



**Edmonton, March 8, 2007** – Canadian Western Bank (CWB on TSX) today announced quarterly net income of \$20.5 million, or \$0.32 per diluted share, on record quarterly total revenues (teb) of \$61.7 million. First quarter net income increased 24% over the same quarter last year while diluted earnings per share were up 23%. Earnings and revenues benefited from excellent loan growth of 6% in the quarter and 25% over the past year. Banking and trust net income of \$20.2 million was up 35% over the same quarter last year, marking this segment's seventh consecutive quarter of record earnings. Earnings from Canadian Direct Insurance this quarter were minimal as a result of the impact of severe weather in British Columbia (BC).

### First Quarter Highlights:

(three months ended January 31, 2007 compared with three months ended January 31, 2006 unless otherwise noted)

- 75<sup>th</sup> consecutive quarter of profitability.
- Net income of \$20.5 million, up 24%.
- Diluted earnings per share of \$0.32, up 23%.
- Loan growth of 6% in the quarter and 25% over the past twelve months.
- Record total revenues (teb<sup>1</sup>) of \$61.7 million, up 18%.
- Return on equity of 15.4%, up 140 basis points.
- Efficiency ratio (teb) of 45.7%, an improvement of 80 basis points.
- Branch raised demand and notice deposits of \$1.8 billion, up 36%.
- CWB named one of Canada's "50 Best Employers" for 2007, as recognized by the *Globe and Mail Report on Business* magazine.

The previously announced stock dividend of one common share per common share held was declared and paid in the first quarter. This stock dividend doubled the number of shares outstanding and resulted in a corresponding reduction in the market price per share. All prior period share and per share information contained in this report have been restated to give effect to this stock dividend.

<sup>1</sup> Taxable equivalent basis. See definition following Financial Highlights table.

The Board of Directors today declared a quarterly dividend of \$0.08 per common share, payable on April 5, 2007 to shareholders of record on March 22, 2007. Adjusted for the stock dividend paid January 18, 2007, this quarterly dividend is consistent with the previous quarterly dividend and is 33% higher than the quarterly dividend declared one year ago.

"The Bank's strong performance in the first quarter exceeded expectations, led by 6% loan growth. Our disciplined strategy to build sustainable, high quality assets will remain front and centre in guiding CWB's growth, especially within Western Canada's economic landscape," said Larry Pollock, President & CEO. "CWB's recognition in the quarter as one of Canada's 50 Best Employers was also very important for us. Results from this survey provided specific feedback on what our people are looking for from their organization and we'll use this to strengthen our position as an employer of choice within our markets," added Pollock.

# Financial Highlights

(unaudited) (\$ thousands, except per share amounts)	For the three months ended			Change from
	January 31 2007	October 31 2006	January 31 2006	January 31 2006
<b>Results of Operations</b>				
Net interest income (teb - see below)	\$ 49,209	\$ 45,970	\$ 39,714	24 %
Less teb adjustment	1,164	1,194	872	33
Net interest income per financial statements	48,045	44,776	38,842	24
Other income	12,443	13,595	12,596	(1)
Total revenues (teb)	61,652	59,565	52,310	18
Total revenues	60,488	58,371	51,438	18
Net income	20,458	21,209	16,438	24
Earnings per common share				
Basic	0.33	0.34	0.27	22
Diluted	0.32	0.33	0.26	23
Return on common shareholders' equity <sup>(1)</sup>	15.4 %	16.5 %	14.0 %	140 bp <sup>(2)</sup>
Return on average total assets	1.10	1.20	1.11	(1)
Efficiency ratio (teb)	45.7	45.0	46.5	(80)
Efficiency ratio	46.6	46.0	47.3	(70)
Net interest margin (teb)	2.65	2.59	2.68	(3)
Net interest margin	2.58	2.53	2.63	(5)
Provision for credit losses as a percentage of average loans	0.17	0.18	0.22	(5)
<b>Per Common Share</b>				
Cash dividends <sup>(3)</sup>	\$ 0.08	\$ 0.07	\$ 0.06	33 %
Book value	8.59	8.39	7.69	12
Closing market value	25.14	21.15	18.63	35
Common shares outstanding (thousands)	62,168	61,936	61,323	1
<b>Balance Sheet and Off-Balance Sheet Summary</b>				
Assets	\$ 7,565,363	\$ 7,268,360	\$ 6,021,477	26 %
Loans	6,154,449	5,781,837	4,913,000	25
Deposits	6,566,652	6,297,007	5,155,717	27
Subordinated debentures	198,126	198,126	198,126	-
Shareholders' equity	534,228	519,530	471,806	13
Assets under administration	3,553,590	3,344,414	2,972,357	20
<b>Capital Adequacy</b>				
Tangible common equity to risk-weighted assets	8.3 %	8.6 %	9.1 %	(80) bp
Tier 1 ratio	9.8	10.1	9.1	70
Total ratio	13.2	13.7	13.0	20

<sup>(1)</sup> Return on common shareholders' equity is calculated as annualized net income divided by average shareholders' equity.

<sup>(2)</sup> bp - basis point change.

<sup>(3)</sup> A stock dividend effecting a two-for-one split of the Bank's common shares was declared and paid during the first quarter of 2007. All prior period common share and per common share information have been restated to reflect this effective split.

## Taxable Equivalent Basis (teb)

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

# Message to Shareholders

Canadian Western Bank (CWB or the Bank) is pleased to report strong financial performance for the first quarter of fiscal 2007. Results marked the Bank's 75<sup>th</sup> consecutive profitable quarter, a period spanning almost 19 years. Other highlights included 6% loan growth that increased total loans outstanding to over \$6 billion, as well as record total revenues (teb). CWB was also very proud to be named one of Canada's "50 Best Employers" for 2007 by the *Globe and Mail Report on Business* magazine.

First quarter net income of \$20.5 million increased 24% over the same quarter last year on total revenue (teb) growth of 18%. Diluted earnings per share in the quarter were \$0.32, up 23% over last year. In comparison to the previous quarter, net income and diluted earnings per share were down 4% and 3% respectively reflecting a combination of lower income from insurance operations and a tax benefit that increased the previous quarter's net income by \$2.0 million. Excluding the tax benefit, net income and diluted earnings per share both increased 7%. The Bank's first quarter return on equity was 15.4% representing a 140 basis point improvement over the same quarter last year.

## Share Price Performance

Reflecting the stock dividend paid January 18, 2007 which effectively achieved a two-for-one stock split, CWB shares ended the first quarter at \$25.14, up from \$18.63 one year ago. Including reinvested dividends, the total return to shareholders over the one year period ended January 31, 2007 was 37%.

## Dividends

On March 8, 2007, CWB's Board of Directors declared a cash dividend of \$0.08 per common share, payable on April 5, 2007 to shareholders of record on March 22, 2007. Adjusted for the stock dividend, this quarterly dividend is consistent with the previous quarterly dividend and is 33% higher than the quarterly dividend declared one year ago.

## Loan Growth

The Bank achieved 6% organic loan growth in the quarter which reflects continued strong business activity throughout Western Canada. As in previous quarters, Alberta and British Columbia (BC) were the primary areas of growth while Saskatchewan also showed strong results. Loan growth in the BC region was particularly robust and we expect this will continue through the remainder of the year. The real estate and equipment financing divisions showed the strongest quarterly loan growth with the general commercial and retail sectors also posting solid performance. With these results we are very well positioned to achieve our 2007 loan growth target of 14%. New deal flow remains healthy and we will maintain our focus on high quality assets as we continue to expand within our markets.

