20TH ANNUAL REPORT 2003

CANADIAN WESTERN BANK

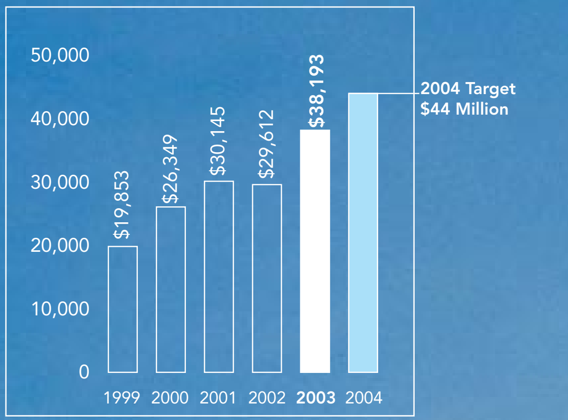
Think Western®

WHAT KIND OF A BANK CAN YOU BUILD IN 20 YEARS?

WHAT KIND OF A BANK CAN YOU BUILD IN 20 YEARS?

THIS IS THE WEST… the perennial land of opportunity. You can build almost any kind of bank you want… so we did. WE WANTED A BANK BASED IN THE WEST that served the needs of westerners. OUR CUSTOMERS WANTED A BANK BUILT ON RELATIONSHIPS and strongly rooted in western values. And our shareholders wanted to see consistent growth and profitability. We built that bank… your bank… Canadian Western Bank.

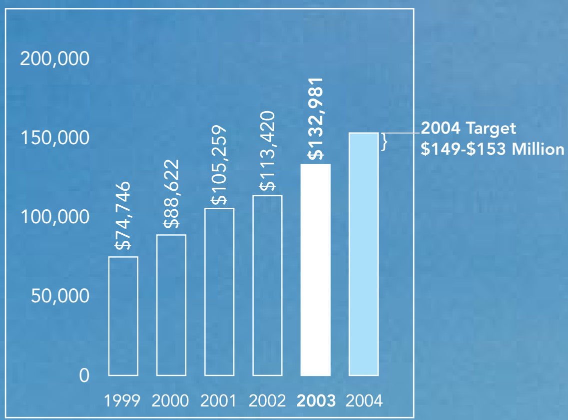
PERFORMANCE TARGETS



NET INCOME

2003 Results - Net income increased 29% in the year, almost doubling our target of 15%. Diluted earnings per share increased 26%. The significant increases were the result of strong organic loan growth, an improved net interest margin, increased fee income and excellent efficiency.

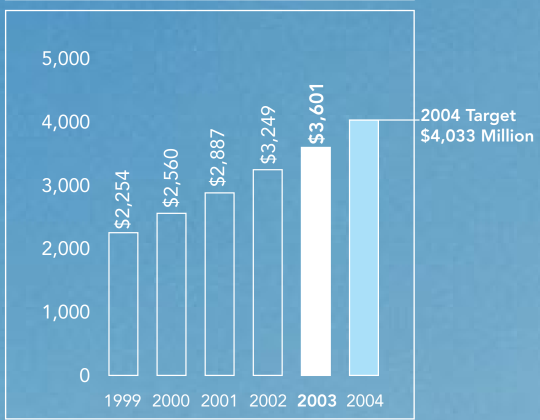
2004 Target - Net income growth of at least 15%.



TOTAL REVENUES

2003 Results - Total revenues (teb) were $133 million, an increase of 17%, exceeding our target range of 12 - 15% growth.

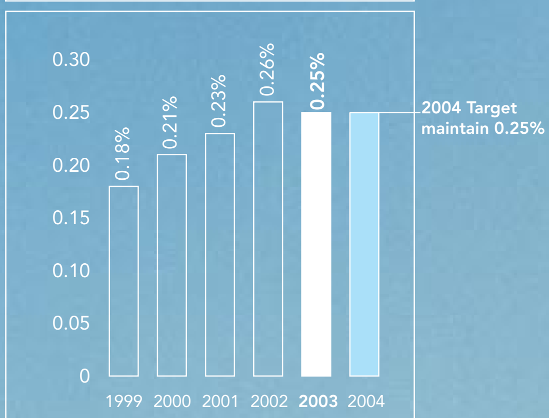
2004 Target - Our target range is for total revenue growth of 12 - 15%.



TOTAL LOANS

2003 Results - Total loans increased to $3,601 million or 11% year over year, slightly less than our target of 12%. However, the average loan balance for 2003 increased 14% over the average balance for 2002.

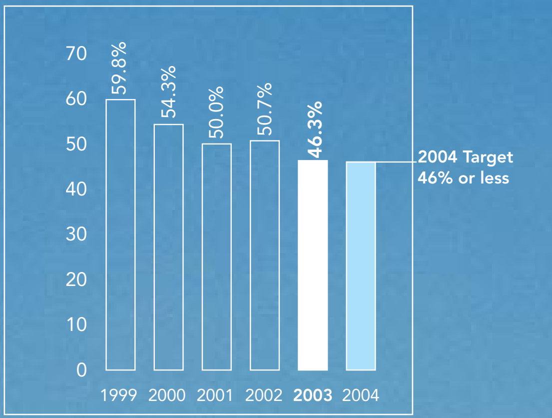
2004 Target - Total loan growth of 12%; maintaining our long term trend of double digit loan growth.



CREDIT RISK

2003 Results - The provision for credit losses as a percentage of average loans was 0.25%, consistent with our target. Based only on net new specific provisions, credit losses represented 0.14% of average loans.

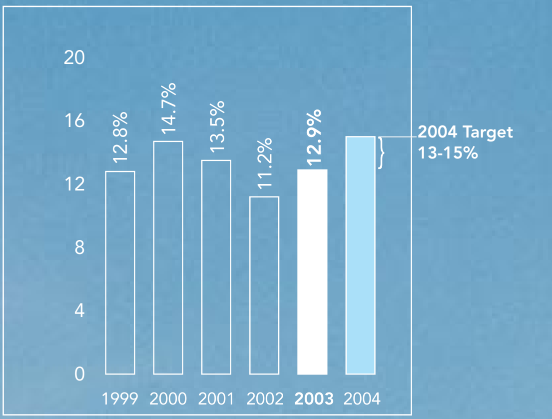
2004 Target - Maintain provisioning at 0.25% of average loans.



EFFICIENCY RATIO
(expenses to revenues)

2003 Results - Our efficiency ratio (teb), which continues to lead the Canadian banking industry, was 46.3% surpassing our target of 50% or less.

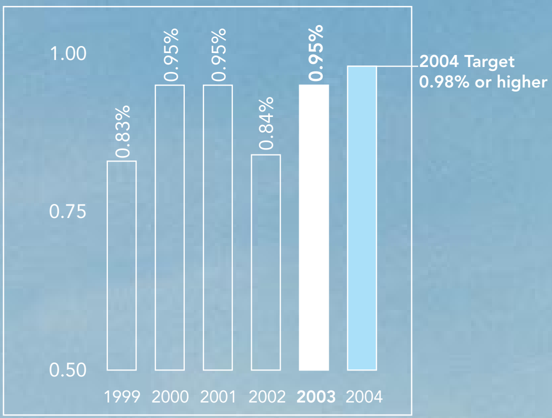
2004 Target - Efficiency ratio (teb) of 46.0% or less. A significant branch development program was commenced in 2003 with completion expected in spring 2004. This program will provide future benefits by supporting loan and deposit growth as well as retail initiatives, but it is expected to slow improvement in our efficiency ratio in 2004 as compared to the improvement in 2003.



RETURN ON EQUITY

2003 Results - ROE was 12.9%. No specific target was developed for 2003. The successful issue of non-dilutive subordinated debt in 2003, which improves our capital mix, makes a target for 2004 appropriate.

2004 Target - ROE of 13 to 15%.



RETURN ON ASSETS

2003 Results - ROA of 0.95% surpassed our target of greater than 0.88%.

2004 Target - ROA of 0.98% or higher.

FIVE YEAR FINANCIAL SUMMARY

($ thousands, except per share amounts)	2003	2002	2001	2000	1999
Results of Operations					
Net interest income (teb)[1]	**$ 107,655**	$ 91,284	$ 85,501	$ 73,367	$ 61,729
Less teb adjustment	**2,992**	2,449	–	–	–
Net interest income	**104,663**	88,835	85,501	73,367	61,729
Total revenues (teb)	**132,981**	113,420	105,259	88,622	74,746
Total revenues	**129,989**	110,971	105,259	88,622	74,746
Net income from continuing operations[2]	**38,193**	29,612	30,145	29,394	22,754
Net income	**38,193**	29,612	30,145	26,349	19,853
Return on common shareholders' equity	**12.9 %**	11.2 %	13.5 %	14.7 %	12.8 %
Return on average total assets	**0.95 %**	0.84 %	0.95 %	0.95 %	0.83 %
Per Common Share					
Average common shares outstanding (thousands)	**12,808**	12,629	12,001	11,134	10,153
Basic earnings per share					
Net income from continuing operations	**$ 2.98**	$ 2.34	$ 2.51	$ 2.65	$ 2.24
Net income	**2.98**	2.34	2.51	2.37	1.96
Diluted earnings per share					
Net income from continuing operations	**2.69**	2.14	2.26	2.41	1.98
Net income	**2.69**	2.14	2.26	2.18	1.76
Dividends[3]	**0.46**	0.40	0.36	0.34	0.48
Book value	**24.32**	21.97	20.08	17.35	15.68
Market price					
High	**$ 40.00**	$ 29.35	$ 30.50	$ 24.00	$ 24.25
Low	**23.25**	23.26	22.30	16.25	17.30
Close	**39.95**	25.75	26.27	23.00	17.60
Balance Sheet and Off-Balance Sheet Summary					
Assets	**$ 4,343,972**	$ 3,828,162	$ 3,439,568	$ 3,059,540	$ 2,707,595
Cash resources and securities	**694,699**	533,496	501,228	446,351	375,182
Loans	**3,601,003**	3,248,747	2,886,640	2,560,092	2,253,598
Deposits	**3,819,750**	3,429,071	3,042,307	2,727,809	2,371,075
Subordinated debentures	**121,951**	57,126	67,126	67,126	78,691
Shareholders' equity	**316,231**	278,087	252,262	194,595	159,550
Assets under administration	**1,474,964**	1,166,489	873,538	741,181	559,978
Capital Adequacy					
Tangible common equity to risk-weighted assets	**8.9 %**	8.8 %	9.3 %	8.1 %	7.4 %
Tier 1 ratio	**8.9 %**	8.8 %	9.3 %	8.1 %	7.4 %
Total ratio	**13.1 %**	11.4 %	12.5 %	11.6 %	11.8 %
Other Information					
Efficiency ratio (teb)	**46.3 %**	50.7 %	50.0 %	54.3 %	59.8 %
Efficiency ratio	**47.4 %**	51.8 %	50.0 %	54.3 %	59.8 %
Net interest margin (teb)	**2.68 %**	2.60 %	2.69 %	2.64 %	2.57 %
Net interest margin	**2.60 %**	2.53 %	2.69 %	2.64 %	2.57 %
Provision for credit losses					
as a percentage of average loans	**0.25 %**	0.26 %	0.23 %	0.21 %	0.18 %
Net impaired loans as a percentage of total loans	**(0.36)%**	0.13 %	0.25 %	0.17 %	0.54 %
Number of full time equivalent staff	**632**	583	548	509	555
Number of branches	**27**	27	27	25	24

(1) Most banks analyze revenue on a taxable equivalent basis (teb) to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividend received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. Prior to fiscal 2002, tax-exempt security income was insignificant and no taxable equivalent adjustments were made. The taxable equivalent basis does not have a standardized meaning prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other banks.

(2) The sale of our brokerage subsidiary closed February 16, 2000. The results of operations and the loss on disposal have been disclosed separately from continuing operations.

(3) The dividend policy was amended to be semi-annual instead of annual during the third quarter of fiscal 1999. The dividend rate for fiscal 1999 appears unusually high as it includes the last annual dividend of $0.32 per share paid in the first quarter and the first semi-annual dividend of $0.16 paid in the third quarter.

HIGHLIGHTS FOR 2003

Financial

- Achieved record net income of $38.2 million, an increase of 29% over 2002
- Recorded 62nd consecutive quarter of profitability
- Surpassed $4 billion in total assets, a doubling in asset size in just over five years
- Grew loans by 11% – our fourteenth consecutive year of double-digit loan growth
- Demonstrated continued strong credit quality, with an annual provision for credit losses of 0.25% of average loans
- Continued to lead the Canadian banking industry in productivity as reflected by our efficiency ratio (expenses to revenues) (teb) of 46.3%
- Grew average lower cost demand and notice deposit balances by 23%, a key factor in leveraging our core profitability
- Reached almost $1.5 billion in trust assets under administration, an increase of 26%
- Strengthened our total capital ratio to 13.1%, and maintained a strong Tier 1 ratio of 8.9% (comprised entirely of tangible common equity)
- Issued $65 million of non-dilutive subordinated debentures, improving our mix of regulatory capital
- Announced anticipated change to quarterly dividend declarations in 2004

Operating

- Commenced the relocation and significant upgrading of our existing Vancouver West Broadway, Winnipeg, Grande Prairie and Red Deer branches to new highly visible locations opening between November 2003 and January 2004
- Finalized plans for our 28th branch to be opened in St. Albert, Alberta in spring 2004
- Commenced the expansion of our Calgary Main branch and the development of a specialized industrial lending office in Prince George, British Columbia
- Further developed programs and products to generate lower cost branch deposits
- Enhanced our product line with the launch of both personal and business Think Western® MasterCards® through an agreement with MBNA Canada Bank
- Provided trust services, through our subsidiary Canadian Western Trust, to a growing number of mutual fund dealers and financial advisors as well as other financial institutions
- Reinforced our Think Western® culture and brand of service, which continues to translate into a competitive advantage in our markets
- Identified as having one of the top corporate boards in a survey published by Canadian Business magazine
- Recognized by our peers as one of Alberta's three most respected corporations in the category of corporate performance of public companies in a poll conducted by Alberta Venture magazine
- Continued our emphasis on straightforward business practices and strong, effective corporate governance

MESSAGE TO SHAREHOLDERS

IT IS A PLEASURE TO REPORT ON THE BEST YEAR IN YOUR BANK'S HISTORY; A YEAR MARKED WITH RECORD FINANCIAL ACHIEVEMENTS.

Our total revenues grew 17% over the previous year, while net income finished at an all time high of $38.2 million, up 29% over last year – almost double our growth target. As well, diluted earnings per share increased 26% to $2.69.

The achievement of record earnings and our sixty-second consecutive quarter of profitability is even more satisfying as we are about to celebrate our 20th anniversary. Reflecting over the past two decades, we have developed a record of strong, steady, profitable growth by staying focused on our business plan and committed to our Think Western® culture. This focus and commitment helped us reach a new milestone of $4 billion in total assets in 2003, which represents a doubling in asset size in just over five years.

During 2003, there was strong appreciation in our share price, which reached a record high and resulted in a shareholder return that outpaced the increase in both the S&P/TSX composite index and the Banks & Trust index.

Our peers also recognized our continued success in 2003. In a poll of the Alberta business community conducted by Alberta Venture magazine, Canadian Western Bank was named one of the province's three most respected corporations in terms of corporate performance. Performance was measured by the ability to sustain fiscal success, maintain or build market share and perform well in the public markets.

Growing our Core Business in a Cost Effective Manner

We are very proud of our long-term trend of double-digit annual loan growth, which averaged 13% over the past five years. This continues to be a strong indicator of how well our regional focus and niche strategy are being accepted by our customers. It is our ability to operate in a cost effective manner that further drives our profitability. In the financial industry, this ability is reflected in the efficiency ratio, which measures what it costs to generate each dollar of revenue. This year, we achieved a new record efficiency ratio (teb) of 46.3%, which leads the Canadian banking industry by a wide margin.

Canadian Western Trust is a key component of our core business. Trust operations provide a growing contribution to non-interest revenues and lower cost deposits. In 2003, trust service fees grew 25% to $4 million and lower cost notice deposits increased 37%. A majority of the growth came from western Canadian mutual fund dealers and financial advisors who, in increasing numbers, are recognizing the Trust's service advantage. The Trust has also been successful in developing relationships with and providing services to other financial institutions, including ATB Investor Services (a subsidiary of ATB Financial) and Vancouver City Savings Credit Union.

Strong Credit Quality

For more than a decade we have had strong credit quality and low loan losses. The charge to income for loan losses was 25 basis points of average loans this year, consistent with our average over the past 10 years of 26 basis points. Our loan loss experience continues to compare favourably to the Canadian banking industry, both in terms of levels of losses and stability. A strong credit discipline ensures that we remain well prepared to deal with changes in the underlying economies that affect our customers.

Investing in Our Future

We undertook a number of new initiatives this year that build upon the strong foundation we have established. Strategically, we placed $65 million of subordinated debentures with institutional investors, which improved our capital mix and allows us to pursue growth opportunities without dilution to common shareholders. Operational initiatives included an increased emphasis on retail services and development of our branch network.

The emphasis on retail operations carries with it the objective of leveraging core profitability by growing lower cost branch-generated deposits. Retail initiatives to date have included product enhancements, awareness advertising and targeted training for our employees. We are especially pleased with the launch of new personal and business Think Western® MasterCards®, which are offered through an agreement with MBNA Canada Bank. These credit cards fit well with our existing product offerings and improve our ability to serve customers, a top-of-mind priority.

Further development of our branch network is also key, including the relocation and significant upgrading of our Grande Prairie, Red Deer, Winnipeg and Vancouver West Broadway branches which are scheduled to open between November 2003 and January 2004. We are also constructing our twenty-eighth branch, which is scheduled to open in St. Albert, Alberta in Spring 2004. These new, highly visible premises will offer a full range of products and services in our refreshing Think Western® style. In addition, we are expanding our Calgary Main branch and pursuing a specialized industrial lending office for Prince George, British Columbia.

Think Western®

Canadian Western Bank embraces the Think Western® philosophy – we don't just talk about it. Since the inception of the Bank in 1984, this is what our customers tell us differentiates us from our competitors. Thinking Western is a commitment to western hospitality and specialty service, and is a reflection of the personality and style of our organization. It means we apply common sense to the way we do business, how we respond to customers and how we set policies. We work as a team. We talk face-to-face with customers, no voice mail. Most importantly – we listen. We want to be the bank of choice for small to mid-size businesses and individual customers in Western Canada who want high touch, personal service. Our track record of strong, steady, profitable growth is proof that providing personalized service to customers is a cost-effective way of growing our business.

Corporate Governance

There continues to be a significant focus on corporate governance issues. We have always made strong and effective corporate governance a priority, as we believe it is essential to long-term success. Our governance policies are designed to strengthen the ability of the Board of Directors to effectively supervise management and enhance shareholder value. The Board adapts the governance policies to meet changing needs and circumstances with the goal of maintaining high standards and improving effectiveness. Ongoing corporate accountability reforms and governance best practices are monitored in order that we may further refine our processes and policies.

