond portfolio tomorrow, realize that loss, it wouldn't change our CET1 ratio at all. Obviously, that's not going to happen.

You can see from the maturity profile of these bonds a pretty good chunk of them mature in the next year, a majority of them, over the next two years, and so with stability in interest rates as these bonds approach maturity, we'll see the unrealized losses lessen and give us a bit of a tailwind on CET1.

Eventually, as these bonds mature, we'll recover all of these accumulated losses and that will give us that even bigger tailwind on CET1 over the next couple of years.

Let's circle back to CAR 2023. Gabe, this will fully answer your question, I hope. It was a good one. It was a good question. Basically, within CAR 2023, are there areas you like more than others relative to current Standardized approach, and the answer is emphatically yes. The old Standardized approach it is a very blunt instrument. If you're lending in the commercial space, there are very few avenues to not land at 100 percent risk weight. At that 100 percent risk weight with our focus on commercial lending, loan growth approaching the high single digits was consuming capital. Under CAR 2023, there's a few pockets that are right in our sweet spot. SME lending in general commercial attracts an 85 percent risk weight instead of 100 percent. Commercial mortgages with loan-to-value 60 percent to 80 percent attract a 90 percent risk weight. One other portfolio growth, National Leasing, as an example, most of those clients are small business entities, this isn't a change, the CAR guidelines are this way right now, but if we think about that opportunity, if we think about an opportunity to focus on small business, those are less dense from a capital perspective, as well, they attract a 75 percent risk weight. So, not quite AIRB, but CAR 2023 gives us the opportunity for portfolio allocation and optimization that we've never had before, and so we're excited about leveraging this, and the concept of delivering double-digit growth, while reducing our reliance on a tool like the ATM.

Our ROE right now, it's depressed, compared to where we think our potential is in the near term. It's reflected some significant investments that we made for good reason, but where have we landed as a result of those investments? Well, we have a brand and a client experience where clients actually love us. I don't think I've heard that word mentioned about other banks before. Back when I was a client of a bank, I did not love them. I tolerated them, they were good enough. Love was not a word in my vocabulary. We've delivered the sort of culture that people are leaving the large banks to come join, and their clients are following. We've delivered a level of funding diversification and stability in our funding that will propel our NIM forward. We've delivered portfolio diversification on the lending side by industry, by geography. We're very happy with the current composition of our credit book, especially if we're looking forward to volatility in economic conditions.

Our path to 12 percent, you heard me start with this—this is not rocket science—this is continuing to bring in clients into our Bank, business owners, mid-market commercial, customers looking for a change, running a playbook to convert them to full-service and having them bring their branch-raised deposits, as well, increasing our transactional fee income and generating really strong revenue growth.

Our approach to expenses over the next year is to target a reduction in our efficiency ratio, and we want it to start with a four, not a five. And, leveraging our CAR 2023 framework, reducing our reliance on a tool like the ATM, and boosting our returns even further. This will give us the firepower to offset the impact of, frankly, our credit losses going from abnormally low last year to just returning within our normal range. We can more than offset that headwind over the next couple of years. That may be more challenging for other financial institutions.

But, more importantly, what we have is a foundation here, investments that are in progress and on the path. When we look at 12 percent ROE, that's step one, and we have a well-defined path to hit that. There's potential for more than this, there's a higher level to achieve when we hit that next step of capital efficiency, but that's a topic for a different Investor Day. So, I'm going to leave you there, I've officially ran out of time, but there'll be plenty of time for Q&A. Chris and Carolina are going to join me on stage in the hot seat. Like last time, Patrick will circulate around with the mic, and then, Chris, you're going to work online.

Q & A

Patrick Gallagher – Vice President, Strategy and Investor Relations, Canadian Western Bank

And Gabe is first in there.

Gabriel Dechaine – Analyst, National Bank Financial

Yes, let's talk about this CAR 2023 stuff. I already asked that question originally. First of all, if we're looking at the origination strategy at one extreme where real estate project loans will be de-emphasized, my words, and general commercial will be extra emphasized, whatever, how does that affect your NIM outlook? You're going to have a lower NIM structurally in the future, I guess, but keeping in mind that the risk characteristics of your loan book will also be lower?