Our alternative retail mortgage business, Optimum Mortgage (Optimum), surpassed \$274 million of loans outstanding and has more than doubled its portfolio over the past twelve months. Overall performance within this business continues to exceed our expectations, producing very strong returns on a solid risk profile. Optimum's loan book is entirely comprised of conventional residential first mortgages having an underwritten loan-to-value ratio of less than 75%. The vast majority of these mortgages carry a fixed interest rate with the principal being amortized over 25 years or less.

## Credit Quality

Credit quality remained excellent due to the combination of favourable economic conditions and disciplined credit underwriting. We continued with both a consistent charge for credit losses and our practice of not releasing reserves into net income. As always, we are monitoring the credit environment very closely and remain confident in the strength and diversity of the Bank's asset base.

## Branch Deposit Growth

Deposits raised through our branch network and Canadian Western Trust Company continued to show very strong growth increasing 5% in the quarter and 27% over the past year. Growth in the demand and notice component was 7% in the quarter and 36% over the same time last year. Maintaining strong growth in branch raised deposits remains an important focus for management as success in this area provides support for the Bank's net interest margin.

## Net Interest Margin

Net interest margin (teb) in the quarter was 2.65%, six basis points higher than the previous quarter and three basis points lower than the same period last year. Reduced liquidity was the main reason for the margin improvement over the previous quarter. We continue to expect that net interest margin will remain within a relatively tight band through the foreseeable future due to the flat interest rate curve.

## Trust Services

Both of our trust subsidiaries continued to perform very well with total fee income up 26% over the same quarter last year. Trust assets under administration increased 20% year-over-year to reach \$3.6 billion in the quarter. Trust services are recognized as a very important part of our overall business mix and this source of revenue provides an excellent means to diversify our income. Although Valiant Trust's revenues may be impacted by uncertainties related to changes in the taxation of income trusts, we expect ongoing strong performance from both trust subsidiaries.

## Insurance

Our insurance subsidiary, Canadian Direct Insurance Incorporated (Canadian Direct), was impacted this quarter by a high level of claims resulting from unusually severe wind and rainstorms in BC. Canadian Direct's experience was consistent with the industry and with the nature of its business when severe weather events occur. Our expectation is that the contribution from insurance operations will significantly improve over the balance of the year.

Canadian Direct, with its recently enhanced Internet distribution capability, proceeded with plans to add an alternative delivery channel in the quarter by reaching agreement to pilot sales of a distinct BC auto optional product produced for and marketed through a broker network. A growing proportion of customers are also opting to use the Internet to purchase and renew their auto policies, which provides greater accessibility and ease of use while improving business efficiencies.

## Outlook

Canadian Western Bank is off to a very good start for 2007 and our excellent first quarter loan growth will continue to benefit revenues and earnings throughout the year. Economic conditions remain healthy across Western Canada and strong first quarter results have us on track to meet all of our 2007 performance targets. We will look for Canadian Direct to return to more normal levels of profitability through the rest of the year and remain optimistic about new growth opportunities within this segment.

Aligned with our increased strategic focus on people, CWB's recognition in the quarter as one of Canada's "50 Best Employers" was especially gratifying as these results were based on direct feedback from employees. Top quality people with strong *Think Western*<sup>®</sup> attitudes are the foundation of CWB's success and our proactive focus should ensure the Bank remains well positioned for sustained high quality growth. We look forward to reporting second quarter results on June 7, 2007.



**Larry M. Pollock**  
President and Chief Executive Officer

# Management's Discussion and Analysis

This management's discussion and analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements for the period ended January 31, 2007, as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2006, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Except as discussed below, the factors discussed and referred to in the MD&A for fiscal 2006 remain substantially unchanged.

## Overview

Canadian Western Bank (CWB or the Bank) posted very strong net income for the first quarter, led by 6% quarterly loan growth and a seventh consecutive quarter of record earnings from banking and trust operations, which were up 35% over the same quarter last year. The income contribution from Canadian Direct Insurance (Canadian Direct) was minimal in the quarter due to the impact on claims from severe wind and rainstorms in British Columbia (BC). Consolidated first quarter net income increased 24% over the previous year to \$20.5 million while diluted earnings per share were up 23% to \$0.32.

Total revenues (teb) in the quarter were up 18% over the same period last year to a record \$61.7 million. Quarterly revenue growth was driven by very strong loan growth and increased credit related and trust services fees, offset by significantly lower income from insurance operations.

Net income of \$20.5 million was 4% lower than the previous quarter reflecting both a tax benefit that increased the previous quarter's net income by \$2.0 million and a \$1.7 million reduction in the earnings contribution from Canadian Direct. Excluding the tax benefit, first quarter net income increased 7% and the earnings contribution from banking and trust operations was up 17%.

First quarter return on equity of 15.4% was 140 basis points better than the same period last year. Return on assets was 1.10%, compared to 1.11% in the same quarter of 2006.

## Total Revenues (teb)

Total revenues (teb), which are comprised of net interest income and other income, were \$61.7 million for the quarter representing an 18% increase over the same period last year and a 4% improvement over the previous quarter.

### *Net Interest Income (teb)*

Net interest income (teb) was \$49.2 million for the quarter, or 24% higher than the same quarter last year. This increase reflects 26% growth in average interest earning assets, partially offset by a three basis point decrease in net interest margin (teb). Margin compression over the past twelve months was primarily impacted by changes in the deposit mix and a flattening interest rate curve, partially offset by lower debenture costs. A flat interest rate curve, which is when short and long-term rates are almost the same, can constrain net interest margin as it limits the Bank's ability to take advantage of different term structures for pricing assets and liabilities.

Net interest income (teb) increased 7% (\$3.2 million) over the previous quarter due to a 5% increase in average interest earning assets and a six basis point improvement in net interest margin. Reduced liquidity levels were the main reason for the margin improvement over the previous quarter. Net interest margin is expected to remain within a relatively tight band through the foreseeable future.

Note 11 to the unaudited interim financial statements provides a summary of the Bank's exposure to interest rate risks as at January 31, 2007. Interest rate risk or sensitivity is defined as the impact on net interest income, both current and future, resulting from a change in market interest rates. The Bank's current strategy is to maintain a relatively neutral position. Based on the interest rate gap position as at January 31, 2007, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately 0.4%. This compares to October 31, 2006, when a one-percentage point increase in all interest rates would have increased net interest income by approximately 0.1%.

### *Other Income*

Other income of \$12.4 million was 1% (\$0.2 million) lower than the same quarter last year due to lower net insurance revenues, largely offset by very strong growth in credit related and trust services fees. Net insurance revenues in the quarter of \$1.2 million were down 65% (\$2.2 million) from last year primarily due to severe wind and rainstorms in BC that resulted in a very high level of claims in the BC home product line. Credit related fees of \$5.7 million were up 25% (\$1.1 million) over the same quarter last year while trust services fees increased 26% (\$0.6 million) to \$3.2 million.

In comparison to the previous quarter, other income was down 8% (\$1.2 million) due to the same reasons noted above.

### **Credit Quality**

Credit quality continued to be excellent and the quarterly provision for credit losses of \$2.6 million remained unchanged from both the previous quarter and one year ago. The provision for credit losses measured as a percentage of average loans was 17 basis points in the quarter, compared to 18 basis points last quarter and 22 basis points one year ago.

Gross impaired loans at January 31, 2007 were \$11.5 million, compared with \$10.4 million in the previous quarter and \$12.9 million in the first quarter last year. Gross impaired loans remain at exceptionally low levels, although the dollar level of these is expected to fluctuate over time within the Bank's acceptable range as loans become impaired and are subsequently resolved.

The total allowance for credit losses (general and specific) represented 485% of gross impaired loans at the end of the first quarter, compared to 514% last quarter and 346% one year ago. The general allowance as a percentage of risk-weighted loans remained unchanged from the previous quarter at 88 basis points, and up from 80 basis points a year earlier.