We were pleased when Canadian Business magazine recognized Canadian Western Bank as having one of the top corporate boards in Canada. The survey, which included all Canadian public companies listed on the TSX, placed our board in a tie for second place. Companies were ranked on board composition, board performance and disclosure, responsiveness to shareholders and stock performance.

Outlook

In 2003 we undertook many initiatives that are expected to take Canadian Western Bank to the next level of financial performance and market acceptance. Overall, there is a growing feeling of excitement that we are on the right track. A strong sense of pride has developed – showcased in our premises and reflected in customers and staff embracing "their bank". The Board and management also take satisfaction in the ability to increase dividends and raise subordinated debt to support future asset growth, as it underscores the Bank's development and increasing market recognition.

On the front cover, the question is asked, "what kind of a bank can you build in 20 years?" Throughout this report, we are certain you will find the answer. Our Bank was built on relationships. Relationships that create value for every person we deal with – each and every day. We sincerely thank those who helped build our Bank over the past 20 years – our employees for their dedication and extra efforts, and our customers for choosing to bank with us.

In 2004 we will be celebrating our 20th anniversary. We will continue to focus on our business plan and fundamental strengths, while looking for new growth opportunities that will enhance our core business and increase shareholder return. Our key financial targets for 2004 include return on equity of 13-15% and net income growth of at least 15%. We trust our shareholders are pleased with our success and we remain committed to taking Canadian Western Bank to even higher levels of performance.

Jack C. Donald
Chairman

Larry M. Pollock
President and CEO

"The major Canadian banks are moving away from the core business of banking… but we're not. We are in the business of evaluating risk – making loans and investing people's money – and we concentrate all our efforts on getting it right."

Jack C. Donald, with CWB Board 20 years
Chairman of the Board

"When I joined CWB, the potential was mind boggling. We were a $3 to $4 hundred million bank – with the vision of someday becoming a $5 billion bank… At the rate we're growing, we might just get there in '04. And, when we arrive, it will be as the most efficient and cost effective bank in the country."

Larry M. Pollock, with CWB 14 years
President and CEO

With a clear VISION, strong NICHE, focus on GROWTH and a commitment to RELATIONSHIPS… you can build a special kind of bank in 20 years… Canadian Western Bank… and this is our story.

Focused, straightforward and truly western…
that is our VISION.

1984

$36 MILLION

ASSETS

2003

$4.3 BILLION

BE TRUE TO YOUR VISION

CWB TURNS 20

BACK IN 1984, WHEN THE BANK WAS FOUNDED, WE HAD A DREAM, A VISION… AND NOT MUCH ELSE. AS IT TURNS OUT, THAT WAS MORE THAN ENOUGH.

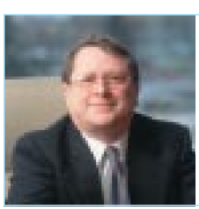
Just two decades ago the world got its first look at the Apple computer and Ghost Busters. Clara Peller asked "Where's the Beef?" and we launched Canadian Western Bank. Back then it was a little bank with a big vision. But it was also a bank with the resolve to stick to that vision.

Canadian Western Bank came to life in 1984 when the late Dr. Charles A. Allard pursued his vision of a bank for westerners, based here in Western Canada. With hard work and commitment from dedicated founders, employees, and all those who followed, this vision became a reality – a very successful reality.

Now, with over $4.3 billion in assets and 27 branches in the four western provinces, we are the largest publicly-traded Schedule I chartered bank with its headquarters and principal operations in Western Canada. At 20 years of age, our little bank that could has done just that, and in a big way.

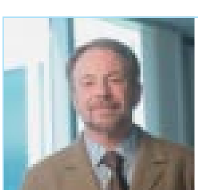
From the initial Bank of Alberta Charter in 1984 and the amalgamation with Western & Pacific Bank of Canada in 1988 and North West Trust Company in 1994, to the acquisition of Aetna Trust in 1996 (now Canadian Western Trust), CWB has continued to grow at a steady pace. We have consistently acquired assets and businesses and expanded our service offerings to fuel our vision of providing the highest quality financial services in our chosen niches.

Over the last two decades, CWB has distinguished itself as a business leader. We've delivered on our promise of full service banking and high touch, personalized service for western Canadians. And we've enjoyed a long list of cumulative successes: 62 consecutive profitable quarters… fourteen consecutive years of double-digit loan growth… And, even during our most exciting periods of growth, we've never lost sight of the vision. It has never been about becoming the biggest, it is about being the best at what we do.



"My father originally wanted a western institution that would provide a reliable, responsive alternative to the big eastern banks. And, he was ultimately concerned for the security of the people who deposit money with us. He took that responsibility very seriously...and it remains a priority today. You can see it in our loan loss experience...among the lowest in the country again this year."

Charles R. Allard, with CWB Board 18 years
Director



"Back in the 70s, my father always felt like he was going cap in hand for financing to the east. He built hotels in the west… in places bankers in the east had never heard of. And it was a constant barrier. So my father's dream for CWB originally was for a stable bank that understood the western economy. We are now a full fledged Schedule I bank…a completely western Canadian institution… and we are here to stay."

Howard E. Pechet, with CWB Board 20 years
Director

We charted our course, chose our NICHE…
that’s our advantage.

1984

$36 MILLION

MARKET CAPITALIZATION

2003

$500+ MILLION

STICK TO YOUR NICHE

DO WHAT YOU'RE GOOD AT

WHEN YOU KNOW WHAT YOU'RE GOOD AT, YOU STICK WITH IT.
WE UNDERSTAND WESTERN BUSINESS BECAUSE WE ARE WESTERN BUSINESS.

Canadian Western Bank was founded to serve the west, and that's what we do. British Columbia, Alberta, Saskatchewan and Manitoba – it's the market we know. We specialize in commercial lending, real estate financing, industrial equipment financing and energy lending.

You can tell a lot about a bank by the company it keeps. For us, those companies are mid-market businesses that have what it takes to grow and prosper in an evolving marketplace. For two decades, we've built our business by helping them to grow theirs. We don't believe that having a big bureaucracy makes you better. Far from it. Local businesses need local solutions. It's on this level where we get down to business – important decisions involve local managers who know and understand their customers. We do not make decisions based strictly on numerical formulas, we understand the value of personal judgement.

Since the inception of the Bank, we have prided ourselves on our Think Western® approach to customer service. This approach not only gives us an advantage in mid-market lending, but it also continues to deliver growth and service differentiation in retail banking. CWB provides full service personal banking through a competitive range of deposit accounts, investment products, mortgages, personal loans and credit cards as well as other banking services. Fast and friendly. It's the way we do business.

We provide trust services through Canadian Western Trust. Our niche is delivering value propositions such as partnering with independently-minded leaders in the investment industry, identifying service gaps in the trust industry and delivering results.

We give our customers what they want: a preferred alternative to bigger banks… a regional bank that is agile, aware and focused on the client. Our approach is straightforward. We've adopted a service standard that differentiates us from all others. It's what we call thinking western. We believe in and practice high touch personalized service. Every day. Every customer. Their business matters to us, and they know it.

"CWB has earned our loyalty through their steadfast support and personal attention. They believed in us from the beginning and we have grown together. Other banks are interested in us but they have no any idea of the strength of our relationship, or they wouldn't be asking."

Jim Ross, CWB client for 13 years
President and CEO, Steeplejack Industrial Group Inc.

Real GROWTH requires a plan…
and the conviction to see it through.

1984

$715 THOUSAND

NET INCOME

2003

$38 MILLION

FOCUS ON GROWTH

MAINTAIN A STEADY COURSE

WE WEREN'T HANDED THIS SUCCESS. WE EARNED IT. THE APPLICATION OF PROVEN METHODS, CONSISTENT APPROACHES, RESPONSIBLE STEWARDSHIP AND WESTERN THINKING – HAS MADE CWB THE SUCCESSFUL FINANCIAL INSTITUTION IT IS TODAY.

At Canadian Western Bank, we believe in a course of steady and responsible growth. And our people have achieved it, delivering over a decade of double-digit loan growth in a constantly fluctuating world.

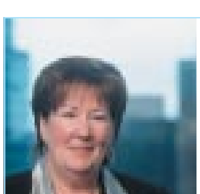
The key to this growth is consistency. Since the earliest days, we have practiced a philosophy and leadership style that has resulted in dynamic growth and profitability.

Back in 1984, our initial market capitalization and total assets were only $36 million. We've come a long way with market capitalization of more than $500 million and total assets of over $4.3 billion.

This year, we celebrated our 62nd consecutive profitable quarter as well as a record year for net income. Our credit quality remains strong, with one of the lowest loan loss provisions and the best efficiency ratio in the Canadian banking industry.

The theme of consistency is carried through to our approach to customer relations. We believe in open, honest communication that's rooted in respect. That's how we've always done business… and it continues to work for us and for our customers. Our ever-expanding full service personal banking line is a result of this two-way communication with our customers.

Sound and effective corporate governance is also a priority at Canadian Western Bank. In fact, Canadian Western Bank was recently recognized by Canadian Business magazine as having one of the top corporate boards in the country.



"I was there in the beginning. At first we worked out of a boardroom at the Mayfield Inn because our sponsoring shareholders, the Pechets, were good enough to let us do business there until we received our licence to operate. In the boardroom we had 3 desks, 3 phones and a typewriter. That was it. But I loved coming to work. It was so exciting. We were building a bank."

Esther Edwards, CWB's first employee and with CWB 20 years
Executive Assistant to President and CEO

Our RELATIONSHIPS with employees, customers and shareholders have taken us to new heights.

1984

110%

COMMITMENT TO PEOPLE

2003

110%

BUILD RELATIONSHIPS

BE A GOOD NEIGHBOUR

FROM DAY ONE, THE FOCUS HAS BEEN ON BUILDING RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SHAREHOLDERS AND THE COMMUNITY. THE RESULTS FOR ALL STAKEHOLDERS ARE BETTER WHEN YOU WORK WITH A TEAM YOU TRUST.

People are by far the most valuable asset of any organization. At CWB, we've built a team that you can bank on… a winning team… champions of common sense, western ways and values.

Relationships are the very foundation of CWB. We want to know our customers, and we want them to know us. When you care about the people you serve, and those you work with, it raises customer service to a whole new level.

We treat our customers the same way we would like to be treated: with respect, honesty and simple courtesy. We don't believe that's a lot to ask. That's just a little thing we call thinking western – and it's what sets us apart.

We don't believe in voicemail, or call centres. That's far too impersonal – not our style. And we don't care for long lineups, either. We realize your time is valuable, so we go out of our way to get the job done.

The western tradition of doing for others is deeply ingrained in all of us at CWB. We proudly support the communities we serve… giving to a number of worthwhile causes from caregiving, to education, to the arts. Call it community spirit. Call it western hospitality. We call it good business.

Our relationships don't end at the bank door. We take that community-minded attitude home with us… to the neighbourhoods where we live… where our families live. We're not just bankers, we're parents, volunteers, soccer coaches, dance teachers, board members, and more. You'll find over 600 of our employees throughout the West. Just down the street. Around the corner. Or across the way. We're the ones with the friendly smile.

"The bank is completely within my comfort zone. There's a friendly atmosphere about it, and in 18 years I have never had a negative experience. CWB understands the ups and downs of our economy. They've always had a group of mature individuals working on the commercial side… Not a lot of turnover in personnel… makes for great continuity and very comfortable banking…"

Bob Rowe, CWB client for 18 years
General Manager, Phoenix Fence Inc.

"My eventual successor will believe in our Think Western® culture or I'll stay on 'til I'm 90."

Larry Pollock, with CWB 14 years
President and CEO

Quarterly Information

($ thousands, except per share amounts)

	2003				2002			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Results of operations								
Net interest income (teb)[1]	$ 27,500	$ 28,369	$ 25,953	$ 25,833	$ 24,534	$ 24,079	$ 20,677	$ 21,994
Less teb adjustment	559	906	685	842	710	693	596	450
Net interest income per financial statements	26,941	27,463	25,268	24,991	23,824	23,386	20,081	21,544
Total revenues (teb)	33,858	34,785	32,125	32,213	29,869	29,834	25,809	27,908
Total revenues	33,299	33,879	31,440	31,371	29,159	29,141	25,213	27,458
Net income	9,604	10,375	8,868	9,346	7,727	8,064	6,425	7,396
Return on common shareholders' equity (ROE)	12.2%	13.7%	12.5%	13.2%	11.2%	12.0%	10.1%	11.5%
Return on average total assets (ROA)	0.91%	1.00%	0.92%	0.97%	0.83%	0.91%	0.77%	0.87%
Earnings per common share								
Basic	$ 0.74	$ 0.81	$ 0.70	$ 0.74	$ 0.61	$ 0.64	$ 0.51	$ 0.59
Diluted	0.67	0.72	0.63	0.67	0.56	0.58	0.47	0.53
Efficiency ratio (teb)	46.9%	44.5%	47.8%	46.0%	50.9%	49.1%	54.5%	48.7%
Efficiency ratio	47.4%	45.7%	48.9%	47.3%	52.1%	50.3%	55.8%	49.5%
Net interest margin (teb)	2.60%	2.73%	2.69%	2.68%	2.64%	2.72%	2.47%	2.58%
Net interest margin	2.55%	2.65%	2.62%	2.60%	2.57%	2.64%	2.39%	2.52%
Provision for credit losses as a percentage of average loans	0.25%	0.25%	0.25%	0.25%	0.24%	0.26%	0.26%	0.27%

(1) Most banks analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividend received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis of $3.0 million (2002 – $2.5 million) increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other banks.

Canadian Banking Industry

Comparative performance indicators of the Canadian banking industry referred to in this document are obtained from the published results of the other publicly-traded Schedule I banks (Bank of Montreal, Canadian Imperial Bank of Commerce, Laurentian Bank of Canada, National Bank of Canada, Royal Bank Financial Group, Scotiabank and TD Bank Financial Group). Readers are cautioned that the banks in this industry group have operations and asset size that may not be directly comparable to each other or to Canadian Western Bank.

Forward-looking Statements

From time to time we make written and verbal forward-looking statements about our objectives and strategies, operations and targeted financial results. These may be included in our Annual Reports, regulatory filings, reports to shareholders, press releases, corporate presentations and other communications. These forward-looking statements are inherently subject to risks and uncertainties beyond the Bank's control, including, but not limited to, fluctuations in interest rates and currency values, changes in economic and political conditions, legislative or regulatory developments, technological developments and competition. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements and the reader is therefore cautioned not to place undue reliance on these statements. We do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by us or on our behalf.

Overview of 2003

Key Performance Indicators

($ thousands, except per share amounts)

	2003	2002	Change from 2002	% Change
Net income	**$ 38,193**	$ 29,612	$ 8,581	29%
Earnings per share				
Basic	**$ 2.98**	$ 2.34	$ 0.64	27%
Diluted	**$ 2.69**	$ 2.14	$ 0.55	26%
Provision for credit losses as a percentage of average loans	**0.25%**	0.26%	(0.01)%	
Efficiency ratio[1] (expenses to revenues) (teb)[2]	**46.3%**	50.7%	(4.4)%	
Efficiency ratio	**47.4%**	51.8%	(4.4)%	
Return on common shareholders' equity	**12.9%**	11.2%	1.7 %	
Return on average total assets	**0.95%**	0.84%	0.11 %	

[1] A decrease in the ratio reflects improved efficiency.
[2] See page 23 for a discussion of teb.

The Bank achieved record earnings of $38.2 million in 2003, an increase of 29% over 2002. The increase was due to strong growth in total revenues and excellent efficiency. The efficiency ratio (teb) at 46.3% remained the best in the Canadian banking industry. Credit quality remained strong and stable. The provision for credit losses as a percentage of average loans was 0.25% in 2003 and has averaged 0.23% over the last five years.

Diluted earnings per share were $2.69 in 2003 compared to $2.14 a year ago, an increase of 26%. Return on shareholders' equity and return on assets were 12.9% and 0.95% respectively compared to 11.2% and 0.84% last year.

Total assets increased 13% from one year ago to reach $4,344 million. Loans increased by $352 million, or 11% as the Bank's long history of double digit annual loan growth continued. Branch generated deposits increased 14% in the year and account for over one half of total deposits.

The Bank raised $65 million in conventional subordinated debentures which improved the mix of regulatory capital because growth is supported without dilution of common shareholders. The total capital adequacy ratio at October 31, 2003 was 13.1% (2002 – 11.4%) with a Tier 1 component of 8.9% (2002 – 8.8%).

Critical Accounting Policies

The Bank's significant accounting policies are outlined in Note 1 of the consolidated financial statements. The policies discussed below are considered particularly important as they require management to make significant estimates or judgements, some of which may relate to matters that are inherently uncertain.

Allowance for Credit Losses

The allowance for credit losses reflects management's estimate of probable losses in the Bank's loan portfolio at the balance sheet date. In assessing existing credit losses, management must rely on estimates and exercise judgement regarding matters for which the ultimate outcome is unknown. These matters include economic factors, developments affecting particular industries and specific issues with respect to single borrowers. Changes in circumstances may cause future assessments of credit risk to be significantly different than current assessments and may require an increase or decrease in the allowance for credit losses. Additional information on the process and methodology for determining the allowance for credit losses can be found in the discussion of credit quality on page 34 of Management's Discussion and Analysis of Operations and Financial Condition and Note 1(e) to the consolidated financial statements.

Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions. In determining both the current and future components of the provision for income taxes, management must interpret tax legislation and make assumptions about the expected timing of the reversal of future tax assets and liabilities. If the Bank's interpretations differ from those of tax authorities or if the timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods.

Business Profile, Strategy and Outlook

Business Profile

Canadian Western Bank (CWB) commenced operations in 1984 and today serves many thousands of small to medium sized businesses and individuals across the four western Canadian provinces. With a focus on mid-market commercial lending, real estate financing, industrial equipment financing and energy lending, the Bank has built strong customer relationships and provides value-added services to businesses in key sectors across the west. CWB also delivers a wide variety of financial products and services including deposit accounts, investment products, credit and debit cards, personal loans and mortgages. Customer accessibility is provided though a network of twenty-seven customer focused branches as well as via the Internet and telephone banking. Personal and corporate trust services are provided through a wholly-owned subsidiary, Canadian Western Trust (CWT).

Strategy and Strengths

The year 2004 will see the Bank celebrate its 20th anniversary. Upon reflection, CWB's business plan has not strayed far from its roots. Rather, it has been an evolution based on strong fundamentals, values and focus.

Canadian Western Bank's mission is to be known and respected as Canada's western bank, providing western Canadians and other selected markets with a preferred source of individual and commercial financial services, delivered in its signature Think Western® style. The fundamental objectives are to provide shareholders with a sound and profitable return, provide clients with value, service and stability, provide employees with a positive and rewarding work environment and contribute to the communities in which CWB operates.

