CWB Financial Group

NEWS RELEASE

CWB reports third quarter 2024 performance

This news release and accompanying financial highlights are supplementary to CWB's 2024 Third Quarter Report to Shareholders and 2023 Annual Report and should be read in conjunction with those documents.

Edmonton, August 30, 2024 – CWB Financial Group (TSX: CWB) (CWB) announced financial performance for the three and nine months ended July 31, 2024, with quarterly common shareholders' net income of $41 million, diluted earnings per common share (EPS) of $0.43, and adjusted EPS(1) of $0.60.

"Our teams delivered strong pre-tax, pre-provision income(1) this quarter through targeted loan growth and an optimized funding mix that drove a significant improvement in net interest margin(1)," said Chris Fowler, President and CEO.

"Our third quarter performance was negatively impacted by a significant increase in the provision for credit losses on impaired loans(1). The increase primarily related to two loans where borrower-specific circumstances resulted in unusually large provisions for these specific exposures. We anticipate credit losses will trend back towards our normal historical range next quarter."

"We expect continued profitable growth within our disciplined and secured lending model, and we are well positioned to deliver a significant improvement in financial performance in the fourth quarter."

Quarterly common shareholders' net income and diluted EPS both declined 50% from the prior year, as a 5% increase in revenue, driven by a twelve basis point increase in net interest margin, was more than offset by a 43 basis point increase in the total provision for credit losses and costs incurred that were directly associated with the potential National Bank of Canada transaction. The increase in our current quarter provision for credit losses was primarily driven by a 47 basis point increase in our provision for credit losses on impaired loans. Pre-tax, pre-provision income was up 4% compared to the prior year, while adjusted EPS declined 32%.

On a sequential basis, quarterly common shareholders' net income declined 46% and adjusted EPS declined 26%. Pre-tax, pre-provision income increased 5% and reflected a nine basis point increase in net interest margin. On a year-to-date basis we drove 11% growth in pre-tax, pre-provision income and delivered positive operating leverage(1) of 3.9%.

Our Board of Directors declared a cash dividend of $0.35 per common share, up two cents, or 6% from the dividend declared last year and consistent with last quarter.

National Bank of Canada (NBC) Transaction

On June 11, 2024, we announced that we entered into a definitive agreement where NBC proposed to acquire all of the issued and outstanding common shares of CWB through a share exchange. As part of the transaction, CWB Shareholders will be entitled to receive 0.450 of a NBC common share for each CWB common share held as of the date of closing.

This transaction will bring together two complementary Canadian banks with growing businesses, enabling the united bank to enhance services to its customers by offering a comprehensive product and service platform at national scale, with a regionally focused service model. CWB's current retail customers will benefit from a larger product offering and digital platform, our small business clients will be able to utilize NBC's cash and risk management solutions, and our commercial clients will benefit from access to NBC's leading capital markets franchise.

The transaction is subject to approval by CWB shareholders and receipt of required regulatory approvals as conditions to close the transaction, which is expected to occur in 2025. We expect that there will be a period of preparation for the transition period following closing to effectively integrate our operations into NBC. We remain committed to meeting our clients' banking needs during this time.

We have incurred and expect to continue to incur costs directly associated with this potential transaction. These costs are not indicative of our underlying operating performance and therefore are excluded in the calculation of our non-GAAP measures. Refer to definitions and details provided on pages 4 and 5.

(1) Adjusted EPS, pre-tax, pre-provision income, net interest margin, the provision for credit losses on total loans as a percentage of average loans and operating leverage are non-GAAP measures. Refer to definitions and detail provided on pages 4 and 5.