### **Non-interest Expenses**

Non-interest expenses were \$28.2 million in the first quarter, up 16% over the same quarter last year and 5% over the previous quarter. Higher non-interest expenses in both the quarter and over the past year were mainly a result of salary and benefit costs related to business growth, annual salary reviews and increased stock-based compensation charges.

Year-over-year revenue growth continued to outpace higher non-interest expenses and the efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb), improved 80 basis points from the same quarter last year to 45.7%. In comparison to the previous quarter, the efficiency ratio (teb) deteriorated 70 basis points primarily as a result of higher salary and benefit costs as noted above and lower insurance revenues. The first quarter efficiency ratio (teb) was 30 basis points better than the fiscal 2007 target of 46.0%.

### **Income Taxes**

The income tax rate (teb) in the first quarter was 33.8%, down from 35.3% from one year ago. The tax rate before the teb adjustment decreased to 31.2% compared to 33.0% in the same quarter last year. The lower tax rate reflects reductions in provincial corporate income tax rates in Alberta, Saskatchewan and Manitoba, partially offset by higher charges for non-deductible stock-based compensation.

### **Balance Sheet**

Total assets increased 4% (\$297 million) in the first quarter and 26% (\$1,564 million) over the past twelve months to reach \$7,565 million at January 31, 2007.

### *Cash and Securities*

Cash, securities and securities purchased under resale agreements totaled \$1,264 million at January 31, 2007, compared to \$1,333 million last quarter and \$974 million one year ago.

As a result of new accounting standards for financial instruments (refer to Note 2 to the interim consolidated financial statements), commencing November 1, 2006 all of CWB's cash and securities have been designated as available-for-sale and are recorded on the balance sheet at fair value. The

unrealized loss recorded on the balance sheet at January 31, 2007 was \$2.1 million, compared to unrecorded and unrealized losses of \$0.6 million at October 31, 2006 and \$2.7 million one year ago. The cash and securities portfolio is composed of high quality debt instruments and fluctuations in fair value are almost entirely attributed to changes in interest rates and shifts in the interest rate curve.

### *Loans*

Loans at January 31, 2007 increased 6% (\$373 million) in the quarter and 25% (\$1,241 million) in the past year to \$6,154 million. The quarterly increase reflects strong growth across Alberta and BC with the real estate and equipment financing divisions showing the largest gains by sector. Optimum Mortgage also showed very strong loan growth in the quarter and continues to perform very well. Overall, new deal flow remains healthy and solid loan growth is expected to continue through the remainder of the year.

### *Deposits*

Growth in total branch deposits continued to keep pace with loan growth, increasing 5% in the quarter and 27% in the past year. Of total branch deposits, the lower cost demand and notice component increased 7% over the previous quarter and was 36% higher than the first quarter last year. A significant portion of the year-over-year growth in total branch deposits reflects larger commercial and wholesale balances, which can be subject to greater fluctuation. Strong growth in branch raised deposits continues to provide support for net interest margin and the Bank will maintain its focus on increasing this source of funds.

Total deposits at January 31, 2007 were \$6,567 million, an increase of 4% (\$270 million) in the quarter and 27% (\$1,411 million) over the past year. Total branch deposits measured as a percentage of total deposits remained unchanged from twelve months ago at 67% and were up from 66% in the previous quarter. Demand and notice deposits comprised 27% of total deposits at quarter end, up from 26% in the previous quarter and 25% one year ago. Total deposits also include the \$105 million deposit note issued in conjunction with the innovative Tier 1 placement on August 31, 2006.

### *Other Assets and Other Liabilities*

Other assets at January 31, 2007 totaled \$147 million, compared to \$154 million at the end of the previous quarter and \$135 million one year ago. Other liabilities at quarter end were \$266 million, compared to \$254 million the previous quarter and \$196 million in the same quarter last year.

### **Off-Balance Sheet**

Off-balance sheet items include trust assets under administration, which totaled \$3,554 million at the end of the first quarter, compared to \$3,344 million last quarter and \$2,972 million one year ago. Other off-balance sheet items are composed of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit), the non-consolidated variable interest entity and, in prior periods, derivative financial instruments which were primarily interest rate swaps used to manage sensitivity to interest rate changes. For additional information regarding other off-balance sheet items refer to Notes 14, 21 and 26 to the audited consolidated financial statements on pages 57, 63 and 67 respectively in the Bank's 2006 Annual Report.

With the November 1, 2006 adoption of new accounting policies for financial instruments, all derivative financial instruments are recorded on the balance sheet at fair value. Refer to Notes 2 and 6 to the January 31, 2007 interim consolidated financial statements for further details.

### **Capital Management**

CWB's total capital adequacy ratio, which measures regulatory capital as a percentage of risk-weighted assets, was 13.2% at the end of the first quarter compared to 13.7% last quarter and 13.0% one year ago. The Tier 1 ratio at January 31, 2007 was 9.8% compared to 10.1% in the previous quarter and 9.1% last year. Improved capital adequacy ratios in the last twelve months reflect the placement of \$105 million of innovative Tier 1 capital in the fourth quarter of 2006, while comparatively lower ratios from the previous quarter reflect robust asset growth. Management's objectives are to maintain a strong and efficient capital structure that will support continued high quality asset growth and improve the Bank's return on equity.

On January 18, 2007, CWB paid a stock dividend of one common share per common share held, effectively achieving a two-for-one split of the Bank's common shares and all share and per share information contained in this report have been restated to give effect to this stock dividend. This stock dividend doubled the number of shares outstanding and resulted in a corresponding reduction in the market price per share. The reduced share price makes CWB's common shares more affordable for retail investors and is expected to broaden the shareholder base and promote increased liquidity in the market.

Book value per common share at January 31, 2007 was \$8.59, compared to \$8.39 last quarter and \$7.69 one year ago.

Common shareholders received a quarterly cash dividend of \$0.08 per common share (\$0.16 on a pre-stock dividend basis) on January 4, 2007. On March 8, 2007, the Board of Directors declared a quarterly cash dividend of \$0.08 per common share payable on April 5, 2007 to shareholders of record on March 22, 2007. This quarterly dividend is consistent with the previous quarterly dividend and is 33% higher than the quarterly dividend declared one year ago.

### Accounting Policy Changes

Significant accounting policies are detailed in the notes to the Bank's October 31, 2006 audited consolidated financial statements. Effective November 1, 2006, the Bank adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Financial Instruments - Recognition and Measurement, Hedges, Comprehensive Income and Financial Instruments - Disclosure and Presentation. As a result of adopting these standards, a new category, accumulated other comprehensive income (loss), has been added to shareholders' equity where certain unrealized gains and losses are reported until realization. Refer to Note 2 to the interim consolidated financial statements for further details.

### Controls and Procedures

There were no changes in the Bank's internal controls over financial reporting that occurred during the quarter ended January 31, 2007 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

### Updated Share Information

As at March 2, 2007, there were 62,230,003 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 5,370,800 common shares for maximum proceeds of \$80.9 million. Outstanding options include 984,400 options granted subject to shareholder and TSX approval.

### Summary of Quarterly Financial Information

(\$ thousands)	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenues (teb)	\$ 61,652	\$ 59,565	\$ 56,884	\$ 53,011	\$ 52,310	\$ 48,954	\$ 49,549	\$ 44,125
Total revenues	60,488	58,731	55,845	52,038	51,438	47,618	48,593	43,242
Net income	20,458	21,209	17,693	16,667	16,438	14,814	15,212	12,149
Earnings per common share								
Basic	0.33	0.34	0.29	0.27	0.27	0.24	0.25	0.20
Diluted	0.32	0.33	0.28	0.26	0.26	0.23	0.24	0.19
Total assets (\$ millions)	7,565	7,268	6,871	6,476	6,021	5,705	5,424	5,260

For details on variations between the prior quarters see the summary of quarterly results section of the Bank's MD&A for the year ended October 31, 2006 and the individual quarterly reports to shareholders which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Results by Business Segment

CWB operates in two business segments: 1) banking and trust, and 2) insurance.

