CANADIAN WESTERN BANK ANNUAL REPORT 1997

Achieving our goals

We are

continuing to meet the banking needs of Westerners in a personalized, innovative way. We are sustaining the balanced, responsible growth strategy that has contributed to the Bank's success. We are rewarding our employees for their dedicated customer service by providing them with security, advancement and personal development opportunities. We are continuing to conduct our business in the West with due respect for our citizens and environment.

Highlights

FIVE YEAR FINANCIAL SUMMARY

($ thousands, except per share data)

	1997	1996	1995	1994	1993
Annual Operating Results					
Net interest income	$ 45,414	$ 40,731	$ 33,973	$ 18,744	$ 13,118
Other income	11,520	10,466	6,876	4,420	4,114
Net income	15,837	12,822	10,808	4,967	1,805
Return on common shareholders' equity	13.12%	13.27%	13.36%	10.74%	4.19%
Return on average total assets	0.85%	0.81%	0.88%	0.78%	0.33%
Annual Results Per Common Share					
Average common shares outstanding (thousands)	9,322	8,116	7,420	3,944	3,944
Net income					
basic	$ 1.70	$ 1.58	$ 1.46	$ 1.26	$ 0.46
fully diluted	1.55	1.45	1.33	1.14	0.43
Annual dividend	0.25	0.15	0.10	0.07	0.05
Book value	13.70	12.61	11.37	12.39	11.20
Market Price					
High	$ 22.10	$ 13.00	$ 11.38	$ 10.00	$ 6.75
Low	12.20	9.25	9.13	6.13	3.90
Close – October 31	20.25	12.80	10.13	9.50	6.25
Financial Position					
Total assets	$ 2,022,951	$ 1,754,072	$ 1,330,596	$ 705,709	$ 597,559
Cash resources and securities	271,883	247,614	174,670	95,006	75,957
Loans	1,710,007	1,478,392	1,135,173	599,881	511,341
Deposits	1,817,512	1,585,855	1,192,663	634,379	535,053
Subordinated debentures	37,116	26,000	8,000	8,000	4,000
Shareholders' equity	128,533	102,554	92,299	48,870	44,179
Capital Adequacy					
Tier 1 ratio	8.4%	8.1%	10.3%	8.6%	9.0%
Total ratio	11.0%	10.2%	11.1%	9.9%	9.8%
Other Information					
Net interest margin *	2.48%	2.59%	2.78%	3.07%	2.52%
Net impaired loans as a percentage of total loans	0.5%	1.0%	1.8%	1.6%	1.9%
Productivity ratio **	64.4%	64.8%	64.4%	68.3%	76.5%
Number of full time equivalent staff	388	359	314	182	159
Number of branches	22	20	20	13	11

* Net interest income divided by average assets

** Non-interest expenses expressed as a percentage of net interest income and other income

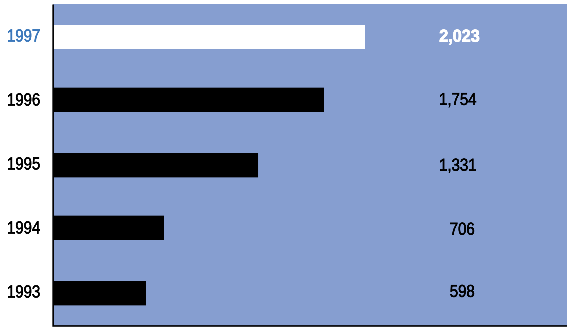
Mission

To provide competitive full service consumer and commercial banking to Western Canadians. In doing so we aim to provide our shareholders with a sound and profitable return on their investment.

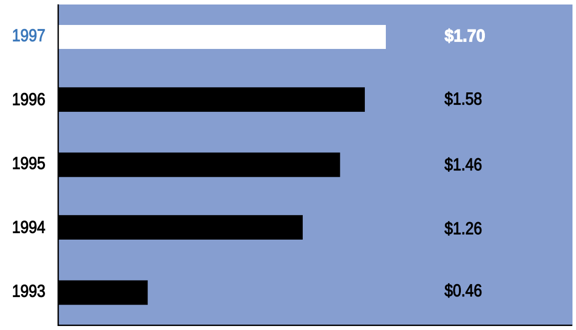
Profile

Canadian Western Bank is the only federally chartered, Schedule I bank based in the West. The Bank serves Canada's four western provinces through a network of over twenty branches stretching from Victoria to Winnipeg. The Bank provides sound financial services, innovative and well-priced loan arrangements, and highly competitive rates and features on deposit products. Its trust arm, Canadian Western Trust, specializes in the administration of self-directed retirement products in addition to offering deposit and mortgage lending services, with Western Canada as its primary market. The Bank has also announced its intention to take a controlling interest in a brokerage firm which will operate under the name Canadian Western Capital Limited.

Total Assets ($ millions)



Net Income* Per Common Share



*Basic

Financial highlights

- achieved record net earnings of $15.8 million, an increase of 23% over last year
- surpassed the $2 billion milestone in total assets through highly satisfactory internal loan growth
- reduced net impaired loans to 0.53% of net outstanding loans
- maintained a consistent and slightly improved return on assets ratio of 0.85%
- amalgamated the Bank with B.C. Bancorp, adding almost $13 million in capital and providing significant tax shelter
- market capitalization reached a record $190 million

Operating highlights

- opened the first branch catering primarily to industrial financing and leasing clients in Surrey, British Columbia; the subsequent success of this concept prompted the opening of a similar branch in Grande Prairie, Alberta
- purchased an interest in Bank Northwest of Bellingham, Washington to promote cross-border business and explore future expansion prospects in the United States
- successfully connected the Apex® Debit card to the Interac® Direct Payment system, enabling our customers to make payments to retailers directly from their accounts
- relocated the Lethbridge and Nanaimo branches to superior locations; renovated and expanded the Edmonton Southside and Camrose branches

To our shareholders

THIS YEAR'S RESULTS can be a source of satisfaction for our shareholders as well as for our employees. Our net profit for the year has increased 23% from 1996 to over $15.8 million. Concurrently our assets have grown to over $2 billion, up 15% year over year, due primarily to an increase in loans of 16%. The return on this larger asset base has improved to 0.85% from 0.81% last year, and our return on equity is essentially unchanged at 13.12%, compared to 13.27% last year. Earnings per share for the year are $1.70 ($1.55 fully diluted) compared to $1.58 ($1.45) last year. The increase of over 1.1 million shares resulting from the B.C. Bancorp amalgamation, which took effect at the beginning of the year, makes the increase in earnings less apparent when stated on a per share basis.

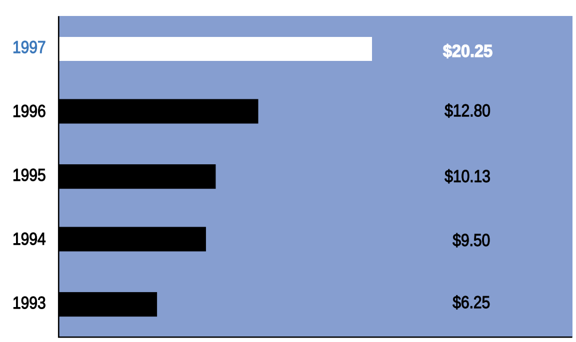
Your bank has expanded and been "in the news" for the last several years with announcements of acquisition and amalgamation - transactions carried out at a corporate level rather than through line or branch activity. This year, we demonstrated the asset growth we can achieve independent of the impact of acquisitions as our corporate activity did not materially impact the balance sheet.

Our corporate activity included the B.C. Bancorp transaction, which provided significant tax shelter and almost $13 million in new capital. As well, our Trust's amalgamation with Inland Mortgage Corporation contributed to the enhancement of shareholder value.

We recently announced our intention to acquire a controlling interest in Majendie Charlton Securities Limited, which is a strategic initiative to improve non-interest income. This transaction should close in the near future.

Performance can also be measured by the way we are seen from outside. Investors have been rewarded with an increase in the market price of our stock to $20.25 from $12.80 at last year end. Despite this impressive gain we can still point to a price/earnings ratio which is lower than the domestic banking industry as a whole. We have also succeeded in attracting, as clients, a number of mid-size businesses who can now have all their needs met through us, and who, more importantly, see us as a preferred alternative to other funding and banking sources. As well, many sizable institutions are attracted to our service and our rates on short-term wholesale funds. What we interpret as increased respect in the industry has come, we believe, from demonstrating that we can do what we say we will.

Market Price Per Share



October 31 close

Q Do you expect the Bank's stock to be able to sustain the present price to book and price/earnings ratios?

A Yes, I believe so. When you look at the large Canadian banks the average price/earnings ratio is higher than CWB. On the other hand, if we were not a bank we would be looked at as a high quality small cap growth stock which would make our stock look like a bargain. LARRY M. POLLOCK, PRESIDENT & CEO

Our progress has been achieved in economic conditions in Western Canada which have surpassed most of the rest of the country. The best news is that there is no reason to expect any softening in the immediate future. The trickle down effects of massive expansion taking place in the oil sands, combined with continuing buoyant sales of agricultural, mining, and forest products into export markets, will benefit many of our present and prospective business clients. Construction continues to maintain a steady pace, and this has, and will continue to keep our real estate financing and mortgage areas busy.

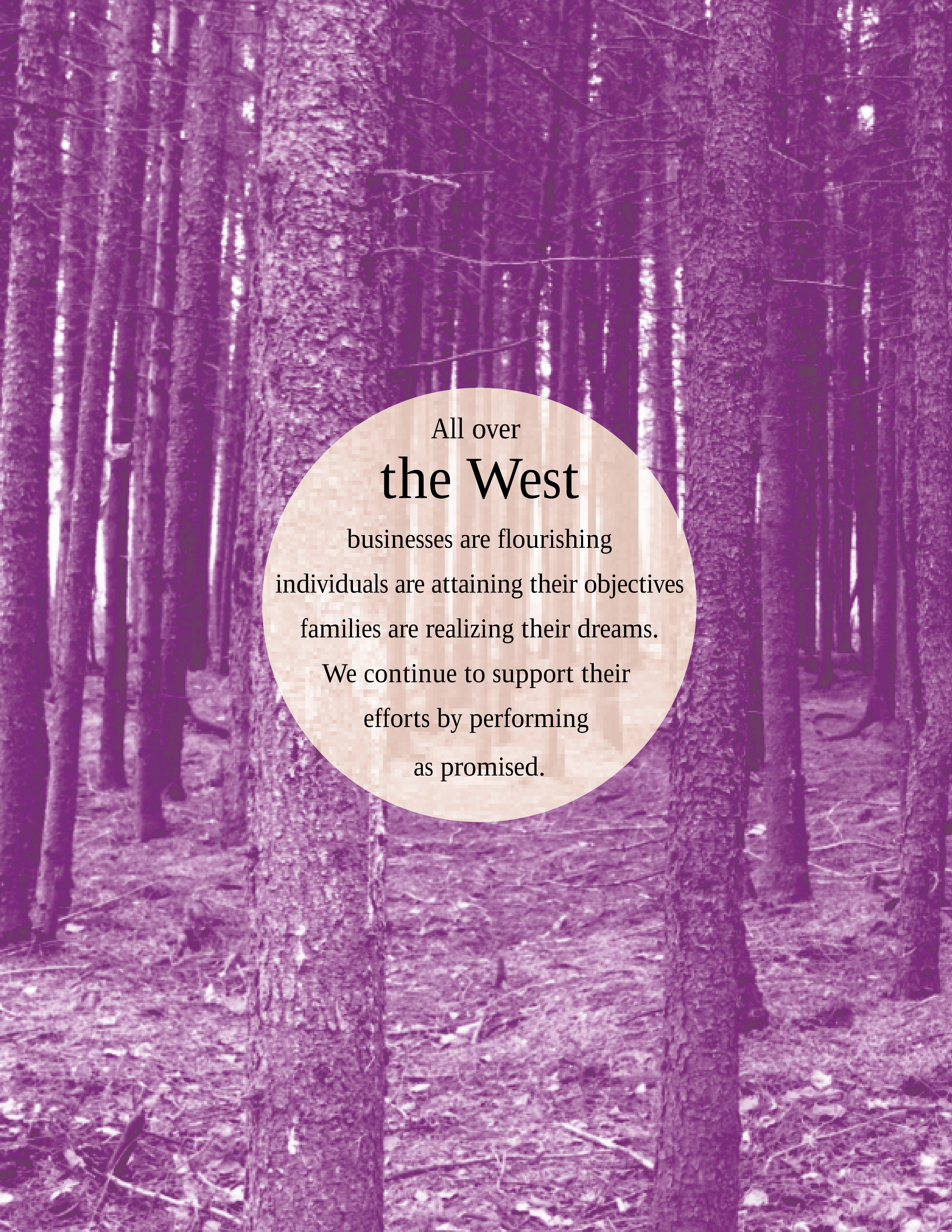
The year has also seen us improve services to our retail banking customers. We were able to launch a self-directed RSP program for branch customers through Canadian Western Trust which is distinctive in its scope – allowing the inclusion of third party mortgages and private company shares. The connection to the Interac® Direct Payment system was completed, making day-to-day banking easier and more convenient. We have upgraded facilities at a number of our branches, notably Lethbridge, Camrose, Southside Edmonton, and Nanaimo, to accommodate increased business. In addition we launched branches in both Surrey and Grande Prairie whose initial primary focus is service to our industrial equipment borrowers. Changes to our banking software and our computer network are being implemented to continue to improve the service our customers expect. But while it is necessary to stay abreast of technology developments, our commitment to personal and friendly service – which includes the option of sit-down service in all branches – will remain the most significant factor by which we differentiate ourselves from our larger competitors.

The key small and medium business sectors have been a crucial element in our ability to grow, not just this year but always. We like to think we do a better job than most in understanding what they need, and then delivering it. As a result we also expect our satisfaction rating to be higher. Nonetheless we have a well defined process for addressing dissatisfaction, and this year we added the services of an Ombudsman to that process.

The fact that we have concentrated on internal growth should not be interpreted as an intention to rely solely on this in the future. While we have succeeded in establishing ourselves as a credible player in the financial services industry in Western Canada, there remains potential for much greater penetration of our market, and we have proved over and again our people can make it happen. Our commitment to provide full financial services to an expanding number of Western Canadians and their business enterprises motivates us to seek out and examine all avenues leading to growth.

Strong growth, a steady and promising economic outlook, and a team of people who thrive on the challenges of building a bank for the West are the key ingredients for continuation of our success, and the reason for our ongoing high expectations of superior achievement for your bank.

"Jack C. Donald"	"Larry M. Pollock"
Jack C. Donald	Larry M. Pollock
Chairman	*President and Chief Executive Officer*



All over

the West

businesses are flourishing
individuals are attaining their objectives
families are realizing their dreams.
We continue to support their
efforts by performing
as promised.

Achieving our goals

"Thinking of ourselves as a service business first, and as a financial institution second has helped to set us apart from our larger competitors." DOUGLAS R. DALGETTY, EXECUTIVE VICE PRESIDENT

SERVICE

We know we don't always behave like a bank is expected to, but when you're younger and smaller you have to try harder. Besides, our customers tell us they appreciate all the extra care and attention we give them, and we truly believe our continuing growth is the result of our consistent drive to improve service delivery in all areas.

That's why we give customers in all our branches the choice of sit-down service or fast, convenient counter service; and why we work so hard at looking after their transactional banking needs capably and efficiently.

We also have discovered that people like to have continuity in their banking relationships, and yet most banks train personnel by moving them from position to position through a series of branches. At Canadian Western Bank we make a point of hiring well-trained, experienced people right from the start. So when a customer forms a bond of mutual trust with the personnel in a particular branch, chances are they'll be able to continue that relationship for years to come. Our customers like that. So do we.

Good service means good business.

ROD & JACKIE MICIAK
New home owners, Edmonton

"We were so impressed with the way Canadian Western Bank handled our first mortgage that we recently bought our second home with their help."

ROBERT L. BREWS

President, R.L. Brews Ltd., Calgary

Electrical wholesale supplier

"Canadian Western Bank has supported me through the significant growth in our business."

"We're growing, yes, but our focus remains on being the best at what we do." DON WATSON, VP INDUSTRIAL LENDING

FOCUS

The strong, steady growth of Canadian Western Bank proves there is plenty of room for a bank that specializes in the things Westerners need. One of those needs is a bank that will finance small and medium-sized businesses – primarily private companies with a single owner-operator looking to borrow up to $12 million.

"We are the small business of the Canadian banking community", says Doug Dalgetty, Executive Vice President. "As such, I think it is fair to say we understand the frustrations, challenges, and excitement smaller and growing businesses face better than most players in the financial industry."

The Bank has resolved not to try to be all things to all people, but to keep adding to our considerable expertise in specific niche markets. That's why we have recruited strong performers in oil and gas lending to serve the small to medium producer; and other experts in the areas of construction, real estate development, and the financing and leasing of industrial equipment. We believe these are the things that will ensure our long-term success and prosperity.

