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OPERATOR: Good afternoon, ladies and gentleman. Thank you for standing by. Welcome to the Canadian Western Bank Third 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 the star followed by the zero for Operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Thursday, September 3rd, 2009 at 3 p.m. Eastern Time.

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

TRACEY BALL FCA (Chief Financial Officer, Executive Vice President, Canadian Western Bank): Thank you Jenna (phon) and good afternoon everybody and welcome to our 2009 Third Quarter Results Conference Call for Canadian Western Bank. Before we begin, please note that the conference call graphs, quarterly results press release and supplemental financial information are available on the Bank's website at cwbankgroup.com in the *Investor Relations* section. The conference call graphs are also under the same section under *Webcast Events*. I also bring your attention to the forward-looking advisory on slide 13 before we start the call.

The agenda for today's call is on slide two. Joining me today is Larry Pollock, President and Chief Executive Officer. Also in attendance are Executive Vice Presidents Bill Addington, Chris Fowler, Randy Garvey and Brian Young.

I will start by providing a brief summary of our third quarter financial highlights, beginning on slide three, and then I'll turn things over to Larry for an overview of our outlook and strategy. We will keep the summary relatively brief and non-detailed to leave more time for Q&A at the end of the call.

The Bank's third quarter and year to date performance reflects solid results in a challenging and uncertain operating environment, and marks our 85th consecutive quarter of profitability. Quarterly highlights included the achievement of record total revenues and a marked improvement in net interest margins compared to last quarter, which we expect will continue into fiscal 2010.

Third quarter net income of 28.7 million represented a 9 percent increase over the same quarter last year, reflecting strong 12 percent loan growth and very strong other income offset by the lower net interest margin. Quarterly loan growth was 1 percent and reached 6 percent year to date as overall lending activity moderated in line with Western Canada's recessionary environment. Loan growth has been further constrained by expected paybacks in our real estate construction portfolio.

Gains on the sale of securities augmented results again this quarter as we capitalized on opportunities to crystallize gains while reducing our overall liquidity position. Consolidated results also include a record quarterly income contribution of 3.2 million from Canadian Direct Insurance.

Credit quality remained relatively consistent with the prior quarter, with a slight reduction in the dollar level of gross (phon) impaired loan. The level of impaired loans will fluctuate up or down as we progress through this current credit cycle, but from what we see today actual losses are expected to remain in an acceptable range and reflects our lower loss given default associated with our secured lending practices.

Moving to the next slide, we were pleased to announce Canadian Western Trust's appointment in the quarter as a trustee for a major Canadian investment dealer. This appointment further confirms our outstanding (phon) trust services presence and will result in a substantial increase in our notice deposits in the fourth quarter. Both Canadian

Western Trust and Valiant now have offices in Ontario, and we believe this market will provide meaningful trust services growth going forward.

Yesterday our Board of Directors declared a quarterly cash dividend of $0.11 per common share. This quarterly dividend is unchanged compared to both the previous quarter and the dividend declared one year ago. The expected cash dividend on our Series III preferred shares was also declared.

In response to frequent requests from our retail shareholders, the Bank introduced a Dividend Reinvestment Plan in August, which compares well with other Canadian financial institutions. Both the Bank's common and preferred shareholders have been deemed eligible to participate in the plan. At the present time we have chosen to issue DRIP shares from treasury at a 2 percent discount from the average market price.

During the quarter the Bank also adopted a plan to grant restricted share units, or RSUs as part of its revised long term incentive plan. This brings Canadian Western Bank's long term incentive plan more in line with industry practices by reducing the future reliance on stock options. In an effort to transition this plan, in quarter two senior management voluntarily forfeited options without a commitment for a replacement. This was the source of the additional non-cash compensation expense of 1.7 million, as reported in the second quarter results.

In this third quarter, 2.2 million of salary expense was charged related to the Bank's third quarter granting of the RSUs. The expense associated with RSUs is recognized evenly over the vesting period, except where an employee is eligible to retire prior to the vesting date, in which case the expense is recognized between the grant date and the date the employee is eligible to retire. Because there are a number of CWB executives that meet the definition of eligible to retire, salary expense recognized for RSUs is highest in the same quarter as the grant date. Of the 2.2 million expense this quarter, approximately 1.6 million related to set up of the eligible to retire availability (phon).