Financial Performance

Q3 2024, compared to Q3 2023	Common shareholders' net income	$41 million	Down 50%
	Diluted EPS Adjusted EPS	$0.43 $0.60	Down 50% Down 32%
	Adjusted Return on Equity (ROE)[(1)]	6.3%	Down 370 bp
	Efficiency ratio[(1)]	52.2%	Up 60 bp
	Pre-tax, pre-provision income	$143 million	Up 4%

Compared to the same quarter last year, common shareholders' net income declined 50% as a 5% increase in revenue was more than offset by a 43 basis point increase in the total provision for credit losses as a percentage of average loans and costs incurred that were directly associated with the potential NBC transaction. Pre-tax, pre-provision income was up 4%, while adjusted common shareholders' net income[(1)] declined 32% compared to the prior year.

Higher revenue reflected a 10% increase in non-interest income and a 5% increase in net interest income, which was driven by a 12 basis point increase in net interest margin. The increase in net interest margin primarily reflected the benefit of increased yields on fixed term assets from higher market interest rates, which had a larger impact than the increase in deposit costs.

Non-interest expenses increased 20% compared to the same quarter last year and included $20 million of professional fees and employee compensation directly associated with the potential NBC transaction. Adjusted non-interest expenses[(1)] were up 6%, primarily due to higher expenses associated with the opening of our new Toronto financial district and Kitchener banking centres, an increase in deposit insurance costs, and the investment in our digital capabilities. Higher non-interest expenses were partially offset by lower people costs associated with a reduction in our overall staffing levels following the reorganization activities that concluded earlier this year.

The provision for credit losses on total loans as a percentage of average loans represented 59 basis points this quarter and was 43 basis points higher than the same quarter last year. The increase in our provision for credit losses was primarily due to a 47 basis point increase in our impaired loan provision. Our current quarter provision for credit losses on impaired loans represented 57 basis points of average loans, reflecting increased borrower default rates and the emergence of lower than expected realization values which increased impaired loan provisions for credit losses, particularly for two impaired loans this quarter. The circumstances that gave rise to the impaired loan provisions on these two loans are unique to these exposures.

Q3 2024, compared to Q2 2024	Common shareholders' net income	$41 million	Down 46%
	Diluted EPS Adjusted EPS	$0.43 $0.60	Down 46% Down 26%
	Adjusted ROE	6.3%	Down 260 bp
	Efficiency ratio	52.2%	Down 10 bp
	Pre-tax, pre-provision income	$143 million	Up 5%

(1) Adjusted ROE, efficiency ratio, adjusted common shareholders' net income and adjusted non-interest expenses are non-GAAP measures. Refer to definitions and detail provided on pages 4 and 5.
bp – basis point

Compared to the prior quarter, common shareholders' net income declined 46%, as a 4% increase in revenue was more than offset by a 33 basis point increase in the total provision for credit losses and higher non-interest expenses, including costs directly associated with the potential NBC transaction. Pre-tax, pre-provision income was up 5%, while adjusted common shareholders' net income declined 26%.

Higher revenue reflected a 6% increase in net interest income, partially offset by a 4% decrease in non-interest income. Lower non-interest income was driven by reductions in the fair value of select debt securities and lower foreign exchange income, partially offset by higher credit-related and wealth management fees. Net interest margin increased nine basis points and reflected the benefit of increased yields on fixed term assets from higher market interest rates, which had a larger impact than the increase in deposit costs. We also benefited from a more favourable asset mix reflective of loan growth that was targeted to optimize risk-adjusted returns and lower average liquidity.

Adjusted non-interest expenses increased 4%, driven by higher deposit insurance and employee compensation costs.

The third quarter effective tax rate was up 150 basis points from last quarter, reflecting the impacts of nonrecurring adjustments arising from the completion of our 2023 tax filings last quarter.

The provision for credit losses on total loans as a percentage of average loans was 33 basis points higher than last quarter, reflecting a 33 basis point increase in the impaired loan provision. A two basis point provision for credit losses on performing loans as a percentage of average loans remained consistent with the prior quarter.