### Banking and Trust

Operations of the banking and trust segment include commercial and retail banking services, as well as personal and corporate trust services provided through CWB's wholly owned subsidiaries, Canadian Western Trust Company and Valiant Trust Company.

Banking and trust net income of \$20.2 million marked this segment's seventh consecutive quarter of record earnings. Earnings were up 35% over the same quarter last year reflecting excellent loan growth and very strong increases in credit related and trust services fees. First quarter total revenues (teb) grew 24% and continued to outpace growth in non-interest expenses. A new benchmark efficiency ratio (teb) in the quarter of 44.3% was 230 basis points better than the same period last year. Quarterly net interest margin of 2.65% was down five basis points from one year ago primarily due to changes in the deposit mix and a flattening of the interest rate curve, partially offset by lower debenture costs. Strong growth in branch generated deposits continued to provide support for net interest margin in both the quarter and over the past twelve months.

In comparison to the previous quarter, banking and trust earnings increased 5% on 9% growth in total revenues (teb). Excluding the impact of a \$2.0 million tax benefit recognized in the previous quarter of 2006, banking and trust net income increased 17%. Earnings growth was driven by 6% quarterly loan growth, a five basis point improvement in net interest margin and an 18% increase in other income. The margin improvement over the previous quarter primarily reflects reduced liquidity levels. Other income growth was impacted by very strong credit related fee income, primarily from the real estate and equipment financing divisions. Trust services fees were also strong and grew 14% over the previous quarter.

(\$ thousands)	For the three months ended			Change from January 31 2006
	January 31 2007	October 31 2006	January 31 2006	
Net interest income (teb)	\$ 48,148	\$ 44,971	\$ 38,947	24 %
Other income	11,194	9,452	9,061	24
Total revenues (teb)	59,342	54,423	48,008	24
Provision for credit losses	2,550	2,550	2,550	-
Non-interest expenses	26,287	24,611	22,372	17
Provision for income taxes (teb)	10,318	8,026	8,140	27
<b>Net income</b>	<b>\$ 20,187</b>	<b>\$ 19,236</b>	<b>\$ 14,946</b>	<b>35 %</b>
Efficiency ratio (teb)	44.3 %	45.2 %	46.6 %	(230) bp
Net interest margin (teb)	2.65	2.60	2.70	(5)
Average loans (millions)	\$ 5,950	\$ 5,606	\$ 4,718	26 %
Average assets (millions)	7,220	6,872	5,730	26

bp – basis points.

teb – taxable equivalent basis, see definition following Financial Highlights table.

## Insurance

The insurance segment consists of the operations of CWB's wholly owned subsidiary Canadian Direct Insurance Incorporated, which provides home and auto insurance to individuals in BC and Alberta.

Canadian Direct's \$0.3 million net income was 82% (\$1.2 million) lower than the same quarter last year due to unusually high frequency and severity of claims in the BC home product line related to severe wind and rainstorms. The claims loss ratio for the BC home product in the quarter was 160% compared with 53% in the same quarter last year which is reflected in the much higher than normal overall claims loss ratio of 79%. None of the individual storm events aggregated sufficient claims for a recovery under the company's reinsurance coverage.

Net earned premiums grew 17% (\$3.4 million) over the same quarter last year due to the elimination of quota share reinsurance in November 2006 and growth in policies outstanding. Canadian Direct's share of the Alberta Risk Sharing Pools (the Pools) increased quarterly net income before tax by \$0.2 million compared to a reduction of \$0.3 million in the same quarter last year.

In comparison to the previous quarter, Canadian Direct's net income decreased 86% (\$1.7 million) due primarily to the impact on claims from the severe weather related events in BC and a \$0.8 million reduction in the pre-tax contribution from the Pools, partially offset by good cost control evidenced by the lower expense ratio of 24%. Net earned premiums grew by 12% due mainly to the elimination of quota share reinsurance. The seasonal aspect of the business where new policy growth is traditionally slow in the first quarter is reflected in the decrease in gross written premiums.

Net earned premium growth also continued to be impacted by pricing pressures from the Insurance Corporation of British Columbia (ICBC) that has resulted in both a lower average premium per policy and slower growth in new BC auto policy sales. New policy growth in Alberta has remained strong. Barring any further severe weather or other catastrophe type events, the higher volume of policy sales during the busier spring and summer season should allow for much improved results through the remainder of fiscal 2007.

(\$ thousands)	For the three months ended			Change from January 31 2006
	January 31 2007	October 31 2006	January 31 2006	
Net interest income (teb)	\$ 1,061	\$ 999	\$ 767	38 %
Other income (net)				
Net earned premiums	23,128	20,709	19,741	17
Commissions and processing fees	606	1,327	1,079	(44)
Net claims and adjustment expenses	(18,176)	(13,230)	(13,380)	36
Policy acquisition costs	(4,356)	(4,653)	(4,040)	8
Insurance revenue (net)	1,202	4,153	3,400	(65)
Gains (losses) on sale of securities	47	(10)	135	(65)
Total revenues (net) (teb)	2,310	5,142	4,302	(46)
Non-interest expenses	1,906	2,219	1,967	(3)
Provision for income taxes (teb)	133	950	843	(84)
<b>Net income</b>	<b>\$ 271</b>	<b>\$ 1,973</b>	<b>\$ 1,492</b>	<b>(82) %</b>
Policies outstanding	160,435	158,965	150,770	6 %
Gross written premiums	\$ 21,245	\$ 26,161	\$ 19,742	8
Claims loss ratio <sup>(1)</sup>	79 %	64 %	68 %	1,100 bp
Expense ratio <sup>(2)</sup>	24	27	25	(100)
Combined ratio <sup>(3)</sup>	103	91	93	1,000
Alberta auto insurance risk sharing pools impact on net income before tax	\$ 150	\$ 906	\$ (263)	nm
Average cash and securities (millions)	95	99	80	19 %
Average total assets (millions)	155	161	140	11

bp – basis points.

teb – taxable equivalent basis, see definition following Financial Highlights table.

nm – not meaningful

(1) Net claims and adjustment expenses as a percentage of net earned premiums.

(2) Policy acquisition costs and non-interest expenses net of commissions and processing fees as a percentage of net earned premiums.

(3) Sum of the claims loss and expense ratios.

## Fiscal 2007 Targets

The performance targets established for the 2007 fiscal year are presented in the table below together with CWB's actual performance to date.

	2007 Target	2007 YTD Performance <sup>(1)</sup>
Net income growth	20%	<b>24%</b>
Total revenue (teb) growth	15%	<b>18%</b>
Loan growth	14%	<b>25%</b>
Provision for credit losses as a percentage of average loans	0.20% or less	<b>0.17%</b>
Efficiency ratio (teb)	46%	<b>45.7%</b>
Return on equity	15%	<b>15.4%</b>
Return on assets	1.10%	<b>1.10%</b>

<sup>(1)</sup> 2007 YTD Performance for earnings and revenue growth is the current year results over the same period in the prior year, loan growth is the increase over the past twelve months and performance for ratio targets is the current year-to-date results annualized.

Strong first quarter results have the Bank well positioned to meet all of its 2007 performance targets. New deal flow remains healthy and excellent first quarter loan growth of 6% will benefit earnings and revenues throughout the year. Solid revenue growth coupled with diligent expense control should ensure the efficiency ratio remains at or below the fiscal 2007 target of 46%. CWB's strong and more efficient capital base will allow for continued high quality asset growth and supports management's objective to improve return on equity.