Looking at slide five, consolidated third quarter net income of 28.7 million increased 9 percent compared to a year earlier as the positive net interest income impact from strong 12 percent loan growth and a 29 percent increase in other income more than offset a lower net interest margin and higher non-interest expenses. Third quarter diluted earnings per common share of $0.38 were down 7 percent compared to the same period last year, reflecting the net impact of the preferred shares issued in March 2009, estimated at about $0.04 per diluted common share.

The increase in other income mainly reflects 5.6 million higher gains on the sale of securities and a $1.1 million improvement in net insurance revenues, partially offset by a $1.7 million decline in credit related fee income, consistent with reduced loan growth within this third quarter.

Record total revenues on a taxable equivalent basis of 85.5 million were up 12 percent over last year, as the positive impact from year-over-year loan growth and very strong other income, including gains on the sale of securities more than offset a 12 basis point decline in net interest margin.

Looking at slide six, return on common shareholders equity was 13.4 percent for the quarter, and represented a 260 basis point decline from the same quarter last year, while return on assets was down 16 basis points to 0.87 percent. Combination of a compressed margin and the net impact of the preferred shares issuance were the main factors contributing to these lower profitability ratios.

Compared to the previous quarter, net income increased 33 percent from the combined positive impact and a marked 20 basis point improvement in net interest margin to 2.13 percent, as well as strong other income and three additional revenue earning days.

Year to date net income of 75.9 million was 2 percent lower compared to the same period in 2008, while total revenues increased 6 percent to reach 237.9 million.

Slide seven shows the considerable fluctuation in the Bank's net interest margin that are mainly attributed to unusual market conditions, including the impact of the historically low prime lending rate. (Inaudible) on consolidated third quarter net interest margin represented a 12 basis point decline compared to a year earlier. In contrast the 20 basis point improvement in net interest margin compared to last quarter reflects the combination of a stabilizing prime lending rate, lower deposit costs, more normal market spreads, and the positive impacts from the Bank's re-pricing actions on new and renewal loans. As noted previously, we expect that interest margin will continue to improve over the coming quarters.

I'll now turn things over to Larry, who will provide comments on our performance targets, outlook and strategy beginning on slide eight.

LARRY M. POLLOCK (President, Chief Executive Officer, Canadian Western Bank): Thank you Tracey. This slide shows the results compared to our 2009 performance target ranges. Given our third quarter performance we are now more optimistic that we can achieve most of these objectives despite the performance impact due to the compressed margin and an uncertain economic environment. Both total revenue growth and the efficiency ratio are within our target ranges, and the positive outlook for net interest margin should further support these measures in the fourth quarter.

While non-interest expense have continued to trend upwards, spending it does not support the Bank's future growth and other strategic initiatives will continue to be contained. Positive operating leverage will become more apparent as the margin improves, and once we begin to see more concrete signs of sustained economic recovery in our markets.

As Tracey mentioned the accounting treatment for stock based compensation in the second and third quarter has also accelerated expenses above what would be a typical run rate. Net income growth remains slightly below the minimum of our target range, but we believe we could still reach objectives as gains on sale of securities have continued to help alleviate margin pressures. While these gains are not a sustainable source of income over the long term, they have been an effective bridge to higher margins in the future. Our investment strategies for excess liquidity raised in prior periods have also been a key factor in achieving these gains.

The two profitability ratios where we expect to fall short are return on equity and return on assets, as these targets were set without consideration of a preferred share issue and are calculated after preferred dividends. The economic environment has slowed new deal flow, which combined with expected loan repayments and the exceptional 6 percent loan growth in the fourth quarter last year will challenge our ability to meet a targeted 10 percent loan growth unless we are successful in acquiring portfolios from other lenders that we are currently looking at. There have been several opportunities presented to us, but these potential asset purchases must meet our terms of both quality and pricing.

The annual provision for credit losses is expected to remain in the targeted range of 15 to 18 basis points for the year. Our updated performance target ranges for fiscal 2010 will be published when we issue our fourth quarter results on December 3rd.

