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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Canadian Western Bank First Quarter Results conference call. At this time all participants are in a listen-only mode. If anyone has any difficulties hearing the conference please press star, zero for Operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Thursday, March 9th, 2006 at 3:30 p.m. Eastern Time.

I will now turn the conference over to Tracey Ball, Executive Vice President and Chief Financial Officer. Ms. Ball, please go ahead.

TRACEY BALL (Executive Vice President and Chief Financial Officer, Canadian Western Bank): Thank you, John, and good afternoon and welcome to our 2006 First Quarter Results conference call for Canadian Western Bank.

And just before we begin I want to quickly note a few items in addition to what John has already stated. This presentation is being broadcast via the Internet as well as via this conference call. And the conference call graphs are available in PDF format on our website at cwbank.com under the Quarterly Results section of the Investor Relations tab. And our quarterly results press release and supplemental financial information are also available in that location. I'd like to draw your

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attention now the advisory on slide 13 concerning forward-looking statements.

Turning to slide two it shows the agenda for today's call, and joining me for the presentation today is Larry Pollock, President and Chief Executive Officer. Also in attendance are Bill Addington, Executive Vice President whose responsibilities include credit risk management, Brian Young, President and Chief Executive Officer of Canadian Direct Insurance and Executive Vice President of Canadian Western Bank. His responsibilities include our insurance and trust operations. We have Randell Garvie, Senior Vice President of Corporate Support whose responsibilities include Treasury and Systems and Chris Fowler, Senior Vice President of Credit Risk Management succeeding Don Kemp who retired at the end of February.

I'd now like to direct your attention to slide three and ask Larry to begin our presentation with an overview of our first quarter results.

LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks Tracey. Canadian Western Bank posted excellent results to begin fiscal 2006. New quarterly records were set for both net income and total revenues. With these results, we are currently on track to achieve all of our 2006 performance targets. The first quarter

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also marked our 71st consecutive profitable quarter, a period spanning nearly 18 years. Our loan growth was excellent at 7 percent in the quarter; this follows growth of 5 percent in each of our two previous quarters, all of which have been organic. Our credit quality remains strong and stable, reserve coverage is over three and a half times gross non-performing loans and we now have not taken any reserves back into income as we've seen some of that happening in the industry.

Our performance in the quarter is a reflection of both the strength of our business plan as well as the robust economic conditions in Western Canada, particularly in Alberta and B.C. Our Board of Directors today declared a quarterly dividend of \$0.12 a share which is up 33 percent from one year ago. Including reinvested dividends, total return to shareholders in the last 12 months was 48 percent. This compares quite favourably to the 25 percent return on the S&P TSX Financials Index over the same period.

I'll now turn things back to Tracey who will discuss our financial performance in more detail beginning with slide four.

TRACEY BALL: Thanks, Larry. Net income for the first quarter was a record \$16.4 million, an increase of 35 percent over the same quarter last year and this represents a record contribution from our banking and

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trust operations and very good results from Canadian Direct Insurance. Total revenues in the quarter increased 21 percent and diluted earnings per share were \$0.52, up 30 percent over last year. Return on equity and return on assets were 14 percent and 1.11 percent respectively. First quarter net income was 11 percent higher than the fourth quarter due to the very strong 7 percent loan growth and increase to the income.

The next two slides will provide an overview of the first quarter highlights for our banking and trust operations beginning with slide five. This segment generated net income growth of 34 percent over the same quarter last year on total revenue growth of 21 percent. Compared to the fourth quarter, net income from banking and trust operations increased 9 percent. Net interest income generated by banking and trust operations increased 21 percent over the first quarter last year and this growth reflects 18 percent growth in average loans and an improved net interest margin.

In comparison to the fourth quarter, net interest income was up 6 percent primarily due to very strong loan growth. Non-interest revenues were up 19 percent over the first quarter last year and making up the largest component for this change were a 26 percent increase in credit fees and a 24 percent increase in trust fees.