STRATEGY

The differences between our bank and the rest are perhaps our greatest strengths. For instance, we use our size to our advantage. As a Schedule I bank, we bring strength and stability to a banking relationship, and because we are much smaller than the 'big six' banks, we are in a better position to really understand the businesses in the West. We have much in common with our customers, and we make our decisions in the same environment.

New technologies are changing the way people do their banking and we stay on top of these groundbreaking developments. We don't, however, rush to accept every innovation just because it's the flavour of the month. We take a good look at each new development and assess its possible benefits for our customer and for the Bank itself. If a new product, method or modification passes the test, we're small enough and sufficiently mobile to implement it at once.

Observers have always given us high marks for structure and strategy. We plan carefully in order to provide our customers with the best range of services they'll need today and in the future.

We are confident that if we continue to recognize good growth opportunities, anticipate our customers' needs, think innovatively, and stay nimble, we will achieve the level of success we have set for ourselves.

PARTNERSHIPS

Canadian Western Bank continues to form valuable alliances and affiliations across the country and beyond.

Our subsidiary, Canadian Western Trust, enables us to offer our customers experience and expertise in the administration of self-directed retirement funds.

An affiliation with Crown Life of Regina provides us with access to expertise in the insurance industry.

Our interest in Bank Northwest of Bellingham will be invaluable in helping us to promote cross-border business and explore future expansion prospects in the United States.

Our proposed interest in Canadian Western Capital Limited will provide us with access to the brokerage industry and equity markets for our clients.

Q Why aren't your branches selling mutual funds?

A We have been concerned in the past that we would be eroding our own deposit base. However, mutual funds are so widely accepted and purchased by all types of investors these days, we are actively reviewing both mutual funds and other market linked GIC products. LARRY M. POLLOCK, PRESIDENT & CEO

PATRICIA M. BERARD & ALAN F. PITTS

Valued customers, Victoria, B.C.

"You'd be surprised what an important role your bank plays in your life when you are semi-retired and beginning to enjoy the rewards of a long career."

DEPOSIT OPTIONS

Canadian Western Bank provides a wide range of chequing and savings accounts to meet the individual needs of our personal customers. We also offer a number of convenient transaction options including: regular teller service, InTouch® Telephone Banking (which allows customers to conduct a wide range of transactions, including bill payments and account transfers, by phone), plus free access to over 15,000 banking machines through membership in the Interac® and Exchange® networks of instant tellers. And, as of June 1997, customers had the ability to use their Apex® card at over 250,000 Interac® Direct Payment terminals in retail stores. We also help build the wealth of Western Canadians by providing competitive rates and features on personal deposits.

In addition, many people place their retirement funds (RRSPs and RRIFs) with us because of our highly competitive rates and the security of principal. Others buy regular interest bearing instruments, again because of the rate we offer, but also because they can talk to the people managing their accounts. Their money concerns are important and we take the time to listen. In addition, hundreds of deposit agents across Canada, in centres large and small, make it possible for their clients to take advantage of the attractive rates and features of our term deposit instruments and retirement products.

On the commercial side, we provide our business customers with the choice of placing deposits into regular current accounts, interest bearing accounts, or fixed term deposits. These deposit products and services are made available through our 22 branches across Western Canada.

Q Are you concerned about falling behind the industry technologically, given your bank's emphasis on personal, sit-down service rather than other service delivery options?

A When you are small you have the luxury of converting quickly and staying with the leaders. We do not provide all things to all people, but what we do provide is done so efficiently and cost effectively. LARRY M. POLLOCK, PRESIDENT & CEO

LENDING SERVICES

As a lender, we service small business particularly well, because our focus and expertise are in the same market as our borrowers. The largest percentage of our lending – about 75 percent – is to small and medium-sized businesses. The remainder is to individuals for mortgages and personal loans for renovations, cars, consolidation, vacations, etc.

We've targeted certain lending segments where we can offer the expertise of our people and in the process carve a niche for ourselves.

COMMERCIAL LOANS (our core strength) are typically arranged to finance assets, such as buildings, or to provide day-to-day operating capital.

INDUSTRIAL EQUIPMENT FINANCING (purchase or lease) is provided to acquire commercial and industrial equipment such as a fleet of school buses, a highway tractor, or logging equipment.

CONSTRUCTION AND REAL ESTATE PROJECT FINANCING is conducted quickly and successfully as a direct result of the vast market knowledge and experience of our people.

ENERGY LENDING is offered primarily through our Calgary offices and is a market segment in which our experts have been players for years.

COMMUNITY

Without exception, the managers and employees of our branches across the West have shown a sincere commitment to their respective communities by contributing significant resources of time, money and effort in response to local needs.

One example: When the Greater Victoria Hospital Society launched its "Better Together" campaign in response to an urgent need to replace outdated medical equipment, the Victoria branch pledged $10,000 on behalf of staff and customers and their families.

Q What geographic expansion plans do you have?

A Within Western Canada we are continuing to seek increased market share to provide our quality service to more Westerners. We will focus our growth on Western Canada which is growing and developing in a very dynamic way. Were we to expand outside the West, we might be seen as just a small bank with no particular niche. LARRY M. POLLOCK, PRESIDENT & CEO

NEW NORTH EDMONTON YMCA

"Canadian Western Bank is proud to take part in the growth of the West by providing interim financing for exciting building projects such as the impressive new Castle Downs YMCA in Edmonton."
Raymond L. Young, VP Real Estate Lending

BARBARA HASTINGS
Registered nurse, Greater Victoria Hospital, Victoria
& SON MATTHEW ZUPANC
Patient, Greater Victoria Hospital

"Matthew and I really appreciate the support they've given Greater Victoria Hospital."

"One of our more important goals, as a corporation and as individuals, is to make a positive contribution to the fabric of the West in general, and to our own communities in particular." S. Wayne Bamford, VP & Regional Manager

1997 AWARDS

Our employees are, like the Bank as a whole, involved in their communities. We offer them the opportunity to participate in an employee share purchase plan which includes contributions from the Bank. We also support them strongly in their pursuit of formal education in the form of courses on banking-related topics, giving them the opportunity for personal growth.

Since 1990 the Bank has given special recognition to a select number of employees in the form of Chairman's Awards and President's Awards. These are based on nominations of employees below the executive level, by their peers, and include cash awards of $1,000 and $250 respectively.

This year's award winners are:

NORTHERN ALBERTA | PRAIRIE REGION
Chairman's Award
Christina Jones, *Calgary Main*
President's Award
Lucy Cabral-Roehler, *Edmonton 103rd Street*
Kevin MacMillen, *Grande Prairie*

BRITISH COLUMBIA REGION | CANADIAN WESTERN TRUST COMPANY
Chairman's Award
Wendy Herdin, *Canadian Western Trust*
President's Award
Jennifer Cyr, *Vancouver, Real Estate*
Susan Thesen, *Kelowna*

CORPORATE
Chairman's Award
Donna Bereska, *Loan Administration, Edmonton*
President's Award
Deb Nahorniak, *CAP, Edmonton*
Stan Plaisier, *Treasury, Edmonton*

We extend congratulations to these people, each of whom has shown the personal initiative to go beyond the expected.

“We’re grateful

for the positive response Westerners have given us, and we’re confident in the potential the West continues to hold.”

William J. Addington, Senior VP Corporate & Strategic Operations

“The economy in the West has outperformed the rest of Canada the last few years, and we expect it will continue to do so.” Jack C. Wright, VP & Regional Manager

FUTURE

The Bank will continue to stick to its core business – retail and domestic banking, by increasing market penetration of the western provinces through an expanded branch network to better serve its existing and new customers.

We’re grateful for the positive response Westerners have given us, and we’re confident in the potential the West continues to hold. “Don’t watch us grow; help us! Come in and become a customer!” states President & CEO Larry Pollock. “You’ll soon be hooked on our Specialty Service and Western Hospitality.”

Q Are you still keen to take over Alberta Treasury Branches?

A The Bank is keen on looking at all acquisitions, however ATB seems to be the one we are asked about most often. Yes, of course ATB would be very interesting for us. We have Schedule I status, a head office in Alberta and very few of our own branches. For these reasons and more, we think ATB would make a better fit with CWB than with anyone else.

LARRY M. POLLOCK, PRESIDENT & CEO

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Management's Analysis of Operations and Financial Condition

Key Performance Indicators

	1997	1996	1997/1996 Increase (decrease)
Net income ($ thousands)	$ 15,837	$ 12,822	$ 3,015
Net income per common share			
basic	$ 1.70	$ 1.58	$ 0.12
fully diluted	1.55	1.45	0.10
Productivity ratio (expenses as a percentage of total revenue) (1)	64.43%	64.79%	(0.36)%
Return on common shareholders' equity	13.12%	13.27%	(0.15)%
Return on average total assets	0.85%	0.81%	0.04%

(1) A decrease in the ratio reflects improved productivity

OVERVIEW OF 1997

Consolidated net income for the year ended October 31, 1997 was $15.8 million, an increase of 23% from $12.8 million reported in 1996. Earnings per share and return on assets have also risen. The significant growth in earnings is not as apparent in earnings per share and return on equity because the average number of common shares increased year over year primarily as a result of the 1,119,000 shares issued November 1, 1996 to B.C. Bancorp shareholders at the time of the amalgamation (see following section). The improvement in results was primarily attributable to:

- increased net interest income of $4.7 million or 12% due to growth of 16% in average interest bearing assets; and
- increased other income of $1.0 million or 10% due to greater business volumes and a full year's contribution from Canadian Western Trust Company ("CWT") (acquired in April, 1996).

In achieving this growth non-interest expenses were contained to an increase of $3.5 million or 11%.

Total assets grew to $2.02 billion, an increase of $269 million or 15% over October 31, 1996, with loans providing $232 million or 86% of the growth. Capital funds, made up of shareholders' equity and debentures, increased by $37 million to $166 million. This growth included the private placement of $13 million of non-convertible debentures and the $13 million of new share capital from the B.C. Bancorp amalgamation. The total capital adequacy ratio at October 31, 1997 was 11.0% (1996 - 10.2%) with a Tier 1 component of 8.4% (1996 - 8.1%).

AMALGAMATION OF CANADIAN WESTERN BANK AND B.C. BANCORP

Effective November 1, 1996, the Bank and B.C. Bancorp ("BCB") were issued letters patent of amalgamation by the Minister of Finance, amalgamating and continuing the banks as a Schedule I bank under the name Canadian Western Bank ("CWB") (see also Note 17 to the Consolidated Financial Statements). The highlights of the amalgamation were:

- the receipt of $13.6 million in consideration by shareholders of BCB, made up of cash ($796,000) and 1,119,000 CWB common shares ($12.8 million);
- the assumption of approximately $83.0 million in unclaimed tax deductions which are available for deduction by CWB without any time limit and $15.0 million in tax loss carryforwards;
- a broader and more diversified shareholder base as well as improved liquidity; and
- an increased earnings potential as a result of leverage gained from the new share capital and the retention of greater earnings from the tax savings.

NET INTEREST INCOME

Table 1 – Net Interest Income

($ thousands)

	1997				1996			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Assets								
Securities and deposits with regulated financial institutions	$ 196,976	11%	$ 8,543	4.34%	$ 178,687	11%	$ 11,003	6.16%
Loans								
Call loans	16,752	1	522	3.12	26,571	2	1,291	4.86
Residential mortgages	257,057	14	18,757	7.30	265,335	17	22,053	8.31
Other loans	1,318,020	72	104,095	7.90	1,076,418	68	99,052	9.20
Total loans	1,591,829	87	123,374	7.75	1,368,324	87	122,396	8.94
Total interest bearing assets	1,788,805	98	131,917	7.37	1,547,011	98	133,399	8.62
Other assets	39,028	2	–	0.00	26,405	2	–	0.00
Total Assets	$ 1,827,833	100%	$ 131,917	7.22%	$ 1,573,416	100%	$ 133,399	8.48%
Liabilities								
Deposits								
Demand	$ 25,842	1%	$ –	0.00%	$ 16,821	1%	$ –	0.00%
Notice	151,698	8	1,803	1.19	115,057	7	3,088	2.68
Fixed term	1,460,738	80	82,511	5.65	1,282,789	82	88,325	6.89
Total deposits	1,638,278	89	84,314	5.15	1,414,667	90	91,413	6.46
Other liabilities	38,140	2	–	0.00	43,468	3	–	0.00
Debentures	30,644	2	2,189	7.14	18,206	1	1,255	6.89
Shareholders' equity	120,771	7	–	0.00	97,075	6	–	0.00
Total Liabilities	$ 1,827,833	100%	$ 86,503	4.73%	$ 1,573,416	100%	$ 92,668	5.89%
Total Assets/Net Interest Income	$ 1,827,833		$ 45,414	2.48%	$ 1,573,416		$ 40,731	2.59%

Net interest income is the difference between interest and dividends earned on assets and interest expensed on deposits and other liabilities, including debentures. Net interest spread, or margin, is net interest income as a percentage of average total assets.

In 1997 net interest income increased by $4.7 million, or 12%, due to:

- increased average interest bearing assets of $242 million (16%); partially offset by,
- decreased net interest spread to 2.48% from 2.59%.

The lower spread was the result of the decreased yield on the securities portfolio due to a lower interest rate environment.

The continued use of interest rate derivative financial instruments to hedge against a declining rate scenario resulted in an increase of approximately $1.1 million (1996 - $1.2 million) in net interest income vis a vis net interest income that would have been recorded had these derivative instruments not been in place.

Other factors affecting loan portfolio yields during the year were:

- decreased average net impaired loans to $11.6 million in 1997 from $17.1 million in 1996 and increased yield on these loans to 6.4% from 5.4%; and
- the collection of payout and prepayment penalties on fixed rate loans which totalled approximately $1.0 million in 1997 compared to $1.2 million in 1996.

In 1998 we expect:

- interest rates will be relatively stable with an upward movement in prime rate;
- yields on securities will show some improvement year over year; and
- net interest spread will be comparable to 1997.

As explained in the Interest Rate Risk section the portfolio has a positive gap with maturing assets exceeding maturing liabilities during the one year time frame. If market rates increase this would have a positive impact on spreads.

Table 2 – Other Income
($ thousands)

	1997	1996	1997/1996 Increase (decrease) $	1997/1996 Increase (decrease) %
Credit related	$ 6,423	$ 6,241	$ 182	3%
Retail services	1,614	1,377	237	17
Trust services	1,113	686	427	62
Net gains on securities sales	911	824	87	11
Loan administration	609	736	(127)	(17)
Foreign exchange services	579	467	112	24
Other (1)	271	135	136	101
Total	$ 11,520	$ 10,466	$ 1,054	10%

(1) Other includes gains and losses on capital asset disposals and other miscellaneous non-interest revenues.

OTHER INCOME

Other income, which includes all revenues not classified as net interest income, increased $1.1 million in 1997 to $11.5 million. Notable changes include:

- increased trust services fees of $427,000 due to a full year of CWT operations and growth in self-administered registered retirement savings plan ("RRSP") fees;
- increased retail and foreign exchange services of $349,000 due to increased activity and deposit growth in the retail branches;
- decreased loan administration fees of $127,000 due to renewed contracts at reduced volumes; and
- the requirement, effective November 1, 1996, of the Office of the Superintendent of Financial Institutions ("OSFI") that all gains and losses realized on the sale of securities be reported in other income. Previously these gains and losses were reported in interest income from securities.

Other income as a percentage of total revenue was 8% in 1997 compared to 7% in 1996.

In 1998 total other income is expected to be comparable to 1997. We expect:

- credit fees will be comparable to 1997 levels due to continued competitive market conditions;
- retail and trust fees will increase due to ongoing focus on growth; and
- loan administration fees will decline as the current contracts wind down and expire in March, 1998.

NON-INTEREST EXPENSES

Non-interest expenses increased $3.5 million to $36.7 million in 1997 due to:

- new costs totalling $1.1 million for branches opened in fiscal 1997 and late in fiscal 1996;
- higher volumes of activity due to continued growth; and
- increased provincial capital taxes of $545,000 due to increased capital ($264,000) and for Alberta ($281,000) both increased profitability and a further reduction in the remission (see the Taxes section).

The productivity ratio improved to 64.4% since the rate of growth of revenues exceeded that of non-interest expenses. This was achieved in spite of the net interest margin declining to 2.48% from 2.59%. Non-interest expenses as a percentage of average assets was 1.98% in 1997, a significant improvement over the 2.09% recorded in 1996. This means overhead costs grew at a slower rate than growth in assets.

In 1998 we expect:

- the full time staff complement will increase by approximately 6% to accommodate growth in volumes and activity at the branches;
- other increases in non-interest expenses will be primarily attributable to volume increases from growth; and
- a small improvement (i.e. decrease) in the productivity ratio.