Moving to slide nine, while there are more positive economic indicators, emerging impacts from ongoing uncertainty and a recessionary environment are still clearly evident in our markets. We expect to continue to face challenges before we fully emerge from this downturn. Favourable trends for certain resource prices will have a positive impact on the level of activity in our markets, and we expect this will become more prevalent as major global economies begin to recover.

Operating costs have also come down significantly, which is confirmed by ongoing and renewed capital investment related to Alberta's oil sands. Activity for both commercial and residential real estate have shown considerable improvement compared to recent prior quarters, although this particularly reflects seasonal factors and low interest rates.

There is a much more uncertain outlook for activity related to the natural gas and forestry industries, which will continue to have an adverse impact on our portfolios related to these sectors. The Bank is well-positioned to both capitalize on any opportunities and to manage through challenges arising from the spin-off effects of a recessionary environment.

The preferred share issuance has provided the Bank with considerable flexibility to pursue accretive growth opportunities for our shareholders, while still maintaining strong capital ratios.

Turning to slide 10, we maintain our belief that Western Canada is well-positioned to manage through current challenges and should be poised for relatively solid economic benefits once global economies start to recover from the recession. We remain committed to an ongoing discipline related to discretionary spending, while at the same time we are continuing on a strategic program to build infrastructure for both business growth and improved efficiency to provide increased shareholder value over the long term.

As shown on slide 11, the level of impaired loans was down slightly compared to the prior quarter. Overall credit quality was relatively stable and impaired loans are still well within acceptable levels given the economic environment and our historical experience. We plan to continue our longstanding strategy for managing the allowance for credit losses, which includes maintaining consistent provisioning for both identified and unidentified losses in the portfolio. Our loan portfolio is well-structured and secured, and current identified losses are reflected in our specific provisions already in place.

One purpose of the general allowance is to mitigate the timing impact of unidentified losses, and we expect the general allowance will fluctuate accordingly. It should be pointed out that our level of provisioning for credit losses over the past year has covered losses and increased the Bank's general allowance by approximately $2 million. As Tracey mentioned earlier, the level of gross impaired loans will also fluctuate up or down as we progress through the current cycle. Based on our current assessment we expect actual losses will remain within our acceptable range and continue to reflect the Bank's secured lending policies and disciplined credit underwriting.

Slide 12 is unchanged from last quarter when we identified targets relating to our strategic vision over the next five years. These targets represent significant growth compared to our current position and will require further development of the Bank, and also our trust insurance and wealth management businesses. Growth objectives will be supported by ongoing retention of earnings at our targeted level, which is about 70 percent of net income.

The new preferred share of (phon) capital over time will also materially benefit our ability to meet these objectives, as will the investment and infrastructure initiatives previously mentioned. Our strong capital ratios are well above regulatory minimums and are also higher than our internal targeted capital thresholds. We continue to look at possibilities to grow via acquisition, but we are committed to leveraging our capital prudently for the long term benefit of all CWB stakeholders. Success will require ongoing patience. We are confident our shareholders will be rewarded over time. Notwithstanding increased challenges and ongoing uncertainties, our outlook is positive, and we look forward to extending our history of strong financial performance.

I'll now turn things back to Tracey.

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

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question please press the star followed by the one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment please for your first question.

Your first question comes from Gabriel Dechaine from Genuity Capital Markets. Please go ahead.

GABRIEL DECHAINE: Good afternoon. Just want to look at the loan growth for a bit here. I understand that, you know, it's slowed down quite a bit, you're focusing, you know, opportunities have come down but also you're focusing on quality of what you're seeing. You know, that's a wise decision and all, but is it possible that we could actually see the loan book shrink as some of these construction loans get paid off over the next few quarters? And, you know, if that were to happen what would you, you know, what would your view be of that?

LARRY M. POLLOCK: Gabriel I guess you could possibly see it shrink, although, you know, our culture is to continue to grow. And we have a lot of loans approved and un-drawn and what we're seeing is activity start to perk up, especially in the real estate sector, which is a big part of our business.

