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RESULTS CONFERENCE CALL & WEBCAST
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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Canadian Western Bank Second Quarter Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press * 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Thursday, June 1, 2006, at 2:30 p.m. Eastern time.

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

TRACEY BALL (Chief Financial Officer, Canadian Western Bank): Thank you, Matt, and good afternoon, and welcome to the 2006 second quarter results conference call for Canadian Western Bank.

Before we begin, I want to quickly note a few items in addition to what Matt has already stated.

This presentation is being broadcast via the Internet as well as via conference call, and the conference call graphs are available in PDF format on our website at cwbank.com under "Webcast Events" in the Investor Relations section.

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Our quarterly results press release and supplemental financial information are also available in the Investor Relations section, under "Financial Reports."

I also draw your attention to the forward-looking statement advisory on Slide 13.

Slide 2 shows the agenda for today's call, and joining me for the presentation is Larry Pollock, President and Chief Executive Officer. We also have in attendance Bill Addington, Executive Vice President, whose responsibilities include credit risk management. We have Brian Young, President and Chief Executive Officer of Canadian Direct Insurance, and Executive Vice President of Canadian Western Bank, whose responsibilities include our insurance and trust operations. We have Randy Garvey, Senior Vice President of Corporate Support, whose responsibilities include Treasury and Systems. And we have Chris Fowler, Senior Vice President of Credit Risk Management.

I would now like to draw your attention to Slide 3, and ask Larry to begin our presentation with an overview of our second quarter results.

LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks, Tracey.

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Canadian Western Bank posted excellent results for the second quarter of '06. New quarterly records were set for both net income and total revenues. With these results, we are on track to exceed all of our 2006 performance targets.

We have now posted profits in the last 72 consecutive quarters, a period of time equal to 18 years.

Our loan growth continues to be excellent, at 5 percent in the quarter, and 12 percent in the last 6 months.

Loans have increased 24 percent in the last year, due entirely to organic growth.

Our credit quality remains strong and stable. Reserve coverage is over 4 times gross non-performing loans, and we have not taken any reserves back into income. Our philosophy is to continue to put up reserves in these very good economic times.

Our continued strong performance reflects the strength of our business plan, as well as the robust economic conditions in Western Canada, and particularly in Alberta and British Columbia.

Our Board of Directors today declared a quarterly dividend of \$0.12 per share, consistent with the previous quarterly dividend, and up 20 percent from one year ago.

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Rather than increasing the dividend at this time, we chose to retain the capital, to find our current high rate of asset growth.

Including reinvested dividends, total return to shareholders in the last 12 months was 56 percent. This compares very favourably to the 22 percent return on the S&P/TSX financial index over the same period.

I'll now turn things over to Tracey, who will discuss our financial performance in more detail, beginning with Slide 4.

TRACEY BALL: Thanks, Larry. Net income for the second quarter was a record \$16.7 million, an increase of 37 percent over the same quarter last year, and this represents a record contribution from Banking and Trust operations, and very good results from Canadian Direct Insurance.

Total revenues in the quarter increased 20 percent, and diluted earnings per share were \$0.52, up 33 percent over last year.

Return on equity and return on assets were 14.3 percent and 1.1 percent, respectively.

Second quarter net income was 1 percent higher than the first quarter, due to 6 percent growth in average interest-earning assets, offset by the impact of three fewer days in the second quarter, and a four-basis-point decline in net interest margin.

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At the half-point of the year, financial highlights include: net income of \$33.1 million, and increase of 36 percent; diluted earnings per share of \$1.05, up 33 percent; total revenues of \$105.3 million, an increase of 21 percent, with growth in both net interest income and non-interest income; and return on equity and return on assets of 14.2 percent and 1.1 percent, respectively.

The next few slides provide an overview of the second quarter highlights for our Banking and Trust operations, beginning with Slide 5.

This segment generated record net income for the fourth consecutive quarter, including net income growth of 39 percent over the same quarter last year, on total revenue growth of 21 percent.

And, compared to the first quarter, net income from Banking and Trust operations increased 1 percent, with strong growth in loans and trustees, largely offset by the impact of three fewer days.

Net interest income increased 20 percent over the second quarter last year, and this growth reflects 21 percent growth in average loans, and a consistent net interest margin of 2.65 percent.

In comparison to the first quarter, net interest income was up 1 percent, with continued strong loan growth offset by three fewer days.

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Non-interest revenues were up 28 percent over the second quarter last year. Making up the largest components of this change were a 31-percent increase in credit fees, and a 45-percent increase in Trust fees.

