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FOURTH QUARTER 2006  
AND ANNUAL RESULTS CONFERENCE CALL  
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DATE: DECEMBER 7, 2006

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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Canadian Western Bank Fourth Quarter and Annual 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. 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, December 7, 2006, at 2:30 p.m. Eastern time.

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

TRACEY C. BALL (Executive Vice President and Chief Financial Officer, Canadian Western Bank): Thank you, John, and good afternoon, and welcome, everyone, to our 2006 fourth quarter and annual results conference.

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

Our presentation is being broadcast via the Internet as well as via conference call, and our conference call graphs are available in PDF format on our website at [cwbankgroup.com](http://cwbankgroup.com) under "Webcast Events" in the Investor Relations section.

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

I'd like to draw your attention to the advisory concerning forward-looking statements, on Slide 13.

Slide 2 shows the agenda for today's call. Joining me for the presentation 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, 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 Chris Fowler, Senior Vice President of Credit Risk Management.

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

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

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Canadian Western Bank finished both the quarter and the year with record financial results. We surpassed all of our 2006 performance targets by a considerable margin, led by 26 percent organic loan growth. Our performance reflects the continued success of our business plan, as well as the robust economic conditions in Western Canada.

Several other milestones were achieved in 2006, including our 17th straight year of double-digit loan growth; our 74th consecutive profitable quarter, a period spanning more than 18 years; a more efficient capital structure, with the August issue of 105 million of privately placed non-dilutive CWB WesTS, which qualify as Tier 1 capital; the opening of two new branches; and the completion of several upgrades and expansions to our existing branch network; the surpassing of \$100 million in gross written premiums for Canadian Direct Insurance; and the achievement of 35 percent growth in trust services' fee income.

Credit quality remained exceptionally strong throughout the year, with loan recoveries actually exceeding writeoffs. We maintained our disciplined credit policies within the framework of very strong economic conditions, which is reflected by our consistent loan loss provisions, and a coverage ratio of more than 5 times gross impaired loans.

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Our Board of Directors today declared a quarterly cash dividend of \$0.16 per share. This dividend represents a 14 percent increase over previous quarterly dividend, and is 30 percent higher than the quarterly dividend declared one year ago.

Our Board also declared a stock dividend that effectively achieves a 2-for-1 split of the Bank's common shares. We expect the stock dividend will improve the attractiveness and affordability of CWB shares for retail investors, and promote greater liquidity in the market by increasing the float.

Including reinvested dividends, the total return to CWB shareholders in fiscal 2006 was 22 percent.

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

TRACEY C. BALL: Thanks, Larry.

Net income for the fourth 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.

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Net income for the fourth quarter was a record \$21.2 million, a 43-percent increase over the same quarter last year. Diluted earnings per share were up 40 percent to \$0.66.

Quarterly net income was positively impacted by a \$2 million tax benefit related to the resolution of a tax filing position taken in a prior year, which increased diluted earnings per share by \$0.06.

Excluding the tax benefit, fourth quarter net income was \$19.2 million, and diluted earnings per share were \$0.60, and still represented record quarterly results, with increases of 30 percent and 28 percent respectively, over the same quarter last year.

Total revenues on a taxable equivalent basis were \$59.6 million, an increase of 22 percent.

ROE in the quarter improved 350 basis points to 16.5 percent. Excluding the tax benefit, return on equity was 14.9 percent, or 190 basis points, better than the same quarter last year.

Fourth quarter return on assets was 1.2 percent, compared to 1.06 percent last year.

The Bank established a new benchmark of 45 percent for its efficiency ratio in the quarter, which represented a 380 basis point improvement over the same period last year.

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Net income increased 20 percent over the third quarter, primarily reflecting the reduction in the effective tax rate. On a before-tax basis, net income increased 6 percent.

Financial highlights for fiscal 2006 included record net income of \$72 million, a 32 percent increase over 2005; diluted earnings per share of \$2.26, up 30 percent; organic loan growth of 26 percent; total revenues on a taxable equivalent basis of \$221.8 million, or 19 percent higher than last year; and ROE of 14.8 percent, a 210 basis point improvement.

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

This segment generated its sixth consecutive quarter of record net income, realizing a 41 percent increase over the same quarter last year.

Excluding the tax benefit, Banking and Trust earnings increased 26 percent on 22 percent total revenue growth.

Fourth quarter net interest income was up 23 percent, year over year, reflecting 25 percent growth in average loan balances, partially offset by a 9 basis point decrease in net interest margin to 2.60 percent, primarily reflecting higher liquidity and debenture costs.