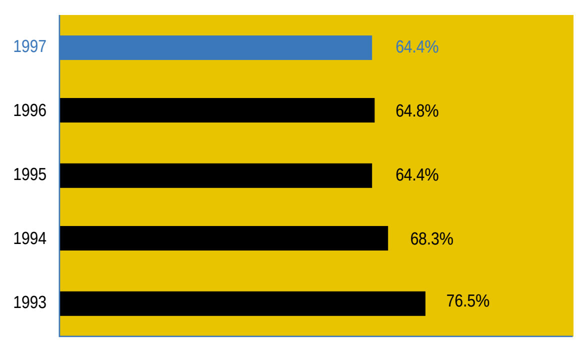
Table 3 – Non-Interest Expenses

($ thousands)

	1997	1996	1997/1996 Increase (decrease) $	1997/1996 Increase (decrease) %
Salaries and Staff Benefits				
Salaries	$ 16,590	$ 15,100	$ 1,490	9.9%
Pension and other staff benefits	2,421	2,254	167	7.4
Total	19,011	17,354	1,657	9.6
Premises				
Rent	2,686	2,593	93	3.6
Depreciation	623	601	22	3.7
Other	750	685	65	9.5
Total	4,059	3,879	180	4.6
Equipment and Furniture				
Depreciation	1,162	811	351	43.3
Other	1,127	1,058	69	6.5
Total	2,289	1,869	420	22.5
General				
Deposit insurance premiums	2,254	2,128	126	5.9
Capital and business taxes	2,088	1,598	490	30.7
Professional fees and services	1,879	1,532	347	22.7
Postage and stationery	1,059	1,000	59	5.9
Marketing and business development	984	906	78	8.6
Banking charges	641	497	144	29.0
Travel	623	481	142	29.5
Communications	484	434	50	11.5
Other	1,310	1,493	(183)	(12.3)
Total	11,322	10,069	1,253	12.4
Total Non-Interest Expenses	$ 36,681	$ 33,171	$ 3,510	10.6%
Productivity Ratio				
Net interest income	$ 45,414	$ 40,731	$ 4,683	11.5%
Other income	11,520	10,466	1,054	10.1
Total revenue	56,934	51,197	5,737	11.2
Non-interest expenses	$ 36,681	$ 33,171	$ 3,510	10.6%
Productivity Ratio (expenses as a percentage of total revenue)	64.4%	64.8%		

Capital expenditures of $3.6 million are budgeted for 1998 and will be funded from general operating revenues. Approximately 90% of this total, or $3.3 million, relates to proposed expenditures on computer hardware and software, the largest component of which relates to the proposed acquisition, installation and testing of a new banking system. No specific commitments existed at year end for these capital expenditures.

Productivity Ratio



TAXES

As a result of the amalgamation with BCB, effective November 1, 1996, the Bank assumed approximately $15.0 million in tax loss carryforwards, and $83.0 million in unclaimed tax deductions which are available for deduction in computing net income for tax purposes without time limitation. Of the consideration received by the BCB shareholders, $10.3 million was allocated to a deferred income tax asset which will be amortized to current income tax expense over the same period as the losses and unclaimed deductions are utilized.

The current year's tax provision includes current tax expense of $1.8 million (1996 - $1.2 million) offset by deferred tax credits of $1.4 million (1996 - $33,000).

The current tax provision represents income tax of the trust subsidiary of $599,000 (1996 - $890,000), consolidated large corporations tax of $348,000 (1996 - $274,000) and the amortization of $876,000 of the deferred tax asset acquired.

Deferred income taxes arise from current year timing differences related to claiming deductions for income tax purposes on a basis different from accounting and relate primarily to the provision for credit losses.

Approximately $8.0 million (1996 - $7.1 million) of tax loss carryforwards and $9.0 million of acquired tax loss carryforwards were used to eliminate taxes otherwise payable for the year ended October 31, 1997.

At October 31, 1997, the Bank has approximately $6.0 million of tax loss carryforwards which expire in 2003, and approximately $83.0 million of unclaimed deductions which are available to reduce future years' income for tax purposes. In addition, the trust subsidiary has $2.6 million of tax loss carryforwards, which expire up to 2004. The tax benefit of these losses has not been recognized in income.

Table 4 – Capital Taxes

($ thousands)

	Capital Tax Rate	Capital Allocation (2)	**1997**	1996
British Columbia	1.00%	40%	$ 661	$ 351
Alberta	2.00% (1)	52%	949	771
Saskatchewan	3.25%	5%	193	151
Manitoba	3.00%	3%	131	116
Total Capital Taxes			$ 1,934	$ 1,389

(1) Capital tax for financial institutions headquartered in Alberta is limited to 10% of pre-tax net income allocated to Alberta provided that value is less than Alberta capital taxes otherwise payable. This reduction decreases on a relative basis when a financial institution's capital base totals more than $100 million and is eliminated when its capital base reaches $200 million. The Bank's taxable capital base was approximately $129 million at October 31, 1997 (1996 - $103 million).

(2) These capital allocation percentages are for the Bank only, although total capital tax includes capital taxes paid in British Columbia by the trust company.

Capital taxes for 1997 totalled $1.9 million compared to $1.4 million in 1996. The increase is primarily attributable to:

- increased capital due to the BCB amalgamation and the retention of earnings;
- increased profitability, which increased the Alberta capital tax; and
- a reduction of $158,000 (1996 - $26,000) in the remission amount respecting Alberta capital tax.

In 1998 capital taxes are expected to increase due to:

- increased retained earnings; and
- increased capital tax in Alberta as profitability is expected to rise and total capital will increase further over the $100 million threshold level, reducing the remission.

The goods and services tax (GST) carries with it a significant cost to the Bank as it does to all financial institutions to the extent that GST paid is not recoverable through increased service charges, increased loan costs or reduced deposit rates. This is because the majority of the Bank's activities, except leasing and loan administration, are exempt under GST legislation and thus GST cannot be charged and collected from customers as occurs in the majority of Canadian businesses. As a result, the ability to recover the GST paid on most purchased goods and services is lost. The estimated cost of unrecoverable GST during 1997 was $694,000 compared to $653,000 in 1996.

LOANS

Table 5 – Outstanding Loans by Portfolio Type and by Provincial Location of Branch

($ millions)

October 31, 1997	British Columbia	Alberta	Saskatchewan	Manitoba	Total (1)	Composition%
Loans to Individuals						
Residential mortgages	$ 118	$ 104	$ 31	$ 4	$ 257	15%
Other	34	45	5	3	87	5
Total	152	149	36	7	344	20
Loans to Businesses						
Call	–	24	–	–	24	1
Commercial	233	122	6	13	374	22
Construction and real estate	361	203	27	39	630	37
Industrial	146	131	20	12	309	18
Energy	–	42	–	–	42	2
Other	–	–	–	–	0	0
Total	740	522	53	64	1,379	80
Total Loans	$ 892	$ 671	$ 89	$ 71	$ 1,723	100%
Composition %	52%	39%	5%	4%	100%	

October 31, 1996	British Columbia	Alberta	Saskatchewan	Manitoba	Total (1)	Composition%
Loans to Individuals						
Residential mortgages	$ 117	$ 117	$ 24	$ 4	$ 262	18%
Other	29	30	4	1	64	4
Total	146	147	28	5	326	22
Loans to Businesses						
Call	–	20	–	–	20	1
Commercial	181	72	2	8	263	18
Construction and real estate	341	192	28	39	600	40
Industrial	130	87	10	10	237	16
Energy	–	38	–	–	38	2
Other	–	8	–	–	8	1
Total	652	417	40	57	1,166	78
Total Loans	$ 798	$ 564	$ 68	$ 62	$ 1,492	100%
Composition %	53%	38%	5%	4%	100%	

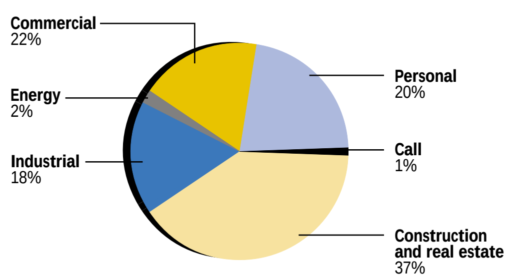
(1) This table does not include an allocation of the allowance for credit losses and deferred revenue and discounts.

Loans, as reported on the consolidated balance sheet, totalled $1.71 billion at the end of 1997 compared to $1.48 billion at the end of 1996, an increase of 16%. Highlights of the year over year changes are:

PORTFOLIO

- growth in commercial loans of $111 million (42%) which represents 22% of the portfolio versus 18% a year ago;
- an increased industrial portfolio of $72 million (30%) which also increased the relative mix to 18% from 16% in 1996;
- growth in construction and real estate loans of $30 million (5%) which represents 37% of the portfolio versus 40% a year earlier;
- decreased residential mortgages to 15% of the total portfolio versus 18% one year ago due to continuing highly competitive market conditions in a segment that is not within our primary focus; and
- growth in the energy portfolio, a specialty in our Calgary market, of $4 million (11%).

Loans by Portfolio



LOCATION

- loan growth of $94 million (12%) in British Columbia and $137 million (20%) in the prairie provinces; and
- a relatively constant overall percentage distribution by province.

In 1998 the Bank's business plan focuses on growing the industrial and energy portfolios. Although the market remains competitive, especially in this low rate environment, significant overall loan growth is planned for 1998 as the Bank expands its activities.

DEPOSITS

Table 6 – Deposits

($ thousands)

	1997		1996	
	Amount	% of Total	Amount	% of Total
Canadian Currency				
Personal chequing and savings	$ 78,798	4.3%	$ 73,135	4.6%
Business demand and savings	141,873	7.8	95,549	6.0
Fixed term:				
Under $100,000	929,712	51.2	803,872	50.7
$100,000 and over	250,393	13.8	197,487	12.5
Registered retirement products	401,831	22.1	404,937	25.5
	1,802,607	99.2	1,574,980	99.3
Foreign Currency (Canadian equivalent)				
Banks	7,042	0.4	6,704	0.4
Others	7,863	0.4	4,171	0.3
	14,905	0.8	10,875	0.7
Total	$ 1,817,512	100.0%	$ 1,585,855	100.0%

Deposits grew to $1.82 billion, an increase of 15%. The analysis of these deposits is presented in Table 6 and the mix is primarily consistent year over year. Highlights of the year include:

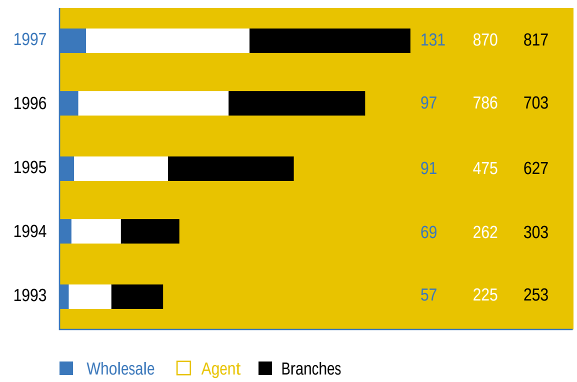
- increased balances in the business component of demand and savings accounts which signals some success in a continuing effort to lower our overall cost of funds;
- the introduction of the Interac® Direct Payment system as a service to personal customers which took place in the second half of the year and is expected to improve demand balances; and
- increased total deposits raised in our retail branches of almost 16%.

The mix of deposits by source also remained relatively consistent with last year:

- branches – 45% (1996 - 44%)
- deposit agents – 48% (1996 - 50%)
- wholesale clients – 7% (1996 - 6%)

CWT, whose portfolio mix is included in the above numbers, does not have retail branches and so gathers most of its deposits through deposit agents, although $11.2 million of CWT's growth was generated through CWB's retail branches. Retail branch deposits are generally considered to be more stable and the Bank's ongoing objective is to decrease reliance on deposits other than these over time. Agent deposits are slightly more expensive because a commission is paid, but this added cost is countered by a reduced need for establishment of an extensive branch network.

Deposits by Source ($ millions)



CAPITAL FUNDS AND ADEQUACY

Table 7 – Capital Structure and Ratios at Year End

($ thousands)

	1997	1996	1997/1996 Increase (decrease)
Tier 1 Capital			
Retained earnings	$ 39,476	$ 27,418	$ 12,058
Common shares	89,057	75,136	13,921
Less: unamortized goodwill	(593)	(666)	73
Total Tier 1 capital	127,940	101,888	26,052
Tier 2 Capital			
General impairment allowance (1)	2,282	–	2,282
Subordinated debentures	37,116	26,000	11,116
Total Tier 2 capital	39,398	26,000	13,398
Total Capital	$ 167,338	$ 127,888	$ 39,450
Capital Ratios to Risk-weighted Assets			
Tier 1 capital	8.4%	8.1%	0.3%
Tier 2 capital	2.6%	2.1%	0.5%
Total Capital	11.0%	10.2%	0.8%
Assets to Capital Multiple (2)	12.2	13.9	(1.7)

(1) Effective October 31, 1997 upon approval of application made to OSFI, banks were allowed to include their general allowance for credit losses up to a prescribed percentage of risk-weighted assets in Tier 2 capital. The Bank made application and was granted an inclusion rate of .15% of risk-weighted assets.

(2) Total assets plus off-balance sheet credit instruments, such as letters of credit and guarantees, less investments in associated corporations and goodwill divided by total capital.

Table 8 – Risk-weighted Assets

($ thousands)

	Balance	1997 Risk-weighted Balance	Balance	1996 Risk-weighted Balance
Balance Sheet Assets				
Cash resources	$ 129,163	$ 25,662	$ 63,405	$ 12,491
Securities	142,720	8,510	184,209	27,327
Loans	1,710,007	1,425,868	1,478,392	1,179,035
Other assets	41,061	38,460	28,066	25,847
Total balance sheet assets	$ 2,022,951	$ 1,498,500	$ 1,754,072	$ 1,244,700
Credit Instruments (1) (contract amounts)				
Guarantees and standby letters of credit	$ 24,279	$ 21,307	$ 18,479	$ 15,356
Commitments to extend credit (2)	1,800	1,080	440	0
Total credit instruments	$ 26,079	$ 22,387	$ 18,919	$ 15,356
Derivative Financial Instruments (3) (notional amounts)				
Interest rate contracts	$ 107,000	$ 97	$ 60,000	$ 231
Foreign exchange contracts	5,489	11	1,341	3
Total derivative financial instruments	$ 112,489	$ 108	$ 61,341	$ 234
Total Risk-weighted Assets		$ 1,520,995		$ 1,260,290

(1) See Note 11 to the Consolidated Financial Statements for further details.

(2) Greater than one year only.

(3) See Note 15 to the Consolidated Financial Statements for further details.

CAPITAL FUNDS AND ADEQUACY

OSFI requires banks to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets including off-balance sheet commitments. Based on the deemed credit risk of each type of asset a weighting of 0% to 100% is assigned. Published regulatory guidelines require banks to maintain a minimum ratio of capital to risk-weighted assets and off-balance sheet items of 8% of which 4% must be core capital (Tier 1) and the remainder supplementary capital (Tier 2). However, OSFI encourages Canadian banks to maintain a total capital adequacy ratio of 10% with a target Tier 1 ratio of not less than 7%. In the Bank, Tier 1 capital is comprised of common shareholders' equity and Tier 2 capital includes subordinated debentures and an inclusion of the general allowance for credit losses at a prescribed inclusion rate of .15% of risk-weighted assets.

Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and which take into account forecasted capital needs and markets. Our goal is to maintain adequate regulatory capital to provide enough support for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, while still improving our return on equity through a better capital mix. Medium term plans include growing Tier 2 capital relative to Tier 1 in order to achieve more efficiency, but keeping Tier 2 weighting within industry norms of 30% of total capital.

At October 31, 1997 the total capital ratio coverage was 11.0% (1996 - 10.2%) of which 8.4% (1996 - 8.1%) was Tier 1 capital. Total regulatory capital increased $39.5 million over 1996 as a result of:

- earnings net of dividends of $13.5 million;
- increased subordinated debt through the issue of conventional debt totalling $13.1 million, offset by the redemption of a $2.0 million convertible debenture and a related charge of $1.1 million to retained earnings, representing consideration received by the holder for the conversion option;
- additional share capital of $12.8 million, representing 1,119,000 shares issued upon amalgamation with BCB, effective November 1, 1996, offset by a charge to retained earnings of $337,000 for share issue expenses;
- additional share capital of $1.1 million issued upon the exercise of 128,400 stock options; and
- the newly allowable inclusion of the general allowance for credit losses.

Subordinated debentures include both convertible ($24.0 million) and conventional ($13.1 million) debentures. Note 8 to the Consolidated Financial Statements details the terms of the debentures.

The Bank has share option plans that are provided as an incentive to officers and employees who are in a position to materially impact the longer term financial success of the Bank as measured by shareholder wealth. Note 9 to the Consolidated Financial Statements details the number of shares under option outstanding and the associated exercise price and dates of exercisability.