The home sales in the lower mainland and Alberta, primarily Calgary and Edmonton have been quite brisk the last several months. I think some of these developers are now starting to think about what they do next, and a lot of the loans that we had on the books, the construction loans, this stimulated activity that we've seen has dried the inventory up. A lot of the pay outs we've already had. Of course there's more to come yet. The real estate sector seems to be perking up. I don't expect you will see declines, in fact I'm still not giving up on our 10 percent targets.

GABRIEL DECHAINE: Fair enough. Just to qualify something a bit more, when you talk about loans approved but un-drawn, that would be, you know, lines of credit that have been secured but they're just not tapping into them?

LARRY M POLLOCK: Yes. Yes. And term loans as well where somebody will put a loan in place to start a real estate development and they really haven't started yet.

GABRIEL DECHAINE: Okay. Moving towards the credit outlook, I guess a couple things here. For the, you know, gross impaired loans I was surprised to see it was a positive one, that the impaired loans balance paid went down just a bit. I guess the other thing I'm seeing in there is that the average size of your top 10 biggest problem loans has gone down. To me that means that you're seeing maybe some more, and then yet, by the same token you're seeing maybe more of the optimum stuff going into the impaired loans. Is that correct? And if so what's the average loan to value of that book?

LARRY M. POLLOCK: The average loan to value is about 70 percent on the optimum book, but I'll let Chris respond to that.

CHRIS H. FOWLER (Executive Vice President, Canadian Western Bank): Yes in terms of the top 10 loans it still represents 63 percent of our gross impaireds. The balance when you go outside of the top 10, the average balance is fairly low, around $250,000. We have quite a number of accounts in there that are from small to large. We look at, in this last quarter we had 63 loans come off and 63 come on. We've had a lot of progress in resolving some loans and we've had movement in there as well.

GABRIEL DECHAINE: Okay, that's helpful. And, lastly on the NIMs that was topical (phon) on another call. I guess the way I'm looking at it for you guys, your NIMs, there's maybe a bit more opportunity to, you know, affect elements under your control in terms of NIM enhancement strategies. While one item that's not under your control is the interest rate environment, but assuming the, you know, excluding that you've got, you have a lot of room left in the re-pricing process, both of loans and deposits. And then, talk a bit more about your liquidity management strategy. You hint at taking some gains and making acquisitions and how that could factor into your NIM management.

LARRY M. POLLOCK: Yes there's more opportunity to improve margins through the roll off of higher cost deposits than there is on the re-pricing side. I think Chris has done a great job in re-pricing effectively half of our floating rate book, and the opportunity going forward will be to adequately price a margin into the new deals that we're doing, and that's an ongoing exercise.

On the liquidity side, last fall we decided that we would carry extra liquidity because of the uncertainty in the market. We took in a lot of one year deposits, and the GIC rate last year around this time, or October was about 4 percent. Today it's 1 percent and a bit, 1.25. We can roll that 4 percent money off the books and replace it with 1 percent money, or 1.25 percent money. Those are fairly sizable numbers that we took in last year.

Also taking gains, which I think was the last part of your question, by carrying this extra liquidity we actually invested a lot of it in the bond market and then bond yields plunged and the values of those bonds went way up. As we peel the liquidity off, or replace it with other forms of liquidity, like floats in our trust company, we've been able to take the gains off those bonds.

TRACEY C. BALL: Gabriel, it's Tracey. I'll just add one more comment there on the deposit re-pricing. We've taken a pretty good look at the maturities, and they're skewed to the end of the fourth quarter and the beginning of the first quarter. You won't see the bulk of the impact of that until into the first quarter of next year. Most of the improvement in this quarter was from deposit pricing changing and higher costs paying out. We had been expecting that, so we were very pleased with a 20 basis point recovery.

GABRIEL DECHAINE: Actually just to drill down a bit further here with the, okay so re-pricing of loans, that's more or less done, but you've still got an opportunity in the ongoing, you know, process of re-pricing stuff as they come up for renewal and you can maybe exert some more pricing power there because of diminished competition.