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Non-interest income was up 17 percent, primarily driven by trust services and credit-related fee income, which increased 38 percent and 14 percent, respectively.

Compared to the third quarter, pre-tax income from Banking and Trust operations increased 6 percent, based on 5 percent growth in total revenues. These results were driven by a 6 percent quarterly loan growth, and a 2 basis point improvement to net interest margins.

Non-interest income decreased 4 percent from the third quarter, due to lower credit-related fees.

Slide 6 shows the total loan growth of 6 percent in the quarter, and 26 percent over the past year.

Fourth quarter loan growth reflects continued strong results across all lending areas.

Credit quality remains strong, and the provision for credit losses was unchanged from previous quarters, at \$2.6 million.

Measured as a percentage of average loans for the year, the provision was 20 basis points, compared to 24 basis points last year.

Net interest margin for the year was 2.63 percent, down 5 basis points from 2005.

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Margin pressures in the year included higher liquidity and debenture costs; a flat yield curve; and increased loan pricing competition, partially offset by continued strong growth in branch-generated deposits.

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

Total branch-generated deposits increased 7 percent in the quarter, and 27 percent over the past year, and represent 66 percent of all deposits.

Within branch deposits, the lower cost demand-and-notice component was up 9 percent in the quarter, 28 percent over the past year, and comprised 26 percent of total deposits at year-end.

Slide 8 provides the financial highlights for our Insurance segment. Fourth quarter net income for Canadian Direct Insurance was \$2.0 million, an increase of 73 percent over one year ago.

Net earned premiums increased 15 percent over the same quarter last year.

Net earned premium growth continued to be impacted by pricing pressures from the Insurance Corporation of British Columbia, ICBC, that

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has resulted in a lower average premium per policy, and slower growth in new policy sales.

In Alberta, new policy growth has been strong, and Canadian Direct was recently approved for an exemption from the 3 percent rate reduction mandated by the Alberta Insurance Rate Board for policies issued after November 1st.

Fourth quarter earnings were positively impacted by Canadian Direct's share of the Alberta Risk-Sharing Pools, which increased net income before tax by \$900,000, compared to a reduction of \$700,000 last year. The Pools' results reflect a favourable adjustment to unpaid claims reserves, based on revised loss assumptions derived by the Pools' consulting actuary.

Excluding the impact of the Pools, the claims loss ratio was 67 percent in the quarter, compared to 61 percent last year, primarily due to new claims in the quarter, as well as the adverse development of prior years' claims.

Compared to last year, Canadian Direct's net income increased 35 percent to \$6.9 million, and reflects an \$800,000 pre-tax benefit from Canadian Direct's share of the Pools.

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Net earned premiums increased 24 percent, due primarily to the reduced usage of quota share insurance. The claims loss ratio was 65 percent for the year, up from 64 percent one year ago, while the expense ratio was unchanged.

Policies outstanding grew 6 percent in the year.

Our performance targets are presented on Slide 9. As mentioned earlier, we surpassed all of our fiscal 2006 targets, and we are now pleased to provide our performance targets for fiscal 2007.

I would now like to turn things back to Larry, who will provide comments on our strategic priorities and outlook for the new fiscal year, beginning on Slide 10.

LARRY POLLOCK: Thanks, Tracey. As you can see from our fiscal 2007 targets, our outlook for the coming year is very positive.

We are targeting 14 percent loan growth for the year, which we see as more sustainable than the exceptional growth realized in '06.

Our Commercial Banking focus will continue to be the key driver of growth, and new deal flow remains strong across all lending areas.

Net interest margin is expected to be stable, and should remain within a relatively tight band through the foreseeable future.

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Competitive pressures remain prevalent in some markets; however, we have maintained our traditional lending discipline, and remain committed to concentrating efforts on lending areas that are in the best risk-adjusted returns for our shareholders.

In terms of credit quality, our outlook also remains positive, and reflects Western Canada's current economic strength. We expect to maintain our current quarterly provision for credit losses, unless circumstances indicate a change is warranted.

Trust services are another key component of our business plan, and we will be looking for strong growth from both Canadian Western Trust and Valiant over the coming year.

Superior customer experiences, client-focused product offerings, and increased brand and market recognition are expected to be the primary drivers for trust services in 2007. With the CDI acquisition, CWB's brand awareness is up significantly in B.C. and Alberta.

Slide 11.