Slide 6 shows the total loan growth of 5 percent in the quarter, and 24 percent over the past year. The second 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 second quarter provision of credit losses of 2.6 million, consistent with previous quarters. This provision represented 20 basis points of average loans, compared to 22 basis points in the prior quarter, and 25 basis points a year ago.

Our net interest margin on a taxable equivalent basis was 2.65 percent in the quarter, consistent with 2.66 percent one year ago, and competitive pressures on margin have been offset by the benefit of reduced deposit costs.

Compared to the first quarter, net interest margin decreased slightly, due to lower amortized loan fees and recoveries.

Slide 7 shows the progress we have made in generating additional lower-cost deposits, through our branch network and Canadian Western Trust.

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Total branch-generated deposits increased 7 percent in the quarter, and 28 percent over the past year, and now comprise 66 percent of all deposits, compared to 64 percent a year ago.

A portion of this branch-deposit growth includes larger commercial and wholesale balances, reflective of the high levels of liquidity in the market, and these balances can be subject to more fluctuation than personal deposits.

Within branch deposits, the lower-cost demand-and-notice component was up a very strong 14 percent in the quarter, and 31 percent in the past year. These deposits, which represent our lowest-cost form of funding, now comprise 27 percent of total deposits, compared to 25 percent a year ago. 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 10 shows some of the financial highlights for our insurance segment. Second quarter net income for Canadian Direct Insurance was \$1.6 million, an increase of 25 percent from a year ago. This increase reflects growth in business; increased investment income; and a lower tax rate.

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The 22 percent increase in net earned premiums resulted from a greater number of policies outstanding, and a reduction in the use of quota share insurance.

The claims ratio was 64 percent in the quarter, compared to 61 percent a year ago, and the combined ratio was 91 percent, compared to 90 percent.

Slide 9 shows our performance targets for 2006, and our performance to date. As Larry mentioned earlier, we are currently on track to meet or exceed all of these targets.

And I would now like to turn things back to Larry, who will provide additional comments on outlook and strategy, beginning on Slide 10.

LARRY POLLOCK: Thanks, Tracey. As you can see from our 2006 targets, and our second 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 12 percent through only 6 months.

We have already achieved our 17th consecutive year of double-digit loan growth. Having this exceptional loan growth early in the year will provide a boost to net interest income for the remaining two quarters.

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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 real estate, up 11 percent, year to date; industrial, up 13 percent; general commercial, up 12 percent; and personal lending sectors, up a whopping 22 percent.

In terms of credit quality, our experience continues to be excellent. In the second quarter, we didn't use any of our 20-basis-points provision for specific reserves.

As I mentioned earlier, we now have 4 times coverage of non-performing loans.

We are budgeting provisions for credit losses of 22 basis points of average loans in 2006, but could end up below that figure, if loan growth continues to exceed budget.

We will continue to reserve for unforeseen future losses that may or may not occur. Our plan is to be conservative and prepared.

Moving on to Slide 11, our outlook for Canadian Direct Insurance is also very positive. We continue to realize the benefits of our successful underwriting model, and Canadian Direct's investment portfolio continues to grow in a rising yield environment.

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Net earned premium growth for the remainder of the year will come primarily from new customer acquisition in Alberta, and a reduced ceding of premiums to reinsurers.

We have been gradually reducing our use of quota share reinsurance, as Canadian Direct is now generating sufficient capital for its needs.

In British Columbia, auto insurance policy growth has been constrained by rate cuts made by the Insurance Corporation of B.C.

We have been developing strategies to counter this increased competition, and have made good progress, increasing customer retention in this important segment.

In Alberta, strong market acceptance of our products has resulted in a policy growth rate of 25 percent over the past year. This growth has been somewhat offset by the impact of Alberta auto insurance risk-sharing pools. However, this impact was less material in the past quarter, and is expected to moderate further.

We are also continuing to grow our home book of business in both British Columbia and Alberta, and we are encouraged by our success in new customer acquisition and cross-selling efforts in this segment.

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CDI has a great platform, and a business model that is scalable. We are and will continue to develop strategies to lever this potential.

Now over to Slide 12, which summarizes Canadian Western Bank's current strategic priorities, which are largely unchanged from last quarter.

At the top of this list is a continued focus on our core commercial banking business. We will continue to drive loan growth through our existing infrastructure, and have plans to add new branches, expand existing branches, and add staff resources where the opportunities are greatest.

It also remains our priority to reduce funding costs through growth and branch-generated deposits, in order to maintain margins in an increasingly competitive environment.

On the personal banking side, our sub-prime mortgage initiative continues to generate solid growth, as total outstandings increased by \$33 million this quarter, well ahead of our forecasts.