RISK MANAGEMENT

OVERVIEW

The Bank's risk management policies have evolved and improved over the past several years in order to accommodate the new challenges that come with growth, expansion and changes in the regulatory and public domain.

Effective risk management is central to the ability to remain strong and profitable and includes identifying, assessing, managing and monitoring all forms of risk. The Bank is primarily exposed to four basic types of risk:

- credit risk
- liquidity risk
- market risk
- operational risk

The most senior executives are responsible for identifying risks and establishing appropriate risk management policies and frameworks. The Board of Directors, either directly or through its committees, reviews and approves the key policies, and implements specific reporting procedures to enable them to monitor ongoing compliance over significant risk areas. At least annually a report on significant internal controls is presented to the Board and the Audit Committee.

The Loans Committee of the Board, which maintains a close working relationship with the credit risk management group, is responsible for:

- the review and approval of credit risk management policies;
- loans in excess of delegated limits;
- the review and monitor of impaired and other less than satisfactory loans; and
- the recommendation of the adequacy of the allowance for credit losses to the Audit Committee.

At the operational level, the Asset Liability Committee ("ALCO") plays a key role in the management of liquidity and market risk. ALCO is a management committee chaired by the Senior Vice President, Corporate & Strategic Operations with the President and Chief Executive Officer ("CEO") and other senior executives as members and is responsible for:

- the establishment and maintenance of policies and programs for liquidity management and control, funding sources, investments, foreign exchange risk, interest rate risk and derivatives; and
- regular meetings to review compliance and discuss strategy in this area.

Asset liability management policies are approved and reviewed at least annually by the Board with quarterly status reporting provided to the Board.

The Operations Committee meets regularly and is made up of experienced bank officers from all areas of operations and is chaired by a member of senior management. This committee is responsible for developing appropriate policies and procedues, including internal controls, respecting day-to-day, routine operations.

The internal audit group performs inspections in all areas of the Bank, including CWT, and reports the results directly to senior management, the President and CEO and the Audit Committee.

CREDIT RISK MANAGEMENT

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its obligation to the Bank. This risk can relate to balance sheet assets, such as loans, as well as off-balance sheet assets such as guarantees and letters of credit. Exposure to a single borrower or associated borrowers is normally limited to 10% of capital funds. The current approved maximum credit exposure is $10 million excepting government risk.

The Bank employs and is committed to a number of important principles to manage credit exposures which include:

- a Loans Committee of the Board whose duties include approval of lending policies, establishment of lending limits of the Bank, the delegation of lending limits and the review of larger credits as well as quarterly reports prepared by management on watch list loans, impaired loans, the adequacy of the allowance for credit losses, environmental risk and diversification of the portfolio;
- delegated lending authorities which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of limits and the review of larger credits by a senior management group prior to recommendation to the Loans Committee;
- credit policies, guidelines and directives which are communicated to all branches and officers whose activities and responsibilities include credit granting and risk assessment;
- appointment of personnel engaged in credit granting who are qualified, experienced bankers;
- a credit risk rating classification established for all credits and reviewed no less than annually;
- annual reviews of individual credit facilities (excepting consumer loans and residential mortgages);
- diversification of risk by client, geographic area, industry sectors and products;
- pricing of credits commensurate with risk to ensure appropriate compensation;
- management of growth within quality objectives;
- early recognition of problem accounts with utilization of a specialist in managing accounts;
- independent annual reviews of credit valuation, risk classification and credit management procedures by the internal audit group which include reporting the results to senior management, the President and CEO and the Audit Committee; and
- detailed quarterly reviews of accounts rated less than satisfactory including a watch list report recording accounts with evidence of weakness, an impaired loan report covering loans which show impairment to the point where a loss is probable, and the establishment of an action plan for each account.

Environmental Risk

The operations conducted by the Bank do not impose a material effect on the environment. However, losses can be incurred if a borrower is unable to repay loans due to environmental clean up costs or if the Bank becomes directly liable for clean up costs if it is deemed to have taken control or ownership of a contaminated property.

Risk assessment criteria and procedures are in place to manage environmental risks and these are communicated to lending personnel. Reports on environmental inspections and findings are reviewed by senior management and reported upon quarterly to the Board.

Portfolio Quality

The Bank's strategy is to continually improve and maintain a quality portfolio. Efforts are directed towards achieving a wide diversification, engaging experienced personnel who provide a hands on approach in credit granting, account management and quick action when problems develop. The lending focus is primarily directed to small and medium-sized businesses and individuals with operations conducted in the four western provinces. Relationship banking and "know your customers" are important tenets of account management. An appropriate return on the level of risk is fundamental.

Impaired Loans

During 1997 impaired loans declined steadily and at the same time the general (unallocated) allowance for credit losses grew to a record high of $7.5 million. The general allowance for credit losses, which is in addition to provisions for specific losses, provides a cushion for future credit losses which are not yet specifically identifiable.

Gross impaired loans declined $6.0 million in 1997 reflecting both a concerted effort to resolve problem accounts and general industry trends. In 1996, a work out specialist was engaged to focus exclusively on selected impaired loans. This has resulted in accelerating a reduction of loans in this category. As shown in Table 9 gross impaired loans have reduced to $21.5 million representing 1.26% (1996 - 1.86%) of total outstanding loans.

Table 9 – Change in Gross Impaired Loans

($ thousands)

	1997	1996	1997/1996 Increase (decrease)
Gross impaired loans, beginning of year	$ 27,556	$ 30,878	$ (3,322)
Net additions (reductions) in impaired loans	(1,457)	441	(1,898)
Write-offs	(4,565)	(3,763)	802
Gross Impaired Loans, End of Year	$ 21,534	$ 27,556	$ (6,022)
Gross Impaired Loans as a Percentage of Total Loans	1.26%	1.86%	(0.60)%

Impaired loans net of the allowance for credit losses have also reduced substantially over the past year and represent a very satisfactory .53% (1996 - .99%) of net loans outstanding. The Bank expects this trend to continue in 1998 with a moderate decline in net impaired loans.

Table 10 shows the year over year changes to the allocation of the allowance for credit losses to specific provisions by category of impaired loans and to the general allowance for credit losses.

Net Impaired Loans as a Percentage of Net Loans Outstanding

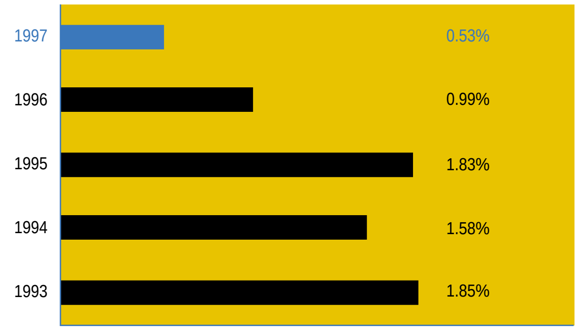


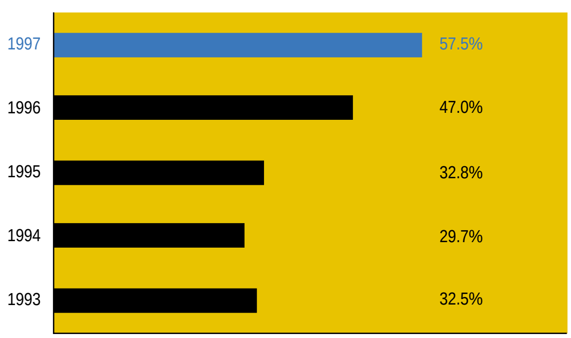
Table 10 – Allowance for Credit Losses

($ thousands)

	1996 Ending Balance	Write-offs, net of Recoveries (1)	Provision for Credit Losses	**1997 Ending Balance**
Specific Provisions				
Consumer and personal	$ 577	$ 647	$ 546	$ 476
Real estate	2,638	2,537	724	825
Industrial	1,070	96	457	1,431
Other	2,644	1,274	809	2,179
General Allowance	6,012	–	1,464	7,476
Total	$ 12,941	$ 4,554	$ 4,000	$ 12,387

(1) Recoveries in 1997 totalled $11,000 (1996 - $103,000).

Allowance for Credit Losses as a Percentage of Gross Impaired Loans



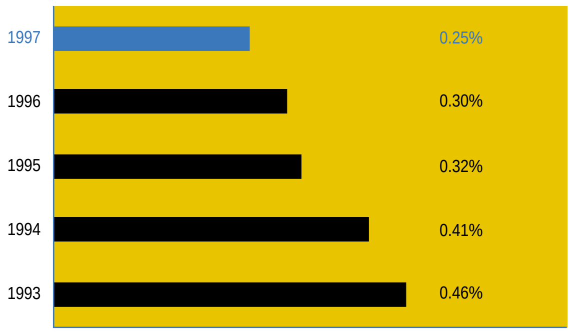
Allowance for Credit Losses

The allowance for credit losses consists of $4.9 million in specific provisions and $7.5 million in the general allowance for credit losses with the latter now representing 0.43% of gross outstandings. This compares very favourably with the Bank's five year loan loss average of 0.35%. The general allowance is available to cover credit losses inherent in the portfolio which are not currently identifiable on an account by account basis. An assessment of the adequacy of the general allowance is conducted quarterly and measured against the Bank's five year loan loss average.

In addition a method of applying a progressive (increases with higher risk) loss ratio range against groups of loans of a common risk rating is utilized to test the general allowance adequacy. As a further refinement to this method, the Bank is committed to develop a credit migration methodology to determine loan loss probabilities during the life of individual loans or groups of loans with common characteristics. We expect to have this new methodology structured early in fiscal 1998 with testing throughout the year.

Provision for Credit Losses

Provision for Credit Losses as a Percentage of Average Loans Outstanding

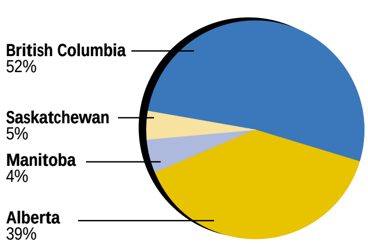


The trend of improving credit quality in the portfolio is reflected in the above graph. For the year ended October 31, 1997 the provision for credit losses represented 0.25% of average loans. This improvement is further illustrated by Table 10 which shows significant growth in the general allowance. We anticipate this improvement to carry on through 1998.

Diversified Portfolio

Total Advances Based on Location (also see Table 5)

Geographical Distribution of Loans



During 1997 we expanded our analysis of the loan portfolio to provide more detail on loans to the various sectors we are servicing. The following table illustrates the diversification in our lending operations by industry sector.

Total Advances Based on Industry Sector

As at October 31 (Sector) (%)	**1997**
Real estate operations	22.3%
Consumer loans & residential mortgages	19.4
Construction	18.2
Transportation & storage	5.5
Manufacturing	4.5
Hotel/motel	3.8
Government guaranteed	3.7
Oil & gas (production)	3.3
Finance & insurance	2.8
Logging/forestry	2.7
Other services	2.6
Wholesale trade	2.4
Other	8.8
Total	100.0%

Management of the loan portfolio includes the strategy of avoiding high concentration in one geographic area or industry sector. The Bank's portfolio is well diversified with a mix of corporate and personal business. Areas currently in focus are industrial and oil and gas lending. Industrial lending units are set up within branches or stand alone operations while oil and gas lending is conducted by specialists in our Calgary market. In addition to these areas, we also have real estate divisions established in the major centres in which we operate.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from lending, deposit taking, investing and other activities. Effective liquidity management ensures that adequate cash is available to honour all cash outflow obligations. Maintenance of a prudent liquidity base also provides flexibility to fund loan growth and to react to other market opportunities.

The liquidity policy includes:

- measurement and forecast of cash flows;
- maintenance of a high quality pool of liquid assets;
- a stable base of core deposits built from retail and commercial customers;
- limitations on single deposits and sources of deposits;
- diversification of funding sources to the greatest extent possible; and
- an approved contingency plan.

Key features of liquidity management are:

- the daily monitor of expected cash inflows and outflows, with management information systems also in place to track and forecast the liquidity position, including the flows from off-balance sheet items, on a weekly and forward three month rolling basis;
- consideration of the term structure of assets and liabilities, with emphasis on deposit maturities, as well as expected loan fundings and other commitments to provide funds when determining required levels of liquidity; and
- the separate management of the liquidity position of the Bank and CWT so as to comply with related party and other regulatory tests.

A schedule outlining the consolidated securities portfolio at October 31, 1997 is provided in Note 2 to the Consolidated Financial Statements. A conservative policy is maintained in this area with:

- investments limited to high quality debt securities to meet objectives of liquidity management and to provide an appropriate return;
- development and implementation of specific investment criteria and procedures for purposes of management of the securities portfolio;
- regular review, monitoring and approval by ALCO of policies regarding these investments with subsequent review and approval by the Board of Directors at least annually; and
- the presentation of quarterly reports to the Board on the securities portfolio.

Table 11 – Liquid Assets

($ thousands)

	1997	1996	1997/1996 Increase (decrease)
Cash	$ 854	$ 952	$ (98)
Deposits with regulated financial institutions	109,845	56,048	53,797
Cheques in transit	18,464	6,405	12,059
Total Cash Resources	129,163	63,405	65,758
Call loans/repurchase agreements	24,000	20,000	4,000
Government of Canada treasury bills	63,538	109,335	(45,797)
Government of Canada and provincial bonds term to maturity 1 year or less	10,736	20,625	(9,889)
Government of Canada and provincial bonds term to maturity over 1 year	59,936	26,921	33,015
Other marketable securities	7,490	26,578	(19,088)
Total Call Loans and Marketable Securities	165,700	203,459	(37,759)
Total Liquid Assets	$ 294,863	$ 266,864	$ 27,999
Total Assets	$ 2,022,951	$ 1,754,072	$ 268,879
Liquid assets as a percentage of total assets	14.6%	15.2%	(0.6)%
Total Deposit Liabilities	$ 1,817,512	$ 1,585,855	$ 231,657
Liquid assets as a percentage of total deposit liabilities	16.2%	16.8%	(0.6)%

As shown in Table 11, liquid assets comprised of cash, interbank deposits, items in transit, call loans/repurchase agreements and marketable securities, totalled $294.9 million at October 31, 1997, an increase of $28.0 million from October 31, 1996. Liquid assets represented 14.6% (1996 - 15.2%) of total assets and 16.2% (1996 - 16.8%) of total deposit liabilities at that date. These liquidity levels are within the Bank's targeted range with somewhat higher liquidity typically held during periods of high deposit activity such as the January through March RRSP season.

Highlights of the composition of liquid assets at October 31, 1997 follow:

- maturities within one year total 79% or $233.9 million;
- Government of Canada treasury bills make up 22% of the book value with other Government of Canada and provincial debt securities accounting for 24% of liquid assets;
- highly rated short term commercial paper totalled $6.5 million compared to $25.6 million one year ago; and
- CWT's security portfolio, which is included in the above figures, is comprised of $20 million of treasury bills which substantially exceeded regulatory liquidity requirements.

Also included in liquid assets are interest bearing deposits held with regulated financial institutions, including bankers acceptances, and call loans and repurchase agreements. Call loans and/or repurchase agreements are short term advances, typically no more than several days in duration, to securities dealers and are either secured by treasury bills or other high quality liquid securities, or require the dealer to repurchase the securities.

During the year, deposits with financial institutions increased while holdings of treasury bills decreased in order to take advantage of the wider spreads that emerged between bank paper and treasury bills. The amount invested in government bonds with maturities over one year also increased in view of the additional yield to be gained by extending term.

Short term credit facilities have been arranged with a number of other financial institutions. The expansion of such facilities will continue to be pursued as an additional liquidity safeguard. The government insured/guaranteed mortgage and loan portfolios also represent a potential source of liquidity.

The primary source of new funding is the issuance of deposit instruments. A summary of the deposit maturity mix is presented in Tables 12 and 13.

Table 12 – Deposit Maturities Within One Year

($ millions)

	Within 1 Month	1-3 Months	3 Months - 1 Year	Cumulative Within 1 Year
At October 31, 1997				
Demand deposits	$ 41	$ –	$ –	$ 41
Notice deposits	185	–	–	185
Deposits payable on a fixed date	281	167	461	909
Totals	$ 507	$ 167	$ 461	$ 1,135
At October 31, 1996				
Totals	$ 416	$ 142	$ 420	$ 978

Table 13 – Total Deposit Maturities

($ millions)

	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Non-interest Sensitive	Total
At October 31, 1997							
Demand deposits	$ 41	$ –	$ –	$ –	$ –	$ –	$ 41
Notice deposits	185	–	–	–	–	–	185
Deposits payable on a fixed date	909	211	192	166	108	6	1,592
Totals	$ 1,135	$ 211	$ 192	$ 166	$ 108	$ 6	$ 1,818
At October 31, 1996							
Totals	$ 978	$ 227	$ 146	$ 95	$ 140	$ –	$ 1,586

A breakdown of deposits by source is provided under the heading Deposits. Target limits by source have been established as part of the Bank's overall liquidity policy and are monitored to ensure an acceptable level of diversification in sources of funding is maintained. The Bank continues to aggressively pursue retail deposits generated through its branch network as a core funding source. However, the total dollar value of agent generated deposits will likely continue to increase even though the goal is to decrease funding from this source as a percentage of total deposit liabilities. CWT has historically raised essentially all of its funding through deposit agents. The Bank distributes CWT's deposit products through the Bank's branch network and at October 31, 1997, $11.2 million of CWT deposits had been raised in this manner.