Our outlook for Canadian Direct Insurance is positive, although we are not without challenges in this area. Overall, we are forecasting moderate growth in policies outstanding and net earned premiums.

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As Tracey mentioned earlier, auto insurance policy growth in British Columbia has been constrained by rate cuts made by ICBC. We have developed strategies to help counter this competition, and expect some progress will be made on increasing policies in both markets.

The offering of auto insurance policies by the Internet, introduced this year, has been successful, and we foresee this delivery channel providing additional opportunities for future growth. We currently write approximately 20 percent of new auto policies online now. We are also looking at enhancing this segment's earnings through the use of alternative distribution networks.

On Slide 12, it summarizes Canadian Western Bank's current strategic priorities. First and foremost, our priority is to grow our core Commercial Banking business. We will look to add high-quality assets and maintain our disciplined credit underwriting within Western Canada's strong economies.

We will also continue to provide excellent service and response times, while structuring loans to meet the needs of our customers.

On the Personal Banking side, Optimum Mortgage is established as a very successful business line, and we expect this will become a larger portion of our loan book.

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With its lower capital requirements and favourable returns, expansion in this area is also consistent with our objective to improve ROE.

The fourth quarter issuance of non-dilutive, innovative Tier 1 capital is aligned with our ROE objectives as well. A strong capital base allows us to capitalize on our growth strategies, while retaining the flexibility to consider acquisitions, should an attractive opportunity arise.

Two additional full-service branches are scheduled to open in fiscal 2007, in Abbotsford, B.C., and Sherwood Park, Alberta. Our proven strategy of seeding new branches with business from nearby locations will continue, and we expect these will be profitable within the first year.

Through our experience, I have found that any effective strategic plan has to be simple and easy to follow for everybody involved. Along these lines, we have targeted all of our strategies around four key pillars that are crucial for the Bank's ongoing success.

Firstly, we have "People," the cornerstones of everything we do. We have to ensure we retain and recruit highly motivated employees who fit well within our "Think Western" culture. To be successful, our people must also be focused on building strong relationships with our customers.

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Second, we need to provide our people with the tools and space they need to do their jobs and take care of their customers. This falls under our "Focus on Infrastructure".

Next, we have "Process." This represents our commitment to not accept the status quo. In order to maintain our competitive advantage, we have to continually refine the way we do things, and look for new ideas that will help improve our efficiency ratio.

Finally, we have "Business Enhancement." This reflects our focus on all the businesses we operate, with a view towards growth and refinement of the services and products we deliver to our customers.

The Bank's performance targets for 2007 reflect our expectations for another excellent year, and we look forward to achieving several new milestones in fiscal 2007.

I'll now turn things back to Tracey.

TRACEY C. BALL: Thanks, Larry, and 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. Ladies and gentlemen, we will now conduct the question-and-answer session. Your questions will be polled in the order they are received. Please ensure you lift the handset, if you are

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using a speakerphone, before pressing any keys. One moment, please, for your first question.

Your first question comes from Sumit Malhotra from Genuity Capital. Please go ahead.

SUMIT MALHOTRA: Hi. Good afternoon.

LARRY POLLOCK: Hi.

TRACEY C. BALL: Hi, Sumit.

SUMIT MALHOTRA: Just a couple of [inaudible]-related questions, to start, if I could. First off, on the provisioning, Larry, I believe you said you were going to try and keep the provisioning levels at their current level. Now, are we talking about the \$2.55 million we saw consistently on a quarterly basis this year? That would be number one. And number two is the tax rate. Even if I adjust for the two items we saw, one in Q3 and one in Q4, we see a tax rate of about 35 percent for the year, and this quarter at 36.5, one of the highest ones we've seen in over a year. Where do you think we're going to see the tax rate come in? Especially in some of your presentations, you've talked about lowering of the corporate tax rate in Alberta. I'll start with those two, if I could, please.

LARRY POLLOCK: Okay, I'll do the--

TRACEY C. BALL: Okay, go ahead.

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LARRY POLLOCK: Sumit, I can answer the question on provisions, and then I'll turn it over to Tracey for the tax question.

The provisions -- yes, it's 2.5, so the dollar number will remain the same, but as we grow, the percentage will gradually decline.

We aren't using, and haven't used, what we put up in '06 and previous years, but our view is that provisions should be put up in the good times, and used in the bad times, and we don't see any bad times coming, but we're still going to put the provisions up.

SUMIT MALHOTRA: Yes, you have negatives in specifics for the year.

LARRY POLLOCK: Yes, we had net negative this year. Yes.