Matt Rudd — Chief Financial Officer, Canadian Western Bank

Yes, I mean, that's what we've seen play out in our portfolio growth over the last five years, frankly. We've seen that concentration of real estate project lending reduce over time. Those are the sorts of borrowers we really like in that segment, and while under the new CAR rules it's true that a certain proportion of real estate project lending will attract a higher risk weight than current standardized, there's a portion there for residential construction at appropriate equity at risk and appropriate levels of pre-sales that won't attract a different risk weight, that's right in our risk appetite, and so that's where we'll focus, and it won't have an increase in risk-weighted asset density between the old CAR rules and the new ones.

Where you do see the increase is in land exposures. We are very choosy on entering into that sort of an exposure, and it's on a near-term basis with a path to development that occurs in short order, and in commercial development, so industrial development, that sort of an exposure. That one unfortunately attracts the higher risk weight under the new CAR rules. Those will be tougher to make the economics work, frankly, in a new CAR environment, so our appetite likely limited on a risk-adjusted return basis.

Gabriel Dechaine – Analyst, National Bank Financial

Okay, and then just one question, I guess. When you adopt the new CAR guidelines in Q2, do you expect your core CET1 ratio to go up, and then prospectively, are you accreting capital in your normal plan for originations?

Matt Rudd — Chief Financial Officer, Canadian Western Bank

We expect on adoption, a moderately positive impact to our CET1 ratio. A lot of that depends on our portfolio balances at that time, but based on the analysis we've done, based on our forward projections and what the loan book looks like, we're thinking moderately positive on adoption.

On a go-forward basis, our goal would be to target a CET1 ratio in or around 9 percent and maintaining it in or around that level in the current conditions. So, for us, it would be finding a path to generate the sort of strong loan growth we see in front of us and ideally lessening or even better turning off that tool. I mean, that's how we'd like to target and that'll be our focus.

Meny Grauman – Analyst, Scotiabank

Hi, you talked about, on Slide 87, the core liquidity portfolio being headwind on regulatory capital. I'm just wondering what's the message specifically for 2023 and 2024 in terms of that impact. As those maturities come, is that going to have a significant impact on capital? I'll start there, and then I have a follow-up.

Matt Rudd — Chief Financial Officer, Canadian Western Bank

It'll help us, that's for sure. I mean, the only thing that would kind of nullify the impact of these bonds maturing or approaching maturity would be another year with significant and rapid increases in interest rates where maybe you blend out neutral-ish instead of positive. So, that's how we look at it. We don't look at it as something that's putting a material amount of wind in our sails, but it'll be helpful, for sure.

Meny Grauman – Analyst, Scotiabank

Then, just to understand what you're doing here in terms of that core liquidity portfolio, the idea is that you're comfortable shrinking that portfolio—and I ask the question, if you look into 2023, potentially—well, there's a lot of uncertainty, potentially a more negative outcome, so is there risk that that liquidity portfolio has to start growing again, and so what are you exactly assuming in terms the environment that allows you to take down that liquidity portfolio?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Well, it's a case of existing bonds at lower coupons being valued at a much higher interest rate environment. So, bonds issued before the rising rates, those are the ones that are underwater right now. As those mature, we replace them and reinvest with new issuances of new bonds, if you were maintaining your liquidity at about the same level. So, old come off, you get rid of the loss, a new one comes in and resets the clock on the coupon. Our liquidity levels over the last year, if you look back, just as a rough percentage of assets, you can see that we're running a very prudent amount of liquidity. Volatility in front of us is something we're always mindful of and you will not see us run our liquidity book in any manner other than prudent.

Meny Grauman – Analyst, Scotiabank

Thank you.