Then on the deposits I guess you're, if you don't have, you know, as much need for that level of liquidity you might not need to, you know, carry those deposits anymore. You might not just re-price them, you just might not have some…

LARRY M. POLLOCK: Yes we still have the extra liquidity that we can run off. The other thing about the re-pricing of loans is a lot of the loans that are running off are these construction loans that we've talked about before, and they had a negotiated rate of prime plus 1 or prime plus ¾ or something like that. The new rates are quite a bit higher than that; they might be prime plus 2.5. There is ongoing re-pricing when that developer pays out the old loan and negotiates a new one.

GABRIEL DECHAINE: Okay. Thank you very much.

LARRY M. POLLOCK: Thank you.

TRACEY C. BALL: Thanks Gabriel.

OPERATOR: Your next question comes from Michael Goldberg from Desjardins Securities. Please go ahead.

MICHAEL GOLDBERG: Thank you. I want to follow up the question about net interest margin and, maybe just to quantify things. If rates were to remain level, where they are now over the coming quarter and year, where would you expect that your net interest margin would level off?

TRACEY C. BALL: You know, it's always hard to predict, as you know Michael because there's so many moving parts.

MICHAEL GOLDBERG: I'm just thinking in terms of the roll off of deposits into rates where they are now.

TRACEY C. BALL: I took an isolated look at that, and without changing anything else, just re-pricing those deposits it would probably be, close to 17 basis points by the time it's all worked out.

MICHAEL GOLDBERG: Just re-pricing deposits would add another 17 basis points.

TRACEY C. BALL: By the time all that liquidity has been re-priced, although, as Gabriel mentioned before, it would not be the case that we would keep it all, in which case there would be a little bit more expansion in margin from not carrying as much liquidity.

MICHAEL GOLDBERG: Right. And, you know, I guess on loan re-pricing, you can re-price when commitments come up for renewal.

LARRY M. POLLOCK: That's right, yes.

MICHAEL GOLDBERG: I guess there's an additional degree of margin expansion, just as those commitments do come up for renewal. What would you estimate is the additional amount that could be added from that?

LARRY M. POLLOCK: Oh man.

TRACEY C. BALL: We haven't estimated that Michael. That's a very difficult question to answer. The one thing that I will mention is prime rate is still very low at 2.25 percent.

MICHAEL GOLDBERG: Right.

TRACEY C. BALL: Until we see a recovery in prime rate, you're not going to see a full recovery back to our historical margins, just because rates are so low and you're not getting the margins off your low cost deposits that you used to have and those sorts of things. We're quite positive on margin for 2010, but don't expect it to, you know, to fully recover until we start to get some movements with prime.

LARRY M. POLLOCK: Yes a higher rate environment will produce better margins because, you finance your floating rate loans off prime and, you price them off prime but you finance them with your zero cost funds.

MICHAEL GOLDBERG: Right.

LARRY M. POLLOCK: Low cost funds, and those low cost funds can't go below zero. You can't maintain a margin with a declining prime rate, but as Tracey says when it turns around you will see improved margins.

The other thing, you know, we've developed pretty sizable floats in some of our accounts and the pricing on those accounts is lower than raising one year money, as we were doing a year ago. We might be financing our floating rate book at half of 1 percent now cost of funds as opposed to raising one year money a year ago at, even at today's rates of 1.25, there's ¾ of a point there.

Then there's the other moving part of the yield curve. If you finance a piece of equipment on a five year amortization, you can finance it back down the curve because you're going to get half your money back in two and a half years. You've got lots of room on the yield curve and sharp yield curve is a banker's dream. It's certainly ours.

MICHAEL GOLDBERG: Right. On this relationship where you've become the trustee of a dealer, what level of notice deposits do you think could be generated from that relationship?

LARRY M. POLLOCK: I don't think we want to disclose that, but for us they're material.

TRACEY C. BALL: Yes.

MICHAEL GOLDBERG: Okay. Let me turn to the investment gains, and I just want to clarify, was it all from bond gains again this quarter?

TRACEY C. BALL: Yes it was Michael.

MICHAEL GOLDBERG: And, are there still any, you know, call it un-harvested bond gains in the Bank?