CWB's strategic plan this year has a particular emphasis on infrastructure, people, process and business enhancement. Strong organic growth within Western Canada will be supported by continued infrastructure development, which will include new branches as well as improvements to existing facilities. CWB will also increase its proactive efforts to further distinguish itself as an employer of choice in Western Canada. A recently launched program branded "*cwbalance*" recognizes the importance for employees to achieve an appropriate work-life balance and supports the needs of individuals outside the workplace. This initiative, along with competitive compensation packages and excellent career opportunities within a growing organization, should build upon the Bank's successful history of recruiting and retaining top-quality talent.

Consistent with previous years, mid-market commercial banking will be the primary driver of growth in 2007, supported by strong contributions from retail banking, trust services and insurance. CWB's growing market position within Western Canada's robust economies supports management's expectations for ongoing strong performance across all business lines.

This management's discussion and analysis is dated as of March 8, 2007.

**Taxable Equivalent Basis (teb)**

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

**Canadian Banking Industry**

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

**Forward-looking Statements**

From time to time Canadian Western Bank (the "Bank") makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about the Bank's objectives and strategies, targeted and expected financial results and the outlook for the Bank's businesses or for the Canadian economy. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact" and other similar expressions or future or conditional verbs such as "will", "should", "would" and "could".

By their very nature, forward-looking statements involve numerous assumptions. A variety of factors, many of which are beyond the Bank's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, legislative and regulatory developments, the level of competition in the Bank's markets, the occurrence of weather related and other natural catastrophes, the accuracy of and completeness of information the Bank receives about customers and counterparties, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, reliance on third parties to provide components of the Bank's business infrastructure, changes in tax laws, technological developments, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, and management's ability to anticipate and manage the risks associated with these factors. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Bank does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

# Consolidated Statement of Income

(unaudited) (\$ thousands, except per share amounts)	For the three months ended			Change from January 31 2006
	January 31 2007	October 31 2006	January 31 2006	
<b>Interest Income</b>				
Loans	\$ 99,143	\$ 93,077	\$ 72,119	37 %
Securities	10,054	8,996	6,337	59
Deposits with regulated financial institutions	3,055	3,667	2,055	49
	<b>112,252</b>	<b>105,740</b>	<b>80,511</b>	<b>39</b>
<b>Interest Expense</b>				
Deposits	61,318	58,076	38,994	57
Subordinated debentures	2,889	2,888	2,675	8
	<b>64,207</b>	<b>60,964</b>	<b>41,669</b>	<b>54</b>
<b>Net Interest Income</b>	<b>48,045</b>	<b>44,776</b>	<b>38,842</b>	<b>24</b>
<b>Provision for Credit Losses</b>	<b>2,550</b>	<b>2,550</b>	<b>2,550</b>	<b>-</b>
<b>Net Interest Income after Provision for Credit Losses</b>	<b>45,495</b>	<b>42,226</b>	<b>36,292</b>	<b>25</b>
<b>Other Income</b>				
Credit related	5,687	4,627	4,564	25
Insurance, net (Note 3)	1,202	4,153	3,400	(65)
Trust services	3,182	2,787	2,534	26
Retail services	1,756	1,637	1,544	14
Gains (losses) on sale of securities	119	(19)	105	13
Foreign exchange gains	488	295	417	17
Other	9	115	32	(72)
	<b>12,443</b>	<b>13,595</b>	<b>12,596</b>	<b>(1)</b>
<b>Net Interest and Other Income</b>	<b>57,938</b>	<b>55,821</b>	<b>48,888</b>	<b>19</b>
<b>Non-interest Expenses</b>				
Salaries and employee benefits	17,991	16,837	15,456	16
Premises and equipment	4,614	4,427	4,167	11
Other expenses	5,109	5,099	4,247	20
Provincial capital taxes	479	467	469	2
	<b>28,193</b>	<b>26,830</b>	<b>24,339</b>	<b>16</b>
<b>Net Income Before Provision for Income Taxes</b>	<b>29,745</b>	<b>28,991</b>	<b>24,549</b>	<b>21</b>
<b>Provision for Income Taxes</b>	<b>9,287</b>	<b>7,782</b>	<b>8,111</b>	<b>14</b>
<b>Net Income</b>	<b>\$ 20,458</b>	<b>\$ 21,209</b>	<b>\$ 16,438</b>	<b>24 %</b>
Weighted average common shares outstanding <sup>(1)</sup>	<b>62,059,180</b>	61,808,846	61,252,051	1 %
<b>Earnings per Common Share</b>				
Basic	\$ 0.33	\$ 0.34	\$ 0.27	22 %
Diluted	0.32	0.33	0.26	23

<sup>(1)</sup> A stock dividend effecting a two-for-one split of the Bank's common shares was declared and paid during the first quarter of 2007. All prior period common share and per common share information have been restated to reflect this effective split.

The accompanying notes are an integral part of the interim consolidated financial statements.

# Consolidated Balance Sheet

(unaudited) (\$ thousands)	As at January 31 2007	As at October 31 2006	As at January 31 2006	Change from January 31 2006
<b>Assets</b>				
<b>Cash Resources</b>				
Cash	\$ 4,495	\$ 9,070	\$ 3,222	40 %
Deposits with regulated financial institutions	287,600	428,435	253,166	14
Cheques and other items in transit	27,262	789	3,098	780
	<b>319,357</b>	<b>438,294</b>	<b>259,486</b>	<b>23</b>
<b>Securities</b> (Note 4)				
Issued or guaranteed by Canada	315,110	334,379	327,061	(4)
Issued or guaranteed by a province or municipality	197,122	168,839	105,688	87
Other securities	432,592	382,475	281,394	54
	<b>944,824</b>	<b>885,693</b>	<b>714,143</b>	<b>32</b>
<b>Securities Purchased Under Resale Agreements</b>				
	-	9,000	-	-
<b>Loans</b>				
Residential mortgages	1,485,744	1,314,988	1,042,613	43
Other loans	4,724,739	4,520,370	3,915,057	21
	<b>6,210,483</b>	<b>5,835,358</b>	<b>4,957,670</b>	<b>25</b>
Allowance for credit losses	(56,034)	(53,521)	(44,670)	25
	<b>6,154,449</b>	<b>5,781,837</b>	<b>4,913,000</b>	<b>25</b>
<b>Other</b>				
Land, buildings and equipment	23,182	24,198	20,845	11
Goodwill	6,933	6,933	6,933	-
Intangible assets	3,088	3,224	3,630	(15)
Insurance related	52,651	57,136	53,020	(1)
Derivative related amounts	1,263	-	-	nm
Other assets	59,616	62,045	50,420	18
	<b>146,733</b>	<b>153,536</b>	<b>134,848</b>	<b>9</b>
<b>Total Assets</b>	<b>\$ 7,565,363</b>	<b>\$ 7,268,360</b>	<b>\$ 6,021,477</b>	<b>26 %</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Deposits</b>				
Payable on demand	\$ 351,579	\$ 391,252	\$ 301,144	17 %
Payable after notice	1,420,850	1,262,270	1,004,240	41
Payable on a fixed date	4,689,223	4,538,485	3,850,333	22
Deposit from Canadian Western Bank Capital Trust	105,000	105,000	-	nm
	<b>6,566,652</b>	<b>6,297,007</b>	<b>5,155,717</b>	<b>27</b>
<b>Other</b>				
Cheques and other items in transit	40,077	27,474	24,635	63
Insurance related	118,012	120,936	100,916	17
Derivative related amounts	2,898	-	-	nm
Other liabilities	105,370	105,287	70,277	50
	<b>266,357</b>	<b>253,697</b>	<b>195,828</b>	<b>36</b>
<b>Subordinated Debentures</b>				
Conventional	198,126	198,126	198,126	-
<b>Shareholders' Equity</b>				
Retained earnings	313,169	297,841	253,985	23
Accumulated other comprehensive income (loss)	(2,247)	-	-	nm
Capital stock	216,158	215,349	213,606	1
Contributed surplus	7,148	6,340	4,215	70
	<b>534,228</b>	<b>519,530</b>	<b>471,806</b>	<b>13</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,565,363</b>	<b>\$ 7,268,360</b>	<b>\$ 6,021,477</b>	<b>26 %</b>

nm - not meaningful.