Mike Rizvanovic – Analyst, KBW Research

A couple of quick numbers questions. First off, on the ATM, and in your 12 percent ROE target, are you looking to utilize it to the same extent you've been doing so, which I think would be about five million shares annually?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

No, our intent would be to use it at a more moderate, lower pace, and ideally get to the point where we're turning it off. That would be our goal.

Mike Rizvanovic – Analyst, KBW Research

Okay, and then just a quick one on expenses. I think the experience, fair to say, was not great on the expense increase that you had when you initially started the AIRB transition, and so now that you've gotten to the point where you're guiding on 2025, maybe even 2026, to the ultimate destination, what's the risk that maybe you'll see some more expense creep, some additional things that maybe crop up. It seems that has happened quite a bit the last few quarters. I'm just trying to better understand if we can sort of look at expenses in the same way as we did a year-and-a-half ago in terms of that upside or is it something that won't be as much of a headwind this time around?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

I chunk our AIRB project into three distinct phases. There's a build phase, there's an implement phase, and then there's a run it phase where you just accumulate data to support your reapplication. The complexity and expense intensity lessens as you go through each phase. The model development piece was our most complicated, most kind of dollar-intensive piece of the project. Now as we move into implementation it becomes a little bit less complicated, a little less expensive, and even less so.

When we get into the run phase, the investment we've made in these tools is that it is, we hope, more efficient for our teams to operate, compared to the first iteration of models and processes we gave them in our first parallel run. That's been our intent in the redevelopment. That's why it's taken us a little longer than we thought it would, because we wanted to give an efficient operating platform to our teams that could accommodate the higher level of growth without attracting the big NIE investment to go with it. So, that's how we've approached the redevelopment and that's something that gives us confidence in moderating these expenses going forward.

Lemar Persaud – Analyst, Cormark Securities

So, maybe my first question for Carolina. You mentioned the focus on risk-adjusted margins. Is there any opportunity for CWB to take a little bit more risk where it makes sense or on a risk-adjusted margin perspective? I guess one of the criticisms in the past was that CWB was turning down otherwise profitable growth because of its overly conservative nature. So, any comments on that?

Carolina Parra – Chief Risk Officer, Canadian Western Bank

That's a good question. I think our risk appetite has been consistent over time and has proved to really help us through the good and the bad times and to be there for our clients at all times. When we look at risk-adjusted returns and the opportunities it could bring to other portfolios, we are selective in our borrower approach. When we look at a client and we look at the whole experience that we can give them, and the whole group of products and lending structures, we make sure it is compensated the right way. Moving away from business that is profitable, we have to be really managing it properly and understanding what it is, and really understanding what the clients' needs are and how we structure accordingly.

So, I don't think we will move out of our risk appetite significantly, but it is always to manage within those confines, making sure we're making the best decisions for the Bank and for the growth aligned to our strategic priorities. That is what we look at, always aligned to our strategic priorities.

Lemar Persaud – Analyst, Cormark Securities

Then another question. I want to come back to the HSBC as potentially providing some benefits to CWB if you are able to successfully capture some share there. Matt, is that incorporated in your high-single-digit loan growth forecast for 2023, and if it's not, how high could that number be, because HSBC is quite sizable?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

They have a lot of desirable clients as well, just right in the sweet spot of the sort of business we like to do. When we were thinking about the forecast and budget for next year, this wasn't something directly on our minds, we were thinking high-single-digits without much consideration of this opportunity. What this gives us is a lot of wind in our sails to potentially over-deliver that or be very targeted in the sorts of clients we decide to pick off and picking the cream-of-the-crop, potentially. It's a little too early to say, we'll see how the year evolves, and there's lots of puts and takes, but it definitely bolsters our confidence in delivering the guidance, that's for sure.

Chris Williams – Assistant Vice President, Strategy and Investor Relations, Canadian Western Bank

Okay, we have a question online from Nigel D'Souza at Veritas. I think this one goes to Matt here. "Your guidance for a PCL ratio of 18 to 23 basis points seems elevated to historical experience. During the financial crisis, CWB's PCL ratio peaked at approximately 20 basis points. Can you expand on where your guidance for PCL stands relative to past recessions or credit cycles?"