TRACEY C. BALL: Yes there still are some nice gains showing up in that sort of one to two year area. There's a good steepness there.

MICHAEL GOLDBERG: Okay and would you (cross talking)…

TRACEY C. BALL: We'll expect to see some, we'll see activity there in the fourth quarter too but not as much as in the third quarter.

MICHAEL GOLDBERG: Okay. Also there's been a nice positive swing in the unrealized common and preferred stock unrealized gains. I presume that you'll continue holding the preferreds that you have, but is there any likelihood that you'll take some profits on the common?

LARRY M. POLLOCK: Not likely because a lot of the common dividend yields were quite high when we purchased those shares and we'd like to just continue to harvest those dividends.

MICHAEL GOLDBERG: Thank you very much.

OPERATOR: Your next question comes from John Reucassel from BMO Capital Markets. Please go ahead.

JOHN REUCASSEL: Thank you.

TRACEY C. BALL: John, just before you start, congratulations on your new role.

JOHN REUCASSEL: Thank you Tracey. Back to the future.

TRACEY C. BALL: Yes.

LARRY M. POLLOCK: Welcome back.

JOHN REUCASSEL: Just I think, two simple questions, at least I hope they are. Slide 11, Larry I guess when I look at this, it looks like the peaks are peaking lower on the credit side than in past. Is that the case or are we just not far enough along in this recession to call it a peak? But if it is the case why do you think, what is it that CWB's doing different that it's peaking lower this time around, or is it the nature of the recession?

LARRY M. POLLOCK: I think it might be some of both. As we've grown and developed, especially in the last 10 years, I can't recall exactly how much our balance sheet has grown but it's a lot, and we increased our capital we started to deal with much larger, better financed companies. And I think we were able to upgrade our commercial portfolio quite materially over those years. That would have an impact for sure, and probably not see those numbers driven quite as high.

There's also a lot of discussion about whether this recession will be as nasty as the one back in '99 - 2000. I think bankers learned a lot of lessons then I would hope, and applied what they've learned going forward in diligence and underwriting new loans. Certainly I know we have, and I think that would reflect on those numbers.

Whether it's peaked out yet or not I'm not quite sure, a couple more quarters maybe we'll have a better idea. Each quarter that goes by we feel more comfortable with sort of the guidance we're giving you on provisioning and gross impaireds.

JOHN REUCASSEL: Okay great. And last question just on slide 12. These targets you have here, Larry remind me are these organic targets or are you going to need to do acquisitions to, you know, double the balance sheet in five years?

LARRY M. POLLOCK: Yes they would be both. I think it would be pretty optimistic to think that we could effectively double the Bank in the next five years.

JOHN REUCASSEL: If we were to look at a, you know, an organic growth on the balance sheet over five years would it, would it be, you'd expect to get half that organically and the other half through acquisitions or, what comments would you make on that?

LARRY M. POLLOCK: If you turn the clock back five years I think we have achieved those kinds of growth numbers over the last five years, but as your balance sheet grows it's harder and harder, it's like an expanding pulley, it gets tougher the further you get around it. We would need to do an acquisition or two that might not push the numbers up that materially at the beginning but, as you've seen with other acquisitions we've done, we can manage them up significantly in size. CDI is making a lot more money. We made our total purchase price back in just over four years in net income after tax. Our trust businesses have grown exponentially over the last few years.

The Bank is going to be more difficult to grow without acquisitions. I think the other businesses can grow at that rate but not the Bank. We're focusing more on the income number.

JOHN REUCASSEL: Okay. Thanks Larry.

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

SUMIT MALHOTRA: Good afternoon. My first question is for Brian Young. Brian, record quarter for insurance and nobody's asking anything, thought I should get you involved.

It looks like the stars aligned pretty well for insurance this quarter. Claims seem to be under control, acquisition costs lower and net earned premiums much higher. Just wanted to maybe get an update from you on what's going on in your segment and your outlook on this business, maybe talk about what went right and maybe what went too right this quarter and may not be sustainable as we look forward.