The accompanying notes are an integral part of the interim consolidated financial statements.

## Consolidated Statement of Changes in Shareholders' Equity

(unaudited) (\$ thousands)	For the three months ended	
	January 31 2007	January 31 2006
<b>Retained Earnings</b>		
Balance at beginning of period	\$ 297,841	\$ 241,221
Transition adjustment on adoption of new accounting standards (Note 2)	(166)	-
Net income	20,458	16,438
Dividends	(4,964)	(3,674)
Balance at end of period	313,169	253,985
<b>Accumulated Other Comprehensive Income (Loss)</b>		
Balance at beginning of period	-	-
Transition adjustment of adoption of new accounting standards (Note 2)	(1,494)	-
Other comprehensive income (loss) for the period	(753)	-
Balance at end of period	(2,247)	-
Total retained earnings and accumulated other comprehensive income	310,922	254,846
<b>Capital Stock</b>		
Balance at beginning of period	215,349	213,098
Issued on exercise of employee stock options	537	443
Transferred from contributed surplus on exercise or exchange of options	272	65
Balance at end of period	216,158	213,606
<b>Contributed Surplus</b>		
Balance at beginning of period	6,340	3,671
Amortization of fair value of employee stock options	1,080	609
Transferred to capital stock on exercise or exchange of options	(272)	(65)
Balance at end of period	7,148	4,125
<b>Total Shareholders' Equity</b>	<b>\$ 534,228</b>	<b>\$ 471,806</b>

## Consolidated Statement of Comprehensive Income

(unaudited) (\$ thousands)	For the three months ended January 31 2007
<b>Net Income</b>	\$ 20,458
<b>Other Comprehensive Income (Loss)</b>	
Available-for-sale securities, change in unrealized gains (losses)	(1,025)
Derivatives designated as cash flow hedges, change in unrealized gains (losses)	272
<b>Comprehensive Income for the Period</b>	<b>\$ 19,705</b>

The accompanying notes are an integral part of the interim consolidated financial statements.

# Consolidated Statement of Cash Flow

(unaudited) (\$ thousands)	For the three months ended	
	January 31 2007	January 31 2006
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 20,458	\$ 16,438
Adjustments to determine net cash flows		
Provision for credit losses	2,550	2,550
Depreciation and amortization	1,424	1,282
Future income taxes, net	(391)	(64)
Gain on sale of securities, net	(119)	(105)
Accrued interest receivable and payable, net	2,323	5,146
Current income taxes payable, net	(2,635)	(12,104)
Other items, net	(940)	(647)
	<b>22,670</b>	<b>12,496</b>
<b>Cash Flows from Financing Activities</b>		
Deposits, net	276,331	242,410
Debentures issued	-	70,000
Common shares issued	537	443
Dividends	(4,964)	(3,674)
	<b>271,904</b>	<b>309,179</b>
<b>Cash Flows from Investing Activities</b>		
Interest bearing deposits with regulated financial institutions, net	61,698	(28,442)
Securities, purchased	(546,151)	(532,328)
Securities, sale proceeds	136,923	355,249
Securities, matured	350,023	164,854
Securities purchased under resale agreements, net	9,000	36,940
Loans, net	(375,162)	(325,287)
Land, buildings and equipment	(272)	(2,416)
	<b>(363,941)</b>	<b>(331,430)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(69,367)</b>	<b>(9,755)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>60,219</b>	<b>3,590</b>
<b>Cash and Cash Equivalents at End of Period *</b>	<b>\$ (9,148)</b>	<b>\$ (6,165)</b>
* Represented by:		
Cash resources per consolidated balance sheet	\$ 319,357	\$ 259,486
Non-operating, interest bearing deposits with regulated financial institutions	(288,428)	(241,016)
Cheques and other items in transit (included in Other Liabilities)	(40,077)	(24,635)
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ (9,148)</b>	<b>\$ (6,165)</b>
Supplemental Disclosure of Cash Flow Information		
Amount of interest paid in the period	\$ 59,175	\$ 35,374
Amount of income taxes paid in the period	12,272	20,279

The accompanying notes are an integral part of the interim consolidated financial statements.

# Notes to Interim Consolidated Financial Statements

(unaudited)  
(\$ thousands, except per share amounts)

## 1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), including the accounting requirements of the Superintendent of Financial Institutions Canada (OSFI), using the same accounting policies as the audited consolidated financial statements for the year ended October 31, 2006, except as described in Note 2. Under Canadian GAAP, additional disclosures are required in annual financial statements and accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2006 as set out on pages 46 to 70 of the Bank's 2006 Annual Report.

## 2. Change in Accounting Policies

### Financial Instruments

Effective November 1, 2006, the Bank adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): *Financial Instruments - Recognition and Measurement, Hedges, Comprehensive Income and Financial Instruments - Disclosure and Presentation*. As a result of adopting these standards, a new category, accumulated other comprehensive income (loss), has been added to shareholders' equity and certain unrealized gains and losses are reported in accumulated other comprehensive income (loss) until realization.

As a result of adopting these new accounting standards, certain financial assets and liabilities are measured at fair value with the remainder recorded at amortized cost. The adjustment of the previous carrying amounts to comply with the new standards has been recognized as an adjustment to either accumulated other comprehensive income (loss) or retained earnings at November 1, 2006 and prior period consolidated financial statements have not been restated. The significant components of CWB's implementation of the standards include:

- Cash resources, securities, securities purchased under resale agreements and securities purchased under reverse resale agreements have been designated as available-for-sale and are reported on the balance sheet at fair value with changes in fair value reported in other comprehensive income, net of income taxes.
- Derivative financial instruments are recorded on the balance sheet at fair value as either other assets or other liabilities with changes in fair value related to the effective portion of cash flow interest rate hedges recorded in other comprehensive income, net of income taxes. Changes in fair value related to the ineffective portion of cash flow hedges or other derivative financial instruments are reported in other income on the consolidated statement of income. Specific accounting policies under the new standards relating to equity contracts that no longer qualify for hedge accounting and embedded derivatives are further described in Note 6.
- Loans, deposits and subordinated debentures continue to be recorded at amortized cost using the effective interest method.

The fair value of a financial instrument on initial recognition is normally the transaction price i.e. the value of the consideration given or received. Subsequent to initial recognition, financial instruments measured at fair value that are quoted in active markets are based on bid prices for financial assets and offer prices for financial liabilities. For derivative financial instruments where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Transition adjustments recorded at November 1, 2006 include:

	<b>Gross</b>	<b>Income Taxes</b>	<b>Net</b>
<b>Retained Earnings</b>			
Fair value of equity derivative contracts no longer designated as hedges	\$ 593	\$ (195)	\$ 398
Cumulative amortization of loan portfolio premium using the effective interest method	(271)	89	(182)
Fair value of other derivatives not designated as hedges	(563)	185	(378)
Ineffective portion of fair value of cash flow hedges	(6)	2	(4)
	\$ (247)	\$ 81	\$ (166)
<b>Accumulated Other Comprehensive Income (Loss)</b>			
Available-for-sale securities, unrealized gains (losses)	\$ (589)	\$ 193	\$ (396)
Effective portion of fair value of cash flow hedges, unrealized gains (losses)	(1,632)	534	(1,098)
	\$ (2,221)	\$ 727	\$ (1,494)

# Notes to Interim Consolidated Financial Statements

## 3. Insurance Income

Insurance income reported in other income on the consolidated statement of income is presented net of claims and adjustment expenses and policy acquisition costs.