The Bank plans to achieve its mission through the following strategic priorities:

- Build upon the Think Western® brand of service by ensuring CWB employees continue to manage customer relationships in the responsive and friendly CWB manner. CWB believes that experienced, knowledgeable and dedicated employees with a Think Western® attitude are critical to building customer loyalty.
- Ensure growth is focused, strategic and ultimately enhances shareholder value.
- Reinforce industry leadership in cost efficiency, return on assets and credit losses by maintaining low cost delivery capabilities, mitigating risks and ensuring continued rigorous credit risk management.
- Leverage core profitability by the generation of lower cost deposits through the branch network and CWT.
- Grow non-interest revenues from a continued emphasis on retail products and services and by ensuring appropriate resources are allocated to CWT to support corporate and personal trust services.
- Increase ROE further by improving the mix of regulatory capital and through potential new business opportunities.
- Maintain and reinforce CWB's reputation and public confidence through enhanced communication, diligence in corporate governance practices and high standards in corporate reporting and accountability.

Outlook

Overall, the Bank expects continued strong financial performance in 2004, stable or improving economic conditions in Western Canada and stable to modestly rising interest rates. The recent and expected strength in the Canadian dollar will affect some borrowing customers positively and others negatively, but overall it is not expected to have a significant impact on the Bank's credit quality or growth strategy. An increased emphasis on retail initiatives, together with the significant branch development projects that will be completed in fiscal 2004, are expected to further strengthen the Bank's ability to drive core business growth and increase market recognition. Targets established for 2004 include net income growth of at least 15%, ROE of 13 to 15% and ROA of 0.98% or higher.

The impact of potential big bank mergers on the Canadian financial industry is difficult to predict. It is generally felt that there would be additional growth opportunities for smaller financial institutions like CWB because of possible location duplication, customer interruption and more narrowly focused business strategies of the merged institutions, should mergers be allowed and indeed, if they occur.

The balance of management's discussion focuses on the following areas which form the financial basis of the Bank's business plan and which management considers critical to long-term success:

- Growth of the core business
- Cost control
- Credit quality
- Balance sheet and capital management
- Risk management

Growth of the Core Business

Highlights of 2003

- Total revenues increased 17%
- Net interest income increased 18% as a result of strong loan growth and an improved net interest margin
- Other income increased 14% with strong growth in all operational areas
- Loans increased 11%
- Lower cost notice and demand deposits increased 18%
- Trust operations, through Canadian Western Trust, continued to expand with the number of self-directed accounts up 15%

Net Interest Income

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.

Table 1 – Net Interest Income (teb)[1]

($ thousands)

	2003				2002			
	Average Balance	**Mix**	**Interest**	**Interest Rate**	Average Balance	Mix	Interest	Interest Rate
Assets								
Securities and deposits with regulated financial institutions	**$ 526,489**	**13%**	**$ 19,319**	3.67%	$ 436,589	13%	$ 16,907	3.87%
Loans								
Securities purchased under resale agreements	**61,468**	**1**	**1,807**	2.94	49,647	2	1,193	2.40
Residential mortgages	**631,511**	**16**	**37,435**	5.93	572,446	16	34,907	6.10
Other loans	**2,756,634**	**69**	**180,801**	6.56	2,398,029	68	157,897	6.58
Total loans	**3,449,613**	**86**	**220,043**	6.38	3,020,122	86	193,997	6.42
Total interest bearing assets	**3,976,102**	**99**	**239,362**	6.02	3,456,711	99	210,904	6.10
Other assets	**45,810**	**1**	**–**	0.00	48,571	1	–	0.00
Total Assets	**$4,021,912**	**100%**	**$ 239,362**	**5.95%**	**$3,505,282**	**100%**	**$ 210,904**	**6.01%**
Liabilities								
Deposits								
Demand	**$ 115,392**	**3%**	**$ –**	0.00%	$ 83,715	2%	$ –	0.00%
Notice	**444,778**	**11**	**6,245**	1.40	370,021	11	3,522	0.95
Fixed term	**3,014,956**	**75**	**121,521**	4.03	2,655,316	76	112,391	4.23
Total deposits	**3,575,126**	**89**	**127,766**	3.57	3,109,052	89	115,913	3.73
Other liabilities	**83,700**	**2**	**–**	0.00	68,923	2	–	0.00
Debentures	**67,372**	**2**	**3,941**	5.85	62,959	2	3,707	5.89
Shareholders' equity	**295,714**	**7**	**–**	0.00	264,348	7	–	0.00
Total Liabilities	**$4,021,912**	**100%**	**$ 131,707**	**3.27%**	**$3,505,282**	**100%**	**$ 119,620**	**3.41%**
Total Assets/Net Interest Income	**$4,021,912**		**$ 107,655**	**2.68%**	**$3,505,282**		**$ 91,284**	**2.60%**

[1] See page 23 for a discussion of teb.

In 2003, net interest income increased by $16.4 million, or 18%, primarily due to an increase of $519 million (15%) in average interest bearing assets and an increase in the net interest margin to 2.68% from 2.60%.

The increase in net interest margin in 2003 reflects the recovery of rates from the record low interest rate environment experienced in the first half of 2002. The prime rate for the year averaged 4.69% in 2003 compared to 4.15% last year. The 2003 net interest margin of 2.68% was consistent with the margin of 2.69% achieved in 2001 prior to the fall in interest rates.

Outlook

In 2004, net interest income is expected to increase in response to the targeted loan growth of 12%. In addition, a continued emphasis on generating lower cost deposits will allow the Bank to gain leverage from core profitability. The Bank consistently maintains a positive interest rate gap with maturing assets exceeding maturing liabilities during the one year time frame. As a result of this positive interest rate gap, an increase in short term market rates would have a positive impact on margins, while a decrease would have the opposite impact. Overall, net interest margin is expected to be comparable to 2003 based on relatively stable interest rates with modest increases expected in late spring.

Other Income

Other income includes all revenues not classified as net interest income.

Table 2 – Other Income
($ thousands)

				Change from 2002		
		2003		2002	$	%
Credit related	$	**13,099**	$	11,050	$ 2,049	19%
Retail services		**4,679**		3,944	735	19
Trust services		**4,017**		3,206	811	25
Gains on sale of securities		**2,095**		2,385	(290)	(12)
Foreign exchange		**1,279**		1,280	(1)	(0)
Other [(1)]		**157**		271	(114)	(42)
Total Other Income	**$**	**25,326**	**$**	**22,136**	**$ 3,190**	**14%**

[(1)] Includes gains/losses on equipment disposals and other miscellaneous non-interest revenues.

Other income was $25.3 million, an increase of $3.2 million or 14% over 2002. Notable changes include:

- an increase of $2.0 million (19%) in credit fees due to loan growth;
- an increase of $735,000 (19%) in retail fees as a result of volume growth and ongoing retail initiatives;
- increased trust services fees in Canadian Western Trust (CWT) due to continued growth (15%) in the number of self-directed RRSP (registered retirement savings plan) and RRIF (registered retirement income fund) accounts and an increased offering of products available; and
- a decrease in gains on securities sales.

Other income as a percentage of total revenue (net interest income and other income) was 19% in 2003, down slightly from 20% in 2002 primarily as a result of the increase in net interest income generated from the increased net interest margin.

Outlook

Other income is expected to increase 12 – 15% in 2004, with growth in all areas except securities gains. The enhancement of retail operations will continue to be a focus in 2004, with the objective of increasing fee income through expanded product offerings, additional transactional deposit accounts and the generation of new business, all supported by the development of the Bank's branch network.

Loans

Loans, as reported on the consolidated balance sheet, totalled $3,601 million at the end of 2003 compared to $3,249 million at the end of 2002, an increase of 11%.

Table 3 – Outstanding Loans by Type and by Provincial Location of Security
($ millions)

October 31, 2003	British Columbia	Alberta	Saskatchewan	Manitoba	Other Provinces	Total[1]	Composition Percentage
Loans to Individuals							
Residential mortgages[2]	$ 326	$ 246	$ 62	$ 17	$ 14	$ 665	18%
Other	42	61	13	3	–	119	3
Total	368	307	75	20	14	784	21
Loans to Businesses[3]							
Securities purchased under resale agreements	–	72	–	–	–	72	2
Commercial	351	471	13	63	56	954	26
Construction and real estate[4]	355	585	41	63	5	1,049	29
Industrial	234	325	19	8	21	607	17
Energy	–	165	4	–	–	169	5
Total	940	1,618	77	134	82	2,851	79
Total Loans	$ 1,308	$ 1,925	$ 152	$ 154	$ 96	$ 3,635	100%
Composition Percentage	36%	53%	4%	4%	3%	100%	

October 31, 2002	British Columbia	Alberta	Saskatchewan	Manitoba	Other Provinces	Total[1]	Composition Percentage
Loans to Individuals							
Residential mortgages[2]	$ 312	$ 220	$ 52	$ 12	$ 10	$ 606	18%
Other	43	59	14	3	–	119	4
Total	355	279	66	15	10	725	22
Loans to Businesses[3]							
Securities purchased under resale agreements	–	66	–	–	–	66	2
Commercial	330	452	20	50	46	898	27
Construction and real estate[4]	294	491	44	61	13	903	28
Industrial	202	272	20	9	19	522	16
Energy	–	160	4	–	–	164	5
Total	826	1,441	88	120	78	2,553	78
Total Loans	$ 1,181	$ 1,720	$ 154	$ 135	$ 88	$ 3,278	100%
Composition Percentage	36%	52%	5%	4%	3%	100%	

(1) This table does not include an allocation of the allowance for credit losses and deferred revenue and premiums.
(2) Includes single and multi-unit residential mortgages.
(3) Corporate loans (described on page 29) are included in Loans to Businesses based on the security of the specific loan and the nature of the borrower's business.
(4) Includes commercial term mortgages and project (interim) mortgages.

Highlights of the year-over-year changes in loans by type include:

- the mix of loan type has remained relatively consistent;
- construction and real estate loans increased $146 million (16%) and represent 29% of the portfolio versus 28% a year earlier;
- commercial loans increased $56 million (6%) and comprise 26%, versus 27% one year ago; and
- loans to individuals represent 21% of the total portfolio, compared to 22% in 2002.

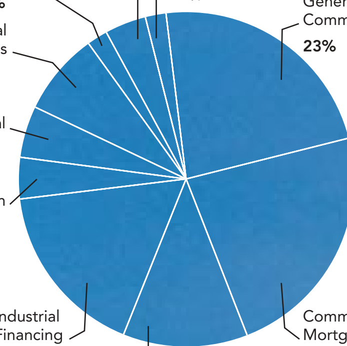
Highlights of the year-over-year changes in location of loan security were:

- mix of location of security has remained relatively consistent;
- loan growth of $222 million (11%) in the prairie provinces (primarily in Alberta); and
- loans based in British Columbia increased $127 million (11%) and were consistent at 36% of the total portfolio.

Loan growth for the year was entirely organic.

Since 1999 the Bank has developed a portfolio of loans, identified internally as corporate loans, through participation in selected syndications, the majority of which have been structured and led by the major Canadian banks. This initiative has afforded the opportunity to participate in larger, investment grade credits as well as providing a degree of geographic diversification. The Bank is selective about the loans it participates in and had a net reduction of $25 million in these loans during the year. Without this reduction in corporate loans, total loan growth for the year would have been 1% higher. At October 31, 2003 the corporate loan portfolio totalled $116 million (2002 – $141 million).

Loans by Portfolio



Outlook

Consistent and strong loan growth of 12% is targeted for 2004, supported by the continuing development of the branch network.

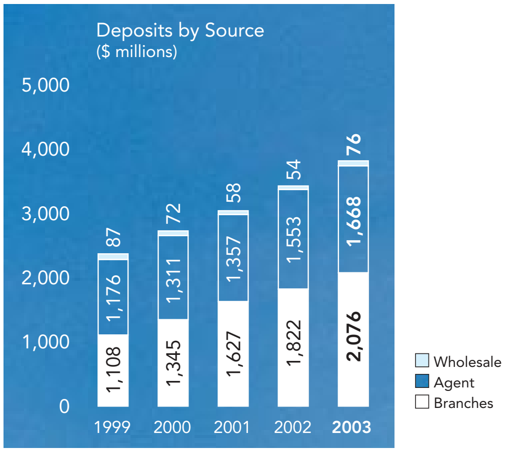
Deposits

Table 4 – Deposits
($ thousands)

	2003		2002	
	Amount	**% of Total**	Amount	% of Total
Canadian Currency				
Personal chequing and savings	**$ 206,710**	**5%**	$ 169,737	5%
Business demand and savings	**431,218**	**11**	368,764	11
Fixed term:				
Under $100,000	**2,020,207**	**53**	1,787,391	52
$100,000 and over	**601,215**	**16**	555,276	16
Registered retirement products	**533,647**	**14**	523,534	15
Total	**3,792,997**	**99**	3,404,702	99
Foreign Currency (Canadian equivalent)	**26,753**	**1**	24,369	1
Total Deposits	**$3,819,750**	**100%**	**$3,429,071**	**100%**

Growth in deposits of 11% was achieved this year. Lower cost business and personal deposits had strong growth of 18% and account for 16% of total deposits consistent with last year. The focus on increasing lower cost deposits is an ongoing priority due to the positive impact on earnings. Branch generated deposits grew by 14% this year and account for over one-half of total deposits.

All sources of deposits increased in real dollar terms over the year but the percentage of deposits raised by branches increased to 54% of the total. Branch generated deposits are generally considered to be more stable and the Bank will continue to focus on achieving further growth in this area as the capacity for additional growth exists in our network. Agent deposits are slightly more expensive because a commission is paid, but this added cost is countered by a reduced need for a more extensive branch network.



Deposits by Source
(as a % of total deposits)

	1999	2000	2001	2002	2003
Branches	47%	49%	53%	53%	54%
Deposit Agents	49%	48%	45%	45%	44%
Wholesale	4%	3%	2%	2%	2%

Outlook

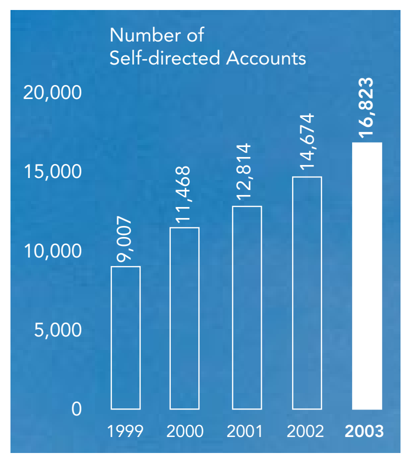
In 2004, increasing branch raised deposits (including through CWT) will continue to be a focus of ongoing retail initiatives. Particular emphasis will be placed on the lower cost notice and demand component which has associated transactional fee income and provides leverage to core profitability from margin expansion.

Trust Operations

CWT delivers value to customers through partnerships with leaders in the investment and benefits industry, identifying service gaps and providing knowledgeable and customer service oriented results. CWT had a very strong year in 2003.

Total deposits raised through trust operations increased 37% to total $121.6 million at October 31, 2003 with growth in both personal and corporate trust deposits. Trust assets under administration, which are not reflected in the consolidated balance sheet (see also Note 16 to the consolidated financial statements), totalled approximately $1,475 million at October 31, 2003, an increase of 26% over the prior year. These assets are primarily held in self-directed RRSPs and RRIFs accounts which totalled 16,823 (2002 – 14,674), an increase of 15% from one year ago.

Trust customers may hold and effect transactions in cash, mutual funds, term deposits, equities, bonds, arms-length mortgages and private company shares in registered and non-registered accounts. Corporate and group services include retirement compensation agreements, individual pension plans, registered pension plan, group RRSP and share purchase plan administration.



Growth in the current year primarily came from organic growth through the existing network of financial planners and benefit consultants. CWT also arranged to provide RRSP and RRIF trustee and administrative support to approximately 500 members of Vancouver City Savings Credit Union and was appointed as bare trustee to ATB Investor Services (a subsidiary of ATB Financial).

Outlook

Assets under administration and the related fee income are expected to show continued strong growth in 2004 with targeted increases of 35% and 15%, respectively. A more modest target of 5% growth has been established for deposits raised through trust operations as balances were unusually high at year-end and fluctuate as customers reinvest funds in the market place. An investment in system software will be made in 2004 to allow CWT to more efficiently manage future growth.

Cost Control

Highlights of 2003

Growing in a cost-effective manner is a key strength of the Bank. The efficiency ratio (teb), a measure of the cost to generate each dollar of revenue, improved to a record low of 46.3% and leads the Canadian banking industry. Overall, non-interest expenses increased 7% over 2002.

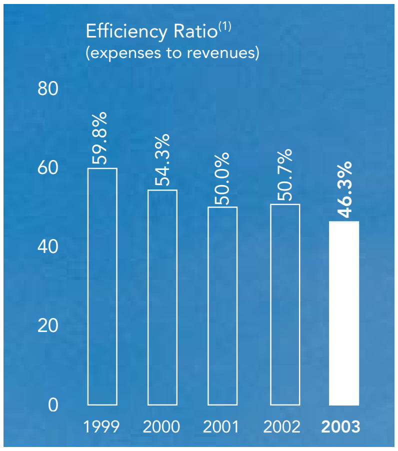
Non-interest Expenses

Table 5 – Non-interest Expenses and Efficiency Ratio
($ thousands)

			Change from 2002	
	2003	2002	$	%
Salaries and Employee Benefits				
Salaries	**$ 31,916**	$ 29,147	$ 2,769	10%
Employee benefits	**5,764**	5,438	326	6
Total	**37,680**	34,585	3,095	9
Premises				
Rent	**4,985**	4,765	220	5
Depreciation	**1,084**	1,064	20	2
Other	**1,212**	1,319	(107)	(8)
Total	**7,281**	7,148	133	2
Equipment and Furniture				
Depreciation	**2,004**	2,046	(42)	(2)
Other	**1,749**	1,635	114	7
Total	**3,753**	3,681	72	2
General				
Marketing and business development	**1,935**	1,539	396	26
Capital and business taxes	**1,885**	1,691	194	11
Professional fees and services	**1,796**	1,954	(158)	(8)
Postage and stationery	**1,435**	1,440	(5)	(0)
Banking charges	**1,074**	1,059	15	1
Travel	**899**	792	107	14
Regulatory costs	**758**	923	(165)	(18)
Communications	**552**	557	(5)	(1)
Other	**2,518**	2,146	372	17
Total	**12,852**	12,101	751	6
Total Non-interest Expenses	**$ 61,566**	**$ 57,515**	**$ 4,051**	**7%**
Efficiency Ratio				
Net interest income (teb)	**$ 107,655**	$ 91,284	$ 16,371	18%
Other income	**25,326**	22,136	3,190	14%
Total revenues	**$ 132,981**	$ 113,420	$ 19,561	17%
Efficiency Ratio (expenses as a percentage of total revenues) (teb)	**46.3%**	**50.7%**		

Non-interest expenses increased 7% to $61.6 million in 2003 primarily due to an increase in salary costs. The increase in salary costs related to annual salary adjustments and higher staffing levels that resulted from increased business activity. Also contributing to the increase was additional marketing and business development initiatives.