TRACEY C. BALL: Sumit, with respect to the tax rate, I would see that we're going to be somewhere between 32 and 34 percent. And we had to increase the rate in the fourth quarter. The stock-based compensation that we recognized in the fourth quarter, and then looked at on a year-to-date basis, actually increased our effective rate about 100 basis points.

So, looking forward into '07, it really depends on what happens with stock-based comp, and that depends on how many options are granted, and that sort of thing.

So I'm looking at between 32 and 34 percent for the year.

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SUMIT MALHOTRA: Okay, that's great. Thanks for that clarification. Next question would be on the dividend. When you put out the press release on August 31st, talking about the Tier 1 financing, and how it would give you some more options for the dividend, I don't think any of us expected that it would materialize so quickly. It's been a pleasant surprise, two quarters in a row with the dividend being increased.

If I take literally the 20-25 percent unofficial payout ratio you've operated with, and if I take the \$0.16 this quarter over your core \$0.60 EPS, we're at a new level here, at 26 or 27 percent. Has the target payout ratio been raised with this move?

TRACEY C. BALL: No, and the tax benefit really is something that could have been there, or was from prior years, so we looked at the total net income for the year.

SUMIT MALHOTRA: Okay, so we should think of 20 to 25 as still being appropriate, going forward?

TRACEY C. BALL: Yes.

LARRY POLLOCK: Yes.

SUMIT MALHOTRA: Okay. And my last question has to do with Optimum. A year ago, when we met here, \$81 million was the outstanding balance, and you talked about doubling that. It did a lot better than that -- it

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came in, I think my model is showing me here, 184 percent higher. What do you think about the growth prospects, going forward? I know 184 percent is going to be a tough one to match, but is there a level you'd like for us to think about, that this business can grow at? I think the yields, on this side, you've talked about being very favourable, and helping to offset some of the competitive factors you're facing in the Commercial business.

LARRY POLLOCK: We continue to refine this business. We really like it. We've had a very good experience, to date. But as you well know, there's a large market out there. We hear numbers in the \$50-billion range. So we're not looking to take a big percent of that market, but, certainly, there's more opportunity there for us.

We did have an excellent year this year, but in the big scheme of things, that's still a reasonably small number but a very important product to us, because it doesn't use a lot of capital.

So, yes, we're going to continue to monitor what we do with this. It's a matter of marketing and refinement of our products, and the ability to manage the back-room.

So, we're looking at all those things in a manner that will allow us to continue to grow it quite rapidly.

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SUMIT MALHOTRA: Okay. Thank you very much.

OPERATOR: Your next question comes from Amanda Mason from TD Newcrest. Please go ahead.

AMANDA MASON: Hello. I had a question on Optimum as well, just in terms of what you're seeing in the Calgary market. I know Home Capital, last quarter, announced that they'd kind of withdrawn from the market a wee bit, and I just wondered what you were seeing, in terms of refinancing and quality of customer.

LARRY POLLOCK: There's been a lot of demand, of course, Amanda, for refinancings in the Calgary market, but it's just one of our markets. So, we're not keen on doing refinancings, because when you've got a 40 to 50 percent increase in home values in one year, in that kind of a market, the leverage artists will be out there, trying to lever their homes up, and so we've backed away a little bit from the refinancings, and tried to stick to people acquiring a home, or even a second home for rental, that sort of thing.

AMANDA MASON: Okay. And what percentage of your originations comes from Calgary, specifically?

LARRY POLLOCK: I'm not sure. Bill, do you know?

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BILL ADDINGTON (Executive Vice President, Canadian Western Bank): I think our portfolio probably breaks down, I'd say, in the 30 percent range.

AMANDA MASON: And in terms of any plans to expand out west, Alberta, the Optimum program, like with Alberta and British Columbia?

LARRY POLLOCK: Yes, we're looking at other opportunities. It's a matter of adding more mortgage development officers in the field, and we're considering that now. And it's likely that we will go ahead with that.

AMANDA MASON: Okay, and expand into the provinces like Ontario and Quebec? Or would you start with Manitoba?

LARRY POLLOCK: We're going to concentrate primarily on our home markets here in Alberta and British Columbia, and Saskatchewan and Manitoba as well. There's good markets there, and they're not as frothy as the Alberta and B.C. markets.

BILL ADDINGTON: I'll restate my Calgary percentage. I just checked my sheet here. We're probably closer to 25 percent in that market, rather than 30 percent, I noted.

AMANDA MASON: Okay, thank you very much.