	For the three months ended		
	January 31 2007	October 31 2006	January 31 2006
Net earned premiums	\$ 23,128	\$ 20,709	\$ 19,741
Commissions and processing fees	606	1,327	1,079
Net claims and adjustment expenses	(18,176)	(13,230)	(13,380)
Policy acquisition costs	(4,356)	(4,653)	(4,040)
Insurance revenues, net	\$ 1,202	\$ 4,153	\$ 3,400

## 4. Securities

Securities are accounted for at settlement date. Net unrealized gains (losses) reflected on the balance sheet as required by the change in accounting policies described in Note 2 follow:

	As at January 31 2007
Deposits with regulated financial institutions	\$ (500)
Securities	
Issued or guaranteed by Canada	(471)
Issued or guaranteed by a province or municipality	(232)
Other securities	(913)
	\$ (2,116)

## 5. Allowance for Credit Losses

	For the three months ended		
	January 31 2007	October 31 2006	January 31 2006
Balance at beginning of period	\$ 53,521	\$ 51,030	\$ 42,520
Provision for credit losses	2,550	2,550	2,550
Write-offs	(74)	(75)	(424)
Recoveries	37	16	24
Balance at end of period	\$ 56,034	\$ 53,521	\$ 44,670

	As at January 31 2007	As at October 31 2006	As at January 31 2006
Specific allowance	\$ 5,085	\$ 5,484	\$ 6,829
General allowance	50,949	48,037	37,841
Total allowance	\$ 56,034	\$ 53,521	\$ 44,670

# Notes to Interim Consolidated Financial Statements

## 6. Derivative Financial Instruments

The Bank designates certain derivative financial instruments as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges). The Bank has designated all interest rate swaps as cash flow hedges. Under the new accounting requirements for hedges (refer Note 2), the Bank's equity contracts no longer qualify for hedge accounting.

Certain derivatives embedded in other financial instruments, such as the return on fixed term deposits that are linked to a stock index, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the combined contract is not carried at fair value. Embedded derivatives entered into after November 1, 2002 have been separated from the host contract and are recorded at fair value.

Hedge accounting is used for designated derivatives provided certain criteria are met. Derivatives that qualify for hedge accounting are accounted for at fair value with changes in fair value for the effective portion of the hedge reported in other comprehensive income. Changes in fair value for the ineffective portion of the hedges are reported in other income on the consolidated statement of income.

The change in fair value related to derivatives that are not designated as hedges is reported in other income on the consolidated statement of income.

For the period ended January 31, 2007, a net unrealized gain of \$272 was recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges and \$nil was recorded in other income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. The amounts recognized as other comprehensive income are reclassified to net income in the same period when net income is affected by the variability in cash flows of the floating rate loans which are the hedged item. A net loss of \$819 before tax was reclassified to net income during the period. A net loss of \$927 before tax recorded in accumulated other comprehensive income (loss) as at January 31, 2007 is expected to be reclassified to net income in the next 12 months and will offset variable cash flows from floating rate loans.

The following table shows the notional value outstanding for derivative financial instruments and the related fair value.

	As at January 31, 2007		
	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps designated as cash flow hedges <sup>(1)</sup>	\$ 597,000	\$ 955	\$ 2,182
Equity contracts <sup>(2)</sup>	9,570	308	28
Foreign exchange contracts <sup>(3)</sup>	20,885	-	70
Embedded derivative in equity-linked deposits <sup>(2)</sup>	n/a	-	618
Other forecasted transactions	-	n/a	n/a
<b>Derivative related amounts</b>	<b>\$</b>	<b>1,263</b>	<b>\$ 2,898</b>

(1) Interest rate swaps mature between February 2007 and September 2008.

(2) Equity contracts and equity-linked deposits mature between February 2007 and March 2011.

(3) Foreign exchange contracts mature between February 2007 and August 2007.

n/a - not applicable.

There were no forecasted transactions that failed to occur during the quarter.

# Notes to Interim Consolidated Financial Statements

## 7. Capital Stock and Share Incentive Plan

### Capital Stock

	For the three months ended			
	January 31, 2007		January 31, 2006	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Outstanding at beginning of period	61,936,260	\$ 215,349	61,227,268	\$ 213,098
Issued on exercise or exchange of options	231,986	537	95,838	443
Transferred from contributed surplus on exercise or exchange of options	-	272	-	65
Outstanding at end of period	62,168,246	\$ 216,158	61,323,106	\$ 213,606

### Employee Stock Options

	For the three months ended			
	January 31, 2007		January 31, 2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	5,030,040	\$ 13.07	4,780,024	\$ 9.78
Granted	733,600	25.02	48,000	17.49
Exercised or exchanged	(285,140)	6.97	(106,280)	6.03
Forfeited	(19,500)	18.85	(14,000)	12.40
Balance at end of period	5,459,000	\$ 14.97	4,707,744	\$ 9.93
Exercisable at end of period	1,075,800	\$ 7.13	1,142,444	\$ 5.46

A stock dividend effecting a two-for-one split of the Bank's common shares was declared and paid during the first quarter of 2007. All prior period common share and per common share information have been restated to reflect this effective split.

The terms of the share incentive plan allow the holders of vested options a cashless settlement alternative whereby the option holder can either (a) elect to receive shares by delivering cash to the Bank in the amount of the option exercise price or (b) elect to receive the number of shares equivalent to the excess of the market value of the shares under option over the exercise price. Of the 285,140 options (2006 - 106,280) exercised or exchanged in the first quarter, option holders exchanged the rights to 197,040 options (2006 - 38,880) and received 143,384 shares (2006 - 28,438) in return under the cashless settlement alternative.

In the three months ended January 31, 2007, salary expense of \$1,080 (2006 - \$609) was recognized relating to the estimated fair value of options granted since November 1, 2002. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 3.9% (2006 - 3.9%), (ii) expected option life of 4.0 years (2006 - 4.0 years), (iii) expected volatility of 19% (2006 - 19%), and (iv) expected dividends of 1.3% (2006 - 1.3%). The weighted average fair value of options granted was estimated at \$4.34 (2006 - \$3.29) per share.

During the first quarter of 2007, 733,600 options were granted. Of this amount, 664,400 options, together with 320,000 options granted in 2006, are subject to shareholder and TSX approval.

## 8. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes the after tax change in unrealized gains and losses on available-for-sale securities and cash flow hedging activities.

		For the three months ended January 31 2007
<b>Available-for-sale securities</b>		
Transition adjustment on adoption of new accounting standards, net	(Note 2)	\$ (396)
Losses from changes in fair value, net of income taxes of \$540		(1,104)
Reclassification to earnings for gain on sale of securities, net of income taxes of \$40		79
Balance at end of period		(1,421)
<b>Derivatives designated as cash flow hedges</b>		
Transition adjustment on adoption of new accounting standards, net	(Note 2)	(1,098)
Losses from changes in fair value recognized in equity, net of income taxes of \$137		(275)
Reclassification to net interest income, net of income taxes of \$272		547
Balance at end of period		(826)
<b>Total accumulated other comprehensive income (loss)</b>		<b>\$ (2,247)</b>

# Notes to Interim Consolidated Financial Statements

## 9. Contingent Liabilities and Commitments

Significant contingent liabilities and commitments, including guarantees provided to third parties, are discussed in Note 21 of the Bank's audited consolidated financial statements for the year ended October 31, 2006 (see pages 63 to 64 of the 2006 Annual Report) and include:

	As at January 31 2007	As at October 31 2006	As at January 31 2006
Guarantees and standby letters of credit			
Balance outstanding	\$ 147,698	\$ 147,339	\$ 130,941
Business credit cards			
Total approved limit	7,646	8,291	5,374
Balance outstanding	1,701	1,883	1,181

In the ordinary course of business, the Bank and its subsidiaries are party to legal proceedings. Based on current knowledge, the Bank does not expect the outcome of any of these proceedings to have a material effect on the consolidated financial position or results of operations.