The efficiency ratio (teb) improved to 46.3% from 50.7% in 2002 as revenue growth of 17% surpassed expense growth of 7%. The efficiency ratio continues to compare very positively to the other Canadian Schedule I banks which averaged 66.9% in fiscal 2003. Non-interest expenses as a percentage of average assets was 1.53% in 2003, down from 1.64% in 2002.



(1) A decrease in the ratio reflects improved efficiency.

Stock-Based Compensation

Effective for stock options granted after October 31, 2002, the Bank adopted the provisions of Section 3870 of the Canadian Institute of Chartered Accountants Handbook "Stock-based Compensation and Other Stock Based Payments". The Bank has chosen to account for stock-based compensation using the fair value method which recognizes the fair value of the compensation cost in the financial statements. Compensation expense recognized in 2003 related to options granted this year totalled $252. The actual amount of compensation expense recorded in future years will depend on the specifics of the actual options granted in those periods and the variables at the time of the grant(s).

Outlook

The target for 2004 is to achieve an efficiency ratio (teb) of 46.0% or less. A significant branch development program was commenced in 2003 with completion expected in the spring of 2004. Non-interest expenses are expected to increase approximately 4% in 2004 due to these developments alone. The branch development program will provide future benefits by supporting loan and deposit growth as well as retail initiatives, but is expected to slow improvement in the efficiency ratio in 2004 as compared to the improvement in 2003.

Taxes

The provision for income taxes (teb) was $24.6 million in 2003, up from $18.6 million with the increase due to the increase in earnings. For the year ended October 31, 2003 the effective tax rate (teb) was approximately 39%, consistent with the prior year.

Capital losses of $11.9 million (2002 – $11.8 million) are available to apply against future capital gains and have no expiry date. The tax benefit of these capital losses has not been recognized.

Future tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities and their values for tax purposes. The Bank's significant future income tax asset relates primarily to the general allowance for credit losses. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change. There were no significant rate reductions enacted in 2003.

Table 6 – Capital Taxes
($ thousands)

	Capital Tax Rate	Capital Allocation	**2003**	2002	Change from 2002 $	Change from 2002 %
British Columbia	1.00%	39%	$ **1,289**	$ 1,151	$ 138	12%
Alberta	n/a	54%	**–**	–	–	–
Saskatchewan	0.70%	4%	**131**	105	26	25
Manitoba	3.00%	3%	**288**	271	17	6
Total Capital Taxes			**$ 1,708**	**$ 1,527**	**$ 181**	**12%**

Capital taxes for 2003 totalled $1.7 million compared to $1.5 million in 2002. The increase is primarily attributable to taxes exigible on increased capital due to retention of earnings.

The goods and services tax (GST) carries with it a significant cost to the Bank, as it does to all financial institutions, because the majority of the Bank's activities, except leasing and trust services, 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.

Outlook

The effective tax rate is expected to decrease to the range of 35 – 37% in 2004, reflecting the announced federal income tax and large corporation tax rate reductions. Provincial capital tax is expected to increase by 12% in 2004 due to the retention of earnings.

Capital Expenditures

In 2003 the Bank invested $2.4 million in capital expenditures. Significant expenditures related to development of the Bank's branch network ($1.0 million) and further investment in computer equipment ($1.2 million) including customer service enhancements to the banking system.

The Bank is investing in the future with the relocation and significant upgrading of its existing Grande Prairie, Red Deer, Winnipeg and Vancouver West Broadway branches, which are scheduled to open between November 2003 and January 2004. A new branch, the Bank's twenty-eighth branch, is currently under construction in St. Albert, Alberta and scheduled to open in Spring 2004.

Outlook

Capital expenditures of $5.7 million, to be funded from general operating revenues, are expected in 2004 as the Bank continues to invest in the future. At year end there were specific commitments of $2.6 million for capital expenditures primarily related to the new St. Albert branch and the relocation and significant upgrading of four other branches.

Credit Quality

Highlights of 2003

- Credit quality remained strong
- Provision for credit losses was stable at 0.25% of average loans
- Gross impaired loans decreased $12.8 million and are at the low end of the expected range
- Total allowance for credit losses represented 159% of gross impaired loans at year end

Impaired Loans

Gross impaired loans decreased $12.8 million or 37% in 2003. As shown in Table 7 gross impaired loans totalled $22.2 million and represented 0.62% (2002 – 1.08%) of outstanding loans. During the year, the Bank successfully resolved a number of situations to produce a historically low level of gross impaired loans at October 31, 2003.

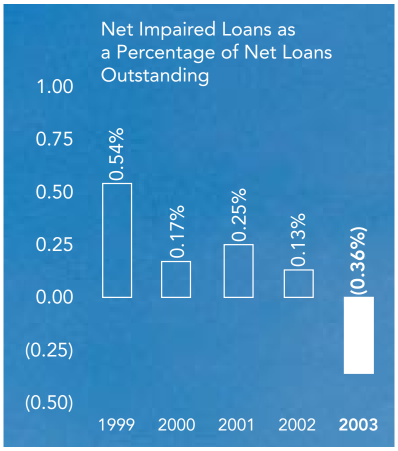
Table 7 – Change in Gross Impaired Loans
($ thousands)

	2003	2002	Change from 2002
Gross impaired loans, beginning of year	$ 35,077	$ 35,480	$ (403)
Net new formations (reductions)	(8,596)	4,690	(13,286)
Write-offs, net of recoveries	(4,240)	(5,093)	853
Total	**$ 22,241**	**$ 35,077**	**$ (12,836)**
Gross Impaired Loans as a Percentage of Total Loans	**0.62%**	**1.08%**	**(0.46)%**

The combination of an increase in the allowance for credit losses and a decrease in impaired loans has resulted in the total allowance now exceeding gross impaired loans by $13.1 million, representing negative 0.36% of net loans outstanding. In 2002, impaired loans exceeded the allowance for credit losses by $4.1 million and represented 0.13% of net loans outstanding (see graph to right).

The portfolio is reviewed regularly with credit decisions undertaken on a case by case basis to provide early identification of possible adverse trends. Loans that have become impaired are monitored closely with regular quarterly, or more frequent, review of each loan and the realization plan.

Table 8 shows the year over year change to the allocation of the allowance for credit losses to specific provisions by category of impaired loans and to the general allowance for credit risk.



Outlook

The dollar level of gross impaired loans is expected to fluctuate over time within the Bank's range of acceptable levels as loans become impaired and are subsequently resolved. The overall outlook for 2004 remains consistent with the 2003 experience with no expectation of adverse change in the general trend of the portfolio.

Allowance for Credit Losses

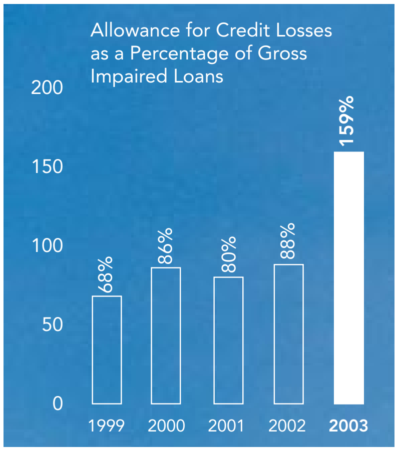
Table 8 – Allowance for Credit Losses
($ thousands)

	2002 Ending Balance	Write-offs, net of Recoveries[1]	Provision for Credit Losses	**2003 Ending Balance**
Specific Provisions				
Consumer and personal	$ 281	$ 418	$ 640	**$ 503**
Real estate	1,349	651	142	**840**
Industrial	2,111	881	1,620	**2,850**
Other	3,467	2,290	2,437	**3,614**
General Allowance	23,797	–	3,761	**27,558**
Total	**$ 31,005**	**$ 4,240**	**$ 8,600**	**$ 35,365**

(1) Recoveries in 2003 totalled $87 (2002 – $142).

The allowance for credit losses is maintained to absorb losses in the loan portfolio and consists of $7.8 million in specific allowances and $27.6 million in the general allowance for credit risk. Specific allowances include the accumulated allowances for losses on identified impaired loans required to reduce the carrying value of those loans to their estimated realizable amount. The general allowance for credit risk includes allowances for future losses inherent in the portfolio that are not presently identifiable on an account by account basis. The general allowance represents 0.77% of gross outstanding loans (0.73% in 2002) and 0.78% of risk-weighted assets (0.76% in 2002). This compares favourably with the Bank's five year loan loss average of 0.23% (ten year average – 0.26%) which is based on the annual charges to the income statement. The five year loan loss average based only on net new specific provisions (i.e. excluding the annual increase or decrease in the general allowance for credit risk) is 0.18% (ten year average – 0.18%). The allowance as a percentage of gross impaired loans (coverage ratio) has improved to 159% (2002 – 88%). An assessment of the adequacy of the general allowance is conducted quarterly and measured against the five and ten year loan loss averages. In addition, a method of applying a progressive (increasing with higher risk) loss ratio range against groups of loans of a common risk rating is utilized to test the general allowance adequacy. The general allowance is expected to increase in strong economic times and decrease in weaker economic times as allowances are allocated to specific credits.

Policies and methodology governing the management of the general allowance are in place. The loan portfolio is delineated through the assignment of internal risk ratings to each borrower. The rating is based on assessments of key evaluation factors for the nature of the exposure applied on a consistent basis across the portfolio. The rating system is based on twelve levels and is updated at least annually for all loans, with the exception of consumer loans and single-unit residential mortgages.

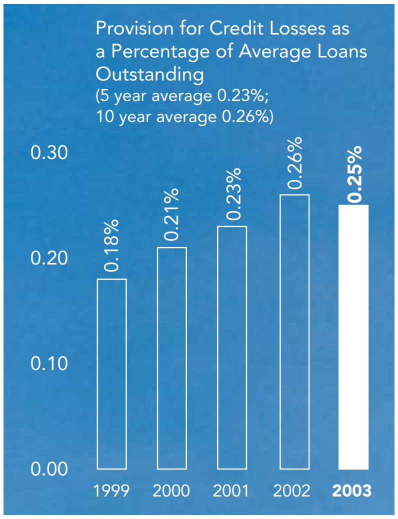


Outlook

Further development of methodology to support the testing of the adequacy of the general allowance will continue during fiscal 2004. Significant change to the level of the general allowance is not anticipated based on expanded methodology, assuming no material change in the portfolio's credit quality.

Provision for Credit Losses

The provision for credit losses represented 0.25% of average loans in 2003, consistent with the five year average of 0.23% reflecting the strong credit quality of the portfolio. The Bank continues to report lower loan losses than the balance of the industry. The Bank has no material exposure outside Canada and does not underwrite direct agricultural risk. There has been no material portfolio deterioration due to the bovine spongiform encephalopathy issue in western Canada or the forest fires in British Columbia. External factors which may impact western Canada and the environments in which the Bank's customers operate are continually analyzed. One particular factor that continues to be monitored is the potential impact of the possible implementation of the Kyoto accord.



Outlook

The provision for credit losses is expected to be consistent at 0.25% of average loans in 2004.

Diversification of Portfolio

Total Advances Based on Location of Security (also see Table 3)

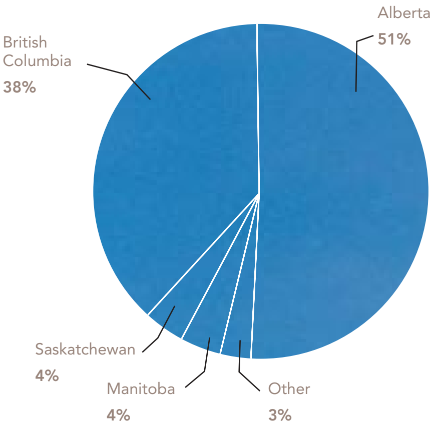
The following table illustrates the diversification in lending operations by industry sector:

Table 9 – Total Advances Based on Industry Sector

(%) October 31	**2003**	2002
Real estate operations	25%	25%
Construction	19	18
Consumer loans and residential mortgages[1]	10	12
Transportation and storage	8	8
Hotel/motel	6	5
Oil and gas (production)	5	5
Finance and insurance	4	4
Manufacturing	4	4
Logging/forestry	3	3
Oil and gas (service)	3	4
Other services	3	3
Retail trade	3	2
Wholesale trade	2	2
Other	5	5
Total	**100%**	**100%**

[1] Residential mortgages in this table include only single-family properties.
[2] The Bank does not engage in direct lending to the agricultural sector.

Geographical Distribution of Loans[1]



[1] Includes undrawn lines of credit and excludes securities purchased under resale agreements.

Management of the loan portfolio includes the strategy of focusing on areas of demonstrated lending expertise and avoiding high concentrations in one geographic area or industry sector. The portfolio is well diversified with a mix of corporate and personal business. Industrial lending units are set up within branches or as stand alone operations, while oil and gas production lending is conducted by specialists in the Calgary market. In addition to these areas, the Bank also has real estate divisions established in the major centres in which it operates.

Balance Sheet and Capital Management

Highlights of 2003

- Issue of $65 million of non-dilutive subordinated debentures which improved the mix of regulatory capital
- Strong total capital ratio of 13.1%, and Tier 1 ratio of 8.9% comprised entirely of common shareholders' equity
- Two semi-annual dividends of $0.23 per share were paid in fiscal 2003, an increase of 15%
- Semi-annual dividend of $0.30 per share declared in December 2003, an increase of 30%

Liquidity

A schedule outlining the consolidated securities portfolio at October 31, 2003 is provided in Note 3 to the consolidated financial statements. A conservative policy is maintained in this area with:

- all investments, other than those securities categorized as "other marketable securities", are limited to high quality debt securities and short-term money market instruments to meet objectives of liquidity management and to provide an appropriate return;
- specific investment criteria and procedures for purposes of management of the securities portfolio;
- regular review, monitoring and approval by the Asset Liability Committee (ALCO) of policies regarding these investments and annual review and approval by the Board of Directors; and
- quarterly reporting to the Board of Directors on the securities portfolio.

Table 10 – Liquid Assets
($ thousands)

	2003	2002	Change from 2002
Cash	$ 1,951	$ 1,928	$ 23
Deposits with regulated financial institutions	279,921	132,038	147,883
Cheques in transit[1]	–	53,911	(53,911)
Total Cash Resources	281,872	187,877	93,995
Securities purchased under resale agreements	72,000	66,431	5,569
Government of Canada treasury bills	119,982	44,418	75,564
Government of Canada and provincial bonds term to maturity 1 year or less	167,607	123,775	43,832
Government of Canada and provincial bonds term to maturity over 1 year	49,589	94,610	(45,021)
Other marketable securities	75,133	81,300	(6,167)
Total Securities Purchased Under Resale Agreements and Marketable Securities	484,311	410,534	73,777
Total Liquid Assets	$ 766,183	$ 598,411	$ 167,772
Total Assets	$ 4,343,972	$ 3,828,162	$ 515,810
Liquid assets as a percentage of total assets	17.6%	15.6%	2.0%
Total Deposit Liabilities	$ 3,819,750	$ 3,429,071	$ 390,679
Liquid assets as a percentage of total deposit liabilities	20.1%	17.5%	2.6%

(1) An operational change was implemented in 2003 to record cheques and other items cleared on the last day of the month in individual customer accounts on the same date. Prior to this change, items cleared on the last day of the month did not affect individual customer accounts until the first day of the following month. The financial statement impact of the change is that Cash Resources no longer includes cheques and other items in transit and customer notice and demand deposit accounts have been reduced by the last day of the month clearing.

As shown in Table 10, liquid assets comprised of cash, interbank deposits, securities purchased under resale agreements and marketable securities, totalled $766 million at October 31, 2003, an increase of $168 million from October 31, 2002. Liquid assets represented 17.6% (2002 – 15.6%) of total assets and 20.1% (2002 – 17.5%) of total deposit liabilities at that date.

Highlights of the composition of liquid assets at October 31, 2003 were as follows:

- maturities within one year represent 88% (2002 – 79%) of liquid assets or $671 million (2002 – $473 million) partially reflecting higher liquidity balances at October 31, 2003 that were invested short term as well as lower balances invested in bonds with maturities exceeding one year resulting from the strategic realization of gains;
- Government of Canada and provincial debt securities remained consistent at 44% (2002 – 44%) of liquid assets;
- deposits with regulated financial institutions including Bankers' Acceptances increased to 37% (2002 – 22%) of liquid assets; and
- other marketable securities decreased to 10% (2002 – 14%) of liquid assets but are expected to increase in amount in 2004 as additional preferred share investments are made.

Included in liquid assets are securities purchased under resale agreements. These are short-term advances, typically no more than a few days in duration, to securities dealers and require the dealer to repurchase the securities comprised of treasury bills or other high quality liquid securities.

Short-term uncommitted facilities have been arranged with a number of financial institutions. The government insured/guaranteed mortgage portfolios also represent a potential source of liquidity.

The primary source of new funding is the issuance of deposit instruments. A summary of the deposits by maturity is presented in Tables 11 and 12.

Table 11 – Deposit Maturities Within One Year
($ millions)

October 31, 2003	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
Demand deposits	$ **137**	$ –	$ –	$ **137**
Notice deposits	**520**	–	–	**520**
Deposits payable on a fixed date	**457**	**386**	**1,042**	**1,885**
Total	$ **1,114**	$ **386**	$ **1,042**	$ **2,542**
October 31, 2002 Total	$ 968	$ 274	$ 991	$ 2,233

Table 12 - Total Deposit Maturities
($ millions)

October 31, 2003	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Total
Demand deposits	$ **137**	$ –	$ –	$ –	$ –	$ **137**
Notice deposits	**520**	–	–	–	–	**520**
Deposits payable on a fixed date	**1,885**	**453**	**469**	**224**	**132**	**3,163**
Total	$ **2,542**	$ **453**	$ **469**	$ **224**	$ **132**	$ **3,820**
October 31, 2002 Total	$ 2,233	$ 551	$ 286	$ 228	$ 131	$ 3,429

A breakdown of deposits by source is provided under the heading Deposits on page 30. Target limits by source have been established as part of the 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 deposits through its branch network as the core funding source. However, the total dollar value of agent-generated deposits will likely increase even though the goal is to decrease funding from this source as a percentage of total deposit liabilities. CWT raises deposits mainly through notice accounts comprised primarily of cash balances held in self-directed accounts and corporate trust deposits and through the Bank's branch network. At October 31, 2003, the trust's notice account balances totalled $122 million (2002 – $89 million) and $72 million (2002 – $65 million) of CWT fixed term deposits had been raised through the Bank's branch network.

Derivative Financial Instruments

More detailed information on the nature of off-balance sheet derivative financial instruments is shown in Note 20 to the consolidated financial statements.