MARKET RISK

Market risk is the impact on earnings resulting from changes in financial market variables such as interest rates and foreign exchange rates. Market risk arises when making loans, taking deposits and making investments. The Bank does not undertake trading activities and, therefore, does not have risks related to such activities as market making, arbitrage or proprietary trading. The Bank's market risks are confined to interest rates and foreign exchange as discussed below.

Interest Rate Risk

Interest rate risk or sensitivity can be defined as the impact on net interest income, both current and future, resulting from a change in market interest rates. This risk and potential variability in earnings arises when cash flows associated with interest sensitive assets and liabilities have different repricing dates. The differential is commonly referred to as the interest rate gap position. Interest rate gaps arise as a result of the financial intermediation process and reflect differences in term preferences on the part of borrowers and depositors.

A positive interest rate gap exists when interest sensitive assets exceed interest sensitive liabilities for a specific maturity or repricing period. A positive gap will tend to lead to an increase in net interest income when market interest rates rise since assets are repricing earlier than liabilities. The opposite impact will occur when market interest rates fall. A negative gap is the opposite of a positive gap.

To manage interest rate risk, ALCO establishes policy guidelines for interest rate gap positions and meets regularly to monitor the Bank's position and decide future strategy. The objective is to manage the interest rate risk within prudent guidelines. Interest rate risk policies are also approved and reviewed at least annually by the Board with quarterly reporting provided to the Board as to the Bank's position, both consolidated and non-consolidated.

Exposure to interest rate risk is controlled by managing the size of the static gap position between interest sensitive assets and interest sensitive liabilities for future periods. Gap analysis is supplemented by computer simulation of the asset liability portfolio structure and dollar estimates of net interest income sensitivity for periods of up to one year. The interest rate gap is measured monthly.

Table 14 shows the consolidated gap position for selected time intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

Table 14 – Asset Liability Gap Positions

($ millions)

	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	Over 5 Years	Non-interest Sensitive	Total
At October 31, 1997								
Assets								
Cash resources	$ 75	$ 10	$ 5	$ 90	$ –	$ –	$ 39	$ 129
Securities	11	13	57	81	52	9	1	143
Loans	705	71	261	1,037	686	–	(13)	1,710
Other assets	–	–	–	–	–	–	41	41
Off-balance sheet swaps	5	30	72	107	–	–	–	107
Total assets	796	124	395	1,315	738	9	68	2,130
Liabilities and Equity								
Deposits	507	167	461	1,135	676	–	6	1,817
Other liabilities	–	–	–	–	–	–	40	40
Debentures	–	–	–	–	33	4	–	37
Shareholders' equity	–	–	–	–	–	–	129	129
Off-balance sheet swaps	107	–	–	107	–	–	–	107
Total liabilities and equity	614	167	461	1,242	709	4	175	2,130
Interest Rate Sensitive Gap	$ 182	$ (43)	$ (66)	$ 73	$ 29	$ 5	$ (107)	$ –
Cumulative Gap	$ 182	$ 139	$ 73	$ 73	$ 102	$ 107	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	8.5%	6.5%	3.4%	3.4%	4.8%	5.0%	(5.0)%	–
At October 31, 1996								
Total assets	$ 612	$ 127	$ 389	$ 1,128	$ 648	$ 3	$ 34	$ 1,813
Total liabilities and equity	471	147	420	1,038	628	6	141	1,813
Interest Rate Sensitive Gap	$ 141	$ (20)	$ (31)	$ 90	$ 20	$ (3)	$ (107)	$ –
Cumulative Gap	$ 141	$ 121	$ 90	$ 90	$ 110	$ 107	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	7.8%	6.7%	5.0%	5.0%	6.1%	5.9%	(5.9)%	–

Notes:

1. Accrued interest is excluded in calculating interest sensitive assets and liabilities.
2. Potential prepayments of fixed rate loans and early redemption of redeemable fixed term deposits have not been estimated. Redemptions of fixed term deposits where depositors have this option are not expected to be material. Deposits with a redemption option totalled approximately $61 million as at October 31, 1997. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

The gap analysis in Table 14 is a static measurement of interest rate sensitive gaps at a specific time. These gaps can change significantly in a short period of time. The impact of changes in market interest rates on earnings will depend upon the magnitude and rate of change in interest rates as well as the size and maturity structure of the cumulative interest rate gap position and the management of those positions over time.

During the year:

- the one year and under cumulative gap decreased from 5.0% of assets to 3.4%;
- the one month and under gap increased from 7.8% to 8.5%; and
- the five year and under cumulative gap decreased from 6.1% to 4.8%.

Of the $909 million in fixed term deposit liabilities maturing within one year from October 31, 1997, approximately $107 million (5.9% of total deposit liabilities) are fixed term RRSP deposits maturing between December 1, 1997 and April 30, 1998. The term in which these deposits are retained will have an impact on the future asset liability structure and hence interest rate sensitivity. Given the current historically low interest rate environment and recent short term interest rate increases, strong demand from borrowers wishing to fix loan rates for longer terms out to five years is expected. Conversely, depositors may give preference to shorter terms, in anticipation of possible future rate increases, as well as possibly being attracted to alternative investments offering potentially higher returns.

The effective interest rates for each class of financial asset and liability, including off-balance sheet instruments, are shown in Table 15.

Table 15 – Weighted Average Effective Interest Rates

(%)

	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	Over 5 Years	Total
At October 31, 1997							
Assets							
Cash resources	3.2%	3.7%	3.9%	3.3%	– %	– %	3.3%
Securities	3.5	3.4	4.0	3.8	5.3	5.3	4.4
Loans	6.7	7.3	7.9	7.1	8.2	8.2	7.5
Off-balance sheet swaps	8.3	4.7	4.2	4.5	–	–	4.5
Total assets	6.3	6.0	6.6	6.4	8.0	5.3	7.0
Liabilities and Equity							
Deposits	2.8	4.5	5.0	4.0	6.3	–	4.8
Debentures	–	–	–	–	6.7	9.0	6.9
Off-balance sheet swaps	3.7	–	–	3.7	–	–	3.7
Total liabilities and equity	3.0	4.5	5.0	3.9	6.3	9.0	4.8
Interest Rate Sensitive Gap	3.3%	1.5%	1.6%	2.5%	1.7%	(3.7)%	2.2%
At October 31, 1996							
Total assets	6.3%	6.9%	7.6%	6.8%	8.7%	5.3%	7.5%
Total liabilities and equity	3.1	5.1	5.9	4.5	7.0	7.7	5.4
Interest Rate Sensitive Gap	3.2%	1.8%	1.7%	2.3%	1.7%	(2.4)%	2.1%

The estimated sensitivity of net interest income to a change in interest rates is presented in Table 16. The amounts represent the estimated change in net interest income over the time period shown resulting from a one percentage point increase in interest rates. The estimates are based on a number of assumptions/factors which include:

- a constant structure in the asset liability portfolio;
- interest rates affecting interest sensitive assets and liabilities that change by the same amount and are applied at the appropriate repricing dates; and
- no early redemptions.

Table 16 – Estimated Increase in Net Interest Income as a Result of a One Percentage Point Increase in Interest Rates

($ thousands)

Period	**1997**	1996
90 days	$ 384	$ 262
1 year	1,478	1,157
1 year percentage change	3.0%	2.7%

A one percentage point decrease in interest rates would also result in an estimated decrease in net interest income as shown in Table 16. The interest sensitivity of the portfolio increased in both absolute dollar terms and as a percentage of estimated future net interest income during the year, but remained well within policy guidelines.

It is management's intention to continue to manage the asset liability structure and interest rate sensitivity through pricing and product policies to attract appropriate assets and liabilities as well as through the use of interest rate swaps or other appropriate hedging techniques (see discussion under Off-balance Sheet Financial Instruments Including Derivatives). Assets and liabilities having a term to maturity in excess of five years are subject to specific review and control and with the exception of debentures, as outlined in Note 8 to the Consolidated Financial Statements, such items were not material at October 31, 1997.

Foreign Exchange Risk

In providing financial services to its customers, the Bank has assets and liabilities denominated in United States dollars. At October 31, 1997, assets denominated in U.S. dollars were 0.6% (1996 - 0.6%) of total assets and U.S. dollar liabilities were 0.8% (1996 - 0.7%) of total liabilities. Currencies other than U.S. dollars are not bought or sold other than to meet specific customer needs and, therefore, the Bank has no material exposure to currencies other than U.S. dollars.

Foreign exchange risk arises when there is a difference between assets and liabilities denominated in U.S. dollars. Policies are established setting limits on the difference between U.S. dollar assets and liabilities. The difference is measured daily and managed by use of U.S. dollar contracts or other means. Policies respecting foreign exchange exposure are reviewed and approved at least annually by the Board, and deviations from policy are reported to the Board and ALCO.

OPERATIONAL RISK

Operational risk is the potential for loss as a result of a failure in communication, information or transaction processing due to system or procedural failures, errors, natural disasters or fraudulent activities.

These risks can never be completely eliminated but the Bank's strategy to minimize operational risk includes:

- a knowledgeable and experienced management team that is committed to the Bank's risk management policies;
- regular meetings of the Operations Committee, a management committee made up of supervisory and management personnel from all operational areas and chaired by a member of senior management, which is responsible for the development and recommendation of policies and procedures regarding day to day, routine operations;
- communication of the importance of effective risk management to all levels of staff through training and policy implementation;
- regular inspections for compliance and the effectiveness of procedural controls by a strong, independent internal audit team;
- implementation of policies and procedural controls appropriate to address identified risks and which include segregation of duties and built-in checks and balances;
- use of technology via automated systems with built-in controls;
- continual review and upgrade of systems and procedures; and
- updated and tested procedures for disaster recovery and business continuity.

In addition, the shareholders' auditors report annually on the efficiency and effectiveness of internal controls over significant risk areas and provide their report to the Audit Committee. The Bank also maintains appropriate insurance coverage through a financial institution bond policy.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS INCLUDING DERIVATIVES

Table 17 – Off-balance Sheet Financial Instruments

($ thousands)

	1997	1996
Credit Instruments		
Guarantees and standby letters of credit (1)	$ 24,279	$ 18,479
Commitments to extend credit (2)	233,842	185,096
Total	$ 258,121	$ 203,575
Derivative Financial Instruments (notional amount)		
Interest rate contracts (3)	$ 107,000	$ 60,000
Foreign exchange contracts (4)		
Purchase	3,237	1,341
Sale	2,252	–
Total	$ 112,489	$ 61,341
Assets Under Administration	$ 395,486	$ 371,798

(1) Letters of credit and guarantees are issued on behalf of clients to third party beneficiaries as part of normal business operations.

(2) Commitments to extend credit to customers arise in the normal course of business. Includes authorized undrawn availability under lines of credit and commercial operating loans of $109 million (1996 - $78 million) and recently authorized but unfunded loan commitments of $125 million (1996 - $107 million).

(3) Interest rate swaps are used as hedging devices to control interest rate risk. The outstanding swaps mature between November, 1997 and October, 1998. The total gross positive replacement cost of interest rate swaps was a positive $485,000 (1996 - $1.1 million). This market value represents an unrealized gain, or the payment the Bank would receive if these contracts were unwound and settled at that date.

(4) U.S. dollar foreign exchange contracts are used to manage the difference between U.S. dollar assets and liabilities. At October 31, 1997 forward foreign exchange contracts had been entered into for hedging purposes, calling for the future purchase of $2.3 million U.S. at the equivalent amount of $3.2 million Canadian and the future sale of $1.6 million U.S. for $2.3 million Canadian.

More detailed information on the nature of the Bank's off-balance sheet financial instruments is shown in Notes 11, 12 and 15 to the Consolidated Financial Statements.

Continued use of interest rate swaps, interest rate floors or caps and similar off-balance sheet hedging instruments is expected in the future for the purpose of asset liability structuring and management. Interest rate derivatives, including swaps and rate floors or caps, are used to manage interest rate risk. The Bank only enters into these off-balance sheet derivative financial instruments for its own account and does not act as an intermediary in this market. Transactions are entered into on the basis of industry standard contracts with approved counterparties subject to periodic and at least annual review. Policies regarding the use of off-balance sheet financial instruments are approved, reviewed, and monitored on a regular basis by ALCO and reviewed and approved by the Board at least annually.

Through its trust subsidiary, the Bank has assets under administration which totalled approximately $395 million at October 31, 1997 (1996 - $372 million). These assets are primarily in self-administered RRSPs and RRIFs (registered retirement income funds). These assets, and the fees earned for their administration, are expected to increase in 1998.

Corporate Governance

INTRODUCTION

The Board of Directors and management of the Bank are committed to maintaining an effective corporate governance framework which is critical to the effective and efficient management of the Bank's operations. In 1997, the Board organized and attended a retreat solely on corporate governance to critically review and assess the Bank's current framework. As a result of this focus the Corporate Governance & Human Resources Committee was established (replacing the former Nominating and Compensation Committees) to provide direction, monitor compliance and recommend to the Board the optimum approach to governance issues and the enhancement of corporate performance.

The Bank's corporate governance structure and procedures are in compliance with the Guidelines for Improved Corporate Governance adopted by The Toronto Stock Exchange in 1995 ("the TSE Guidelines").

THE BOARD AND BOARD COMMITTEES

The Bank is a federally regulated Schedule I bank. Pursuant to the Bank Act ("the Act"), no one shareholder, or shareholders acting in concert, can own more than ten percent of any class of shares of a Schedule I bank. Therefore, the Bank has no significant shareholders.

The Board is comprised of twelve members. The number of directors reflects the desire to have the members represent the geographical jurisdictions in which the Bank operates and the need to fill the memberships of the two required committees, the Audit and Conduct Review Committees, and the other board committees which are the Loans Committee and the Corporate Governance & Human Resources Committee. The Board has reviewed the status of each of its directors and determined if they are affiliated or unaffiliated (as defined by the affiliation rules set forth in the Act), and not unrelated or unrelated directors, as defined in the TSE Guidelines. As a result of this review, the Board has determined that two of the directors are affiliated (the President and Chief Executive Officer ("CEO") and Executive Vice President); they are also the only inside directors. A third director who is a partner of the law firm which acts as general legal counsel to the Bank is not unrelated for TSE guideline purposes.

At the time of appointment to the Board, at least 75 percent of the board members must be resident Canadians and no more than four members may be employees of the Bank. The Chairman is an independent director and is appointed annually by the members of the Board. Responsibilities not delegated to senior management or to a committee of the Board remain those of the full Board. The Board expects all significant risks and internal controls to be identified and reported upon by senior management to the Board and/or its committees.

The Board as a whole has expressly assumed responsibility for developing the Bank's approach to governance issues although the Corporate Governance & Human Resources Committee plays a key role by recommending and reporting on governance issues to the Board. In addition, certain governance issues have been delegated to other committees of the Board.

The Act contains several sections dealing with the governance of a bank through its board of directors. These sections prescribe matters such as limitations on the number of directors who can be affiliated or non-resident, certain powers that must be transacted by the full Board, and requirements to establish both an audit committee and a conduct review committee. The Act also prescribes certain minimum benchmarks for board and committee membership, quorums and the transaction of business by a board. The three encompassing duties in the Act that form the basis for the Board's mandate are:

- to manage or supervise the management of the business and affairs of the Bank;
- to act honestly and in good faith with a view to the best interests of the Bank and exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances; and
- to comply with the Act, the regulations, the Bank's incorporating instrument and its by-laws.

The mandate of the Board also includes references to compliance with the Canada Deposit Insurance Corporation's ("CDIC") Standards of Sound Business and Financial Practices. Generally speaking, these practices and related standards cover all major risk areas of a bank and call for the Board to at least annually approve the policies and review the management programs associated with:

- interest rate risk management
- securities portfolio management
- liquidity management
- foreign exchange risk management
- capital management
- internal control
- real estate appraisals
- credit risk management

The areas of real estate appraisals and credit risk management have been delegated to the Loans Committee of the Board described below.

