
CWB reports very strong financial performance led by 4% quarterly loan growth

Quarterly dividend declared of \$0.13 per CWB common share

Quarterly dividend declared on CWB preferred shares

First Quarter 2011 Highlights (compared to the same period in the prior year)

- Loan growth of 4% in the quarter and 17% over the past twelve months.
- Net income of \$44.0 million, up 10% (\$3.9 million), marking CWB's 91st consecutive profitable quarter. Diluted earnings per common share of \$0.54 was up 4% and includes the impact of warrants and the issuance of additional CWB common shares.
- Record quarterly total revenues (teb)⁽¹⁾ of \$121.8 million, up 21% (\$21.2 million).
- Tangible common equity to risk-weighted assets ratio⁽²⁾ of 8.9%, Tier 1 capital ratio of 11.6% and a total capital ratio of 16.5%.
- On March 2, 2011, declared a quarterly dividend of \$0.13 per CWB common share, an increase of 18% over the dividend declared a year earlier.
- CWB selected as one of *Canada's 10 Most Admired Corporate Cultures*TM.
- Total assets under administration⁽³⁾ surpassed \$9 billion.

⁽¹⁾ teb – taxable equivalent basis (see definition following the Financial Highlights table)

⁽²⁾ Tangible common equity to risk-weighted assets ratio (see definition following the Financial Highlights table)

⁽³⁾ Assets under administration include both trust assets under administration and third-party leases under service agreements

Edmonton, March 2, 2011 – Canadian Western Bank (TSX: CWB) today announced very strong financial performance marking the Bank's 91st consecutive profitable quarter. First quarter net income increased 10% to \$44.0 million compared to the same quarter last year while diluted earnings per common share increased 4% to \$0.54. Record quarterly total revenues (teb) of \$121.8 million grew 21% and reflect the combined positive impact of a 32 basis point improvement in net interest margin (teb), 17% loan growth and strong other income. All key performance metrics were positively impacted by the acquisition of National Leasing Group Inc. (National Leasing) except, as expected, the provision for credit losses.

First quarter net income for the banking and trust segment of \$41.4 million was up 13% over a year earlier. A significant improvement in net interest margin, strong loan growth and a 15% increase in other income helped push banking and trust segment total revenues (teb) up 24% to a record \$115.4 million. Quarterly net income from the insurance segment was \$2.5 million, down \$0.8 million compared to a year earlier as the positive impact of 6% growth in net earned premiums was more than offset by a lower contribution from the Alberta auto risk sharing pools.

"Our very strong first quarter performance is a great way to start the year and we believe there are reasons for continued optimism, including the significant economic potential in our western Canadian markets," said Larry Pollock, President and CEO. "While we expect there will be ongoing challenges, including increased competition, most of the key variables considered in our outlook are definitely leaning in CWB's favour."

"The Bank's solid capital base was further bolstered this quarter with the conversion of a significant block of warrants to CWB common shares. While the accounting treatment is dilutive as it relates to reported earnings per share, the additional capital increases our flexibility to take advantage of future growth opportunities. We continue to evaluate ways to most effectively deploy capital for the long-term benefit of CWB shareholders, and we believe our capital strength will become even more apparent as Canadian banks begin the transition to Basel III capital standards," added Pollock.