BRIAN J. YOUNG (Executive Vice President, Chief Executive Officer, Canadian Western Bank): Well thanks Sumit, thanks for noticing. Everything did actually work out pretty well this quarter. We're getting our growth on our top line, you know, both from price increases that we implemented a year ago. I think we'd mentioned those about what our strategy was a year ago at this time, and from continued policy growth.

The claims side we've always been fairly well-managed. If you track us out over the last four years you'll see that there's a fairly consistent level to our claims loss ratio on our book of business. It's a good book.

SUMIT MALHOTRA: Seasonality aside you've been pretty steady.

BRIAN J. YOUNG: Seasonality aside, that is really the key. I mean, it's tough to predict quarter to quarter because it's a volatile business with the weather that we get, but year-over-year if you take a look at it it's been relatively steady. We're expecting it to stay that way into the foreseeable future. Right now it's shaping up too for this continued what I would call steady performance that we've been delivering.

SUMIT MALHOTRA: You had mentioned, if I go back about a year there was a move to grow out the distribution channels in the insurance businesses of some more onto the internet, and we hadn't heard too much about that. How has that played a role in the premium growth and the policy growth we're seeing in the business?

BRIAN J. YOUNG: Well it's helped on both fronts. It's helped both in terms of our distribution, we've focused it primarily on the auto side, and that has helped to keep our costs in line, as well as it's provided us another channel. We've moved into a broker channel that is getting us growth on the west coast, and that's where you're starting to see some policy growth in this past year, and you're going to continue to see that over the next year or two.

Our intentions in the future with that is to continue to expand it and we'll be adding more product onto it. By the end of next year we would hope to have our own product available online and that'll continue to expand both product and the premium distribution.

SUMIT MALHOTRA: Let's switch over to one for Randy Garvey. There's been a few mentions in terms of net interest margin to how the Bank has managed its liquidity position. It all depends on how you calculate it I'm sure, we may have different calculations but the way I look at this, it looks like you ended July having taken that liquidity position lower than what we saw at the end of April. Still higher than what you had for most of the last few years but, can we suggest here that at least by the end of the quarter you had started to reduce that liquidity and that's something we'll likely see continue if the stable environment progresses?

RANDY W. GARVEY (Executive Vice President, Canadian Western Bank): Yes, we have taken liquidity down and it is our intention, assuming that the market continues to perform as it is to take our liquidity down.

We still will remain above historic levels. We're not coming all the way down to where we would normally run but, you will see liquidity coming down more.

SUMIT MALHOTRA: Last one for Tracey just to revisit securities gains again. Your tone sounds more optimistic on this line item than it did three months ago. I think it was suggested at that time that we'd probably see it move lower, and we had another $6 million quarter in Q3. It sounded like in a previous question you were suggesting again we'll see a lower print (phon) but what's the catalyst here? Is it long term interest rates that's the driver or what do you think is the key driver in terms of when you realized these gains?

TRACEY C. BALL: I'm just going to let Randy answer that question.

RANDY V. GARVEY: Well there's two things that are driving the gains. One is the movement and the interest rate, and also the changes in the margins. What we're able to do is, when we see that drop in interest rates or the change in, essentially the spread that is existing, we are selling that (phon) asset and lengthening term a little bit, or changing the credit and essentially getting a nice yield off that. We're still very comfortable with the quality and duration of the book that we have.

SUMIT MALHOTRA: From our perspective what do we think about here from a contribution from this line? Are we in that, are we in a $5 million run rate here for the next several quarters given where the unrealized balance is?

RANDY W. GARVEY: I don't think you could say the next several quarters. We still feel that we're going to have a reasonable gain from that in the next quarter. Whether we get to 5.6 million or not is a question mark.

SUMIT MALHOTRA: Thanks for your time. That's it.

TRACEY C. BALL: Thank you.

OPERATOR: Your next question comes from Michael Goldberg from Desjardins Securities. Please go ahead.

MICHAEL GOLDBERG: Thank you. Was that up front RSU expense or the RSU expense itself, is that tax deductible?

TRACEY C. BALL: Yes, that RSU expense is because it will be paid in cash.

MICHAEL GOLDBERG: Okay. Larry, maybe you also want to comment on your dividend policy. It's been, I guess a longer period of time than in the past since you've increased the dividend. Maybe with things looking up, do you want to comment?