YTD 2024, compared to YTD 2023	Common shareholders' net income	$206 million	Down 17%
	Diluted EPS Adjusted EPS	$2.13 $2.34	Down 17% Down 11%
	Adjusted ROE	8.4%	Down 190 bp
	Efficiency ratio	51.2%	Down 200 bp
	Pre-tax, pre-provision income	$427 million	Up 11%

On a year-to-date basis, common shareholders' net income declined 17%, as a 7% increase in revenue was more than offset by a 29 basis point increase in the total provision for credit losses as a percentage of average loans and higher non-interest expenses, reflecting costs incurred directly associated with the potential NBC transaction. Pre-tax, pre-provision income was up 11%, while adjusted common shareholders' net income declined 11%.

Total revenue increased 7%, primarily reflecting a 7% increase in net interest income and a 6% increase in non-interest income. Net interest margin increased by 11 basis points, which primarily reflected the benefit of increased yields on fixed term assets from higher market interest rates, which had a larger impact than the increase in deposit costs.

Non-interest expenses were up 7%, or 3% on an adjusted basis, and operating leverage was positive 3.9%. Higher adjusted non-interest expenses reflected the combined impact of our new Toronto financial district and Kitchener banking centres and the investment in our overall digital capabilities, partially offset by lower people costs.

The total provision for credit losses as a percentage of average loans of 35 basis points was 29 basis points higher than the prior year, due to a 30 basis point increase in the impaired loan provision, partially offset by a one basis point decrease in the performing loan provision. The prior year impaired loan provision of three basis points reflected the reversal of a previously impaired loan write-off recognized in the first quarter last year.

About CWB Financial Group

CWB Financial Group (CWB) is the only full-service bank in Canada with a strategic focus to meet the unique financial needs of businesses and their owners. We provide our nationwide clients with full-service business and personal banking, specialized financing, comprehensive wealth management offerings, and trust services. Clients choose CWB for a differentiated level of service through specialized expertise, customized solutions, and faster response times relative to the competition. Our people take the time to understand our clients and their business, and work as a united team to provide holistic solutions and advice.

As a public company on the Toronto Stock Exchange (TSX), CWB trades under the symbols "CWB" (common shares), "CWB.PR.B" (Series 5 preferred shares) and "CWB.PR.D" (Series 9 preferred shares). We are firmly committed to the responsible creation of value for all our stakeholders and our approach to sustainability will support our continued success. Learn more at www.cwb.com.

Fiscal 2024 Third Quarter Results Conference Call

CWB's third quarter results conference call is scheduled for Friday, August 30, 2024, at **10:30 a.m. ET (8:30 a.m. MT**). CWB's executives will comment on financial results and respond to questions from analysts.

The conference call may be accessed on a listen-only basis by dialing (416) 764-8688 (Toronto) or 1 (888) 390-0546 (toll-free) and entering passcode: 64895054. The call will also be webcast live on CWB's website:

www.cwb.com/investor-relations/quarterly-reports.

A replay of the conference call will be available until September 6, 2024 by dialing (416) 764-8677 (Toronto) or 1 (888) 390-0541 (toll-free) and entering passcode: 895054#.

FOR FURTHER INFORMATION CONTACT:

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Forward-looking Statements

From time to time, we make written and verbal forward-looking statements. Statements of this type are included in our Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as media releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about our objectives and strategies, targeted and expected financial results and the outlook for CWB's businesses or for the Canadian economy. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact", "goal", "focus", "potential", "proposed" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could".

By their very nature, forward-looking statements involve numerous assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations, and conclusions will not prove to be accurate, that our assumptions may not be correct, and that our strategic goals will not be achieved.