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Slide six shows the total loan growth of 7 percent in the quarter and 20 percent over the past year. This first quarter increase reflects growth in all sectors of the loan portfolio and in all four Western provinces with Alberta and British Columbia leading the way. Credit quality remains strong with the first quarter provision for credit losses at 22 basis points of average loans on an annualized basis. This is consistent with prior quarters and three basis points less than a year ago.

Net interest margin on a taxable equivalent basis was 2.70 percent in the quarter as compared to 2.61 percent one year ago, and this improvement was primarily due to the very strong growth and lower costs noticed in demand (phon) deposits. And compared to the fourth quarter, net interest margin showed a slight improvement.

Slide seven details the progress we have made in generated additional lower cost deposits through our branch network and through Canadian Western Trust. Total branch generated deposits increased 5 percent in the quarter and 32 percent in the past year and now comprise 67 percent of all deposits compared to 60 percent a year ago. A portion of this branch deposit growth includes larger commercial balances reflective of the high levels of liquidity in the market and these balances can be subject to more fluctuation in personal deposits.

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And within branch deposits, the lower cost demand and notice component was up 1 percent in the quarter and a very strong 31 percent in the past year. These deposits which represent our lowest cost form of funding now comprise 25 percent of total deposits, compared to 23 percent a year ago. And these balances include the low cost float generated by Canadian Western Trust which continues to realize strong growth in personal and corporate trust business.

Slide eight shows the financial highlights for our insurance segment. Canadian Direct first quarter net income was \$1.5 million, an increase of 38 percent from one year ago. This increase reflects net earned premiums growth of 33 percent as well as increased investment income. Increase in net earned premiums resulted from a greater number of policies outstanding and a reduction in the use of quota share reinsurance. These positive impacts were partially offset by higher costs relating to our mandatory participation in the Alberta Auto Insurance Risk Sharing Pool. Claims ratio was 68 percent in the quarter, unchanged from one year ago and the combined ratio is 93 percent compared to 92 percent.

Slide nine shows our performance targets for 2006 and our performance to date. As mentioned earlier, we are currently on track to achieve all of these targets.

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And now I'd like to turn things back to Larry who will provide comments on outlook and strategies beginning on slide 10.

LARRY POLLOCK: Thanks, Tracey. As you can see from our 2006 targets and our first quarter results, our outlook for this year is very positive. Within our banking and trust segment our key driver of growth is total loans which are already up 7 percent through only three months. This positions us very well to achieve our 17th consecutive year at double digit loan growth. Having this exceptional loan growth early in the year will provide a boost to net interest income for the remaining three quarters. Economic conditions continue to be robust in Western Canada, a fact reflected in our new loan deal flow which remains healthy. We continue to see strong growth in all lending sectors and particularly in equipment financing and leasing, residential mortgages and real estate construction lending.

In terms of credit quality, our experience continues to be excellent. In the first quarter we used 10 basis points of our 22 basis point provision for specific reserves. As I mentioned earlier, we now have three and a half times coverage of our gross non-performing loans. We are targeting provisions for credit losses of 22 basis points of average loans in 2006 but

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could end up below that figure depending on the ongoing performance of our loan portfolio.

Moving to slide 11, we also expect continued strong performance from Canadian Direct Insurance. In the first quarter we saw the impact of a reduction in our use of quota share reinsurance. We're able to realize this benefit as a result of our successful underwriting and our strong capital position. During the remainder of the year we expect continued growth in net earned premiums from reduced reinsurance as well as new customer growth. Although our first quarter results were negatively impacted by losses relating to the Alberta Auto Insurance Risk Sharing Pools, the impact was not nearly as significant as in the fourth quarter last year and we continue to develop strategies to minimize future adverse impacts.

In British Columbia Auto, we continue to encounter pressure from the competitive tactics of the Insurance Corporation of British Columbia and we are implementing strategies to address these challenges. We are expanding our automobile insurance business in Alberta where we do not have to compete with the government and will continue to grow our home business in both provinces.