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Thank you, Nigel, for pointing out our very strong credit performance through a very disruptive time. When we think about forward guidance and we think about credit losses, I mean, maybe it's our conservative nature, we have a very conservative risk appetite. We've had a very benign credit experience the last couple of years. Our suspicion is there's some pent-up potential defaults that will emerge, that have just been pushed off through government stimulus and support. So, when we're thinking forward, we don't necessarily have a model or a dataset that helps us predict what's going to happen when these companies—maybe they get to the end of a rope—they've run through their excess liquidity and now they've hit a wall. So, we're being conservative forward-looking without necessarily the playbook or model to tell us a different answer, and we'll see how the year evolves. Lots of indicators when you look at how we lend, how we've performed throughout other cycles that gives us more confidence that we're within that range, rather than outside of that range or above that range.

Paul Holden – Analyst, CIBC Capital Markets

Again, I'm going to ask two questions. The first one's on credit and maybe along the same vein as what Lemar asked, but specifically on that shift to small business customers versus mid, how do you look at the comparability in risk based on the type of targets or clients you're targeting? Does that change at all sort of in that write-off and PCL profile over time as you grow that book of business?

Chris Fowler – President and Chief Executive Officer, Canadian Western Bank

I think the small business side, the target there is actually more on the deposit side than necessarily the lending side. We see the overweight opportunity on small businesses that have deposits, and we're going to come at that with the VCOO product and look to provide those cash management services that kind of drives them to us versus elsewhere. Speaking lending on the small ticket, typically, they potentially do have a higher level of default there, but I think that's something that's very well managed within the structures that we've put in place.

Paul Holden – Analyst, CIBC Capital Markets

Okay, and second question is with respect to your ROE targets. Matt, I'll note that is as of 2024, so pre AIRB. My estimates, which is actually you maybe have another 200, 250 basis points of upside once you implement AIRB. Wondering if you can comment on that, and what you might think ultimately where ROE goes with AIRB?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Yes, like I closed with, that's a topic for another Investor Day. For us, big opportunity, big upside potential, but we're going to be in a position where it's a little bit more of show and not tell. We want to get these models embedded, we want them in use, we want to focus on our use test. When we get a little closer to our re-application, we'll circle back and be more specific, but obviously, I mean, you've got a sense of the upside here. We're quite bullish on it.

Chris Williams – Assistant Vice President, Strategy and Investor Relations, Canadian Western Bank

Okay, we have another one online from Jack Kroeger at Carlson Capital. "Can you provide on a regular basis the probability of default loss, even default by portfolio, to give investors more comfort around the very good risk culture/credit history of the firm?"

Matt Rudd – Chief Financial Officer, Canadian Western Bank

It's an interesting suggestion. I think, as a model-enabled [AIRB] bank, there's an enhanced credit disclosure that comes with that. As a standardized bank, it would be off-market by providing that level of disclosure, but it's an interesting point that I'll take away and give it a bit of thought to.

Darko Mihelic – Analyst, RBC Capital Markets

Hi, I just wanted to take this line of questioning in sort of three different directions, so apologize, and I'm going to be a little bit blunt here on AIRB. There was a point in time where we thought you were going to get AIRB approval and we didn't, and to this day, I don't entirely know why you weren't provided AIRB. So, what I'm trying to handicap now is going forward, is we're not expecting it for the next two years. I'm trying to understand a few things within that. First, is it possible that it comes within two years? Second, this might come as a bit of a surprise to people, but I am an equity analyst and so I don't trust OSFI, because we are two different ends of the spectrum. So, OSFI could move the goalposts, possibly. What is a back-up plan in the event you don't get AIRB in the next two years. So, double ended, right? Could you get it within two years and do you have a back-up plan for if OSFI moves the goalposts on you?