The mandate of the Board also specifically includes other matters which are not necessarily stated in the Act or in the CDIC standards and they are summarized as follows:

- approve the annual statement and specified returns, prior to release to the public or submission to OSFI;
- review and approve the annual strategic business plan and accompanying capital plan and financial operating budget, including capital expenditures;
- declare dividends;
- outline the content and frequency of management reports on financial operations;
- review and ratify the employment, appointment, grade levels and compensation of the top five executive employees and approve all senior officer appointments;
- review the Bank's succession plan;
- review any recommendations from regulators or external auditors respecting their assessment of the effectiveness of the internal controls that come to their attention in the conduct of their work;
- ensure an independent audit/inspection function is in place to monitor the effectiveness of organizational and procedural controls;
- review and accept reports from the Audit, Conduct Review and Corporate Governance & Human Resources Committees; and
- approve loan write-offs.

AUDIT COMMITTEE

This committee is comprised of four outside directors and its mandate is summarized as follows:

- review and approve the annual statement and specified returns prior to submission to the Board, including adequacy of credit loss provisions and loan write-offs as recommended by the Loans Committee;
- review and approve other returns as required by the Superintendent of Financial Institutions;
- ensure that appropriate internal control procedures are in place;
- review investments and transactions of the Bank, that could adversely affect its well-being, which are brought to the committee's attention by the internal or shareholders' auditors, or an officer of the Bank or other committee of the Board;
- review the annual statement and any specified return with the shareholders' auditors, ensuring any items of concern are duly considered;
- ensure the adequacy/effectiveness of the internal control procedures and review any significant findings with the Chief Inspector and senior management;
- review the interim unaudited statements, as well as other public information, before public disclosure;
- review the terms of the shareholders' auditors' engagement, their level of compensation, the audit plan, any proposed changes in accounting policies, and key estimates and judgements of management; and
- meet regularly with the internal and shareholders' auditors without management present.

CONDUCT REVIEW COMMITTEE

This committee is comprised of four outside directors, one of whom is not unrelated, and its mandate is summarized as follows:

- establish procedures to ensure disclosure of transactions with related parties of the Bank and, further, to review any such transactions to ensure compliance with internal policies and the Act, either approving or declining the transactions, as required;
- review and approve internal policies for credit arrangements and financial services available to employees under the regulations concerning officers and associated parties;

- monitor aggregate transactions with directors as well as officers and their interests to ensure continued compliance with the Act;
- review the conduct policy on an annual basis to ensure relevance and completeness in regard to legislation requirements; and
- monitor procedures for conflicts of interest, confidential information, disclosure of information and handling of customer complaints, and be satisfied that the procedures are being adhered to.

CORPORATE GOVERNANCE & HUMAN RESOURCES COMMITTEE

This committee is comprised of five outside directors, one of whom is not unrelated and its mandate is summarized as follows:

- recommend to the Board appropriate structure and process required to address governance issues and maintain compliance with all corporate governance guidelines;
- review and monitor compliance with corporate governance guidelines and follow any issues as noted by the members or as reported to them by management or other directors from time to time;
- no less than annually, report to the Board on corporate governance issues and any instances of non-compliance, with appropriate recommendations;
- hire appropriate consultants, to request management to perform studies and to furnish other information as appropriate; to review such information and take such actions based thereon as appropriate;
- review and recommend to the Board the employment and appointment of the top five (5) executive employees, to establish their grade levels and compensation, as well as promotion, and to make changes in the level of compensation and grade of incumbent executive employees and officers upon reviews of their performance;
- review the position descriptions for the top five (5) executive employees, ensuring they remain current and accurate and further, to also ensure position descriptions are in place for all other executive officers;
- establish an executive compensation structure to compensate all levels of executive employees and, within such compensation structure as may at that time be in effect, to make adjustments and annual revisions as necessary;
- ensure an annual performance appraisal is completed for the President and CEO and that it is reviewed with him by the Chairman of the Board;
- establish, amend and, where appropriate, terminate:
  - programs and other personal benefits granted to executive employees;
  - incentive compensation plans and other bonus arrangements and to administer such plans and to make appropriate interpretations and determinations as required;
  - share incentive plans and similar arrangements involving the grant or sale of share options, or other benefits to employees attendant upon the issuance of securities, and, in addition, to make grants of options under any share incentive plan and generally to administer such plans, subject to necessary regulatory and shareholder approval; and
  - annuity, pension, and retirement programs for executive employees;
- review the human resource succession plan as prepared by senior management for all officers and any other senior position considered critical to operations;
- seek and recommend individuals to be considered for Board membership as required by the Board and forward their recommendations with written rationale, compared against published terms of reference, to the Board for their consideration;
- review, monitor, and make recommendations regarding new director orientation and the ongoing development of existing Board members;
- evaluate, at least bi-annually, Board membership (including composition and size) and the involvement/performance of the membership with noted concerns recorded, and brought to the attention of the committee chair, who, in conjunction with the committee, determines if further action is required;
- review and recommend to the Board the fees and other benefits to be paid to directors; and
- make recommendations to the Board regarding revisions or additions to the Directors Manual.

LOANS COMMITTEE

This committee is comprised of eight directors, six of whom are unrelated. The President and CEO and the Executive Vice President, who are affiliated, inside directors are also members. Its mandate is summarized as follows:

- review, approve and/or decline all credit applications for amounts in excess of delegated limits up to the limit established, not to exceed ten percent of capital;
- recommend for approval of the full Board, any loan proposals in excess of the Bank's limit;
- review and approve changes to delegated lending limits;
- annually review and approve the credit risk management program and policies, including management's real estate appraisal policies and procedures, to ensure they are sound and prudent and adequately and effectively support related credit and investment activities;
- review and recommend acceptance of management's recommendations for credit loss provisions and loan write-offs to the Audit Committee for their presentation to the Board; and
- review and approve action plans, as required, on loans reported by management to be less than satisfactory.

OTHER AREAS OF CONSIDERATION

The Bank has not adopted a formalized process of orientation for new Board members although all Directors are provided with a Directors Manual, outlining key governance information and reference material. It is worthy of note that seven out of the ten outside directors have served on the Board for nine years or more.

Also, the Board has put in place a policy providing for individual directors to engage outside advisors if the circumstances are warranted.

The Bank has engaged an independent Ombudsman to receive complaints from banking clients who are unable to obtain satisfaction from the Bank's internal complaint handling mechanism.

CONCLUSION

The Bank's corporate governance approach is in compliance with the TSE Guidelines. It will continue to develop over time with the Corporate Governance & Human Resources Committee playing a key role in monitoring, developing and recommending to the Board on governance issues as warranted.

Financial Statements

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Canadian Western Bank and related financial information presented elsewhere in this annual report have been prepared by management, who are responsible for their integrity, objectivity and reliability. They are prepared as stipulated by the requirements of the Bank Act and related rules and regulations issued by the Superintendent of Financial Institutions Canada. The accounting policies followed in the preparation of these financial statements conform with generally accepted accounting principles. The financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Bank's accounting system and related internal controls are designed, and supporting procedures are maintained, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, defined division of responsibilities and accountability for performance, and the written communication of policies and guidelines of business conduct and risk management throughout the Bank.

The system of internal controls is also supported by the internal audit division which carries out periodic inspections of all aspects of the Bank's operations. The Chief Inspector has full and free access to the Audit Committee and to the shareholders' auditors.

The Audit Committee, appointed by the Board of Directors, is composed of directors who are not officers or employees of the Bank. The committee is responsible for reviewing the financial statements and annual report and recommending them to the Board of Directors for approval. Their responsibilities also include meeting with management, the Chief Inspector and the shareholders' auditors to discuss the effectiveness of internal controls over the financial reporting process, and the planning and results of the external audit.

The Conduct Review Committee, appointed by the Board of Directors, is composed of directors who are not officers or employees of the Bank. Their responsibilities include reviewing related party transactions, and reporting to the Board of Directors, those transactions which may have a material impact on the Bank.

The Superintendent of Financial Institutions Canada, at least once a year, makes such examination and enquiry into the affairs of the Bank as he may deem necessary or expedient to satisfy himself that the provisions of the Bank Act, having reference to the safety of the creditors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

Deloitte & Touche, the shareholders' auditors, are appointed by the shareholders of the Bank. They have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom.

"Larry M. Pollock"

Larry M. Pollock
President and Chief Executive Officer

December 5, 1997

"Tracey C. Ball"

Tracey C. Ball, C.A.
Vice President and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CANADIAN WESTERN BANK

We have audited the Consolidated Balance Sheet of Canadian Western Bank as at October 31, 1997 and 1996 and the Consolidated Statements of Income, Changes in Shareholders' Equity and Changes in Financial Position for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

"Deloitte & Touche"

Deloitte & Touche
Chartered Accountants
Edmonton, Alberta

December 5, 1997

CONSOLIDATED BALANCE SHEET

As at October 31
($ thousands)

		1997	1996
Assets			
Cash Resources			
Cash		$ 854	$ 952
Deposits with regulated financial institutions		109,845	56,048
Cheques and other items in transit, net		18,464	6,405
Total Cash Resources		129,163	63,405
Securities	(Note 2)		
Issued or guaranteed by Canada		106,646	130,073
Issued or guaranteed by a province		27,564	26,809
Other securities		8,510	27,327
Total Securities		142,720	184,209
Loans (net of allowance for credit losses)	(Notes 3 & 4)		
Call loans		24,000	20,000
Residential mortgages		257,122	261,460
Other loans		1,428,885	1,196,932
Total Loans		1,710,007	1,478,392
Other			
Land, buildings and equipment	(Note 5)	10,568	9,389
Other assets	(Note 6)	30,493	18,677
Total Other		41,061	28,066
Total Assets		$ 2,022,951	$ 1,754,072
Liabilities and Shareholders' Equity			
Deposits			
Payable on demand		$ 40,742	$ 26,333
Payable after notice		184,912	144,687
Payable on a fixed date		1,591,858	1,414,835
Total Deposits		1,817,512	1,585,855
Other			
Other liabilities	(Note 7)	39,790	39,663
Subordinated Debentures	(Note 8)		
Conventional		13,126	–
Convertible		23,990	26,000
Total Subordinated Debentures		37,116	26,000
Shareholders' Equity			
Capital stock	(Note 9)	89,057	75,136
Retained earnings		39,476	27,418
Total Shareholders' Equity		128,533	102,554
Total Liabilities and Shareholders' Equity		$ 2,022,951	$ 1,754,072

"Jack C. Donald"

Jack C. Donald
Chairman

"Larry M. Pollock"

Larry M. Pollock
President and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

For the year ended October 31
($ thousands, except per share amounts)

		1997	1996
Interest Income			
Loans		$ 123,374	$ 122,394
Securities		7,305	10,215
Deposits with regulated financial institutions		1,238	790
Total Interest Income		131,917	133,399
Interest Expense			
Deposits		84,314	91,413
Debentures		2,189	1,255
Total Interest Expense		86,503	92,668
Net Interest Income		45,414	40,731
Provision for credit losses	(Note 4)	4,000	4,073
Net Interest Income after Provision for Credit Losses		41,414	36,658
Other Income			
Credit related		6,423	6,241
Retail services		1,614	1,377
Trust services		1,113	686
Loan administration		609	736
Net gains on securities sales		911	824
Other		850	602
Total Other Income		11,520	10,466
Net Interest and Other Income		52,934	47,124
Non-Interest Expenses			
Salaries		16,590	15,100
Staff benefits		2,421	2,254
Premises and equipment expenses, including depreciation		6,348	5,748
Other expenses		9,388	8,680
Provincial capital taxes		1,934	1,389
Total Non-Interest Expenses		36,681	33,171
Net Income before Provision for Income Taxes		16,253	13,953
Provision for income taxes	(Note 10)	416	1,131
Net Income		$ 15,837	$ 12,822
Average number of common shares outstanding		9,322,214	8,116,147
Net income per common share	(Note 1(k))		
basic		$ 1.70	$ 1.58
fully diluted		$ 1.55	$ 1.45

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended October 31
($ thousands)

		1997	1996
Capital Stock			
Balance at beginning of year		$ 75,136	$ 74,987
Common shares issued	(Note 9)	13,921	149
Balance at end of year		89,057	75,136
Retained Earnings			
Balance at beginning of year		27,418	17,312
Net income		15,837	12,822
Dividends		(2,316)	(1,217)
Redemption of debenture	(Note 8)	(1,126)	(899)
Expenses of common share issue	(Note 17)	(337)	–
Impaired loan adjustment		–	(600)
Balance at end of year		39,476	27,418
Total Shareholders' Equity		$ 128,533	$ 102,554

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended October 31
($ thousands)

		1997	1996
Cash Flows from Operating Activities			
Net income		$ 15,837	$ 12,822
Adjustments to determine net cash provided by operating activities:			
Provision for credit losses		4,000	4,073
Depreciation and amortization		1,855	1,910
Deferred income taxes, net		(531)	(33)
Gain on sale of securities		(911)	(824)
Changes in accrued interest receivable and payable, net		(1,687)	(4,774)
Other items, net		564	(6,084)
		19,127	7,090
Cash Flows from Financing Activities			
Deposits		231,657	118,300
Common shares issued, net of issue costs	(Note 9)	13,584	149
Subordinated debentures, net	(Note 8)	9,990	17,101
Dividends		(2,316)	(1,217)
		252,915	134,333
Cash Flows Used in Investing Activities			
Loans, net		(235,912)	(103,132)
Securities, net		45,940	(27,734)
Interest bearing deposits with regulated financial institutions, net		(52,374)	(10,092)
Amalgamation with B.C. Bancorp	(Note 17)	(13,586)	–
Land, buildings and equipment, net		(2,962)	(1,297)
Receivable from Aetna Canada Holdings Limited	(Note 18)	–	33,654
Acquisition of Canadian Western Trust Company	(Note 18)	–	(16,136)
Purchase of debenture	(Note 18)	–	(6,000)
		(258,894)	(130,737)
Increase in Cash Resources		13,148	10,686
Cash Resources at Beginning of Year		18,336	7,650
Cash Resources at End of Year *		$ 31,484	$ 18,336
* **Represented by:**			
Cash resources per Consolidated Balance Sheet		$ 129,163	$ 63,405
Less interest bearing deposits with regulated financial institutions		97,679	45,069
Cash Resources at End of Year		$ 31,484	$ 18,336

Notes to Consolidated Financial Statements

October 31, 1997

(tabular amounts in thousands of dollars unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with subsection 308 (4) of the Bank Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada, the financial statements are to be prepared in accordance with generally accepted accounting principles.

The accounting principles followed by the Bank conform in all material respects with generally accepted accounting principles in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada.

The significant accounting policies and practices followed by the Bank are:

(a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations, after the elimination of intercompany transactions and balances, of the Bank and all of its subsidiaries. Subsidiaries are defined as corporations whose operations are controlled by the Bank and are generally corporations in which the Bank owns more than 50 percent of the voting shares. See Note 19 for details of the subsidiaries.

(b) Securities

Securities are held in either the investment account or the trading account.

Investment account securities are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Equity securities are stated at cost or, if the value is permanently impaired, at net realizable value and debt securities at amortized cost. Gains and losses on disposal of securities and adjustments to record any permanent impairment in value are included in other income in the period of realization. Amortization of premiums and discounts are reported in interest income from securities in the Consolidated Statement of Income.

Trading account securities, which are purchased for resale over a short period of time, are carried at estimated current market value. Gains and losses realized on disposal and adjustments to market value are reported in other income in the Consolidated Statement of Income in the period during which they occur.

(c) Loans

Loans are stated net of unearned income and an allowance for credit losses (Note 1(d)).

Interest income is recorded on the accrual basis except for loans classified as impaired. Loans are determined to be impaired when interest is contractually past due 90 days, or where the Bank has taken realization proceedings, or where the Bank's management is of the opinion that the loan should be regarded as impaired. An exception may be made where management determines that the loan is well secured and in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to a current status within 180 days from the date the payment went in arrears. All loans are classified as impaired when a payment is 180 days in arrears other than loans guaranteed or insured for both principal and interest by the Canadian government, the provinces or a Canadian government agency. These loans are classified as impaired when payment is 365 days in arrears.

Impairment is measured as the difference between the carrying value of the loan at the time it is classified as impaired and the present value of the expected cash flows (estimated realizable amount), using the interest rate inherent in the loan at the date the loan is classified as impaired. When the amounts and timing of future cash flows cannot be reliably estimated, either the fair value of the security underlying the loan, net of any expected realization costs, or the current market price for the loan may be used to measure the estimated realizable amount. At the time a loan is classified as impaired, interest income will cease to be recognized in accordance with the loan agreement, and any uncollected but accrued interest will be added to the carrying value of the loan together with any unamortized premiums, discounts or loan fees. Subsequent payments received on an impaired loan are recorded as a reduction of the recorded investment in the loan. Interest income is only recognized after any individual allowance for impairment has been extinguished.

(d) Allowance for Credit Losses

The Bank maintains an allowance for credit losses, the purpose of which is to keep an adequate balance sufficient to absorb all credit related losses in its loan portfolio. The allowance for credit losses is deducted from the related asset category.