A variety of factors, many of which are beyond our control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general business and economic conditions in Canada including housing and commercial real estate market conditions and household and business indebtedness, the volatility and level of liquidity in financial markets, fluctuations in interest rates and currency values, the volatility and level of various commodity prices, changes in monetary policy, changes in economic and political conditions, material changes to trade agreements, legislative and regulatory developments, changes in supervisory expectations or requirements for capital, interest rate and liquidity management, legal developments, the level of competition, the occurrence of natural catastrophes, outbreaks of disease or illness that affect local, national or international economies, changes in accounting standards and policies, information technology and cyber risk, the accuracy and completeness of information we receive about customers and counterparties, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, reliance on third parties to provide components of business infrastructure, changes in tax laws, technological developments, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, the impact of bank failures or other adverse developments at other banks that drive negative investor and depositor sentiment regarding the stability and liquidity of banks, the expected timing of completion of the transaction pursuant to which National Bank of Canada (NBC) proposes to acquire all of the issued and outstanding CWB common shares by way of a share exchange, and the conditions precedent to the closing of the NBC transaction (including the required approvals); that the transaction will be completed on the terms currently contemplated; assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information available as of the date hereof; and our ability to anticipate and manage the risks associated with these factors. It is important to note that the preceding list is not exhaustive of possible factors.

Additional information about these factors can be found in the Risk Management section of our 2023 Annual MD&A and in the Risks Related to the NBC transaction section of our Management Proxy Circular for the special meeting of CWB common shareholders to be held on September 3, 2024. These and other factors should be considered carefully, and readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. Any forward-looking statements contained in this document represent our views as of the date hereof. Unless required by securities law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by us or on our behalf. The forward-looking statements contained in this document are presented for the purpose of assisting readers in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the performance of the Canadian economy over the forecast horizon and how it will affect our business are material factors considered when setting organizational objectives and targets. In determining expectations for economic growth, we consider our own forecasts, economic data and forecasts provided by the Canadian government and its agencies, as well as certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the *Outlook* and *Allowance for Credit Losses* sections of our interim MD&A and our 2023 Annual MD&A.

Non-GAAP Measures

We use a number of financial measures and ratios to assess our performance against strategic initiatives and operational benchmarks. Some of these financial measures and ratios do not have standardized meanings prescribed by Generally Accepted Accounting Principles (GAAP) and may not be comparable to similar measures presented by other financial institutions. Non-GAAP financial measures and ratios provide readers with an enhanced understanding of how we view our financial performance. These measures and ratios may also provide the ability to analyze trends related to profitability and the effectiveness of our operations and strategies and are disclosed in compliance with *National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure.*

To calculate non-GAAP financial measures, we exclude certain items from our financial results prepared in accordance with IFRS. Adjustments relate to items which we believe are not indicative of underlying operating performance. Our non-GAAP financial measures include:

- Adjusted non-interest expenses – total non-interest expenses, excluding pre-tax costs directly associated with the NBC transaction, amortization of acquisition-related intangible assets, a reorganization of our operations, and acquisition and integration costs. Non-recurring reorganization costs were incurred to execute reorganization initiatives to realize efficiencies in our banking centre footprint, operational support functions, and administrative processes. Acquisition and integration costs include direct and incremental costs incurred as part of the execution and integration of business acquisitions.
- Adjusted common shareholders' net income – total common shareholders' net income, excluding the costs directly associated with the NBC transaction, amortization of acquisition-related intangible assets, organizational redesign initiatives, and acquisition and integration costs, net of tax.
- Pre-tax, pre-provision income – total revenue less adjusted non-interest expenses.

The following table provides a reconciliation of our non-GAAP financial measures to our reported financial results.