Chris Fowler – President and Chief Executive Officer, Canadian Western Bank

Well, we don't anticipate the goalposts being moved, let's start with that. We don't anticipate submitting until two years, so it won't be before two years. When we look at the application we brought forward in 2020, the reason we did not get approved was they came back with a bunch of suggestions on how the process worked and how the models performed. So, what we've done in that time, we did the parallel run to see how that worked, we brought in some external advisers, we've rebuilt these models. So we will be implementing them, and the implementation process we're putting in place is more automated. We'll have a better data capture process, we'll have a better manner under which the models can produce the outcomes and the risk ratings for the PDs and the LGDs, so we'll have a better internal process for us to deliver a more complete product for resubmission that OSFI will look at. But, as I say, we don't see the changes. The AIRB is a Basel product, it's got a number of paragraphs that identifies what's required at every different stage, and that's what we're following very closely.

Darko Mihelic – Analyst, RBC Capital Markets

Okay. So, to paraphrase, OSFI came to you and said, "This is what we need," and it's very clear and unlikely to move the goalposts on any of that?

Chris Fowler - President and Chief Executive Officer, Canadian Western Bank

That is our full approach on it, yes.

Darko Mihelic – Analyst, RBC Capital Markets

Okay, thank you for that. The second question is for Matt. I'm looking at your deposit costs on page—what is this? Forgive me, I don't have my glasses on. This is terrible of me, I know. I'm to that age—82. I've performed this same analysis, I came to the same conclusion on deposit costs, but what surprised me was when I looked at some of the bigger banks with a rampant increase in their deposit costs, I was surprised at how fast their loan beta moved, and their maturity for their loan portfolio isn't that different from yours. Chris, I remember you on my stage in 2018, maybe it was 2017, at the bank CEO conference, where we talked about you having about 65 percent of your commercial loan book was tied to prime. Something between then and now has changed, so that your loans are not re-pricing as fast. Why is that?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

So, quick answers on both. Less floating. The real estate project lending portfolio is predominantly all floating. That's gone down. So, we have seen a reduction in sensitivity there. Compared to the other banks on loan beta specifically, there were a couple of the large banks, we were about the same and a couple that had larger betas. My presumption there is a greater concentration of floating within their commercial books, I would presume. I don't know that for sure, because the level of disclosure doesn't allow me to dig that deep, but anecdotally, talking to people, that's what I would presume.

A lot of the differential came from asset yields, and rather than loan yields, the differential there being trading books. The large banks will have it, they're using that to generate yield. We do not have a trading book. Because of the capital it would consume, the return on capital doesn't make sense for us right now. We prefer to use our capital to grow the franchise. In time, we'll see.

Darko Mihelic – Analyst, RBC Capital Markets

Last question on liquidity. You're not subjected to providing us with—when I think of liquidity and I'm looking at the LCRs at the big six banks, and I saw one of them hit 119 in the most recent quarter, and that's a bit of an issue as we go forward in what might become an illiquid world. So, the question is does the AIRB model—again, I'm going to go back to AIRB liquidity—net stable funding ratio, those kinds of tools, are they in your tool kit? And, when you say you manage your liquidity conservatively, can you give me an idea of what that would mean? When I think of your deposit base in a stressed environment in 30 days being mostly commercial deposits, where do you stand on liquidity in a rough environment and why wouldn't I think that you should be running at a higher liquidity level?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Yes, and we do. I mean, we don't publish our LCR, but we manage to it, report it to OSFI, obviously. I can tell you it is significantly higher than what you're seeing at the big six banks. Has been historically, has been through the last year. We regularly stress test it. We hold, again, when I say a prudent amount of liquidity, thinking of a much higher LCR in the event of that. I mean, we do see that as a potential risk and we're well covered for it in the liquidity that we hold. NSFR we're not required to comply with today. If we surpassed a certain level of larger deposits, wholesale deposits, we'd trigger that ratio and have to comply with it. We've run a bit of high-level math, though and for us the NSFR wouldn't be our binding constraint, it would be our LCR, and, more importantly, an internal stress metric that we run, which is our actual binding constraint that we manage to, which is why our LCR is so high.