While we have made progress in diversifying revenues in recent years, further improvements are a priority, and can be achieved through continued growth of our Trust and Insurance businesses.

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Expanded fee-based Trust and Insurance earnings will also benefit return on equity. While noticeably improved to 14.3 percent in the second quarter, further improvement in this measure remains a high priority.

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.

Through our continued focus on these priorities, and execution of our proven business plan, we are confident that 2006 will be added to our long history of strong financial performance.

I'll now turn things back to Tracey.

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

OPERATOR: One moment, please, for your first question.

Your first question comes from the line of André Hardy of Merrill Lynch. Please go ahead.

ANDRÉ HARDY: I have a question for Larry, and two for Tracey. Larry, on the competitive side, can you please expand, and let us know in which products and where that competition is coming from. And then, for

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Tracey, you've had phenomenal loan growth, and with that comes demand on capital, and your Tier One ratio has declined steadily. At what point do you try to seek more Tier One capital? And the other question is, on the PCL front, you're unique in that you're adding to general reserves right now -- in a credit environment, that's phenomenal. At what point do accountants tell you you can't do that any more -- at which point, total PCLs would come down.

LARRY POLLOCK: Okay, André, I'll start with the competition side. We're seeing it from, of course, all the Canadian banks, who are being very aggressive on the lending side. We're seeing some spread compression. We're seeing it probably the most intense on oil and gas production lending, seeing very thin margins, and those areas, we're continuing to watch very carefully.

Another area we're seeing competition in is from foreign banks, now moving back into the market, not unlike what we saw in the late '70s, when they created so much margin compression, you couldn't make any money, especially making oil and gas loans. That is a small part of our portfolio.

We seem to be very successful in targeting, of course, the sub-prime mortgage business. Our industrial book of business is growing very rapidly,

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and as I said earlier, all of our segments, main segments, are in double-digit growth levels.

So, hopefully, that sums it up for you, André.

ANDRÉ HARDY: Okay.

TRACEY BALL: André, it's Tracey. Yes, we're very pleased with our loan growth, and, of course, increasing risk-weighted assets is eating a bit into our Tier One capital. As an unrated institution, we don't have the same kind of access to all the different Tier One capital that other institutions do, but we are going to be looking at that carefully, over the next 6 months, to determine the best way to raise Tier One capital in the most dilutive manner as possible.

We know that we can get sub-debts, so on a total ratio basis, their total capital, we don't foresee any issues there at all.

On the provision for credit losses, you're quite correct. That's a good question, and one that I suspect that we'll get a few times.

And, you know, essentially, when you're growing at the rate that we're growing at, in the kind of economy that we're growing in, it's pretty prudent to be adding to your reserves, because things like costs, or completion of real estate projects, things like that, are out there. You don't know about them right now, but they could come into play.

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And, as a percentage of our risk-weighted loans, our general allowance has stayed very steady, actually, because of the growth in the average balances.

We did have that discussion yesterday, and at this point, we are planning on carrying through with our plan of charging off basically a consistent amount.

ANDRÉ HARDY: For how long? The balance of '06?

TRACEY BALL: Yes.

ANDRÉ HARDY: Or more?

TRACEY BALL: And then in '07, we look at... you know, we redo it, but it would be our--... I mean, it's certainly our intention, as we continue to grow at this kind of rate, that we would continue to put reserves up.

ANDRÉ HARDY: Okay, thank you.

OPERATOR: Your next question comes from the line of Susan Cohen of Dundee Securities. Please go ahead.

SUSAN COHEN: Thank you. Larry, you spoke about some challenges -- the difficulty of getting people, and building infrastructure. Can you elaborate a little bit more on those issues?

LARRY POLLOCK: Yes. People haven't seemed to have been as big a challenge for us, but certainly, out there with our customers, they're

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having problems getting labour, skilled labour, and attracting people, and without exception, I think you could go through and canvass every company in Alberta and B.C., and they would all say they were short of people.

So that does translate back to a risk factor for us, in that if, as Tracey mentioned, projects can't be completed on budget and on time, difficulties could arise. So that is an issue.

What was your second question again?

SUSAN COHEN: Well, you also talked about the building infrastructure, but I guess the two are quite related.

LARRY POLLOCK: Yes, they're very linked. We're finding that even building branches... Getting enough contractors to quote is an issue. And then, for them to build on time, that's a problem as well, and we have some branches under expansion now, and others being built, and that's been a real challenge for us. So, I don't see that ending any time soon. So those will be ongoing issues, but they're not critical to our development.

SUSAN COHEN: Okay. And then, secondly, how much more room do you have to bring down your funding costs through lower core deposit growth?