(unaudited) (thousands)	For the three months ended July 31 2024	April 30 2024	July 31 2023	Change from July 31 2023	For the nine months ended July 31 2024	July 31 2023	Change from July 31 2023
Non-interest expenses	**$ 177,700**	$ 151,912	$ 148,078	20 %	**$ 475,239**	$ 443,683	7 %
Adjustments (before tax):							
NBC transaction costs	**(19,772)**	-	-	100	**(19,772)**	-	100
Amortization of acquisition-related intangible assets	**(1,728)**	(1,728)	(1,749)	(1)	**(5,184)**	(6,762)	(23)
Non-recurring reorganization costs	**(543)**	(785)	-	100	**(2,530)**	-	100
Acquisition and integration costs	**-**	-	(36)	(100)	**-**	(601)	(100)
Adjusted non-interest expenses	**$ 155,657**	$ 149,399	$ 146,293	6 %	**$ 447,753**	$ 436,320	3 %
Common shareholders' net income	**$ 41,407**	$ 76,359	$ 83,068	(50) %	**$ 205,687**	$ 247,471	(17) %
Adjustments (after-tax):							
NBC transaction costs [(1)]	**14,696**	-	-	100	**14,696**	-	100
Amortization of acquisition-related intangible assets [(2)]	**1,268**	1,268	1,282	(1)	**3,804**	5,228	(27)
Non-recurring reorganization costs [(3)]	**404**	583	-	100	**1,881**	-	100
Acquisition and integration costs [(4)]	**-**	-	27	(100)	**-**	451	(100)
Adjusted common shareholders' net income	**$ 57,775**	$ 78,210	$ 84,377	(32) %	**$ 226,068**	$ 253,150	(11) %
Total revenue	**$ 298,469**	$ 285,922	$ 283,506	5 %	**$ 874,382**	$ 820,811	7 %
Less:							
Adjusted non-interest expenses (see above)	**155,657**	149,399	146,293	6	**447,753**	436,320	3
Pre-tax, pre-provision income	**$ 142,812**	$ 136,523	$ 137,213	4 %	**$ 426,629**	$ 384,491	11 %

(1) Net of income tax of $5,076 for the three months ended July 31, 2024 (Q2 2024 – $nil, Q3 2023 – $nil) and $5,076 for the nine months ended July 31, 2024 (Q3 2023 – $nil).
(2) Net of income tax of $460 for the three months ended July 31, 2024 (Q2 2024 – $460, Q3 2023 – $467) and $1,380 for the nine months ended July 31, 2024 (Q3 2023 – $1,534).
(3) Net of income tax of $139 for the three months ended July 31, 2024 (Q2 2024 – $202, Q3 2023 – $nil) and $649 for the nine months ended July 31, 2024 (Q3 2023 – $nil).
(4) Net of income tax of $nil for the three months ended July 31, 2024 (Q2 2024 – $nil, Q3 2023 – $9) and $nil for the nine months ended July 31, 2024 (Q3 2023 – $150).

Non-GAAP ratios are calculated using the non-GAAP financial measures defined above. Our non-GAAP ratios include:

- Adjusted earnings per common share – diluted earnings per common share calculated with adjusted common shareholders' net income.
- Adjusted return on common shareholders' equity – annualized adjusted common shareholders' net income divided by average common shareholders' equity, which is total shareholders' equity excluding preferred shares and limited recourse capital notes.
- Efficiency ratio – adjusted non-interest expenses divided by total revenue.
- Operating leverage – growth rate of total revenue less growth rate of adjusted non-interest expenses.

Supplementary financial measures are measures that do not have definitions prescribed by GAAP, but do not meet the definition of a non-GAAP financial measure or ratio. Our supplementary financial measures include:

- Return on assets – annualized common shareholders' net income divided by average total assets.
- Net interest margin – annualized net interest income divided by average total assets.
- Return on common shareholders' equity – annualized common shareholders' net income divided by average common shareholders' equity.
- Write-offs as a percentage of average loans – annualized write-offs divided by average total loans.
- Book value per common share – total common shareholders' equity divided by total common shares outstanding.
- Franchise deposits (formerly referred to as branch-raised deposits) – total deposits excluding broker term and capital market deposits.
- Provision for credit losses on total loans as a percentage of average loans – annualized provision for credit losses on loans, committed but undrawn credit exposures and letters of credit divided by average total loans. Provisions for credit losses related to debt securities measured at fair value through other comprehensive income (FVOCI) and other financial assets are excluded.
- Provision for credit losses on impaired loans as a percentage of average loans – annualized provision for credit losses on impaired loans divided by average total loans.
- Provision for credit losses on performing loans as a percentage of average loans – annualized provision for credit losses on performing loans (Stage 1 and 2) divided by average total loans.
- Average balances – average daily balances.