Darko Mihelic – Analyst, RBC Capital Markets

Okay, thank you for that, that's helpful. I have some outlandish questions for you later.

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Okay, great.

Joo Ho Kim – Analyst, Credit Suisse

Hi, thanks. I just wanted to go back to that target ROE of 12 percent by 2024, and I'm looking back at 2018, sort of the growth environment there seemed to be a bit better than, I guess, sort of what we are looking at in terms of the forward outlook. My question then is how much confidence do you have in sort of pulling the expense levers if the growth environment on a go-forward basis turns out to be not as favourable as what we are thinking about right now, and at the efficiency ratio, is the 45 percent around that level that we saw in 2018 kind of a right way to think about it, as well, for 2024?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

Yes, okay, let me answer your questions in reverse order, perhaps. Part of my intent in showing the waterfall and the impact of the wealth acquisition was to hopefully recalibrate expectations of getting back to 45 percent. Structurally, that would be very challenging with the size of our Wealth business today relative to what it was back then.

Can we get our efficiency ratio back in a range of say 47 percent to 49 percent? Doesn't seem outlandish when you think about the revenue growth ahead of us and the tools we have in our toolkit now to manage expenses. We've been making foundational platform type investments the last couple of years. Now, there's a bit more optionality. When we think about our strategic investments in front of us, big projects, these are things that improve us. We think they're a revenue upside, but we can be very strategic on the timing of them, shift them if we need to. It just gives us a different toolkit to be able to manage efficiency on a go-forward basis, so that's why we're comfortable in providing that guidance.

Marcel McLean – Analyst, TD Securities

Not to beat AIRB to death, but just curious, I thought you guys were pretty close in 2020, like Darko had mentioned, and then COVID was part of the reason that it got delayed just given the uncertainty there, but now it seems like you guys are aiming for perfection before you turn it on rather than almost a good enough model and then make refinements as you go. But in the context of having to issue under the ATM, I guess my question is, "Is it possible that you guys could have gotten approval earlier and turned it on?" Like put the automation of the processes that you guys have mentioned recently and stuff ? Just curious what your thoughts are there and what the reasoning behind it was.

Chris Fowler - President and Chief Executive Officer, Canadian Western Bank

Well, we took the view that it's a long-term investment. AIRB is transformational for how we run this Bank. As Matt said, these investments we're making aren't for a $40 billion balance sheet, they're for a $100 billion balance sheet. We want to make sure that the structures we have in place support all of that, and yes, that's what we're doing, we're making sure that those are the right processes and the submission structures that we're going to adhere to are strong and we will have the right processes.

Marcel McLean – Analyst, TD Securities

Okay, and then a second quick one. When you announced the wealth acquisition, I think you mentioned you thought non-interest income could comprise 12 percent of revenue. Last year, it was 13 percent. As there's an increasing focus on this full-service client and building out the wealth franchise, is there any moving target there? Update on that where non-interest income is going to make up a portion of your overall revenue?

Matt Rudd – Chief Financial Officer, Canadian Western Bank

With the expansion of our net interest margin that we're looking at, our wealth revenue just keeping pace with net interest income would be a very strong result. It still could be a case where if you look a couple of years, you might see net interest income outrun wealth, but on a stabilized run rate basis, we'd like to be growing that wealth management revenue at an accelerated pace and leveraging bank-to-wealth, wealth-to-bank referrals as the engine to produce that.

Stephen Boland – Analyst, Raymond James

Thanks. Maybe this might be for Chris. Back through the credit crisis, one of the loan portfolios that created some issues was the real estate development, which inflated your impaireds, but you ended up taking over the projects and working them out and getting your money out. What changes have been done in that portfolio? Because, even back then, you mentioned tier one developers and things of that sort. So, what's changed in the way you manage that portfolio, and I have a follow-up?

Chris Fowler – President and Chief Executive Officer, Canadian Western Bank

If we go back to the credit crisis, we gave some examples of the strength of that portfolio based on pre-sales and loan to cost and how we advanced there, and showed that there's quite a lot of flexibility within those. So we were able, given the credit structure we had in place then, to work our way out of the very few loans that we did actually fall impaired there, so we didn't have a very large impact at the time of gross impaired through that real estate project lending area.