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LARRY POLLOCK: Well, we're still using agents to the tune of 30-some-odd percent, but it's our strategy to continue to use them, because it's a very efficient way to raise deposits, and we can raise those deposits from outside of our geographic area, like Western Canada -- we've been raising these deposits in Eastern Canada.

And it's simply rate driven, so you post a rate that's slightly better than the market, and it's like drinking out of a fire hose. So, in comes the money.

So we're going to continue to use that, but we're only using it to the tune of 35-percent-ish now, and we were close to 50 percent at one time. So we're not as reliant.

But as we bring that number down, or generate more demand-and-notice deposits in our own system and Trust float, we'll continue to be able to compete on the spread compression that we're seeing out there.

SUSAN COHEN: Thank you very much.

OPERATOR: Your next question comes from the line of Ian De Verteuil of BMO Nesbitt Burns. Please go ahead.

IAN DE VERTEUIL: Hi. My question relates to the growth in the Trust revenues. You are up about 45 percent, but when I look at things like

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assets under administration -- which I presume are in the Trust company -- and the Trust cash balances, they're up [inaudible] whether it's 15, 20, or 30 percent. How are you able to grow the Trust service revenue so much faster than the--... it seems to be quite a bit faster than the assets.

LARRY POLLOCK: We cater to financial planning, the financial planning community, and we do not have financial planning in our bank, Ian, so we tend to attract a lot of independents, and you did hit the nail on the head -- you did mention service. We try to provide a high level of service as well, so that's translating into very rapid growth in the Trust company.

TRACEY BALL: Ian, the other factor that's there is, our transfer agent company, Valiant Trust, does not have a lot of assets under administration, but they're earning quite a bit more revenue than they were last year, both through account growth and also through carrying, essentially, higher cash balances from dividend payments or Trust cash distributions. So, the cheques go out but they don't get cashed right away, so we're earning pretty good income on what we call the depository interest, which shows up in our "Other revenue" under "Trust revenue."

IAN DE VERTEUIL: So you can grow these revenues faster than the assets under admin, and faster than the cash balances?

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TRACEY BALL: Yes.

IAN DE VERTEUIL: And that's imply to make sure you [inaudible]--... because of number of--... because you've got a number of these smaller accounts? Is that what it is?

TRACEY BALL: Well, I think part of it, Ian, is we have a lot of the Income Trusts.

IAN DE VERTEUIL: Right.

TRACEY BALL: So they're doing monthly cash distributions.

IAN DE VERTEUIL: Right.

TRACEY BALL: And we're earning money off that float, in Valiant Trust.

IAN DE VERTEUIL: Right.

TRACEY BALL: And the assets under admin would just be the cash.

IAN DE VERTEUIL: Okay.

TRACEY BALL: Whereas in the Canadian Western Trust, your assets under admin are going to include more than cash.

IAN DE VERTEUIL: Right.

LARRY POLLOCK: Yes, they're all the assets in the pension plans.

IAN DE VERTEUIL: Okay. And, I guess, just following up on André's question on generals, Tracey, if you need any help on convincing the

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accountants to allow you to build generals, just tell them that your generals as a percent of RWAs are pretty much the group average.

TRACEY BALL: Yes. Yes, we've done that analysis.

IAN DE VERTEUIL: [laughing] Thanks.

LARRY POLLOCK: Thanks, Ian.

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

SUMIT MALHOTRA: Hi. Good afternoon, everybody.

LARRY POLLOCK: Hi.

SUMIT MALHOTRA: My question was following up on the loans side. When we look at the growth on balance sheet loans in the last few quarters, it's been a minimum of 5 percent per quarter, over the last year. And when you talk about the competition, it sounds like it's coming more on the commercial loans side, and not the residential mortgages, where you've had even faster growth, actually -- a minimum of 7 percent, I think, per quarter, over the last year.

The sub-prime initiative specifically -- are you feeling less pressure in growth there than you are in the commercial loans? I think you specifically mentioned oil and gas. So is it on the commercial side that

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some of your larger domestic peers and the foreign banks are competing more, than on the mortgages?

LARRY POLLOCK: I think we're seeing them pretty well everywhere. The mortgage, sub-prime mortgage business, there's a lot more players in the market today than there were even 2 years ago. We've seen recent announcements of, I think, a couple of American lenders. Bank of Nova Scotia is now entering the business.

So what that's brought about is a bit of spread compression, and more competition for the product.

It's still quite a large market, compared to the number of players in it, so we have always tried to differentiate ourselves and try to provide better service, maybe faster answers, and be different that way, and we're realizing some success.