Table 13 – Derivative Financial Instruments
($ thousands)

		2003		2002
Notional Amounts				
Interest rate contracts[1]	$	819,500	$	707,000
Foreign exchange contracts[2]		86		836
Equity contracts[3]		15,825		14,225
Total	$	835,411	$	722,061

[1] Interest rate contracts are used as hedging devices to manage interest rate risk. The outstanding contracts mature between November 2003 and October 2007. The total gross positive replacement cost of interest rate contracts was $4,581 (2002 – $7,476). This market value represents an unrealized gain, or the payment the Bank would receive if these contracts were unwound and settled at that date.
[2] U.S. dollar foreign exchange contracts are used from time to time to manage the difference between U.S. dollar assets and liabilities. At October 31, 2003 there were US$60 (2002 – US$500) forward foreign exchange contracts outstanding which mature in November 2003.
[3] Equity contracts are used to offset the return paid to depositors on certain deposit products where the return is linked to a stock index. The outstanding contracts mature between March 2004 and March 2008. The total gross positive replacement cost is $24 (2002 – $223).

The active use of interest rate contracts continues to be an integral part of the management of the Bank's short-term positive gap position. 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 of Directors at least annually.

Capital Funds and Adequacy

The Office of the Superintendent of Financial Institutions (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. As a simple example, a loan that is fully insured by the Canadian Mortgage & Housing Corporation is applied a risk weighting of 0% as the Bank's risk of loss is nil, while uninsured commercial loans are assigned a risk weighting of 100% to reflect the higher level of risk associated with this type of asset. The ratio of regulatory capital to risk-weighted assets is calculated and compared to OSFI's standards for well-capitalized financial institutions. Off-balance sheet assets, such as derivatives, are included in the calculation of risk-weighted assets and both the credit risk equivalent and the risk weight calculations are prescribed by OSFI.

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, in order to be considered well capitalized, OSFI has stated that Canadian banks need to maintain a minimum total capital adequacy ratio of 10% with a Tier 1 ratio of not less than 7%. The Bank's Tier 1 capital is comprised entirely of common shareholders' equity and Tier 2 capital includes subordinated debentures (to the regulatory maximum amount of 50% of Tier 1 capital) and an inclusion of the general allowance for credit losses at a prescribed inclusion rate based on risk-weighted assets. OSFI has authorized the inclusion of the Bank's general allowance in Tier 2A capital to a maximum of 87.5 basis points of risk-weighted assets.

OSFI has been working with other international regulators to develop a new Basel Capital Accord, which would result in some significant changes to the risk-weighting of assets and calculation of regulatory capital. Changes are not expected to affect the Canadian banking industry until at least 2007. No significant impact on the Bank's required level of regulatory capital is expected as a result of the Accord, although there are still some major areas within the Accord that have not yet been fully developed.

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. The goal is to maintain adequate regulatory capital to be considered well capitalized, to protect customer deposits and to provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, while providing a satisfactory return on equity for shareholders.

Table 14 – Capital Structure and Regulatory Ratios at Year End
($ thousands)

	2003	2002	Change from 2002
Tier 1 Capital			
Common shares	**$ 150,782**	$ 145,203	$ 5,579
Contributed surplus	**252**	–	252
Retained earnings	**165,197**	132,884	32,313
Total	**316,231**	278,087	38,144
Tier 2 Capital			
General allowance for credit losses (Tier A)(1)	**27,558**	23,797	3,761
Subordinated debentures (Tier B)	**121,951**	57,126	64,825
Total	**149,509**	80,923	68,586
Total Regulatory Capital	**$ 465,740**	**$ 359,010**	**$ 106,730**
Regulatory Capital to Risk-weighted Assets			
Tier 1 capital	**8.9%**	8.8%	0.1%
Tier 2 capital	**4.2%**	2.6%	1.6%
Total Regulatory Capital Adequacy Ratio	**13.1%**	**11.4%**	**1.7%**
Assets to Regulatory Capital Multiple(2)	**9.5**	**10.9**	**(1.4)**

(1) Banks are allowed to include their general allowance for credit losses up to a prescribed percentage of risk-weighted assets in Tier 2A capital. The Bank has been granted an inclusion rate to a maximum of 0.875% of risk-weighted assets. At October 31, 2003, the Bank's general allowance represents 0.78% (2002 – 0.76%) of risk-weighted assets.

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

Table 15 – Risk-weighted Assets
($ thousands)

	2003 Balance	2003 Risk-weighted Balance	2002 Balance	2002 Risk-weighted Balance
Balance Sheet Assets				
Cash resources	$ 281,872	**$ 55,984**	$ 187,877	$ 37,190
Securities	412,827	**75,648**	345,619	83,871
Loans	3,601,003	**3,274,694**	3,248,747	2,938,787
Other assets	48,270	**46,100**	45,919	43,207
Total	$ 4,343,972	**3,452,426**	$3,828,162	3,103,055
Credit Instruments(1) (contract amounts)				
Guarantees and standby letters of credit	$ 64,413	**48,312**	$ 57,478	42,290
Commitments to extend credit(2)	93,868	**46,934**	–	–
Total	$ 158,281	**95,246**	$ 57,478	42,290
Derivative Financial Instruments(3) (notional amounts)				
Interest rate contracts	$ 819,500	**1,415**	$ 707,000	1,812
Foreign exchange contracts	86	**–**	836	4
Equity contracts	15,825	**258**	14,225	272
Total	$ 835,411	**1,673**	$ 722,061	2,088
Total Risk-weighted Assets		**$3,549,345**		**$3,147,433**

(1) See Note 15 to the consolidated financial statements for further details.
(2) Greater than one year only.
(3) See Note 20 to the consolidated financial statements for further details.

At October 31, 2003 the total capital adequacy ratio was 13.1% (2002 – 11.4%) of which 8.9% (2002 – 8.8%) was Tier 1 capital. Total regulatory capital increased $106.7 million over 2002 as a result of:

- the issuance of $65.0 million of subordinated debentures;
- earnings, net of dividends, of $32.3 million;
- share capital of $5.6 million issued primarily upon the exercise of employee stock options; and
- an increase of $3.8 million in the general allowance for credit losses.

The private placement of $65 million of subordinated debentures significantly improved the Bank's capital mix and will allow growth to be pursued without dilution to common shareholders.

At year-end, subordinated debentures include both convertible ($53.8 million; 2002 – $54.0 million) and conventional ($68.1 million; 2002 – $3.1 million) debentures. The Bank currently has the ability to specify a date and force the conversion of the publicly-traded debentures. The terms of the conventional debentures are for a ten year period. After the first five years, if the debenture is not redeemed by the Bank or renegotiated, the interest rates change from fixed to floating and the debentures will commence straightline amortization for capital adequacy purposes over the final five year term to maturity. Note 10 to the consolidated financial statements provides more information on the terms of the debentures.

Two semi-annual dividends of $0.23 per share were paid in fiscal 2003, an increase of 15% over the prior year. A semi-annual dividend of $0.30 per share was declared on December 4, 2003, an increase of 30%. The Bank also announced that it anticipates moving to quarterly dividend declarations in 2004.

The Bank has stock 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 share price appreciation and dividend yield. Note 12 to the consolidated financial statements details the number of shares under option outstanding, the weighted average exercise price and the amounts exercisable at year-end.

Outlook

The Bank expects to remain well-capitalized in 2004. The current capital mix allows new opportunities or greater than anticipated organic growth to be funded through the issuance of additional subordinated debt. Tier 1 capital can be strengthened at any time by the forced conversion of the outstanding publicly-traded convertible debentures. A move to quarterly dividend declarations is anticipated in 2004. Derivative financial instruments will continue to be used for the purpose of asset liability structuring and management of interest rate risk.

Risk Management

Overview

Effective risk management is central to the ability to remain financially sound and profitable and includes identifying, assessing, managing and monitoring all forms of risk. The Bank is exposed to several categories of risk including: strategic, reputation, credit, liquidity, structural (asset/liability), market, fiduciary and operational.

Senior management is responsible for establishing the framework for identifying risks and developing 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 risks and risk management policies is presented to the Board and/or Board committees for review and assessment.

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

The Asset Liability Committee (ALCO) provides the management oversight related to risks other than credit risk. ALCO is a management committee chaired by an Executive Vice President with the President and Chief Executive Officer (CEO) and other senior executives as members and is responsible for:

- ensuring that risks other than credit risk are identified and assessed and appropriate policies are in place and effective;
- 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 respecting management of risks.

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 supervisory and management personnel from all areas of operations and is chaired by a member of senior management. This committee is responsible for developing appropriate policies and procedures, including internal controls, respecting day-to-day, routine operations.

The internal audit department performs inspections in all areas of the Bank, including CWT, and reports the results directly to senior management, the 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 contractual commitment or 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. To diversify the risk, the exposure to a single borrower or associated borrowers is limited to an amount not exceeding 10% of common equity plus retained earnings.

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 for the Bank, the delegation of lending limits and the approval 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 those limits and the review of larger credits by a senior management group prior to recommendation to the Loans Committee of the Board;
- 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 standardized credit risk rating classification established for all credits and reviewed not less than annually;
- annual reviews of individual credit facilities (excepting consumer loans and single-unit residential mortgages);
- quarterly review of risk diversification by geographic area, industry sector and product measured against assigned portfolio limits;
- pricing of credits commensurate with risk to ensure appropriate compensation;
- management of growth within quality objectives;
- early recognition of problem accounts and immediate implementation of steps to protect the safety of Bank funds;
- independent reviews of credit valuation, risk classification and credit management procedures by the internal audit group which includes reporting the results to senior management, the CEO and the Audit Committee;
- detailed quarterly reviews of accounts rated less than satisfactory including establishment of an action plan for each account; and
- completion of 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 possible.

Environmental Risk

The operations of the Bank do not have a material effect on the environment. However, a risk of default may occur if a borrower is unable to repay loans due to environmental clean up costs. The Bank may become directly liable for clean up costs when 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 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 to individuals with operations conducted in the four western provinces. Relationship banking and "know your customers" are important tenets of account management. An appropriate financial return on the level of risk is fundamental. Over the past several years the Bank has also participated in larger investment grade credits (corporate loans) through participation in selected syndications, which are generally led by the major Canadian banks. In addition to being able to lend to larger companies, this initiative has also provided a degree of geographic diversification.

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 Bank's liquidity policy includes:

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

Key features of liquidity management are:

- daily monitoring of expected cash inflows and outflows and tracking and forecasting the liquidity position, including the flows from off-balance sheet items, on a forward four 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
- separate management of the liquidity position of the Bank and CWT to ensure compliance with related party and other regulatory tests.

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 itself 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 material 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 primarily when cash flows associated with interest sensitive assets and liabilities have different repricing dates. The differentials, or 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 result in 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.

To manage interest rate risk arising as a result of the financial intermediation process, 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 approved and reviewed at least annually by the Board of Directors with quarterly reporting provided to the Board as to the gap position.

Exposure to interest rate risk is controlled by managing the size of the static gap positions 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 at least monthly. Note 18 to the consolidated financial statements shows the consolidated gap position at October 31, 2003 for selected time intervals.

The gap analysis in Note 18 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 management of those positions over time.

During the year, the one year and under cumulative gap increased from 1.8% to 2.5% and the one month and under gap increased from 1.2% to 3.6%. Gaps remained positive and the Bank's asset/liability position is expected to continue such that rising interest rates would tend to increase net interest income.

Of the $1,885 million in fixed term deposit liabilities maturing within one year from October 31, 2003 (as shown in table 11), approximately $1,409 million (37% of total deposit liabilities) mature by April 30, 2004. The term in which maturing deposits are retained will have an impact on the future asset liability structure and hence interest rate sensitivity. Approximately $198 million of the fixed term deposit liabilities maturing within one month are floating rate redeemable deposits with a one year contractual maturity redeemable without penalty at any time.

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 change in interest rates. If rates increase, the effect would be an increase in net interest income while the opposite would occur if rates decrease. The estimates are based on a number of assumptions and factors, which include:

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

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.

Table 16 – Estimated Sensitivity of Net Interest Income as a Result of a One Percentage Point Change in Interest Rates
($ thousands)

Period	2003	2002
90 days	$ 508	$ 305
1 year	2,110	1,842
1 year percentage change	2.0%	1.8%

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 Derivative Financial Instruments). Assets and liabilities having a term to maturity in excess of five years are subject to specific review and control. With the exception of the subordinated debentures, such items were not material as at October 31, 2003. The subordinated debentures are discussed in Note 10 to the consolidated financial statements.

Foreign Exchange Risk

In providing financial services to its customers, the Bank has assets and liabilities denominated in U.S. dollars. At October 31, 2003, assets denominated in U.S. dollars were 0.7% (2002 – 0.6%) of total assets and U.S. dollar liabilities were 0.7% (2002 – 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 virtually no 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. Policy is established setting a limit 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. Policy respecting foreign exchange exposure is reviewed and approved at least annually by the Board of Directors, and deviations from policy are reported to the Board and ALCO.

Operational Risk

Operational risk is inherent in all business activities. It is the potential for loss as a result of external events, human error or inadequacy or failure of processes, procedures or controls. Its impact can be financial loss, loss of reputation, loss of competitive position or regulatory penalties. The Bank is exposed to operational risk from internal business activities and from activities that are outsourced. The financial measure of operational risk is actual losses incurred. No material losses occurred in 2003 or 2002.

The Bank's strategy to minimize and manage operational risk includes:

- a knowledgeable and experienced management team that is committed to the 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;
- centralized reporting of operating losses for risk assessment;
- 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 and contingency plans 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.

Updated Share Information

As at November 30, 2003 the Bank had 13,014,399 common shares outstanding. In addition, there were two outstanding debentures with a combined principal amount of $53.8 million that are convertible into a total of 1,793,113 common shares and employee stock options that have been issued which are or will be exercisable into 1,142,149 common shares (1,181,548 authorized) for proceeds of $27.5 million.

Dated as of December 4, 2003.

Introduction

Sound and effective corporate governance has always been a priority for Canadian Western Bank. The Board of Directors and management of the Bank are committed to govern and maintain the Bank's operations effectively and efficiently within its regulatory environment. The Bank's corporate governance policies are reviewed regularly for improvement and are designed to strengthen the ability of the Board to effectively supervise management and enhance long-term shareholder value.

The Board's Corporate Governance & Human Resources Committee provides direction, monitors compliance and makes recommendations to the Board to enhance corporate performance and promote ongoing improvement in Board effectiveness.

The Board and Board Committees

The Board is currently 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" (as defined by the affiliation rules set forth in the Bank Act (the Act)) or "unrelated", as defined in the Toronto Stock Exchange (TSX) guidelines on corporate governance. As a result of this review, the Board has determined that one of the directors is affiliated (the CEO) and he is also the only inside director. All other directors are "unrelated".

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. Currently the composition is well within these requirements as only one board member is non-resident (8%) and the CEO is the only employee on the Board. 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 identified and assessed and the internal controls to deal with them to be identified and reported upon by senior management to the Board and/or its committees. Members of the Board, who are not also employees, are required to own common shares of the Bank equivalent to two times their annual retainers.

The Board holds four regular meetings each year, as well as additional meetings as required. Most committees meet quarterly and all meet annually at a minimum. A meeting agenda matrix is issued to ensure meetings of the Board and its committees are efficient and complete. At the end of every regularly scheduled Board meeting a session is held without any management, including the CEO, present.

The Board of Directors 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 including ethical conduct to the Board. In addition, certain governance issues have been delegated to other committees of the Board.

The Bank Act (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 the 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. An annual attestation on adherence to the CDIC Standards covering the broad areas of Corporate Governance, Strategic Management, Risk Management, Liquidity and Funding Management, Capital Management, Control Environment, Business Conduct and Process to Ensure Control is completed.

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 and quarterly financial statements and specified returns, prior to release to the public or submission to OSFI;
- review and approve the strategic plan, the annual 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 succession plans;

- review any recommendations from regulators or shareholders' 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

Members: Robert Manning (Chair)
Wendy Leaney
Gerald McGavin
Alan Rowe

This committee is comprised of four financially literate, outside directors and includes at least one financial expert. Its mandate is summarized as follows:

- review the annual financial statements and other required and related annual public documents and report thereon to the directors before approval is given;
- review such returns as OSFI may specify;
- require management to implement and maintain appropriate internal control procedures. Review, evaluate and approve those procedures;
- review such investments and transactions of the Bank, that could adversely affect the well-being of the Bank as the shareholders' auditors or any officer of the Bank may bring to the attention of the committee;
- meet with the shareholders' auditors to discuss the annual statements and the returns and transactions referred to within the mandate and receive the auditors' reports thereon;
- meet with the Chief Inspector and management to discuss reports on internal audit activities and findings and the effectiveness of the internal control procedures established for the Bank. Review the mandate and annual plan of the internal audit department;
- review the quarterly earnings reports to the shareholders, including the interim unaudited statements, and report thereon to the directors before approval is given and information is disclosed publicly;
- review a quarterly report from the Loans Committee of the Board, concerning the quality of the loan portfolio, the adequacy of the allowance for credit losses and accounts recommended for write-off;
- review a report on adherence to the CDIC Standards of Sound Business and Financial Practices annually and report thereon to the directors before approval is given;
- recommend to the Board the appointment of the shareholders' auditors;
- review the terms of the shareholders' auditors' engagement, their level of compensation, the audit plan, any proposed changes in accounting policies, their presentation and input concerning significant risks and key estimates and judgements of management;
- review the independence of the shareholders' auditors;
- review correspondence received from regulators concerning the effectiveness of internal controls within the Bank or other matters falling within the responsibility of the Committee, including a review of the shareholders' auditors' management letter and OSFI's annual review letter and management's responses thereto;
- review the appointment of the Chief Financial Officer (CFO) and the Chief Inspector;
- meet regularly with the Chief Inspector and shareholders' auditors without management present;
- review and approve the policy for non-audit services that can be carried out by the shareholders' auditors including pre-approval for all but de minimis engagements;
- as the Committee sees as fit and proper, review other items or matters that may affect the well-being of the Bank;
- establish procedures for the receipt and handling of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters, and establish procedures for the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters;
- review and approve the Bank's hiring policies regarding employees and former employees of the present and former external auditors of the Bank;
- engage independent counsel or advisors and fix their remuneration as the Committee deems appropriate; and
- review periodically the Code of Conduct for senior financial officers.

Conduct Review Committee

Members: Albrecht Bellstedt (Chair)
Charles Allard
Allan Jackson
Arnold Shell

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

- establish procedures to ensure disclosure of transactions with specified related parties of the Bank and, further, to review any such transactions to ensure compliance with the Act, either approving or declining the transactions, as required;
- review and approve internal policies for credit arrangements and financial services available to employees of the Bank under the regulations concerning officers and associated parties;
- monitor aggregate transactions of the Bank with directors as well as officers and their interests to ensure continued compliance with the Act with excesses over permitted limits brought to the Board for consideration;
- review the conduct policy and any other specialized standards on an annual basis to ensure relevance and completeness in regard to legislative requirements;
- 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;
- ensure every employee, officer and Board member agrees to comply, in writing with annual acknowledgement, with the Bank's conduct policy; and
- after each meeting provide a report to the directors on all transactions and other matters reviewed by the committee.