Financial Highlights

(unaudited) (\$ thousands, except per share amounts)	For the three months ended			Change from January 31 2010
	January 31 2011	October 31 2010	January 31 2010	
Results of Operations				
Net interest income (teb - see below)	\$ 93,426	\$ 89,206	\$ 74,306	26 %
Less teb adjustment	2,744	3,179	2,563	7
Net interest income per financial statements	90,682	86,027	71,743	26
Other income	28,421	22,364	26,366	8
Total revenues (teb)	121,847	111,570	100,672	21
Total revenues	119,103	108,391	98,109	21
Net income	43,952	39,107	40,035	10
Earnings per common share				
Basic ⁽¹⁾	0.59	0.53	0.57	4
Diluted ⁽²⁾	0.54	0.48	0.52	4
Diluted cash ⁽³⁾	0.55	0.49	0.52	6
Return on common shareholders' equity ⁽⁴⁾	16.4 %	15.1 %	18.0 %	(160) bp ⁽⁵⁾
Return on assets ⁽⁶⁾	1.24	1.13	1.25	(1)
Efficiency ratio ⁽⁷⁾ (teb)	45.2	46.6	40.0	520
Efficiency ratio	46.3	47.9	41.0	530
Net interest margin (teb) ⁽⁸⁾	2.88	2.84	2.56	32
Net interest margin	2.79	2.74	2.47	32
Provision for credit losses as a percentage of average loans	0.23	0.21	0.16	7
Per Common Share				
Cash dividends	\$ 0.13	\$ 0.11	\$ 0.11	18 %
Book value	14.35	14.08	12.67	13
Closing market value	29.64	25.36	20.56	44
Common shares outstanding (thousands)	69,703	66,641	63,977	9
Balance Sheet and Off-Balance Sheet Summary				
Assets	\$ 12,946,217	\$ 12,701,691	\$ 11,641,634	11
Loans	10,886,889	10,496,464	9,282,180	17
Deposits	10,786,341	10,812,767	10,003,921	8
Subordinated debentures	545,000	315,000	315,000	73
Shareholders' equity	1,210,224	1,148,043	1,020,642	19
Assets under administration	9,013,307	8,530,716	5,461,921	65
Assets under management	804,486	795,467	880,786	(9)
Capital Adequacy⁽⁹⁾				
Tangible common equity to risk-weighted assets ⁽¹⁰⁾	8.9 %	8.5 %	8.4 %	50 bp
Tier 1 ratio	11.6	11.3	11.6	-
Total ratio	16.5	14.3	15.1	140

⁽¹⁾ Basic earnings per share is calculated as net income less preferred share dividends divided by the average number of common shares outstanding.

⁽²⁾ Diluted earnings per share is calculated as net income less preferred share dividends divided by the average number of common shares outstanding adjusted for the dilutive effects of stock options and warrants.

⁽³⁾ Diluted cash earnings per share is diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets.

⁽⁴⁾ Return on common shareholders' equity is calculated as annualized net income after preferred share dividends divided by average common shareholders' equity.

⁽⁵⁾ bp – basis point change.

⁽⁶⁾ Return on assets is calculated as annualized net income after preferred share dividends divided by average total assets.

⁽⁷⁾ Efficiency ratio is calculated as non-interest expenses divided by total revenues.

⁽⁸⁾ Net interest margin is calculated as annualized net interest income divided by average total assets.

⁽⁹⁾ Capital adequacy is calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).

⁽¹⁰⁾ Tangible common equity to risk-weighted assets is calculated as shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by OSFI.

Taxable Equivalent Basis (teb)

Most banks analyze revenues 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 GAAP and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures

Taxable equivalent basis, diluted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, provision for credit losses as a percentage of average loans and tangible common equity to risk-weighted assets do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures presented by other financial institutions.

Message to Shareholders

Canadian Western Bank (CWB or the Bank) is pleased to report very strong first quarter performance reflecting continued growth and increased business optimism about the economic outlook in the Bank's key geographic markets in Western Canada. Highlights in the quarter included the achievement of 4% loan growth, record total revenues (teb – see definition following Financial Highlights table) and a continued positive trend for credit quality. Results also marked the Bank's 91st consecutive profitable quarter, a period spanning almost 23 years.

Net income of \$44.0 million was up 10% (\$3.9 million) compared to the same quarter last year while diluted earnings per common share increased 4% (\$0.02) to \$0.54. Higher growth in net income compared to diluted earnings per share mainly reflects the impact of warrants and additional CWB common shares issued. Record total revenues (teb) of \$121.8 million increased 21% (\$21.2 million) on the combined positive impact of a 32 basis point improvement in net interest margin (teb) to 2.88%, 17% loan growth and 8% (\$2.1 million) growth in other income. The acquisition of National Leasing, effective February 1, 2010, had a positive impact on all key financial performance metrics except, as expected, the provision for credit losses.