LARRY M. POLLOCK: Sure. Our policy has been to keep our pay out ratio in the 25 to 30 percent range of earnings. When we went into this year, '09, it was pretty uncertain where earnings were going to be. I don't think there was anybody in our industry predicting earnings going forward to any degree of certainty.

We do have our board look at this every quarter, and we do think hard about our dividend, our common share dividend. If we start to see, aggressively increasing earnings and stability in margins I think you'll look for continued dividend increases going forward. To put a date on it I really couldn't do that at this time.

MICHAEL GOLDBERG: Thank you.

OPERATOR: Your next question comes from Stephen Boland from GMP Securities. Please go ahead.

STEPHEN BOLAND: Hi, just one question on your past due schedule. There seems to be a fair amount of the loans that are rolling through your, you know, it's gone from your 1 to 30 to your 31 to 60 day. I wonder if you can just give some colour on what those loans are, maybe what, you know, what the biggest loan in that bucket is and what's your outlook for remediation or, you know, getting those loans solved.

LARRY M. POLLOCK: Yes there was, the overall arrears (phon) was relatively unchanged quarter-over-quarter but there was a movement into the second bucket. We do manage that very closely. It has quite a number of accounts in there and the current position on that certainly we're finding that the collections we pick up for the 60 days range and they tend to catch up. We think there could be seasonality possibly in that number, but we are, you know, obviously very attentive to it and we're just monitoring it very closely. There's no, really large accounts in there, there's just a lot of accounts in there.

STEPHEN BOLAND: Okay. Is it any one segment or geography that's in there, or is it spread out?

LARRY M. POLLOCK: I would say it's spread out over the portfolio.

STEPHEN BOLAND: Just a second question just on your participation in, I guess the Equitable deal, do have some, you know, the purchase of their press, (phon) I guess, if I read or remember correctly, you're trying to get into the optimum business maybe a little more in Ontario, I presume you're competing against Equitable out west a little bit as they try to get in that market. What's the rationale of, you know, purchasing a competitor's capital at this point?

LARRY M. POLLOCK: We've been very close to them and have had a number of financial transactions with them in the past, and have grown to know them very well. We treat them I guess more as a client than as a competitor. Having said that, under confidentiality that bankers have to live under, we choose not to discuss the details of why we did it. It's a very good deal for us, we don't pay tax on the press, but we have other business with them.

STEPHEN BOLAND: Okay, thank you very much.

OPERATOR: Your next question comes from Gabriel Dechaine, with Genuity Capital Markets. Please go ahead.

GABRIEL DECHAINE: Hi guys just a quick follow up here on the acquisitions. You made a couple comments about that in relation to, you know, your loan growth. In the past it's been, kind of a $500 million, you know, loan book size guidance you've given but, it feels like it's gotten maybe a bit bigger, your appetite. I know there was some miscommunication in an interview earlier this year that maybe overemphasized that but I just want to understand a bit more what your, you know, the size of your appetite.

LARRY M. POLLOCK: Well, if you look at the press (phon) deal that we did, fully levered that would be very accretive to us, and even levered at 10 times that would be 2 billion. I wouldn't think we'd do anything that size, but there could be a combination of other transactions that would eat some of that capital up. There's lots on the street to look at, I think that would be no surprise to anyone listening in. There's articles every day about our competitors leaving the country because they're foreign based or people selling portfolios down. I guess in the interest of being cautious I won't put my foot in my mouth again so, soft (phon) answer to that question Gabriel.

GABRIEL DECHAINE: Okay, no, that's helpful. Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time please press the star followed by the one. As a reminder if you're using a speakerphone please lift the handset before pressing the keys.

Ms. Ball, there are no further questions at this time. Please continue.

TRACEY C. BALL: Okay thank you Jenna and thank you very much everyone for your continued interest in Canadian Western Bank. I look forward to reporting our 2009 fourth quarter and fiscal year end results, and our 2010 targets on December 3rd. Please follow up with any questions or comments by phoning us or by email. Thank you, and have a great day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, you may now disconnect.

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