Corporate Governance & Human Resources Committee

Members: Jack Donald (Chair)
Albrecht Bellstedt
Allan Jackson
Robert Manning
Howard Pechet
Robert Phillips

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

Corporate Governance

- 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 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, together with appropriate recommendations; and
- hire appropriate consultants, or request management to perform studies and to furnish other information as required; to review such information and take such actions based thereon as appropriate.

Executive Employees: Recruitment and Compensation

- review and recommend to the Board the employment and appointment of the top five executive employees, to establish their grade levels and compensation, as well as to determine promotions and to make changes in the level of compensation and grade of incumbent executive employees and officers;
- review the position descriptions for the top five executive employees, ensuring such descriptions remain current and appropriate 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 CEO and that it is reviewed with him by the Chairman of the Board;
- establish, amend and, where appropriate, terminate:
  - all programs and other personal benefits granted to executive employees;
  - incentive compensation plans and other bonus arrangements, to administer such plans and to make appropriate interpretations and determinations as required;
  - share incentive plans and similar arrangements involving the grant 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; and
- review and report to the Board on compensation plans for senior management and other personnel in order to confirm they are consistent with the Bank's sustainable long-term objectives.

Board Composition and Development

- seek and recommend individuals to be considered for Board membership, as required by the Board, and forward their recommendations to the Board for its consideration;
- review, monitor, and make recommendations regarding new director orientation and the ongoing development of existing Board members;
- evaluate bi-annually, Board effectiveness including membership criteria, composition structure and size and, on alternate years, the involvement and contribution of the individual members with 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 Board of Directors' Manual.

Loans Committee

Members: Allan Jackson (Chair)
Charles Allard
Jack Donald
Wendy Leaney
Gerald McGavin
Howard Pechet
Robert Phillips
Larry Pollock
Arnold Shell

This committee is comprised of nine directors, eight of whom are unrelated. The CEO, who is an affiliated, inside director, is a member of this Committee. Its mandate is summarized as follows:

- establish and approve a lending limit for the Bank and the CEO within the limits established by the Board and review such limits at least annually;
- review, approve and/or decline all credit applications for loans to a foreign country and for amounts in excess of delegated limits up to the limit established, not to exceed ten percent of common equity plus retained earnings or eleven percent for sovereign, provincial or major municipalities;
- recommend for approval of the full Board, any loan proposals in excess of the committee's limit;
- recommend, for approval of the full Board, loan proposals to directors (must be cash secured), related entities and Bank subsidiaries;
- 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, prudent and in accordance with CDIC standards;
- review/amend management's recommendations for loan loss provisions and loan write-offs and recommend acceptance to the Audit Committee for their presentation to the Board; and
- provide direction with respect to the identification criteria, procedure and action 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. There is also a Board and member review and assessment program whereby every second year, directors complete a formal assessment of the operations and effectiveness of the Board and its committees. On every alternate year, directors complete a formal assessment of individual directors' effectiveness including committee and board chairs. In the current year a formal assessment of individual directors' effectiveness was completed.

In order to carry out its responsibilities the Board must have timely access to information which is available via discussions with the Bank's senior management and through a comprehensive information package sent out prior to each board meeting which includes the agenda, minutes of previous meetings and supporting documentation for specific agenda items. The Board has also put in place a policy providing for individual directors to engage outside advisors if the circumstances are warranted.

The Bank is also committed to ensuring quality and timely information is available to all shareholders. The Bank has adopted a corporate disclosure (communication) policy which is reviewed annually as well as a policy to handle complaints or concerns regarding accounting, internal accounting controls or auditing matters. Inquiries and requests for information from shareholders and potential investors receive prompt attention from an appropriate officer. The Bank's quarterly earnings conference calls with analysts and institutional investors are broadcast live, via the Internet, and archived on the Bank's web site for sixty days. The calls are also accessible on a live and recorded basis via telephone to interested retail investors, the media and members of the public. The Bank also includes all significant disclosure documents on the investor relations page of its web site at: www.cwbank.com/investor_relations/default.asp. The CEO, CFO and other members of senior management also meet periodically with financial analysts and institutional investors.

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

Conclusion

The Bank's corporate governance approach is in compliance with the TSX 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.

Management's Report

The consolidated financial statements of Canadian Western Bank and related financial information presented in this annual report have been prepared by management, who are responsible for the integrity, objectivity and reliability of the data presented. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles including the requirements of the Bank Act and related rules and regulations issued by the Superintendent of Financial Institutions Canada.

The consolidated financial statements and related financial information reflect amounts which must, of necessity, be based on informed estimates and judgements of management with appropriate consideration to materiality. The financial information presented elsewhere in this annual report is fairly presented and 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, assets are safeguarded and the Bank is in compliance with all regulatory requirements. 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 department 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 comprised entirely of independent directors who are not officers or employees of the Bank. The committee is responsible for reviewing the financial statements and annual report, including management's discussion and analysis of operations and financial condition, and recommending them to the Board of Directors for approval. Other key responsibilities of the Audit Committee 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 committee also meets regularly with the Chief Inspector and the shareholders' auditors without management present.

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 LLP, the independent auditors appointed by the shareholders of the Bank, have performed an audit of the consolidated financial statements and their report follows. The shareholders' auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom.

Larry M. Pollock
President and Chief Executive Officer

December 1, 2003

Tracey C. Ball, CA
Senior 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, 2003 and 2002 and the Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flow for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian 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, 2003 and 2002 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Edmonton, Alberta
December 1, 2003

CONSOLIDATED BALANCE SHEET

As at October 31
($ thousands)

		2003	2002
Assets			
Cash Resources			
Cash		$ 1,951	$ 1,928
Deposits with regulated financial institutions		279,921	132,038
Cheques and other items in transit		–	53,911
		281,872	187,877
Securities	(Note 3)		
Issued or guaranteed by Canada		241,352	174,409
Issued or guaranteed by a province or municipality		95,826	88,394
Other securities		75,649	82,816
		412,827	345,619
Loans	(Note 4)		
Securities purchased under resale agreements		72,000	66,431
Residential mortgages		662,825	605,582
Other		2,901,543	2,607,739
		3,636,368	3,279,752
Allowance for credit losses	(Note 5)	(35,365)	(31,005)
		3,601,003	3,248,747
Other			
Land, buildings and equipment	(Note 6)	13,019	13,749
Other assets	(Note 7)	35,251	32,170
		48,270	45,919
Total Assets		$ 4,343,972	$ 3,828,162
Liabilities and Shareholders' Equity			
Deposits	(Note 8)		
Payable on demand		$ 136,874	$ 115,783
Payable after notice		519,560	438,231
Payable on a fixed date		3,163,316	2,875,057
		3,819,750	3,429,071
Other			
Cheques and other items in transit		17,477	–
Other liabilities	(Note 9)	68,563	63,878
		86,040	63,878
Subordinated Debentures	(Note 10)		
Conventional		68,126	3,126
Convertible		53,825	54,000
		121,951	57,126
Shareholders' Equity			
Capital stock	(Note 11)	150,782	145,203
Contributed surplus		252	–
Retained earnings		165,197	132,884
		316,231	278,087
Total Liabilities and Shareholders' Equity		$ 4,343,972	$ 3,828,162

Jack C. Donald
Chairman

Larry M. Pollock
President and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

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

		2003	2002
Interest Income			
Loans		$ 220,043	$ 193,997
Securities		11,900	10,893
Deposits with regulated financial institutions		4,427	3,565
		236,370	208,455
Interest Expense			
Deposits		127,766	115,913
Debentures		3,941	3,707
		131,707	119,620
Net Interest Income		104,663	88,835
Provision for credit losses	(Note 5)	8,600	7,740
Net Interest Income after Provision for Credit Losses		96,063	81,095
Other Income			
Credit related		13,099	11,050
Retail services		4,679	3,944
Trust services		4,017	3,206
Gains on sale of securities		2,095	2,385
Foreign exchange gains and other		1,436	1,551
		25,326	22,136
Net Interest and Other Income		121,389	103,231
Non-interest Expenses			
Salaries and employee benefits		37,680	34,585
Premises and equipment		11,034	10,829
Other expenses		11,144	10,574
Provincial capital taxes		1,708	1,527
		61,566	57,515
Net Income before Provision for Income Taxes		59,823	45,716
Provision for income taxes	(Note 13)	21,630	16,104
Net Income		$ 38,193	$ 29,612
Earnings Per Common Share	(Note 14)		
Basic		$ 2.98	$ 2.34
Diluted		2.69	2.14

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended October 31
($ thousands)

		2003	2002
Capital Stock	(Note 11)		
Balance at beginning of year		$ 145,203	$ 143,942
Issued on exercise of employee stock options		5,404	1,261
Issued on debenture conversions		175	–
Balance at end of year		150,782	145,203
Contributed Surplus	(Note 2)		
Balance at beginning of year		–	–
Amortization of fair value of employee stock options		252	–
Balance at end of year		252	–
Retained Earnings			
Balance at beginning of year		132,884	108,320
Net income		38,193	29,612
Dividends		(5,880)	(5,048)
Balance at end of year		165,197	132,884
Total Shareholders' Equity		$ 316,231	$ 278,087

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended October 31
($ thousands)

		2003	2002
Cash Flows from Operating Activities			
Net income		**$ 38,193**	$ 29,612
Adjustments to determine net cash flows:			
Provision for credit losses		**8,600**	7,740
Depreciation and amortization		**3,088**	3,110
Future income taxes, net		**(1,581)**	(31)
Gain on sale of securities, net		**(2,095)**	(2,385)
Accrued interest receivable and payable, net		**5,043**	(5,600)
Current income taxes payable, net		**37**	(5,256)
Other items, net		**(3,750)**	2,152
		47,535	29,342
Cash Flows from Financing Activities			
Deposits, net		**390,679**	386,764
Common shares issued	(Note 11)	**5,404**	1,261
Dividends		**(5,880)**	(5,048)
Debentures issued	(Note 10)	**65,000**	–
Debentures redeemed		**–**	(10,000)
		455,203	372,977
Cash Flows from Investing Activities			
Loans, net		**(360,856)**	(369,847)
Interest bearing deposits with regulated financial institutions, net		**(117,516)**	62,999
Securities, purchased		**(1,012,656)**	(992,091)
Securities, sales proceeds		**99,828**	302,814
Securities, maturities		**849,846**	612,791
Land, buildings and equipment, net		**(2,382)**	(917)
		(543,736)	(384,251)
(Decrease) Increase in Cash and Cash Equivalents		**(40,998)**	18,068
Cash and Cash Equivalents at Beginning of Year		**61,520**	43,452
Cash and Cash Equivalents at End of Year *		**$ 20,522**	$ 61,520
*** Represented by:**			
Cash resources		**$ 281,872**	$ 187,877
Non-operating, interest bearing deposits with regulated financial institutions		**(243,873)**	(126,357)
Cheques in transit		**(17,477)**	–
Cash and Cash Equivalents at End of Year		**$ 20,522**	$ 61,520
Supplemental Disclosure of Cash Flow Information			
Amount of interest paid in the year		**$ 127,247**	$ 126,184
Amount of income taxes paid in the year		**$ 23,174**	$ 21,253

October 31, 2003
($ thousands, except per share amounts)

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 Office of the Superintendent of Financial Institutions Canada (OSFI), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of OSFI, are summarized below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles (GAAP).

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations whose operations are controlled by the Bank and are corporations in which the Bank owns more than fifty percent of the voting shares. See Note 23 for details of the subsidiaries.

Business acquisitions are accounted for using the purchase method. The difference between the acquisition cost of an investment and the fair value of the net identifiable assets acquired, including identifiable intangible assets, represents goodwill. Other intangibles with a finite life are amortized to income over their expected life. Goodwill and other intangibles with an indefinite life are not amortized. Goodwill and other intangibles are subject to a fair value impairment test at least annually. Any excess of book value over fair value is charged to income in the period of impairment.

b) Cash Resources

Cash resources includes cash and cash equivalents represented by cash and highly liquid deposits with the Bank of Canada and non-interest-bearing deposits with other banks less cheques in transit.

c) 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. Debt securities and preferred shares are stated at amortized cost and other equity securities are stated at cost or, if an impairment in value is other than temporary, at net realizable value. Gains and losses realized on disposal of securities and adjustments to record any other than temporary impairment in value are included in other income. 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.

d) Loans

Loans are stated net of unearned income, unamortized premiums and an allowance for credit losses (Note 1(e)).

Interest income is recorded on the accrual basis except for loans classified as impaired. Loans are determined to be impaired when payments are 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.

1. Significant Accounting Policies (continued)

d) Loans (continued)

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. Impaired loans are returned to performing status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current and all charges for loan impairment have been reversed.

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. Premiums paid on the acquisition of loan portfolios are amortized to interest income over the expected term of the loans.

e) Allowance for Credit Losses

The Bank maintains an allowance for credit losses, which in management's opinion, is adequate to absorb credit related losses in its loan portfolio. The adequacy of the allowance for credit losses is reviewed at least quarterly. The allowance for credit losses is deducted from the loan balance.

The allowance for credit losses consists of specific provisions and the general allowance for credit risk. Specific provisions include all the accumulated provisions for losses on identified impaired loans required to reduce the carrying value of those loans to their estimated realizable amount. The general allowance for credit risk includes provisions for future losses inherent in the portfolio that are not presently identifiable by management of the Bank on an account by account basis. The general allowance for credit risk is established by taking into consideration historical trends in the loss experience during economic cycles, the current portfolio profile, estimated losses for the current phase of the economic cycle and historical experience in the industry.

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.

f) Securities Purchased Under Resale Agreements

Securities purchased under resale agreements are secured loans as they represent a purchase of Government of Canada securities by the Bank effected with a simultaneous agreement to sell them back at a specified price on a future date, which is generally short term. Securities purchased under resale agreements are carried at cost. The difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as loan interest income.

g) 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 as follows: buildings – 20 years, equipment and furniture – 3 to 5 years, and leasehold improvements – term of lease. Gains and losses on disposal are recorded in other income in the year of disposal.

h) Deferred Financing Costs

Deferred financing costs relating to the issuance of debentures are amortized on a straight-line basis over the life of the related debenture.

i) Income Taxes

The Bank follows the asset and liability method of accounting for income taxes whereby current income taxes are recognized for the estimated income taxes payable for the current year. Future tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change. All future income tax assets are expected to be realized in the normal course of operations.

1. Significant Accounting Policies (continued)

j) Stock Option Plans

The fair value based method has been adopted to account for stock options granted to employees on or after November 1, 2002. The estimated fair value is recognized over the applicable vesting period as an increase to both salary expense and contributed surplus. When options granted on or after November 1, 2002 are exercised, the proceeds received and the applicable amount in contributed surplus will be credited to capital stock. In accordance with GAAP, no expense is recognized for options granted prior to November 1, 2002. When these options are exercised, the proceeds received are credited to capital stock.

k) Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. 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.

l) Derivative Financial Instruments

Interest rate, foreign exchange and equity contracts such as futures, options, swaps and floors are entered into for risk management purposes in accordance with the Bank's asset liability management policies. It is the Bank's policy not to utilize derivative financial instruments for trading or speculative purposes. Interest rate swaps and floors are used to reduce the impact of fluctuating interest rates. Equity contracts are used to offset the return paid to depositors on certain deposit products that are linked to a stock index. Foreign exchange contracts are only used for the purposes of meeting needs of clients or day to day business.

The Bank designates each derivative financial instrument as a hedge of identified assets and liabilities, firm commitments or forecasted transactions. On an ongoing basis the Bank assesses whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of the hedged items. Derivatives that qualify for hedge accounting are accounted for on the accrual basis. Interest income received or interest expense paid is recognized as interest income or expense, as appropriate, over the term of the hedge contract. Premiums on purchased contracts are amortized to interest expense over the term of the contract. Accrued interest receivable and payable and deferred gains and losses for these contracts are recorded in other assets or liabilities as appropriate. Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other assets or other liabilities, as appropriate, and amortized into income over the original hedged period. In the event a designated hedged item is terminated or eliminated prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

m) Employee Future Benefits

All employee future benefits are accounted for on an accrual basis.

n) Earnings per Common Share

Basic earnings per common share is calculated based on the average number of common shares outstanding during the year. Diluted earnings per share is calculated based on the treasury stock method which assumes that any proceeds from the exercise of in-the-money stock options would be used to purchase the Bank's common shares at the average market price during the year. Convertible debentures are assumed to be converted into common shares at the beginning of the year, or at the date the debenture was issued if later, and all related income statement charges are added back to earnings.

2. Change in Accounting Policy – Stock-Based Compensation

Effective November 1, 2002, the Bank adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) accounting standard on stock-based compensation as described in Note 1(j). Salary expense of $252 (2002 – nil) has been recognized relating to the estimated fair value of options granted in the year with an offsetting credit to Contributed Surplus.

3. Securities

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

	Maturities				2003	2002
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total Book Value	Total Book Value
Securities issued or guaranteed by:						
Canada	$ 226,475	$ 4,998	$ 9,879	$ –	$ 241,352	$ 174,409
A province or municipality	62,611	25,274	7,941	–	95,826	88,394
Other debt securities						
Floating rate notes	–	–	–	–	–	1,000
Other debt	3,236	–	–	–	3,236	14,553
Equity securities						
Preferred shares	24,573	16,113	6,278	24,933	71,897	66,747
Other equity	–	–	–	516[2]	516	516
Total[1]	$ 316,895	$ 46,385	$ 24,098	$ 25,449	$ 412,827	$ 345,619

[1] All securities are held in the investment account.
[2] Includes securities with no specific maturity.

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

	2003				2002			
	Book Value	Unrealized Gains	Unrealized Losses	Estimated Market Value	Book Value	Unrealized Gains	Unrealized Losses	Estimated Market Value
Securities issued or guaranteed by:								
Canada	$ 241,352	$ 765	$ 41	$ 242,076	$ 174,409	$ 1,367	$ 15	$ 175,761
A province or municipality	95,826	430	43	96,213	88,394	1,440	3	89,831
Other debt securities								
Floating rate notes	–	–	–	–	1,000	–	–	1,000
Other debt	3,236	–	1	3,235	14,553	1	4	14,550
Equity securities								
Preferred shares	71,897	1,176	224	72,849	66,747	628	268	67,107
Other equity	516	618	–	1,134	516	70	–	586
Total	$ 412,827	$ 2,989	$ 309	$ 415,507	$ 345,619	$ 3,506	$ 290	$ 348,835

4. Loans

Outstanding gross loans and impaired loans, net of allowances for credit losses, are as follows:

	2003				2002			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Securities purchased under resale agreements	$ 72,000	$ –	$ –	$ –	$ 66,431	$ –	$ –	$ –
Consumer and personal	388,516	2,421	503	1,918	395,900	1,427	281	1,146
Real estate	1,442,271	3,376	841	2,535	1,230,756	6,424	1,349	5,075
Industrial	609,951	7,276	2,849	4,427	521,619	11,459	2,111	9,348
Other	1,123,630	9,168	3,614	5,554	1,065,046	15,767	3,467	12,300
Totals	**$3,636,368**	**$ 22,241**	**$ 7,807**	**14,434**	**$3,279,752**	**$ 35,077**	**$ 7,208**	**27,869**
General allowance[1]				(27,558)				(23,797)
Net impaired loans after general allowance				$ (13,124)				$ 4,072

(1) The general allowance for credit risk is available for the total loan portfolio.