We're seeing competition right across the board in all lines of business, specifically the mid-market commercial, and I think we've seen that with all the banks' results coming out, generating very solid profits and lots of capital, and maybe not having outlets for that capital to the same extent we do. We've always been specialists in the commercial lending side, so we're going to get our growth there, for sure.

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The percentage growth in the personal side is higher because it's off a lower base.

SUMIT MALHOTRA: But on that same point, I would think that as a larger proportion of your book shifts to personal, and specifically to residential mortgages, isn't there a form of internal margin pressure, in that you're moving more to this... into the mortgage product than the commercial loans, which historically has had better yields? Is that something you're concerned about, along with the competition? Or is it something you feel you can earn through?

LARRY POLLOCK: Somewhat, although being in that, the B mortgage business, the margins are very good, and the fact that you're utilizing half the capital you are in a commercial deal, even with margin compression, we're going to have better returns on capital there than we're getting on the commercial side.

SUMIT MALHOTRA: Okay. Last question I had was in relation to the dividend. Obviously, you're growing much faster than some of your peers that have a much larger payout ratio. I think you're operating with an unofficial payout of 20-25 percent. You mentioned you have great uses of capital, given the loan pipeline right now, but what is the mindset on the

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dividend? Is the 20-25 percent still the unofficial ratio you're looking at for the balance of '06?

LARRY POLLOCK: Yes. We're still in that range. Year over year, I believe our dividend has increased 20 percent. But if you canvassed our major shareholders, they would probably say, "We'd rather see you retain the capital and grow with it, and improve all your ratios," as we have been doing, as opposed to capitulating and giving it back to our shareholders in the form of dividends at the higher range of our stated targets, as opposed to at the mid- or the lower range.

So, it would still be our policy to continue to increase dividends, of course, but people don't buy our stock and invest in our bank for a high dividend yield, obviously. It's the growth.

SUMIT MALHOTRA: Thanks very much.

OPERATOR: Ladies and gentlemen, if there are any additional questions, please queue up now. Your next question comes from the line of Jason Donville of Sprott Securities. Please go ahead.

JASON DONVILLE: Good afternoon, and congratulations on a great quarter.

LARRY POLLOCK: Thanks, Jason.

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JASON DONVILLE: I'm kind of intrigued about what's happening here, with respect to leverage and return on assets here, because you're starting to move up to a kind of a new plane, in terms of ROE, and I know that's been a focus here. And sort of dovetailing on the previous question about your capital ratios, do you have in mind a place where you think your ROE can go, over the next, let's say 18 to 36 months? I'm not talking about the next 3 or 4 quarters, but as we move into '08 and '09, and as the mortgage initiative gets going, do you think you can move that ROE up into the 17, 18, 19 range?

LARRY POLLOCK: Probably the 16-17 range would be more realistic for us, because of our business model, but it will certainly continue to rise. Our forecast models are showing that we can do that.

We will be able to, I think, in the future, access different forms of capital that are non-dilutive, on the Tier One side. I think that's something we're looking at, and will continue to look at opportunities there, and if we can accomplish that, then, of course, we'll be able to grow our ROE quite a bit higher than where we are today, Jason.

JASON DONVILLE: As far as leverage goes, is it the mortgage initiatives in particular that really are going to drive the leverage side of

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things? Is there any other way to get that leverage, or is that the key way that you're going to get additional leverage, going forward?

LARRY POLLOCK: Yes, you can only get the leverage by driving your forms of business that require less capital.

JASON DONVILLE: Right.

LARRY POLLOCK: And certainly, on the mortgage side, that's one way to do it.

JASON DONVILLE: Is there another one that I'm missing here, that would be a second area that would, if I was wanting to follow the developments and said, "Ah! This is something that's being done for leverage purposes." Besides growing the mortgages, is there another obvious one, or is that the key one?

LARRY POLLOCK: Well, in leveraging our capital, of course, as we drive our business in Canadian Direct and CWT and Valiant Trust, we get higher ROEs there than we get in the bank. So, as those businesses continue to grow and develop, and if they can grow faster than the bank, you're going to see improved ROE, and better leverage on our capital.

JASON DONVILLE: Okay. Terrific. Well, congratulations on a great quarter.

LARRY POLLOCK: Thanks, Jason.

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TRACEY BALL: Thank you.

OPERATOR: There are no more questions at this time. Please continue.

TRACEY BALL: Thank you, Matt, and thank you very much, everyone, for your continued interest in Canadian Western Bank and our "Think Western" success story.

We look forward to reporting to you on our results for the third quarter of 2006 on September 7th.

If you have any follow-up questions or comments, please call us or contact us by e-mail. Thank you and have a 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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