What we've continued to do since then is not really change our approach. We're very disciplined lenders. We think about who we deal with, the location where we operate within, and then the structures that we put in place. So, we're very focused on loan to cost, we're very focused on pre-sales. The CAR 2023 changes that come in play for the changes in capital for that really have a loan-to-value or a pre-sale requirement, and the very interesting thing was most of those were already written into our underwriting structure. So, we're comfortable as we think about that portfolio. Now, you'll see it shrunk quite significantly from 15 percent to 8 percent in our total portfolio, but that is still an important set of clients that we're very focused on and we see opportunity as we go forward on it.

Stephen Boland – Analyst, Raymond James

Okay, thanks, and the second question is sort of following on with Darko is sort of asking as well, excluding AIRB, your path to 12 percent in two years, which is positive, and your recent comments there just on efficiency ratio, what do you think excluding AIRB, is the earnings potential or the ROE potential of the bank? 12 percent seems achievable, but is there a path to something higher over time?

Matt Rudd - Chief Financial Officer, Canadian Western Bank

The short answer is yes. The sort of earnings engine we've produced—you heard me reference a machine spitting off double-digit growth of pre-tax, pre-provision income giving us a lot of fuel to generate that ROE even higher, especially if we get to the point where we're fully leveraging new CAR guidelines and accommodating double-digit growth without issuing incremental equity. That would be the path to getting our ROE higher than that. We're starting with this two-year range for now. But, like I say, at a subsequent Investor Day, it'll be time to talk about the next level. This is step one. What does step two look like, so we'll circle back to that.

Patrick Gallagher – Vice President, Strategy and Investor Relations, Canadian Western Bank

Nothing, any other hand, so maybe we might conclude the Q&A there before Chris' closing remarks. As always, the Investor Relations Team are more than happy to follow up on any questions. Our Management Team will be staying around for lunch, as well, so feel free to continue the conversation over lunch. So, Chris?

Chris Fowler – President and Chief Executive Officer, Canadian Western Bank

Great. Well, thank you, everybody. This morning, you've heard us outline why CWB is the best full-service bank for business owners in Canada, you know that our strategic focus is unique, that we have a differentiated client experience, and we're very highly valued by business owners. The slide we have showing is the operating model that we have in place that is really centred around our people. Our goals are to provide an unrivalled client experience, be a destination for top talent, and optimize our business to drive enhanced shareholder value. We'll execute against these goals and create value above our current share price and valuation range.

People and culture are the driving force of our success, and our culture develops and retains collaborative and proactive teams that provide superior service to our clients to grow full-service relationships, a greater share of wallet, and build lower-cost branch-raised deposits. Our teams are the reason clients love it here.

As Jeff and Stephen highlighted earlier, we're improving our digital and cash management solutions to make it easier for our teams to win and for new business owner clients to choose CWB as their main bank and as we grow with those clients we'll deliver more full-service financial solutions, including the integration of our 2020 wealth acquisition that brought experienced teams to CWB and transformed our financial planning and investment management tools.

We have a proven growth model that we will augment with our transition to AIRB. We're taking a disciplined approach to AIRB and when combined with our work to lower our cost of funds we can increase the speed of profitable growth and expand our return on equity.

On top of the tangible growth we've historically delivered in Western Canada, the scale of the growth opportunity in Ontario is material. We'll continue to pick the most compelling spots to increase our presence. As we enter a period of heightened economic uncertainty, we're confident in the resilience and growth potential of the Bank we've built.

As discussed throughout the morning, we have the right team, the right strategy, and a differentiated approach to accelerate growth and unlock the significant embedded value in our strategy. Our team has never been more confident on the path ahead and the opportunities available to us coming forward. I'd like to thank everybody for joining us today, and if you join my Executive team and us for lunch, we look forward to talking to you more. Thank you very much.