(2) Impaired loans include foreclosed real estate assets held for sale with a gross carrying value of $nil (2002 – $11) and a related specific allowance of $nil (2002 – $nil).

At October 31, 2003 other past due loans totalled $nil (2002 – $29). 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 well secured and considered fully collectible.

During the year interest recognized as income on impaired loans totalled $2,063 (2002 – $1,460).

5. Allowance for Credit Losses

The following table shows the changes in the allowance for credit losses during the year.

	2003			2002		
	Specific Provisions	General Allowance for Credit Risk	Total	Specific Provisions	General Allowance for Credit Risk	Total
Balance at beginning of year	$ 7,208	$ 23,797	$ 31,005	$ 6,905	$ 21,453	$ 28,358
Provision for credit losses	4,839	3,761	8,600	5,396	2,344	7,740
Write-offs	(4,327)	–	(4,327)	(5,235)	–	(5,235)
Recoveries	87	–	87	142	–	142
Balance at end of year	**$ 7,807**	**$ 27,558**	**$ 35,365**	**$ 7,208**	**$ 23,797**	**$ 31,005**

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

6. Land, Buildings and Equipment

	Cost	Accumulated Depreciation and Amortization	2003 Net Book Value	2002 Net Book Value
Land	$ 2,935	$ –	$ 2,935	$ 2,624
Buildings	3,156	2,092	1,064	1,007
Computer equipment	11,117	8,109	3,008	3,095
Office equipment and furniture	6,903	5,040	1,863	2,246
Leasehold improvements	9,050	4,901	4,149	4,777
Total	**$ 33,161**	**$ 20,142**	**$ 13,019**	**$ 13,749**

Depreciation and amortization for the year amounted to $3,088 (2002 – $3,110).

7. Other Assets

		2003	2002
Accrued interest receivable		$ 13,391	$ 13,974
Prepaid expenses		8,749	6,419
Future income tax asset	(Note 13)	8,262	6,669
Accounts receivable		1,924	2,192
Deferred financing costs[1]		1,394	884
Other		1,531	2,032
Total		**$ 35,251**	**$ 32,170**

[1] Amortization for the year amounted to $178 (2002 – $163)

8. Deposits

	Individuals	Business and Government	Financial Institutions	2003 Total
Payable on demand	$ 8,162	$ 128,712	$ –	$ 136,874
Payable after notice	199,886	319,674	–	519,560
Payable on a fixed date	2,598,171	540,048	25,097	3,163,316
Total	**$2,806,219**	**$ 988,434**	**$ 25,097**	**$3,819,750**

	Individuals	Business and Government	Financial Institutions	2002 Total
Payable on demand	$ 5,910	$ 109,873	$ –	$ 115,783
Payable after notice	164,579	273,652	–	438,231
Payable on a fixed date	2,402,050	469,736	3,271	2,875,057
Total	**$2,572,539**	**$ 853,261**	**$ 3,271**	**$3,429,071**

9. Other Liabilities

		2003	2002
Accrued interest payable		$ 57,286	$ 52,826
Taxes payable		5,383	5,346
Accounts payable		4,082	4,345
Deferred revenue		537	545
Future income tax liability	(Note 13)	235	223
Other		1,040	593
Total		**$ 68,563**	**$ 63,878**

10. Subordinated 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 OSFI. The convertible debentures are financial instruments which have both debt and equity components. The recommendation issued by the CICA 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	Earliest Date Redeemable or Convertible by CWB	2003	2002
Conventional				
6.85% (1)	June 30, 2012	June 30, 2007	**$ 3,126**	$ 3,126
5.66% (2)	July 7, 2013	July 7, 2008	**30,000**	–
5.96% (2)	October 24, 2013	October 24, 2008	**35,000**	–
			68,126	3,126
Convertible				
5.50% (3)	March 31, 2008	March 31, 2003	**49,825**	50,000
5.70% (4)	July 31, 2009	July 31, 2004	**4,000**	4,000
			53,825	54,000
Total			**$ 121,951**	**$ 57,126**

(1) This conventional debenture has a ten year term with a fixed interest rate for the first five years. Thereafter, unless the terms are amended or the debenture is redeemed by the Bank, interest will be payable at a rate equal to the Canadian Dollar CDOR 90 day Bankers' Acceptance rate plus 100 basis points.

(2) These conventional debentures have a ten year term with a fixed interest rate for the first five years. Thereafter, the interest rate will be reset quarterly to the Canadian Dollar CDOR 90 day Bankers' Acceptance rate plus 175 basis points.

(3) 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 $30.50 per share (1,633,603 shares, 2002 – 1,639,344 shares). Since March 31, 2003, the Bank has had the ability to specify a date for conversion of the debentures. During the year, convertible debentures of $175 (2002 – nil) were converted by the holders into 5,736 common shares.

(4) This debenture is convertible into common shares, at the option of the holder, at any time prior to maturity. The Bank may redeem the debenture after July 31, 2004. The number of shares issued at conversion will be determined based on a $25.00 per share conversion price (160,000 shares).

11. 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:

	2003		2002	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares				
Outstanding at beginning of year	**12,659,372**	**$ 145,203**	12,560,348	$ 143,942
Issued on exercise of options	**336,958**	**5,404**	99,024	1,261
Issued on conversion of debentures	**5,736**	**175**	–	–
Outstanding at end of year	**13,002,066**	**$ 150,782**	**12,659,372**	**$ 145,203**

The Bank has subordinated debentures which are convertible to common shares of the Bank as more fully described in Note 10.

The Bank is prohibited by the Bank Act from declaring any dividends on common shares when the Bank is or would be placed, as a result of the declaration, in contravention of the capital adequacy and liquidity regulations or any regulatory directives issued under the Act. These limitations do not currently restrict the payment of dividends.

12. Stock Option Plans

The Bank has authorized 1,193,391[1] common shares (2002 – 1,167,849) for issuance under stock option plans. Of the amount authorized, options exercisable into 1,153,992 shares (2002 – 1,129,815) are issued and outstanding. The options generally vest within three years and are exercisable at a fixed price equal to the average of the market price on the day of and the four days preceding the grant. All options expire within ten years of date of grant. Outstanding options expire on dates ranging from June 2004 to November 2008. The details of and changes in the issued and outstanding options follow:

	2003		2002	
Options	**Number of Options**	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	**1,129,815**	**$ 19.28**	1,077,783	$ 17.56
Granted	**371,235[1]**	**31.26**	159,806	26.81
Exercised	**(336,958)**	**16.04**	(99,024)	12.74
Forfeited	**(10,100)**	**25.48**	(8,750)	18.59
Balance at end of year	**1,153,992**	**$ 24.02**	**1,129,815**	**$ 19.28**
Exercisable at end of year	**637,957**	**$ 19.26**	**658,609**	**$ 15.74**

[1] Of this amount, 257,500 options are subject to shareholder and Toronto Stock Exchange approval.

further details relating to stock options outstanding and exercisable follow:

	Options Outstanding			**Options Exercisable**	
Range of exercise prices	**Number of Options**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
$8.73 to $12.93	188,758	2.1	$ 11.42	188,758	$ 11.42
$14.00 to $19.11	195,048	3.0	18.47	195,048	18.47
$19.50 to $26.12	262,730	1.8	25.47	235,495	25.59
$26.40 to $26.91	228,956	3.5	26.60	16,656	26.87
$27.38 to $33.32	278,500	4.8	32.94	2,000	28.23
	1,153,992	**3.1**	**$ 24.02**	**637,957**	**$ 19.26**

Salary expense of $252 has been recognized relating to the estimated fair value of options granted in the year. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 4.1%, (ii) expected option life of 3.9 years, (iii) expected volatility of 21%, and (iv) expected dividends of 1.5%. The weighted average fair value of options granted was estimated at $5.59 per share.

13. Income Taxes

The provision for income taxes consists of the following:

	2003	2002
Current	$ 23,211	$ 16,135
Future	(1,581)	(31)
Provision for income taxes	**$ 21,630**	**$ 16,104**

A reconciliation of the statutory tax rates and income tax that would be payable at these rates to the effective income tax rates and provision for income taxes that is reported in the consolidated statement of income is as follows:

	2003		2002	
Combined Canadian federal and provincial income taxes and statutory tax rate	$ 22,584	37.8%	$ 18,401	40.3%
Increase (decrease) arising from:				
Tax-exempt income	(1,887)	(3.2)	(1,422)	(3.1)
Large corporations tax	358	0.6	308	0.7
Unclaimed tax deductions from prior years	–	–	(2,059)	(4.5)
Other	575	1.0	876	1.8
Provision for income taxes and effective tax rate	**$ 21,630**	**36.2%**	**$ 16,104**	**35.2%**

Future income tax balances are comprised of the following:

	2003	2002
Net future income tax asset		
Allowance for credit losses	$ 9,613	$ 8,577
Other temporary differences	(1,351)	(1,908)
	$ 8,262	$ 6,669
Net future income tax liability of subsidiary		
Allowance for credit losses	$ (415)	$ (374)
Other temporary differences	650	597
	$ 235	$ 223

The Bank has approximately $11,851 (2002 – $11,840) of capital losses which are available to apply against future capital gains and have no expiry date. The tax benefit of these losses has not been recognized in the consolidated financial statements.

14. Earnings per Common Share

The calculation of earnings per common share is as follows:

		2003	2002
Numerator			
Net income – basic		**$ 38,193**	$ 29,612
Dilutive instruments:			
Conversion of debentures[1]		**1,947**	2,010
Net income – diluted		**$ 40,140**	$ 31,622
Denominator			
Weighted average number of common shares outstanding – basic		**12,808,335**	12,628,938
Dilutive instruments:			
Conversion of debentures	(Note 10)	**1,798,578**	1,799,344
Employee stock options[2]		**329,782**	341,075
Weighted average number of common shares outstanding – diluted		**14,936,695**	14,769,357
Earnings per Common Share			
Basic		**$ 2.98**	$ 2.34
Diluted		**$ 2.69**	$ 2.14

[1] Net income is adjusted by the potential impact on earnings if the convertible debentures were converted into common shares at the beginning of the year.
[2] The denominator excludes those employee stock options where the exercise price is greater than the average market price.

15. Contingent Liabilities and Commitments

a) Credit 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.

	2003	2002
Credit Instruments		
Guarantees and standby letters of credit	**$ 64,413**	$ 57,478
Commitments to extend credit	**812,082**	613,098
Total	**$ 876,495**	**$ 670,576**

Guarantees and standby letters of credit represent the Bank's obligation to make payments to third parties when a customer is unable to make required payments or meet other contractual obligations. These instruments carry the same credit risk, recourse and collateral security requirements as loans extended to customers and generally have a term that does not exceed one year. 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 undrawn availability under lines of credit and commercial operating loans of $294 million (2002 – $266 million) and recently authorized but unfunded loan commitments of $518 million (2002 – $347 million). 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. 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.

15. Contingent Liabilities and Commitments (continued)

b) Lease Commitments

The Bank has obligations under long-term non-cancellable operating 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:

2004	$	4,714
2005		4,469
2006		4,454
2007		4,084
2008		3,259
2009 and thereafter		13,314
Total	**$**	**34,294**

c) Guarantees

The Bank has adopted the requirements of a new CICA accounting guideline that expands the definition of a guarantee and requires additional disclosure in respect of guarantees. Under the new guideline, a guarantee is defined as a contract that contingently requires the guarantor to make payments to a third party based on i) changes in an underlying economic characteristic that is related to an asset, liability or equity security of the guaranteed party, ii) failure of another party to perform under an obligating agreement, or iii) failure of another third party to pay indebtedness when due.

Significant guarantees provided to third parties include guarantees and standby letters of credit as discussed above.

In the ordinary course of business, the Bank enters into contractual arrangements under which the Bank may agree to indemnify the other party. Under these agreements, the Bank may be required to compensate counterparties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. A maximum potential liability cannot be identified as the terms of these arrangements vary and generally no pre-determined amounts or limits are identified. The likelihood of occurrence of contingent events that would trigger payment under these arrangements is either remote or difficult to predict and in the past payments under these arrangements have been insignificant.

The Bank issues personal and business credit cards through an agreement with a third party card issuer. The Bank has indemnified the card issuer from loss if there is a default on the issuer's collection of the business credit card balances. The Bank has provided no indemnification relating to the personal or travel reward credit card balances. The issuance of business credit cards and establishment of business credit card limits are approved by the Bank and subject to the same credit assessment, approval and monitoring as the extension of direct loans. The total approved business credit card limit at October 31, 2003 was $114 and the balance outstanding was $6. No balances were in arrears and no payments have been made to date under the indemnity.

No amounts are reflected in the consolidated financial statements related to these guarantees and indemnifications.

16. Trust Assets Under Administration

Trust assets under administration of $1,474,964 (2002 – $1,166,489) represent assets held for personal and corporate clients, administered by a subsidiary, and are kept separate from the subsidiary's own assets. Trust assets under administration are not reflected in the consolidated balance sheet.

17. 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 $21,319 (2002 – $20,969).

18. Interest Rate Sensitivity

The Bank is exposed to interest rate risk as a result of a difference, or gap, between the maturity or repricing date of interest sensitive assets and liabilities. The following table shows the gap position at October 31, for selected time intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

Asset Liability Gap Positions

($ millions)

October 31, 2003	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
Assets								
Cash resources	$ 83	$ 100	$ 61	$ 244	$ –	$ –	$ 38	$ 282
Securities	8	100	208	316	72	25	–	413
Loans	1,968	141	364	2,473	1,147	15	(34)	3,601
Other assets	–	–	–	–	–	–	48	48
Off-Balance sheet swaps	25	80	319	424	361	–	–	785
Total	2,084	421	952	3,457	1,580	40	52	5,129
Liabilities and Equity								
Deposits	1,114	386	1,042	2,542	1,278	–	–	3,820
Other liabilities	–	–	–	–	–	–	86	86
Debentures	–	–	4	4	118	–	–	122
Shareholders' equity	–	–	–	–	–	–	316	316
Off-Balance sheet swaps	785	–	–	785	–	–	–	785
Total	1,899	386	1,046	3,331	1,396	–	402	5,129
Interest Rate Sensitive Gap	$ 185	$ 35	$ (94)	$ 126	$ 184	$ 40	$ (350)	$ –
Cumulative Gap	$ 185	$ 220	$ 126	$ 126	$ 310	$ 350	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	3.6%	4.3%	2.5%	2.5%	6.0%	6.8%	–	–
October 31, 2002								
Total assets	$ 1,742	$ 277	$ 1,067	$ 3,086	$ 1,362	$ 23	$ 79	$ 4,550
Total liabilities and equity	1,689	274	1,041	3,004	1,203	–	343	4,550
Interest Rate Sensitive Gap	$ 53	$ 3	$ 26	$ 82	$ 159	$ 23	$ (264)	$ –
Cumulative Gap	$ 53	$ 56	$ 82	$ 82	$ 241	$ 264	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	1.2%	1.2%	1.8%	1.8%	5.3%	5.8%	–	–

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. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

18. Interest Rate Sensitivity (continued)

The effective weighted average interest rates for each class of financial asset and liability, including off-balance sheet instruments, are shown below.

Weighted Average Effective Interest Rates

(%)

October 31, 2003	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
Assets							
Cash resources	2.4%	2.7%	3.0%	2.7%	– %	– %	2.7%
Securities	2.7	3.2	3.4	3.3	4.9	7.7	3.9
Loans	5.5	5.8	6.7	5.7	6.8	6.2	6.0
Off-Balance sheet swaps	2.9	3.5	3.5	3.5	3.8	–	3.6
Total	5.4	4.0	4.7	5.0	6.0	7.1	5.3
Liabilities							
Deposits	1.9	3.4	3.9	2.9	4.4	–	3.4
Debentures	–	–	5.7	5.7	5.7	–	5.7
Off-Balance sheet swaps	2.7	–	–	2.7	–	–	2.7
Total	2.2	3.4	3.9	2.9	4.5	–	3.4
Interest Rate Sensitive Gap	**3.2%**	**0.6%**	**0.8%**	**2.1%**	**1.5%**	**7.1%**	**1.9%**
October 31, 2002							
Total assets	5.4%	4.7%	4.9%	5.1%	6.5%	6.8%	5.6%
Total liabilities	2.2	3.8	3.9	2.9	5.0	–	3.5
Interest Rate Sensitive Gap	**3.2%**	**0.9%**	**1.0%**	**2.2%**	**1.5%**	**6.8%**	**2.1%**

19. 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, most of the Bank's financial instruments lack an available trading market as they are not typically exchanged. Therefore, these instruments have been valued assuming they will not be sold, 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, 2003 and 2002 there were no financial instruments held for trading purposes.

19. Fair Value of Financial Instruments (continued)

The table below sets out the fair values of on-balance sheet financial instruments and off-balance sheet derivative instruments using the valuation methods and assumptions referred to below the table. The table does not include assets and liabilities that are not considered financial instruments.

		2003			2002		
		Book Value	Fair Value	Fair Value Over (Under) Book Value	Book Value	Fair Value	Fair Value Over (Under) Book Value
Assets							
Cash resources		$ 281,872	$ 281,872	$ –	$ 187,877	$ 187,877	$ –
Securities	(Note 3)	412,827	415,507	2,680	345,619	348,835	3,216
Loans[(1)]		3,599,008	3,608,566	9,558	3,246,033	3,258,458	12,425
Other assets[(2)]		16,846	16,846	–	18,198	18,198	–
Liabilities							
Deposits[(1)]		3,819,536	3,853,955	34,419	3,428,634	3,472,306	43,672
Other liabilities[(3)]		84,228	84,228	–	62,693	62,693	–
Subordinated debentures		121,951	124,938	2,987	57,126	58,031	905
Derivative Financial Instruments							
Net asset	(Note 20)			$ 3,560			$ 6,707

(1) Loans and deposits exclude deferred premiums which are not financial instruments.
(2) Other assets exclude land, buildings and equipment, future income tax asset, prepaid expenses, financing costs and other items which are not financial instruments.
(3) Other liabilities exclude future income tax liability, deferred revenue and other items which are not financial instruments.
(4) For further information on interest rates associated with financial assets and liabilities, including off-balance sheet instruments, refer to Note 18.