Slide 12 summarizes Canadian Western Bank's strategic priorities which include first and foremost, a continued focus on our core commercial

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banking business. We will continue to drive loan growth through our existing infrastructure and have plans to add new branches, expand our existing branches and add staff resources where the opportunities are the greatest. It also remains our priority to enhance the profitability of our core lending business by lowering funding costs through the growth of in-branch generated deposits.

On the personal banking side, we're building momentum in our sub-prime mortgage initiative where total outstandings increased by \$41 million this quarter. Reflected in this growth were higher volumes of transactions in British Columbia where we recently established a marketing presence. We have set aggressive targets for this fast growing high ROE business which will play an increasingly important role in our earnings.

While we have made progress in diversifying our revenues in recent years, further improvements are a priority and can be achieved through continued growth of our trust and insurance businesses. Growth in these businesses will be assisted by recent improvements to our premises and system infrastructure as well as our innovative client-focused approach. Expanded fee-based trust and insurance earnings will also benefit return on equity which noticeably improved to 14 percent in the first quarter.

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Further improvement in this key measurement remains a top priority for CWB.

Our capital position is very strong; this strength will support future growth without the issuance of common equity which will further benefit ROE. Our strong capital position and demonstrated access to subordinated debt markets will also allow us to be opportunistic with respect to any acquisitions that are available, accretive and a good strategic fit.

We continue to challenge ourselves to exceed our previous accomplishments and are very optimistic about our prospects going forward. Through our continued focus on these priorities, an execution of our proven business plan, we are confident that 2006 will be added to our long history of strong financial performance.

I will now turn things back to Tracey.

TRACEY BALL: Well thank you, Larry. That concludes our formal presentation for today's call. At this time I'll ask John to begin the question and answer period.

OPERATOR: Thank you. One moment please for your first question. Ladies and gentlemen if there are any questions please queue

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up now. Your first question comes from Evan Develte, sorry, Ian Deverteuil of BMO Nesbitt Burns. Please go ahead.

IAN DEVERTEUIL: That's a whole new pronunciation right there.

LARRY POLLOCK: Hi, Ian.

IAN DEVERTEUIL: Hi, how are you.

LARRY POLLOCK: Good.

IAN DEVERTEUIL: You know, your supplement pack is eight pages and I've only been able to find one bad piece of news so I might as well ask about it. The underlying securities gains, you know, have become fairly material unrealized losses. Is this just the backup in sort of shorter rates in Canada in quarter?

LARRY POLLOCK: Exactly.

IAN DEVERTEUIL: And I mean does this, I mean you don't have to realize these, these are just mature all the time, you don't have to bring them in if you don't want to, is that correct?

LARRY POLLOCK: That's correct; we would not bring them in at this point in time. The only time we would is for liquidity purposes and that's on rare occasion.

IAN DEVERTEUIL: Right. And the second thing, Larry; you'd mentioned you did have new branches planned. Can you give me some

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details on that? It's been, and you I know, last year – I think it was the year before, I think it was '04 that you did some branch openings; can you give us a sense of what you've got planned? Is it another two in the next couple of years or...?

LARRY POLLOCK: Yeah, we're expanding some existing branches, we've completed two, one in Edmonton, one in Calgary; our Chinook Branch in Calgary and our West Point Branch in Edmonton have been significantly expanded. And we are opening a new one in September in Calgary, the far southeast sector of the city, which is very industrial down there and new development. We also are planning on opening our 7th location in the Edmonton region in the Sherwood Park area, which is heavy industrial sector as well as a large residential area.

IAN DEVERTEUIL: When's the Edmonton branch coming on?