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

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SUSAN COHEN: Hi. I know these are still small numbers, but your gross impaired loans for personal, industrial, and commercial loans did creep up a little bit from last quarter. Can you just address what's going on in those portfolios, please?

LARRY POLLOCK: There were no material changes at all, Susan -- pretty static. But one loan--... When you're this low, one loan, or two loans, can swing you one way or the other. So, unless you wanted to add to that, Chris...

CHRIS FOWLER (Senior Vice President, Credit Risk Management): No, it was pretty much dominated just with three loans, none of which are really material, overall.

SUSAN COHEN: Okay. So this is not any kind of a red flag, in terms of directional change?

LARRY POLLOCK: No. No, we continue to be amazed at the low levels of non-performing loans and watch-list accounts.

SUSAN COHEN: Great. Thanks very much.

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

IAN DE VERTEUIL: My question relates to spread. One of the comments that, Tracey, you've made over time has been that part of the

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reason why the spreads are down is higher liquidity. Can you talk to what can be done to fix that problem, if you can call too much liquidity a problem? When I look at things like your cash and securities as a percent of the loans, obviously it's higher because of the proceeds of the Tier 1 issue. Is it just a matter of deploying, of allowing the loans to grow into the capital?

TRACEY C. BALL: Ian, I'll start off, and then maybe I'll let Randy Garvey pipe in. But, you know, liquidity is really interesting for us, because, essentially, we're very, very successful in raising a lot of commercial deposits, and that's a wonderful new challenge for us.

We've also had to look at liquidity levels, in terms of the 6 percent or 26 percent loan growth that we have developed this past year.

So it is posing some challenges for us, and we're just about to embark on our annual review of how best to manage liquidity, because, essentially, the Bank's business has changed somewhat, over the past two years.

And I'll just let Randy add to that.

RANDY GARVEY (Senior Vice President, Corporate Support):  
Where we've seen a big change is the mix of our deposits, and so we need to do some modeling and get a better sense as to how we can manage

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that liquidity challenge better, and we're going to bring in some outside consulting resources to work with that, and make sure that we're at the appropriate liquidity levels.

IAN DE VERTEUIL: Is it as simplistic as I say, that you just need to deploy it? Or is it something more complex than that?

TRACEY C. BALL: Well, I guess we've always been quite prudential, and so, it's great that we have more relationship-based deposits. At the same time, they're a lot bigger, so we haven't been able to basically model how sticky the large deposits are, on a go-forward basis -- like, how much is core, and how much you have to plan that might actually leave the door one day, if they need to spend the money.

So it's part of the challenge that we have in these times. There's a lot of liquidity in the market, and then we in turn get a lot of liquidity.

Yes, if we can figure out a better way to deploy it and make more money, that's what we're trying to do.

LARRY POLLOCK: More complex, too, because you've got an inverted yield curve, so people aren't inclined to buy 3-, 4-, 5-year GICs any more. They just leave their cash lying around, and that becomes, I guess, from a Treasury management perspective, a little more challenging.

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IAN DE VERTEUIL: Thanks. The second point is page 4 of your Supplemental Financial Information. You show your capital ratios here, and you show your Tier 1 as 8.6, and your tangible common as 10.1. It looks as if you've--

TRACEY C. BALL: They're backwards, Ian.

IAN DE VERTEUIL: Well, I wanted to point that out, because--

TRACEY C. BALL: Thank you.

IAN DE VERTEUIL: ... I read somewhere that bank analysts were useless, so this is living proof that's not true.

[laughter]

TRACEY C. BALL: You found the one typo! Good for you.

IAN DE VERTEUIL: Glad to know I'm not totally useless, Tracey.

LARRY POLLOCK: Yippee-ki-yay!

IAN DE VERTEUIL: Yes, yippee-ki-yay!

TRACEY C. BALL: So, for the benefit of the people on the call, the Tier 1 ratio is 10.1 percent, and our tangible common equity to risk weighted is 8.6, and that reflects the innovative Tier 1 difference.

IAN DE VERTEUIL: Thank you.

TRACEY C. BALL: Thank you.

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OPERATOR: Ladies and gentlemen, if there are any additional questions, please queue up now. Ms. Ball, there are no further questions at this time. Please continue.

TRACEY C. BALL: Thank you, John, and thank you, everybody, 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 first quarter of 2007 on March 8th.

If you have any follow-up questions or comments, please call us or contact us by e-mail. Thank you, have a good day and a happy and safe holiday season.

LARRY POLLOCK: Goodbye, everyone.

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

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