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 3. 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 terms; and
- the fair values of subordinated debentures 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.

20. Derivative Financial Instruments

The Bank enters into off-balance sheet derivative financial instruments for risk management purposes.

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. Equity contracts are used to offset the return paid to depositors on certain deposit products where the return is linked to a stock index. The credit risk is limited to the average return on an equity index applied on the notional contract amount should the counterparty default. The principal amounts are not exchanged and hence are not at risk. Approved counterparties and maximum notional limits are established and monitored by the Asset Liability Committee (ALCO) of the Bank.

Foreign exchange transactions are undertaken 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 ALCO 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. Notional amounts represent the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts are not recorded on the consolidated balance sheet. They represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. 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 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. Additional discussion of OSFI's capital adequacy requirements is provided on page 38 of Management's Discussion and Analysis of Operations and Financial Condition.

	2003					2002				
	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	**$ 769,500**	**$ 4,524**	**$ 2,462**	**$ 6,986**	**$ 1,404**	$ 707,000	$ 7,476	$ 1,585	$ 9,061	$ 1,812
Interest rate floor	**50,000**	**57**	**31**	**88**	**11**	–	–	–	–	–
Equity contracts	**15,825**	**24**	**1,266**	**1,290**	**258**	14,225	223	1,138	1,361	272
Foreign exchange contracts[1]	**86**	**–**	**1**	**1**	**–**	836	12	8	20	4
Total	**$ 835,411**	**$ 4,605**	**$ 3,760**	**$ 8,365**	**$ 1,673**	**$ 722,061**	**$ 7,711**	**$ 2,731**	**$ 10,442**	**$ 2,088**

[1] The Bank has contracted to deliver Canadian dollars in exchange for United States dollars (2002 – deliver United States dollars in exchange for Canadian dollars).

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).

	2003				2002			
	Favourable Contracts		**Unfavourable Contracts**		Favourable Contracts		Unfavourable Contracts	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate contracts								
Interest rate swaps	**$ 607,500**	**$ 4,524**	**$ 162,000**	**$ (514)**	$ 647,000	$ 7,476	$ 60,000	$ (66)
Interest rate floor	**50,000**	**57**	**–**	**–**	–	–	–	–
Equity contracts	**1,600**	**24**	**14,225**	**(525)**	1,610	223	12,615	(938)
Foreign exchange contracts	**–**	**–**	**86**	**(6)**	836	12	–	–
Total	**$ 659,100**	**$ 4,605**	**$ 176,311**	**$ (1,045)**	**$ 649,446**	**$ 7,711**	**$ 72,615**	**$ (1,004)**

20. Derivative Financial Instruments (continued)

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.

	2003	2002
Favourable off-balance sheet financial instruments (assets)	**$ 6,306**	$ 6,020
Unfavourable off-balance sheet financial instruments (liabilities)	**$ 976**	$ 1,340

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

	2003				2002			
	Maturity				Maturity			
	1 year or less		**Over 1 to 5 years**		1 year or less		Over 1 to 5 years	
	Notional Amount	**Contractual Interest Rate**	**Notional Amount**	**Contractual Interest Rate**	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate
Interest rate contracts								
Interest rate swaps – receive fixed amounts[1]	**$ 271,000**	**3.07%**	**$ 498,500**	**3.90%**	$ 390,000	3.13%	$ 317,000	4.45%
Interest rate floor[2]	**50,000**	**3.00%**	**–**	**–**	–	–	–	–
Equity contracts[3]	**–**		**15,825**		–		14,225	
Foreign exchange contracts[4]	**86**		**–**		836		–	
Total	**$ 321,086**		**$ 514,325**		**$ 390,836**		**$ 331,225**	

(1) The Bank pays (floating) interest amounts based on the one month (30 day) Canadian Bankers' Acceptance rate.
(2) The Bank receives interest amounts when the one month (30 day) Canadian Bankers' Acceptance rate falls below a specified rate.
(3) The contractual interest rate is not meaningful for equity contracts. The Bank receives amounts based on the increase in an equity index.
(4) The contractual interest rate is not applicable for foreign exchange contracts.

21. Risk Management

As part of the Bank's risk management practices, the risks that are significant to the business are identified, monitored and controlled. These risks include credit risk, liquidity risk, market risk and operational risk. The nature of these risks and how they are managed is provided in the commentary on pages 40 to 43 of Management's Discussion and Analysis of Operations and Financial Condition.

Information on specific measures of risk including the allowance for credit losses, derivative financial instruments, interest rate sensitivity and fair value of financial instruments are included in the notes to the consolidated financial statements.

22. Segmented Information

The Bank operates principally in personal and commercial banking in Canada and management has identified banking operations as the only business segment. Personal and commercial banking includes the operations of the Bank and its trust subsidiary which together provide a wide range of banking and trust services to retail and personal clients and commercial business clients primarily in western Canada.

23. Subsidiaries

Canadian Western Bank Subsidiaries

(annexed in accordance with subsection 308 (3) of the Bank Act)

October 31, 2003

	Address of Head Office	Carrying Value of Voting Shares Owned by the Bank[1]	Percentage of Issued and Outstanding Voting Shares Owned by the Bank
Canadian Western Trust Company	10303 Jasper Avenue Edmonton, Alberta	$ 13,018	100%
CWB Canadian Western Financial Ltd.	10303 Jasper Avenue Edmonton, Alberta	$ 35	100%

(1) The carrying value of voting shares is stated at the Bank's equity in the investments.

24. Future Accounting Changes

Hedging Relationships

The CICA has issued an accounting guideline for hedging relationships that establishes certain requirements for the application of hedge accounting. Effective November 1, 2003 derivatives that do not qualify for hedge accounting are recorded at fair value. The Bank enters into derivative financial instruments for risk management purposes as described in Note 20. The implementation of this guideline is not expected to have a significant impact on the Bank's financial results.

Consolidation of Variable Interest Entities (VIEs)

The CICA has issued an accounting guideline that will become effective November 1, 2004. This guideline provides a framework for identifying VIEs and requires the consolidation of VIEs if the company absorbs a majority of the VIE's expected losses or receives a majority of the VIE's expected residual returns, or both. The Bank has no significant VIEs that would require consolidation.

25. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.

SENIOR OFFICERS

Chairman
Jack C. Donald

OFFICE OF THE CEO

Larry M. Pollock
President and Chief Executive Officer

Allister J. McPherson
Executive Vice President

Jack C. Wright
Vice President

CREDIT RISK MANAGEMENT

Donald C. Kemp
Senior Vice President

Chris H. Fowler
Vice President

Wally N. Streit
Senior Assistant Vice President

CORPORATE AND STRATEGIC OPERATIONS

William J. Addington
Executive Vice President

FINANCE

Tracey C. Ball, CA
Senior Vice President and
Chief Financial Officer

Darin R. Coutu, CA
Senior Assistant Vice President
and Chief Accountant

HUMAN RESOURCES

Uve Knaak
Vice President

INTERNAL AUDIT

David R. Gillespie
Vice President and Chief Inspector

MARKETING AND PRODUCT DEVELOPMENT

David R. Pogue
Vice President

TREASURY AND OPERATIONS

Ricki L. Moffat
Treasurer

Michael Vos
Chief Technology Officer

M. Wayne Bond
Assistant Vice President,
Corporate Administration

Roger J. Pogue
Assistant Vice President,
Operations

COMMERCIAL BANKING PRAIRIE REGION

S. Wayne Bamford
Vice President
and Regional Manager

Michael N. Halliwell
Vice President
and Regional Manager
(Regional Manager effective
March 1, 2004)

Douglas R. Crook
Senior Assistant Vice President
Main Branch, Calgary

Gus W. Itzek
Senior Assistant Vice President,
Energy Lending
Main Branch, Calgary

COMMERCIAL BANKING NORTHERN ALBERTA REGION

William A. Book
Vice President
and Regional Manager

L.W. (Les) Shore
Senior Assistant Vice President
Main Branch, Edmonton

COMMERCIAL BANKING BRITISH COLUMBIA REGION

Rod W. Sorbo
Vice President
and Regional Manager

Serge Biln
Senior Assistant Vice President
Park Place, Vancouver

REAL ESTATE LENDING VANCOUVER

Raymond L. Young
Vice President

Robert E. Wigmore
Senior Assistant Vice President

INDUSTRIAL LENDING AND LEASING

James O. Burke
General Manager

CANADIAN WESTERN TRUST COMPANY VANCOUVER

Adrian M. Baker
Vice President
and General Manager

Cathy L. Phillips
Managing Director,
Fiduciary Operations and
Risk Management

Robert D. Nakoneshny
Managing Director,
Strategic and Business Development

OMBUDSMAN

R. Graham Gilbert

BOARD OF DIRECTORS

CANADIAN WESTERN BANK & TRUST

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President
Rosedale Meadows Development Inc.
Edmonton, Alberta

Albrecht W. A. Bellstedt, QC
Executive Vice President
Law and General Counsel
TransCanada Corporation
Calgary, Alberta

Jack C. Donald
Board Chairman
Parkland Properties Ltd.
Red Deer, Alberta

Allan W. Jackson
President
ARCI Ltd.
Calgary, Alberta

Wendy A. Leaney
President
Wyoming Associates Ltd.
Toronto, Ontario

Robert A. Manning
President
Cathton Holdings Ltd.
Edmonton, Alberta

Gerald A.B. McGavin, FCA, CM
President
McGavin Properties Inc.
Vancouver, British Columbia

Howard E. Pechet
President
Mayfield Consulting Inc.
La Jolla, California, USA

Robert L. Phillips
Group President and CEO
BCR Group of Companies
North Vancouver, British Columbia

Larry M. Pollock
President and CEO
Canadian Western Bank & Trust
Edmonton, Alberta

Alan M. Rowe, CA
Senior Vice President,
Chief Financial Officer and
Corporate Secretary
Crown Life Insurance Company
Regina, Saskatchewan

Arnold J. Shell
President
Arnold J. Shell Consulting Inc.
Calgary, Alberta

DIRECTORS EMERITUS

John Goldberg
Jordan L. Golding
Arthur G. Hiller
Peter M.S. Longcroft
Dr. Maurice W. Nicholson
Alma M. McConnell
Eugene I. Pechet
Dr. Maurice M. Pechet
Fred Sparrow

AWARDS OF EXCELLENCE*

2000

Terra Fuessel
Theresa Howard
Carl Knowler
Cathy Phillips
Sharon Thompson

2001

Brunella Bertucci
Theresa Gromnisky
Roy Jefferson
Leslie John
Marlene Serediuk

2002

Adele Carson
Leon Chow
Jodi Dull
Trenna Guglich
Kelly Howell
Sandra Irvine
Renai Jackle
Nancy Staley

2003

Sonia Atkin
Charmaine Barclay
Marie Barwick
Allison Betton
Libei Cheng
Bev Foord
Theresa Howard
Jim Kitchin
Kim Newall
Heather Sanregret
Jessica Sheppard

*Awards of Excellence recognize employees who display qualities for which CWB is known and which are inherent under the brand Think Western®.

SHAREHOLDER INFORMATION

Canadian Western Bank & Trust Head Office
Suite 2300, Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, Alberta T5J 3X6
Telephone: (780) 423-8888
Fax: (780) 423-8897
Website: www.cwbank.com

Subsidiary Regional Office
Canadian Western Trust Company
Suite 2200, 666 Burrard Street
Vancouver, B.C. V6C 2X8
Telephone: (604) 685-2081
Fax: (604) 669-6069
Website: www.cwt.ca

Stock Exchange Listing
The Toronto Stock Exchange
Share Symbol: CWB
Convertible Debenture Symbol: CWB.DB.A

Transfer Agent and Registrar Mailing Address
Computershare Trust Company of Canada
Suite 600, 530 – 8th Avenue SW
Calgary, Alberta T2P 3S8
Telephone: (800) 564-6253
Fax: (403) 267-6529

Corporate Secretary
Charles R. Allard
Rosedale Meadows Development Inc.
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 4, 2004 at the Hyatt Regency (Regency Ballrooms A and B), 655 Burrard Street, Vancouver, British Columbia at 3:00 p.m. (PST).

Investor Relations
For further financial information contact:
Vicki Warwaruk
Senior Manager,
Investor and Public Relations
Canadian Western Bank
Telephone: (780) 423-8865
Fax: (780) 423-8899
E-mail: InvestorRelations@cwbank.com

or visit our website at www.cwbank.com

Online Investor Information
Additional investor information including supplemental financial information and a corporate presentation is available on our website at www.cwbank.com

Complaints or Concerns regarding Accounting, Internal Accounting Controls or Auditing Matters
Please contact either:
Tracey C. Ball
Senior Vice President and
Chief Financial Officer
Canadian Western Bank
Telephone: (780) 423-8855
Fax: (780) 423-8899
E-mail: tracey.ball@cwbank.com
or
Robert A. Manning
Chairman of the Audit Committee
c/o 210 – 5324 Calgary Trail
Edmonton, AB T6H 4J8
Telephone: (780) 438-2626
Fax: (780) 438-2632
E-mail: rmanning@shawbiz.ca

BRANCH OFFICES

ALBERTA

Edmonton

Edmonton Main
11350 Jasper Avenue
Edmonton, Alberta T5K 0L8
Telephone: (780) 424-4846
Branch Manager – Les Shore

103rd Street
Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, Alberta T5J 3N6
Telephone: (780) 423-8801
Branch Manager – Jake Muntain

South Edmonton Common
2142 – 99 Street
Edmonton, Alberta T6N 1L2
Telephone: (780) 988-8607
Branch Manager – Wayne Dosman

Southside
7933 – 104 Street
Edmonton, Alberta T6E 4C9
Telephone: (780) 433-4286
Branch Manager – Heinz Kleist

St. Albert
300 – 700 St. Albert Road
St. Albert, Alberta T8N 7A5
Opening Spring 2004

West Point
17603 – 100 Avenue
Edmonton, Alberta T5S 2M1
Telephone: (780) 484-7407
Branch Manager – Ron Baker

Edmonton Deposit Processing Centre
Suite 2200, 10303 Jasper Avenue
Edmonton, Alberta T5J 3X6
Telephone: (780) 423-8888
Branch Manager – Lina Langford

Calgary

Calgary Main
606 – 4th Street S.W.
Calgary, Alberta T2P 1T1
Telephone: (403) 262-8700
Branch Manager – Doug Crook

Calgary Northeast
2810 – 32nd Avenue N.E.
Calgary, Alberta T1Y 5J4
Telephone: (403) 250-8838
Branch Manager – Glen Eastwood

Chinook Station
6606 MacLeod Trail S.W.
Calgary, Alberta T2H 0K6
Telephone: (403) 252-2299
Branch Manager – Lew Christie

Foothills
6127 Barlow Trail S.E.
Calgary, Alberta T2C 4W8
Telephone: (403) 269-9882
Acting Branch Manager – Michael Docherty

Red Deer
4822 – 51 Avenue
Red Deer, Alberta T4N 3H3
Telephone: (403) 341-4000
Branch Manager – Don Odell

Lethbridge
744 – 4th Avenue South
Lethbridge, Alberta T1J 0N8
Telephone: (403) 328-9199
Branch Manager – Don Grummett

Grande Prairie
11226 – 100 Avenue
Grande Prairie, Alberta T8V 7L2
Telephone: (780) 831-1888
Branch Manager – Keith MacLellan

BRITISH COLUMBIA

Vancouver

Regional Office
22nd Floor, 666 Burrard Street
Vancouver, B.C. V6C 2X8
Telephone: (604) 669-0081
Regional Manager – Rod Sorbo

West Broadway
1333 West Broadway
Vancouver, B.C. V6H 4C1
Telephone: (604) 730-8818
Branch Manager – Rob Berzins

Park Place
666 Burrard Street
Vancouver, B.C. V6C 2X8
Telephone: (604) 688-8711
Branch Manager – Serge Biln

Vancouver Deposit Processing Centre
Suite 2368, 666 Burrard Street
Vancouver, B.C. V6C 2X8
Telephone: (604) 443-5175
Toll free: 1-800-663-1000
Branch Manager – Huguette Holmes

Coquitlam
101 Schoolhouse Street
Coquitlam, B.C. V3K 4X8
Telephone: (604) 540-8829
Branch Manager – David McCosh

Courtenay
470 Puntledge Road
Courtenay, B.C. V9N 3R1
Telephone: (250) 334-8888
Branch Manager – Alan Dafoe

Kelowna

Kelowna
1674 Bertram Street
Kelowna, B.C. V1Y 9G4
Telephone: (250) 862-8008
Branch Manager – Ian Graham

Kelowna Industrial Centre
#101 – 1505 Harvey Avenue
Kelowna, B.C. V1Y 6G1
Telephone: (250) 860-0088
Branch Manager – Jim Kitchin

Cranbrook Satellite Office
2009 – 5th Street South
Cranbrook, B.C. V1C 1K6
Telephone: (250) 426-1140
Account Manager – Mike Eckersley

Kamloops Satellite Office
2224 Crescent Drive
Kamloops, B.C. V2C 4J6
Telephone: (250) 828-1070
Manager – Hugh Sutherland

Langley
19915 – 64th Avenue
Langley, B.C. V2Y 1G9
Telephone: (604) 539-5088
Branch Manager – Craig Martin

Nanaimo
6475 Metral Drive
Nanaimo, B.C. V9T 2L9
Telephone: (250) 390-0088
Branch Manager – Russ Burke

Surrey
Strawberry Hill
7548 – 120 Street
Surrey, B.C. V3W 3N1
Telephone: (604) 591-1898
Branch Manager – Rick Howard

Victoria
1201 Douglas Street
Victoria, B.C. V8W 2E6
Telephone: (250) 383-1206
Branch Manager – Gerry Laliberte

SASKATCHEWAN

Regina
1881 Scarth Street
McCallum Hill Centre II
Regina, Saskatchewan S4P 4K9
Telephone: (306) 757-8888
Branch Manager – Trent Bobinski

Saskatoon
244 – 2nd Avenue S.
Saskatoon, Saskatchewan S7K 1K9
Telephone: (306) 477-8888
Branch Manager – Doug Finnie

Yorkton
#45, 277 Broadway Street E.
Yorkton, Saskatchewan S3N 3G7
Telephone: (306) 782-1002
Branch Manager – Barb Apps

MANITOBA

Winnipeg
230 Portage Avenue
Winnipeg, Manitoba R3C 0B1
Telephone: (204) 956-4669
Branch Manager – Robert Bean

CANADIAN WESTERN TRUST

British Columbia
Suite 2200, 666 Burrard Street
Vancouver, B.C. V6C 2X8
Telephone: (604) 685-2081
Toll free: 1-800-663-1124

Alberta
200, 606 – 4th Street S.W.
Calgary, Alberta T2P 1T1
Telephone: (403) 717-3145
Toll free: 1-888-894-2331

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