## 10. Trust Assets Under Administration

Trust assets under administration represent assets held for personal and corporate trust clients, administered by subsidiaries, and are kept separate from the subsidiaries' own assets. Trust assets under administration are not reflected in the consolidated balance sheet and relate to the banking and trust segment.

	As at January 31 2007	As at October 31 2006	As at January 31 2006
Trust assets under administration	\$ 3,553,590	\$ 3,344,414	\$ 2,972,357

## 11. Interest Rate Sensitivity

The Bank's exposure to interest rate risk as a result of a difference or gap between the maturity or repricing behavior of interest sensitive assets and liabilities, including derivative financial instruments at the notional amount of \$456,000, is discussed in Note 24 of the audited consolidated financial statements for the year ended October 31, 2006 (see page 65 of the 2006 Annual Report). The following table shows the gap position for selected time intervals.

(\$ millions)	Floating Rate or Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	Over 5 Years	Non- interest Sensitive	Total
<b>January 31, 2007</b>								
Total assets	\$ 3,320	\$ 393	\$ 1,418	\$ 5,131	\$ 2,594	\$ 172	\$ 124	\$ 8,021
Total liabilities and equity	3,420	537	1,274	5,231	1,952	118	720	8,021
Interest rate sensitive gap	\$ (100)	\$ (144)	\$ 144	\$ (100)	\$ 642	\$ 54	\$ (596)	\$ -
Cumulative gap	\$ (100)	\$ (244)	\$ (100)	\$ (100)	\$ 542	\$ 596	\$ -	\$ -
Cumulative gap as a percentage of total assets	(1.2%)	(3.0%)	(1.2%)	(1.2%)	6.8%	7.4%	-	-
<b>October 31, 2006</b>								
Cumulative gap	\$ (74)	\$ (292)	\$ (173)	\$ (173)	\$ 433	\$ 499	\$ -	\$ -
Cumulative gap as a percentage of total assets	(0.9%)	(3.7%)	(2.2%)	(2.2%)	5.5%	6.3%	-%	-%
<b>January 31, 2006</b>								
Cumulative gap	\$ 4	\$ (244)	\$ (111)	\$ (111)	\$ 359	\$ 495	\$ -	\$ -
Cumulative gap as a percentage of total assets	0.0%	(3.6%)	(1.7%)	(1.7%)	5.3%	7.4%	-%	-%

# Notes to Interim Consolidated Financial Statements

## 12. Segmented Information

The Bank operates principally in two industry segments – banking and trust, and insurance. These two segments differ in products and services but are both within the same geographic region. The banking and trust segment provides services primarily to personal clients and small to medium-sized commercial business clients in Western Canada. The insurance segment provides home and auto insurance to individuals in British Columbia and Alberta.

	Banking and Trust			Insurance		
	Three months ended			Three months ended		
	January 31 2007	October 31 2006	January 31 2006	January 31 2007	October 31 2006	January 31 2006
Net interest income (teb) <sup>(1)</sup>	\$ 48,148	\$ 44,971	\$ 38,947	\$ 1,061	\$ 999	\$ 767
Less teb adjustment	1,085	1,125	837	79	69	35
Net interest income per financial statements	47,063	43,846	38,110	982	930	732
Other income <sup>(2)</sup>	11,194	9,452	9,061	1,249	4,143	3,535
Total revenues	58,257	53,298	47,171	2,231	5,073	4,267
Provision for credit losses	2,550	2,550	2,550	-	-	-
Non-interest expenses	26,287	24,611	22,372	1,906	2,219	1,967
Provision for income taxes	9,233	6,901	7,303	54	881	808
Net income	\$ 20,187	\$ 19,236	\$ 14,946	\$ 271	\$ 1,973	\$ 1,492
Total average assets (\$ millions) <sup>(3)</sup>	\$ 7,220	\$ 6,872	\$ 5,730	\$ 155	\$ 161	\$ 140

	Total		
	Three months ended		
	January 31 2007	October 31 2006	January 31 2006
Net interest income (teb) <sup>(1)</sup>	\$ 49,209	\$ 45,970	\$ 39,714
Less teb adjustment	1,164	1,194	872
Net interest income per financial statements	48,045	44,776	38,842
Other income	12,443	13,595	12,596
Total revenues	60,488	58,371	51,438
Provision for credit losses	2,550	2,550	2,550
Non-interest expenses	28,193	26,830	24,339
Provision for income taxes	9,287	7,782	8,111
Net income	\$ 20,458	\$ 21,209	\$ 16,438
Total average assets (\$ millions) <sup>(3)</sup>	\$ 7,375	\$ 7,033	\$ 5,870

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

(2) Other income for the insurance segment is presented net of net claims, adjustment expenses and policy acquisition expenses and includes gains on sale of securities.

(3) Assets are disclosed on an average daily balance basis as this measure is most relevant to a financial institution and is the measure reviewed by management.

## 13. Comparative Figures

The October 31, 2006 balance sheet has been adjusted to correct the classification of certain amounts within deposit liabilities. As a result of this correction, deposits payable after notice increased \$45,582 and deposits payable on demand decreased \$45,582.

## 14. Future Accounting Changes

### International Financial Reporting Standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Bank's consolidated financial statements is not yet determinable.

### Capital Disclosures

The CICA issued a new accounting standard which requires the disclosure of both qualitative and quantitative information that enables financial statement users to evaluate the objectives, policies and processes for managing capital. This new standard is effective for the Bank beginning November 1, 2007.

## Head Office

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Website: [www.cwbankgroup.com](http://www.cwbankgroup.com)

## Subsidiary Offices

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Telephone: (800) 663-1124  
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Website: [www.cwt.ca](http://www.cwt.ca)

Canadian Direct Insurance Incorporated  
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Telephone: (604) 699-3678  
Fax: (604) 699-3851  
Website: [www.canadiandirect.com](http://www.canadiandirect.com)

Valiant Trust Company  
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Calgary, AB T2P 1T1  
Telephone: (403) 233-2801  
Fax: (403) 233-2857  
Website: [www.valianttrust.com](http://www.valianttrust.com)

## Stock Exchange Listing

The Toronto Stock Exchange  
Share Symbol: CWB

## Transfer Agent and Registrar

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Website: [www.valianttrust.com](http://www.valianttrust.com)  
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## Dividends

Cash dividends paid in the 2007 calendar year are "eligible dividends" as defined in the Income Tax Act.

## Investor Relations

For further financial information contact:  
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## Online Investor Information

Additional investor information including supplemental financial information and a corporate presentation is available on our website at [www.cwbankgroup.com](http://www.cwbankgroup.com).

## Complaints or Concerns Regarding Accounting, Internal Accounting Controls or Auditing Matters

Please contact either:

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or

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## Quarterly Conference Call and Webcast

Our quarterly conference call and live audio webcast took place on Thursday, March 8, 2007 at 3:30 p.m. ET. The webcast will be archived on our website at [www.cwbankgroup.com](http://www.cwbankgroup.com) for sixty days. A replay of the conference call will be available until March 23, 2007 by dialing (416) 640-1917 or toll free (877) 289-8525 and entering passcode 21217595, followed by the pound sign.