The balance in the account consists of specific provisions and the general allowance for credit losses. Specific provisions include all the accumulated provisions for losses on particular impaired loans required to reduce the carrying value of those loans to their estimated realizable amount. The general allowance for credit losses includes those provisions which are prudential in nature and cannot be determined on a loan by loan basis.

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses in the Consolidated Statement of Income is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

(e) Land, Buildings and Equipment

Land is carried at cost. Buildings, equipment and furniture, and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily using the straight-line method over the estimated useful life of the asset. Gains and losses on disposal are recorded in other income in the Consolidated Statement of Income in the year of disposal.

(f) Deferred Acquisition and Financing Costs

Costs of corporate acquisitions and major financings are deferred and amortized monthly on a straight-line basis to other expenses or interest expense, as appropriate, in the Consolidated Statement of Income over various periods not exceeding ten years.

(g) Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the date of the financial statements. Revenues and expenses in foreign currencies are translated at the average exchange rates prevailing during the year. Realized and unrealized gains and losses on foreign currency positions are included in other income in the Consolidated Statement of Income.

(h) Loan Fees
Loan fees, net of directly related costs, are amortized to interest income over the expected term of the loan when such fees are considered to be an integral part of the return earned on the particular loan. Loans are stated net of the unamortized fees.

(i) Income Taxes
The Bank follows the tax allocation method of accounting for income taxes whereby income taxes are based on transactions recognized for accounting purposes regardless of when they are recognized for tax purposes. The cumulative timing differences between tax calculated on this basis and taxes currently payable result in deferred income taxes which are recorded in other assets. Total income taxes include the provision for income taxes in the Consolidated Statement of Income and income taxes applicable to items charged or credited directly to retained earnings.

(j) Interest Rate and Foreign Exchange Contracts
Interest rate and foreign exchange contracts such as futures, options and swaps are entered into to hedge interest rate and foreign currency exposures. These contracts are accounted for on the accrual basis and net accrued interest receivable/payable and deferred gains/losses are recorded in other assets or other liabilities, as appropriate. Interest income/expense and gains/losses are recognized as interest income or interest expense, as appropriate, over the hedged period.

(k) Net Income per Common Share
Basic net income per common share is calculated based on the average number of common shares outstanding during the year. Fully diluted net income per share includes the effect of all potential dilutive factors on earnings per common share.

2. SECURITIES

The analysis of securities, at carrying value, by type and maturity is as follows:

	Maturities					
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	**1997 Total Book Value**	1996 Total Book Value
Securities Issued or Guaranteed by:						
Canada	$ 70,346	$ 10,612	$ 21,048	$ 4,640	$ 106,646	$ 130,073
A province	2,008	4,264	17,942	3,350	27,564	26,809
Other Debt Securities						
Floating rate notes	–	–	–	1,000	1,000	1,000
Corporate debt	6,490	–	–	–	6,490	25,578
Equity Securities	–	–	–	1,020 (2)	1,020	749
Total (1)	$ 78,844	$ 14,876	$ 38,990	$ 10,010	$ 142,720	$ 184,209

(1) All securities are held in the investment account.
(2) These securities have no specific maturity.

The analysis of unrealized gains and losses on investment securities is as follows:

	1997				1996			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Issued or Guaranteed by:								
Canada	$106,646	$ 383	$ 31	$106,998	$130,073	$ 945	$ 1	$131,017
A province	27,564	277	–	27,841	26,809	568	–	27,377
Other Debt Securities								
Floating rate notes	1,000	–	–	1,000	1,000	–	–	1,000
Corporate debt	6,490	–	1	6,489	25,578	3	–	25,581
Equity Securities	1,020	–	–	1,020	749	–	–	749
Total	$142,720	$ 660	$ 32	$143,348	$184,209	$ 1,516	$ 1	$185,724

3. IMPAIRED LOANS

Impaired loans and the related allowance for credit losses are as follows:

	Gross Amount	Allowance Specific	Allowance General (1)	1997 Carrying Amount	1996 Carrying Amount
Consumer and personal	$ 3,798	$ 476	$ 1,022	$ 2,300	$ 1,912
Real estate	7,587	825	1,945	4,817	9,119
Industrial	3,270	1,431	1,657	182	610
Other	6,879	2,179	2,852	1,848	2,974
Total (2)	$ 21,534	$ 4,911	$ 7,476	$ 9,147	$ 14,615

(1) For presentation purposes the general allowance for credit losses has been allocated to impaired loans based on a relative weighting of net impaired loans. However, this allowance is available for the total loan portfolio.

(2) Impaired loans include foreclosed real estate assets held for sale with a gross carrying value of $194,000 (1996 - $1,448,000) and a related specific allowance of $34,000 (1996 - $600,000).

At October 31, 1997 other past due loans totalled $309,000 (1996 - $722,000). Other past due loans are loans where payment of interest or principal is contractually 90 - 180 days in arrears but are not classified as impaired because they are both well secured and in the process of collection.

During the year interest recognized as income on impaired loans totalled $732,000 (1996 - $915,000).

4. ALLOWANCE FOR CREDIT LOSSES

The following table shows the allocation of the allowance for credit losses to specific provisions by category of impaired loans and to the general allowance for credit losses and the respective changes during the year.

	1996 Ending Balance	Write-offs, Net of Recoveries (1)	Provision for Credit Losses	1997 Ending Balance
Specific Provisions				
Consumer and personal	$ 577	$ 647	$ 546	$ 476
Real estate	2,638	2,537	724	825
Industrial	1,070	96	457	1,431
Other	2,644	1,274	809	2,179
General Allowance	6,012	–	1,464	7,476
Total	$ 12,941	$ 4,554	$ 4,000	$ 12,387

(1) Recoveries in 1997 totalled $11,000 (1996 - $103,000).

The Bank has virtually no loans booked outside of Canada and therefore has no country risk provisions.

5. LAND, BUILDINGS AND EQUIPMENT

	Cost	Accumulated Depreciation and Amortization	1997 Net Book Value	1996 Net Book Value
Land	$ 2,753	$ –	$ 2,753	$ 2,649
Buildings	3,022	1,210	1,812	1,607
Equipment and furniture	10,686	6,630	4,056	3,167
Leasehold improvements	3,672	1,725	1,947	1,966
Total	$ 20,133	$ 9,565	$ 10,568	$ 9,389

Depreciation and amortization in respect of the above buildings, equipment and furniture, and leasehold improvements for the year amounted to $1,784,000 (1996 - $1,412,000).

6. OTHER ASSETS

	1997	1996
Deferred income tax asset (Note 10)	$ 11,252	$ 150
Accrued interest receivable	9,189	8,562
Prepaid expenses	5,535	3,800
Deferred acquisition and financing costs, net of accumulated amortization of $769 (1996 - $495)	1,757	1,805
Income taxes recoverable	745	2,246
Goodwill, net of accumulated amortization of $133 (1996 - $60)	593	666
Other	1,422	1,448
Total	$ 30,493	$ 18,677

7. OTHER LIABILITIES

	1997	1996
Accrued interest payable	$ 33,948	$ 35,008
Accounts payable	3,870	2,694
Deferred revenue	1,374	1,645
Other	598	316
Total	$ 39,790	$ 39,663

8. DEBENTURES

Each of the following qualifies as a bank debenture under the Bank Act and is subordinate in right of payment to all deposit liabilities. All redemptions are subject to the approval of the Superintendent of Financial Institutions Canada. The convertible debentures are financial instruments which have both debt and equity components. The CICA Handbook requirement to account for these components separately was considered but the value assignable to the conversion option at the date of issue was deemed to be immaterial in each case.

	Interest Rate	Maturity Date	1997	1996
Conventional (1)				
The Province of Alberta	6.660%	March 31, 2007	$ 5,000	$ –
CIC Industrial Interests Inc. (an agency of the Province of Saskatchewan)	6.590%	June 30, 2007	3,126	–
Crown Life Insurance Company	6.415%	July 31, 2007	5,000	–
			13,126	–
Convertible				
6.75% convertible debentures (2)	6.750%	April 15, 2006	19,990	20,000
Crown Life Insurance Company (3)	9.000%	July 31, 2004	4,000	4,000
CIC Industrial Interests Inc. (4) (an agency of the Province of Saskatchewan)			–	2,000
			23,990	26,000
Total			$ 37,116	$ 26,000

(1) Each of the conventional debentures has a ten year term with a fixed interest rate for the first five years. Thereafter, if not redeemed by the Bank, interest will be payable at a rate equal to the Canadian Dollar CDOR 90 day Bankers Acceptance Rate plus 1%.

(2) These debentures are convertible into common shares at the option of the holder at any time prior to maturity, or the date specified for conversion by the Bank, whichever is earlier, at a conversion price of $12.50 per share. The debentures are not convertible by the Bank prior to April 15, 1999. From April 15, 1999 to April 14, 2001, provided certain market conditions exist, the debentures are convertible by the Bank. After April 14, 2001 the debentures are convertible by the Bank at any time. In 1997, $10,000 of the debentures were converted (1996 - $0).

(3) This debenture is convertible into common shares, at the option of the holder, until it matures. The Bank may redeem the debenture after July 31, 1999. The number of shares issued at conversion will be determined based on an $11 per share conversion price.

(4) On March 1, 1993 a provincial Crown corporation invested in a $2,000,000 debenture of the Bank. The debenture was convertible into common shares of the Bank, at the option of the holder, at a conversion price based on book value. On June 27, 1997 the Bank completed negotiations with the holder for the redemption of the debenture and the related conversion option (equity component) for aggregate consideration of $3,126,000, based upon the current market value of the underlying common shares. The excess of the total consideration paid over the face value of the debenture has been attributed to the conversion option and charged to retained earnings.

9. CAPITAL STOCK

Authorized:

An unlimited number of common shares without nominal or par value
33,964,324 Class A shares without nominal or par value
25,000,000 First Preferred shares without nominal or par value, issuable in series

Issued and fully paid:

	1997		1996	
	Number of Shares	Amount	Number of Shares	Amount
Common shares				
Outstanding at beginning of year	8,131,782	$ 75,136	8,114,732	$ 74,987
Issued on amalgamation with B.C. Bancorp (Note 17)	1,118,996	12,790	–	–
Issued on exercise of options, and conversion of debentures (1)	129,200	1,131	17,050	149
Outstanding at End of Year	9,379,978	$ 89,057	8,131,782	$ 75,136

(1) In 1997, 128,400 (1996 - 17,050) options were exercised, at an exercise price of $8.73 (1996 - $8.73) and $10,000 (1996 - $0) of the 6.75% debentures were converted into 800 shares.

The Bank has subordinated debentures which are convertible to common shares of the Bank as more fully described in Note 8. The Bank also has authorized 1,004,550 common shares (1996 - 732,950) for issuance under option plans. Of the amount authorized, options exercisable into 894,965 shares are issued and outstanding (1996 - 729,425) and all expire within ten years of date of grant. The details of and changes in the issued and outstanding options follow:

	Option Price				Number of Shares Under Option Issued
Dates Exercisable	$ 8.73	$ 10.25	$ 12.93	$ 13.32 (1)	and Outstanding
Currently	118,786	–	–	–	118,786
1998	28,311	–	–	–	28,311
1999	37,748	28,839	140,000	9,340	215,927
2000	–	57,678	–	4,740	62,418
2001	–	96,137	140,000	14,872	251,009
2002	–	96,137	–	7,902	104,039
2003 and thereafter	–	105,779	–	8,696	114,475
Total	184,845	384,570	280,000	45,550	894,965

(1) Represents a weighted average of option prices on dates of grants.

(Number of options)	1997	1996
Balance at beginning of year	729,425	735,925
Issued	319,500	10,550
Exercised	(128,400)	(17,050)
Forfeited	(25,560)	–
Balance at End of Year	894,965	729,425

10. INCOME TAXES

The provision for income taxes consists of the following:

	1997	1996
Current	$ 1,823	$ 1,164
Deferred	(1,407)	(33)
Total	$ 416	$ 1,131

As outlined in Note 17, on the amalgamation of the Bank and B.C. Bancorp, the Bank acquired a deferred income tax asset relating to tax loss carryforwards and unclaimed tax deductions which together totalled $98,000,000.

Approximately $7,995,000 (1996 - $7,100,000) of tax loss carryforwards and $9,000,000 of acquired tax loss carryforwards were used to eliminate income taxes otherwise payable by the Bank for the year ended October 31, 1997.

The current tax provision represents income tax of the subsidiary of $599,000 (1996 - $890,000), consolidated large corporations tax of $348,000 (1996 - $274,000) and amortization of $876,000 of the deferred tax asset acquired.

Deferred income taxes arise from current year timing differences related to claiming deductions for income tax purposes on a basis different from accounting and relate mainly to the provision for credit losses.

The deferred income tax asset, included in other assets, primarily represents the net unamortized balance of the deferred income tax asset acquired plus current year timing differences.

At October 31, 1997, the Bank has approximately $6,000,000 of tax loss carryforwards which expire in 2003 and approximately $83,000,000 of unclaimed deductions which are available to reduce future years' income for tax purposes. In addition, the subsidiary has approximately $2,647,000 in tax loss carryforwards which are available to reduce future years' income for tax purposes and expire up to 2004.

In addition, $3,934,000 of net capital losses are available to apply against future capital gains and have no expiry date.

The tax benefit of these losses has not been recognized in income.

11. CONTINGENT LIABILITIES AND COMMITMENTS

a) Off-balance Sheet Instruments

In the normal course of business, the Bank enters into various commitments and has contingent liabilities which are not reflected in the Consolidated Balance Sheet. These items are reported below and are expressed in terms of the contractual amount of the related commitment.

	1997	1996
Credit Instruments		
Guarantees and standby letters of credit	$ 24,279	$ 18,479
Commitments to extend credit	233,842	185,096
Total	$ 258,121	$ 203,575

Guarantees and standby letters of credit are issued on behalf of clients to third party beneficiaries as part of normal business operations. In the event of a call on any of these instruments, the Bank has recourse against its client. Issuance of guarantees and standby letters of credit is generally subject to the same credit assessment, approval, monitoring and control procedures as the extension of direct loans. Losses, if any, resulting from these transactions are not expected to be material.

Commitments to extend credit to customers also arise in the normal course of business and include recently authorized credit facilities not yet drawn down or credit facilities available on a revolving basis. In the majority of instances, availability of undrawn commercial commitments is subject to the borrower meeting specified financial tests or other covenants regarding completion or satisfaction of certain conditions precedent. It is also usual practice to include the right to review and withhold funding in the event of a material adverse change in the financial condition of the borrower. Given that undrawn credit authorizations arise out of approvals granted through the normal credit assessment process, such commitments bear virtually the same credit risk as fully advanced loan assets. From a liquidity perspective, undrawn credit authorizations will be funded over time with draws in many cases extending over a period of months. In some instances authorizations are never advanced or may be reduced because of changing requirements. The balance of commitments to extend credit shown in the table above does not account for principal drawdowns or paybacks that occur in the normal course of operations. Revolving credit authorizations are subject to repayment which on a pooled basis also decreases liquidity risk.

b) Lease Commitments

The Bank has obligations under long-term non-cancellable leases for the rental of premises and office equipment. Minimum future lease commitments for each of the five succeeding years and thereafter are as follows:

1998	$ 2,141
1999	2,124
2000	1,965
2001	1,969
2002	1,749
2003 and thereafter	4,772
Total	$ 14,720

12. TRUST ASSETS UNDER ADMINISTRATION

Trust assets under administration of $395,486,000 (1996 - $371,798,000) represent assets held for personal and corporate clients, administered by Canadian Western Trust Company, and are kept separate from the trust company's own assets. Trust assets under administration are not reflected on the Consolidated Balance Sheet.

13. RELATED PARTY TRANSACTIONS

The Bank makes loans, primarily residential mortgages, to its officers and employees at various preferred rates and terms. The total amounts outstanding for these type of loans are $12,796,000 (1996 - $10,990,000).

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value represents the estimated consideration that would be agreed upon in a current transaction between knowledgeable, willing parties who are under no compulsion to act. The best evidence of fair value is a quoted market price. However, many of the Bank's financial instruments lack an available trading market. Therefore, instruments have been valued on a going concern basis using present value or other suitable techniques and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

Changes in interest rates are the main cause of changes in the fair value of the Bank's financial instruments. The carrying value of the majority of the financial instruments is not adjusted to reflect increases or decreases in fair value due to interest rate changes as the Bank's intention is to realize their value over time by holding them to maturity. The carrying value of financial instruments held for trading purposes would be continually adjusted to reflect fair value. At October 31, 1996 and 1997 there were no financial instruments held for trading purposes.

The table below sets out the fair values of on-balance sheet financial instruments and derivative instruments using the valuation methods and assumptions referred to below the table.