Selected Financial Highlights

(unaudited) (thousands, except per share amounts)	For the three months ended **July 31 2024**	 April 30 2024	 July 31 2023	Change from July 31 2023	For the nine months ended **July 31 2024**	 July 31 2023	Change from July 31 2023
Results from Operations							
Net interest income	**$ 263,867**	$ 249,758	$ 252,158	5 %	**$ 772,696**	$ 724,961	7 %
Non-interest income	**34,602**	36,164	31,348	10	**101,686**	95,850	6
Total revenue	**298,469**	285,922	283,506	5	**874,382**	820,811	7
Pre-tax, pre-provision income[(1)]	**142,812**	136,523	137,213	4	**426,629**	384,491	11
Common shareholders' net income	**41,407**	76,359	83,068	(50)	**205,687**	247,471	(17)
Common Share Information							
Earnings per common share							
Basic	**$ 0.43**	$ 0.79	$ 0.86	(50)%	**$ 2.13**	$ 2.58	(17)
Diluted	**0.43**	0.79	0.86	(50)	**2.13**	2.58	(17)
Adjusted[(1)]	**0.60**	0.81	0.88	(32)	**2.34**	2.64	(11)
Cash dividends	**0.35**	0.34	0.33	6	**1.03**	0.97	6
Book value[(1)]	**38.52**	37.13	35.08	10	**38.52**	35.08	10
Closing market value	**47.71**	26.41	26.35	81	**47.71**	26.35	81
Common shares outstanding (thousands)	**96,669**	96,545	96,378	-	**96,669**	96,378	-
Performance Measures[(1)]							
Return on common shareholders' equity	**4.5 %**	8.7 %	9.8 %	(530)bp	**7.7 %**	10.0 %	(230) bp
Adjusted return on common shareholders' equity	**6.3**	8.9	10.0	(370)	**8.4**	10.3	(190)
Return on assets	**0.39**	0.74	0.78	(39)	**0.65**	0.79	(14)
Net interest margin	**2.49**	2.40	2.37	12	**2.43**	2.32	11
Efficiency ratio	**52.2**	52.3	51.6	60	**51.2**	53.2	(200)
Operating leverage	**(1.1)**	5.9	(0.6)	(50)	**3.9**	(4.1)	800
Credit Quality[(1)]							
Provision for credit losses on total loans as a percentage of average loans[(2)]	**0.59**	0.26	0.16	43	**0.35**	0.06	29
Provision for (recovery of) credit losses on impaired loans as a percentage of average loans[(2)]	**0.57**	0.24	0.10	47	**0.33**	0.03	30
Balance Sheet							
Assets	**$ 42,462,058**	$ 41,951,726	$ 42,561,599	- %			
Loans[(3)]	**37,439,796**	37,174,346	37,394,718	-			
Deposits	**33,402,822**	32,806,121	33,672,195	(1)			
Debt	**3,738,589**	3,935,704	3,851,081	(3)			
Shareholders' equity	**4,299,137**	4,159,289	3,955,977	9			
Off-Balance Sheet							
Wealth Management							
Assets under management and administration	**9,320,499**	8,778,229	8,177,884	14			
Assets under advisement[(4)]	**2,682,822**	2,394,694	2,297,438	17			
Assets Under Administration – Other	**17,335,716**	17,550,681	15,401,453	13			
Capital Adequacy[(5)]							
Common equity Tier 1 ratio	**10.2 %**	10.1 %	9.4 %	80 bp			
Tier 1 ratio	**11.9**	11.8	11.2	70			
Total ratio	**14.0**	14.6	13.1	90			
Other							
Number of full-time equivalent staff	**2,532**	2,516	2,669	(5) %			

(1) Non-GAAP measure – refer to definitions and detail provided on pages 4 and 5.
(2) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.
(3) Excludes the allowance for credit losses.
(4) Primarily comprised of assets under advisement related to our Indigenous Services wealth management business.
(5) Calculated using the *Standardized* approach in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).

bp – basis point