LARRY POLLOCK: It will be later; it'll probably be very early '07. And then we also are looking for opportunities to open more of these smaller industrial branches. We opened two last year, one in Kamloops and one in Prince George; very profitable. We seed them with some business and then if they develop well, we'll open full service branches later on. We're also looking at Abbotsford as another opportunity. So, we're doing a full assessment of the Lower Mainland in British Columbia to

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see where we've got spots where we could open new branches there. So, we're going to be aggressively developing our infrastructure going forward.

IAN DEVERTEUIL: Thank you.

OPERATOR: Your next question comes from Sumit Malhotra from Genuity Capital Markets. Please go ahead.

SUMIT MALHOTRA: Hi, good afternoon everybody.

LARRY POLLOCK: Hi.

SUMIT MALHOTRA: A question first off on the credit side; this quarter we saw a bit of a move up in gross compared loan formations, I think it's the highest one we've seen since the end of 2004. It seemed to come through in the other section that you classify for gross impaired loans; any specific area that we saw this up-tick?

LARRY POLLOCK: No, it was very minor actually, I think we went maybe up a million dollars or so in the quarter which is very small considering that we now have just about a \$5 billion book. With \$12 million outstanding in gross, non-performing loans and almost four times coverage in reserves we don't feel that a million dollar fluctuation one way or the other is meaningful.

SUMIT MALHOTRA: Okay. The second area I was looking at was in terms of the risk-rated assets; a bit of a move up on that number

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quarter-over-quarter, and it seemed like residential mortgage growth was a lot quicker this quarter than commercial loans. So, does this relate to the sub-prime initiative that maybe that's having a little bit of an effect on RWA?

LARRY POLLOCK: Yeah, that is part of it. The 7 percent growth that we had in the first quarter, almost 1 percent of that would be sub-prime and the rest would be primarily commercial loans. Now, 7 percent I don't think it's prudent to annualize it as that was our best quarter ever in organic growth, but it does follow two consecutive 5 percent growth quarters. So, which were also very high by industry standards, so our deal flow remains very solid so I think you're going to continue to see at least reasonable growth throughout this year.

SUMIT MALHOTRA: That's great, I think it's 9 percent actually here sequentially on risk rateds.

LARRY POLLOCK: Yeah, the risk rated assets because of most of the loans, most of the growth that we had was commercial; that carries 100 percent capital requirement which means 10 percent of the gross amount of the loan would have to be held in capital.

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TRACEY BALL: We also would have had some movement in our investments from perhaps a 20 percent to 100 percent or zero percent to 20 percent, but we just monitor that all the time.

SUMIT MALHOTRA: Okay and my last question was along the same lines as Ian on the unrealized gains. I think that's broken out into four sections, Government of Canada, Provincial, preferreds and other. The other section is the one that showed the biggest movement quarter-over-quarter. Is that equities or are we looking at some kind of private investments here?

LARRY POLLOCK: No, we don't have any equities; the closest thing to equities that we'd carry in our portfolio would be preferred shares. And we aggressively purchased preferred shares for two reasons, one to enhance yield and the other they're tax effective, the yield is not taxed in our hands as long as we own less than 5 percent of the issue. So, we're aggressive buyers of preferred shares but we prefer term preferreds.

SUMIT MALHOTRA: Okay.

LARRY POLLOCK: And as you know, that's a very thin market.

TRACEY BALL: And the other thing that's affecting that other unrealized loss number is we have a small investment in Bank of Pacific and we've had a foreign exchange loss there because it's in US dollars

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and the Canadian dollar's appreciated quite substantially since we acquired that investment, but it's a very small part of our book.

SUMIT MALHOTRA: Okay. Thank you very much.

OPERATOR: Ladies and gentlemen if there are any additional questions at this time please queue up now. One moment please, for your next question.

Well, there are no further questions at this time please continue.

TRACEY BALL: Okay, thank you John and thank you very much everyone for your continued interest in Canadian Western Bank and our (inaudible) success story. We very much look forward to reporting to you on our results for the second quarter of 2006 on June 1st. And if you have any follow-up questions or comments please call us or contact us by e-mail.

Thank you and good day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.

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