	1997			1996		
	Book Value	Fair Value	Fair Value Over Book Value	Book Value	Fair Value	Fair Value Over Book Value
Assets						
Cash resources	$ 129,163	$ 129,163	$ –	$ 63,405	$ 63,405	$ –
Securities (Note 2)	142,720	143,348	628	184,209	185,724	1,515
Loans	1,710,007	1,726,335	16,328	1,478,392	1,509,150	30,758
Other assets (1)	18,648	18,648	–	17,861	17,861	–
Liabilities						
Deposits	1,817,512	1,845,767	28,255	1,585,855	1,615,972	30,117
Other liabilities	39,790	39,790	–	39,663	39,663	–
Subordinated debentures	37,116	39,387	2,271	26,000	27,998	1,998
Off-balance Sheet Derivative Financial Instruments						
Net asset (Note 15)			$ 484			$ 1,077

The table does not include assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

(1) Other assets exclude goodwill and deferred income taxes which are not financial instruments.

(2) For further commentary on interest rates associated with financial assets and liabilities, including off-balance sheet instruments, refer to the Market Risk section of Management's Analysis of Operations and Financial Condition which includes the asset liability gap position and effective interest rates.

The methods and assumptions used to estimate the fair values of on-balance sheet financial instruments are as follows:

- cash resources, other assets and other liabilities are assumed to approximate their carrying values, due to their short-term nature;
- securities are assumed to be equal to the estimated market value of securities provided in Note 2. These values are based on quoted market prices, if available. Where a quoted market price is not readily available, other valuation techniques are used to estimate fair value;
- loans reflect changes in the general level of interest rates which have occurred since the loans were originated and are net of the allowance for credit losses. For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market. For all other loans, fair value is estimated by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks;
- deposits with no stated maturity are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits are determined by discounting the contractual cash flows at current market rates for deposits of similar original terms; and
- the fair values of subordinated debentures and liabilities of subsidiaries, other than deposits included in other liabilities are determined by reference to current market prices for debt with similar terms and risks.

Fair values are based on management's best estimates based on market conditions and pricing policies at a certain point in time. The estimates are subjective and involve particular assumptions and matters of judgement and as such may not be reflective of future fair values.

15. INTEREST RATE AND FOREIGN EXCHANGE OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

Interest rate swaps and interest rate floors (or caps) are used as hedging devices to control interest rate risk. The Bank only enters into these interest rate derivative instruments for its own account and does not act as an intermediary in this market. The credit risk is limited to the amount of any adverse change in interest rates applied on the notional contract amount should the counterparty default. The principal amount is not exchanged and hence is not at risk. Approved counterparties and maximum notional limits are established and monitored by the Asset Liability Committee of the Bank.

At the present time it is policy to undertake foreign exchange transactions only for the purposes of meeting needs of clients and of day to day business. Foreign exchange markets are not speculated in by taking a trading position in currencies. Maximum exposure limits are established and monitored by the Asset Liability Committee and are defined by allowable unhedged amounts. The position is managed within the allowable target range by spot and forward transactions or other hedging techniques. Exposure to foreign exchange risk is not material to the Bank's overall position.

The following table summarizes the off-balance sheet financial instrument portfolio and the related credit risk. The replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value. The future credit exposure represents the potential for future changes in value and is based on a formula prescribed by the Office of the Superintendent of Financial Institutions ("OSFI"). The credit risk equivalent is the sum of the future credit exposure and the replacement cost. The risk-weighted balance represents the credit risk equivalent weighted according to the credit worthiness of the counterparty as prescribed by OSFI.

	1997					1996				
	Notional Amount	Replace-ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-weighted Balance	Notional Amount	Replace-ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-weighted Balance
Interest Rate Contracts										
Interest rate swaps	$107,000	$ 485	$ 0	$ 485	$ 97	$ 60,000	$ 1,080	$ 75	$ 1,155	$ 231
Foreign Exchange Contracts										
Forward exchange contracts	5,489	0	55	55	11	1,341	0	13	13	3
Total	$112,489	$ 485	$ 55	$ 540	$ 108	$ 61,341	$ 1,080	$ 88	$ 1,168	$ 234

The following table shows the off-balance sheet financial instruments split between those contracts that have a positive fair value (favourable contracts) and those that have a negative fair value (unfavourable contracts).

	1997				1996			
	Favourable Contracts (Assets)		Unfavourable Contracts (Liabilities)		Favourable Contracts (Assets)		Unfavourable Contracts (Liabilities)	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest Rate Contracts								
Interest rate swaps	$107,000	$ 485	$ –	$ –	$ 60,000	$ 1,080	$ –	$ –
Foreign Exchange Contracts								
Forward exchange contracts	–	–	5,489	1	–	–	1,341	3
Total	$107,000	$ 485	$ 5,489	$ 1	$ 60,000	$ 1,080	$ 1,341	$ 3

The aggregate contractual or notional amount of the off-balance sheet financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of these financial assets and liabilities can fluctuate significantly from time to time. The average fair values of the off-balance sheet financial instruments on hand during the year are set out in the following table.

	1997	1996
Favourable off-balance sheet financial instruments (assets)	$ 686	$ 1,030
Unfavourable off-balance sheet financial instruments (liabilities)	$ 6	$ 17

The following table summarizes maturities of off-balance sheet financial instruments and weighted average interest rates paid and received on interest rate contracts.

	1997		1996			
	Maturity		Maturity			
	1 year or less (1)		1 year or less		Over 1 to 5 years	
	Notional Amount	Contractual Interest Rate (2)	Notional Amount	Contractual Interest Rate (2)	Notional Amount	Contractual Interest Rate (2)
Interest rate contracts						
Interest rate (fixed/floating) swaps						
Receive fixed amounts (3)	$ 107,000	4.54%	$ 45,000	5.50%	$ 15,000	6.98%
Foreign exchange contracts						
Deliver Canadian dollars						
in exchange for						
United States dollars	3,237		1,341		–	
Deliver United States dollars						
in exchange for						
Canadian dollars	2,252		–		–	
	5,489		1,341			
Total	$ 112,489		$ 46,341		$ 15,000	

(1) There are no instruments with maturities over one year.
(2) Not applicable for foreign exchange contracts.
(3) The Bank pays (floating) interest amounts based on the one month (30 day) Canadian bankers' acceptance rate.

16. RISK MANAGEMENT

As part of the Bank's risk management practices, the risks that are significant to our business are identified, monitored and controlled. These include credit risk, liquidity risk, market risk, and operational risk. Descriptions of the nature of these risks and how they are managed is provided in the commentary on pages 26 to 36 of Management's Analysis of Operations and Financial Condition.

Information on specific measures of risk included in the consolidated financial statements is included in these notes for the allowance for credit losses, derivative financial instruments and fair value of financial instruments. Additional information on interest rate sensitivity and the effective interest rates on financial instruments is provided on pages 33 to 36 of Management's Analysis of Operations and Financial Condition.

17. AMALGAMATION WITH B.C. BANCORP

The Bank and B.C. Bancorp ("BCB") were issued letters patent of amalgamation by the Secretary of State (International Financial Institutions) Finance on behalf of the Minister of Finance, amalgamating and continuing the banks as one bank under the name of Canadian Western Bank ("CWB"), effective November 1, 1996.

The amalgamation was accounted for using the purchase method. The results for 1997 reflect the operations of the two institutions since November 1, 1996 while the comparative figures are for the Bank prior to the amalgamation. Total consideration received by the shareholders of BCB was $13,586,000. At the date of amalgamation, BCB had assets and liabilities of:

Assets Acquired	
Cash and securities	$ 3,691
Deferred income tax asset	10,294
Other assets	34
	14,019
Liabilities Assumed	
Accounts payable and accrued liabilities	433
Net Assets Acquired	$ 13,586

The deferred income tax asset represents the allocation of the consideration paid by the Bank to tax loss carryforwards and unclaimed tax deductions, totalling $98,000,000, approximately $83,000,000 of which is available to the amalgamated Bank to be claimed to reduce future years' taxable income without any time limitation. This asset is included in other assets on the Consolidated Balance Sheet.

On amalgamation, the shareholders of BCB were deemed to receive Class A shares of the amalgamated Bank in exchange for their common shares of BCB on a one for one basis. Each holder of the Class A shares had the option of retracting their shares for cash of $0.40 per share or converting their shares into the equivalent amount of CWB common shares which was .035 common share of CWB for each 1 Class A share. After December 4, 1996, any BCB shareholder who had failed to notify Montreal Trust (the transfer agent for the amalgamation) of their choice was deemed to have elected to receive CWB common shares. Any entitlement to fractional shares was paid in cash. Cash of $796,000 was paid for retracted shares and approximately 1,119,000 CWB common shares with a value of $12,790,000 were issued on conversion with effect as of November 1, 1996.

Costs attributed to the issue of the shares were charged to retained earnings and costs associated with the amalgamation are included in other assets on the Consolidated Balance Sheet. These costs will be amortized over the period that the benefit of the deferred income tax asset is realized.

18. ACQUISITION OF CANADIAN WESTERN TRUST COMPANY

On April 15, 1996 the Bank acquired all of the outstanding shares of Canadian Western Trust Company (formerly Aetna Trust Company), a Vancouver based trust company, in exchange for cash of $16,100,000. The Bank also purchased a $6,000,000 subordinated note, previously issued by Aetna Trust Company to an affiliate, for further cash consideration of $6,000,000. The acquisition was effective January 1, 1996 and was accounted for using the purchase method. The results of operations of the acquired business are included in the Consolidated Statement of Income since that date.

At the effective date of the acquisition there were assets and liabilities of:

Assets Acquired	
Cash resources	$ 3,801
Securities	19,808
Receivable from Aetna Canada Holdings Limited	33,654
Loans	244,760
Other assets	5,555
	307,578
Liabilities Assumed	
Deposits	274,892
Subordinated note	6,000
Other liabilities	11,276
	292,168
Net Assets Acquired	15,410
Purchase Price	16,136
Goodwill	$ 726

Goodwill arising from the transaction is amortized on a straight-line basis to non-interest expenses in the Consolidated Statement of Income over a period of ten years commencing January 1, 1996.

To assist in financing the acquisition, the Bank raised $20,000,000 in additional capital through a 6.75% convertible debenture offering. The ten year debentures were issued April 15, 1996.

19. SUBSIDIARIES

Canadian Western Bank Subsidiaries
(annexed in accordance with subsection 308 (3) of the Bank Act)
October 31, 1997

(in dollars)	Address of Head Office	Book Value of Voting Shares Owned by the Bank	Percentage of Issued and Outstanding Voting Shares Owned by the Bank
Canadian Western Trust Company	666 Burrard Street Vancouver, British Columbia	$ 11,440,000	100%
CWB Canadian Western Financial Ltd.	10303 Jasper Avenue Edmonton, Alberta	$ 1	100%

20. COMPARATIVE FIGURES

As a result of a new reporting requirement of the Superintendent of Financial Institutions Canada, which was effective for fiscal 1997, all gains and losses realized on the sale of securities are now reported in other income. Previously they were reported in interest income from securities. Comparative amounts have been reclassified to conform with the current presentation.

21. SUBSEQUENT EVENT

The Bank has announced that, subject to regulatory and other required approvals, it intends to take a controlling interest in Majendie Charlton Securities Ltd. for an approximate cost of $3,000,000. This transaction is expected to close in the first quarter of fiscal 1998.

Executive Officers

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Jack C. Donald

OFFICE OF THE CHIEF EXECUTIVE OFFICER
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President and Chief Executive Officer

Douglas R. Dalgetty
Executive Vice President

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Senior Vice President

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Vice President

Dennis M. Crough
Assistant Vice President,
Retail Credit

Chris H. Fowler
Assistant Vice President

Ed E. Rudzitis
Assistant Vice President

Wally N. Streit
Assistant Vice President

CORPORATE AND STRATEGIC OPERATIONS
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Senior Vice President

Erwin Granson
Assistant Vice President,
Asset Management

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Treasury and Operations

M. Wayne Bond
Assistant Vice President,
Corporate Administration

Ricki L. Moffat
Assistant Vice President,
Treasury and Agent Administration

Roger J. Pogue
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Operations

Michael Vos
Assistant Vice President,
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Diane L. Kerley, C.M.A.
Assistant Vice President

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Assistant Vice President

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Al Steingart
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Chinook Station, Calgary

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David M. Castell
Assistant Vice President
Edmonton

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Assistant Vice President
Southside, Edmonton

Gary R. Mitchell
Assistant Vice President
Industrial Lending
103rd Street, Edmonton

Jake G. Muntain
Assistant Vice President
103rd Street, Edmonton

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Assistant Vice President
Nanaimo

Ian G. Graham
Assistant Vice President
Kelowna

Gerald W. Laliberte
Assistant Vice President
Victoria

Craig Martin
Assistant Vice President
Guildford, Surrey

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Assistant Vice President

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Dean G. Cudmore
Assistant Vice President
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Kelowna

David B. Subject
Assistant Vice President
Nanaimo

CANADIAN WESTERN TRUST COMPANY - VANCOUVER
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Administration

Paul W. Trapp
Vice President,
Marketing

Kenneth C. Tabor
Vice President, Mortgage Lending

William A. Pearce
Senior Assistant Vice President

Mario V. Furlan
Assistant Vice President,
Real Estate Lending

Patrick F. Rennison
Assistant Vice President,
Real Estate Lending

OMBUDSMAN
Paul R. Lefaivre

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CANADIAN WESTERN BANK & TRUST
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Edmonton, Alberta

Albrecht W. A. Bellstedt [3,4]
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Milner Fenerty
Calgary, Alberta

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Vancouver, British Columbia

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Red Deer, Alberta

Jordan L. Golding [1]
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Retired Partner
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Robert A. Manning [1,2,4]
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Vancouver, British Columbia

Howard E. Pechet [2,4]
President
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Del Mar, California, USA

Larry M. Pollock [2]
President and Chief Executive Officer
Canadian Western Bank
Edmonton, Alberta

Alan M. Rowe, C.A. [1]
Senior Vice President and
Chief Financial Officer
Crown Life Insurance Company
Regina, Saskatchewan

Arnold J. Shell [*1,2,3]
President
Arnold J. Shell Consulting Inc.
Calgary, Alberta

Hidefumi Urasawa [3]
Chief Representative
The Hokkaido Takushoku Bank, Ltd.
Vancouver, British Columbia

1 Audit Committee Member
2 Loans Committee Member
3 Conduct Review Committee Member
4 Corporate Governance and Human Resources Committee Member
* on Board of Canadian Western Trust Company only

DIRECTORS EMERITUS
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Arthur G. Hiller
Peter M.S. Longcroft
Dr. Maurice W. Nicholson
Alma M. McConnell
Eugene I. Pechet
Dr. Maurice M. Pechet
Gordon V. Rasmussen
Fred Sparrow
Robert J. Turnbull

Corporate Directory

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Telephone (403) 423-8888
Website: www.cwbank.com

Stock Exchange Listings
The Toronto Stock Exchange
The Alberta Stock Exchange
The Vancouver Stock Exchange
Share Symbol - CWB
Convertible Debenture Symbol - CWB.DB

Registrar And Transfer Agent
Montreal Trust
Concourse Level
10050 Jasper Avenue
Edmonton, Alberta T5J 1V7
Telephone (403) 448-7598

Corporate Secretary
Charles R. Allard
WIC Premium Television Ltd.
Edmonton, Alberta

Inquiries From Shareholders
Any notification regarding change of address or change in registration of shares should be directed to the Transfer Agent. Any inquiries other than change of address or change in registration may be directed to the President and Chief Executive Officer.

Annual Meeting
The annual meeting of the common shareholders of Canadian Western Bank will be held on March 12, 1998 at the Crowne Plaza Chateau Lacombe, 10111 Bellamy Hill, Edmonton, Alberta at 2:00 p.m. (MST).

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Branch Manager – Winnie Lee

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(403) 424-4846
Branch Manager – Bill Book

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(403) 423-8801
Branch Manager – Jake Muntain

Southside
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Branch Manager – Heinz Kleist

Plaza 170
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Branch Manager – Trent Stolz

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Branch Manager – Al Steingart

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Branch Manager – Bill Wachko

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Branch Manager – Don Odell

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Branch Manager – Donald Grummett

Grande Prairie Industrial Lending Centre
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Grande Prairie, Alberta T8V 2V4
(403) 831-1888
Branch Manager – Kevin MacMillen

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Branch Manager – Huguette Holmes

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Vancouver, B.C. V6C 3K4
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Branch Manager – John Cedervall

Granville & 13th
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(604) 730-8818
Branch Manager – Rob Berzins

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Courtenay, B.C. V9N 3R1
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Branch Manager – Bill Lineham

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Manager – Harold Lavack

Kelowna
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Branch Manager – Ian Graham

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Branch Manager – Barry Butler

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Branch Manager – Gerry Laliberte

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Branch Manager – Dean Cudmore

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Branch Manager – Dean Rhoden

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Vice President – Richard Mackin

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