Compared to last quarter, net income and diluted earnings per common share both increased 12% (\$4.8 million and \$0.06 per share, respectively) due to 27% growth in other income, the positive contribution of loan growth and a slightly higher net interest margin, partially offset by increased non-interest expenses and a higher provision for credit losses.

The Bank's Tier 1 and total capital ratios at January 31, 2011 remained very strong at 11.6% and 16.5%, respectively. The tangible common equity ratio, which represents the highest quality form of capital, was also very strong at 8.9%. The Bank issued \$300 million of subordinated debentures in the quarter, and redeemed \$70 million, which supported our objective to maintain a strong position as we transition to the new regulatory capital framework known as Basel III. Based on the Bank's straightforward capital structure, including an already strong base of tangible common equity, we expect to be compliant with the new capital rules well before the Basel III transition requirements take effect in 2013.

The quarterly return on common shareholders' equity of 16.4% was down 160 basis points from the same quarter last year as the benefit of higher net income was more than offset by a comparatively larger increase in the average balance of common shareholders' equity. Compared to the prior quarter, return on common shareholders' equity increased 130 basis points. First quarter return on assets of 1.24% was relatively unchanged from a year earlier and up 11 basis points compared to last quarter.

Dividends

On March 2, 2011, CWB's Board of Directors declared a cash dividend of \$0.13 per common share, payable on March 31, 2011 to shareholders of record on March 17, 2011. This quarterly dividend is unchanged from the previous quarter and is 18% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of \$0.453125 per Series 3 Preferred Share payable on April 30, 2011 to shareholders of record on April 21, 2011.

Loan Growth

Total loans grew 4% (\$390 million) in the quarter and 17% (\$1,605 million) over the last twelve months. The level of loan growth reflects strong performance across all lending sectors, including the contribution from National Leasing. The strongest growth in the quarter by sector was in general commercial lending. The equipment financing portfolio benefited from positive results in both small-ticket leasing and the heavy equipment financing portfolio. The overall volume in the pipeline for new loans improved slightly compared to recent prior periods and is consistent with our expectations for favourable economic growth in Western Canada. Better than expected first quarter loan growth has the Bank well positioned to meet or exceed our fiscal 2011 target of 10%.

Credit Quality

Overall credit quality remained satisfactory and continued to show signs of improvement consistent with increased economic activity in the Bank's key geographic markets. Gross impaired loans totaled \$132.4 million at quarter end, compared to \$143.2 million last quarter and \$146.4 million a year earlier. While we expect the dollar level of gross impaired loans will continue to fluctuate, this represents the third consecutive quarter we have realized a reduction from the peak reached in the second quarter of 2010 of \$167.2 million. Based on our assessment of the current environment, actual losses are expected to remain within the Bank's historical range of acceptable levels. The quarterly provision for credit losses increased

\$0.8 million compared to the prior quarter to \$6.2 million and represented 23 basis points of average loans, within our 2011 target range of 20 to 25 basis points.

Branch Deposit Growth

Deposits raised through our branch network and trust companies were up 2% in the quarter and 11% compared to a year earlier. The demand and notice component within branch-raised deposits, which include lower cost deposits, was up 5% from last quarter and grew 15% over the past year. Growth compared to the prior year reflects both business growth and the ongoing success of Canadian Western Trust Company in generating deposits through its fiduciary business. The achievement of further diversification and growth of our internal funding sources remains a priority to enhance our competitive position and support net interest margin.

Net Interest Margin

Net interest margin (teb) of 2.88% improved from 2.56% in the first quarter last year mainly reflecting more favourable yields on fixed rate loans, reduced deposit costs and lower liquidity levels. Compared to the prior quarter, net interest margin (teb) increased four basis points and remained above our 10-year average of approximately 2.55%. The main factor supporting net interest margin above the Bank's average historical level is the considerably higher yield earned on National Leasing's fixed rate assets. Ongoing competitive influences and other factors support our expectation that a meaningful improvement in margin over that achieved in the current period is unlikely. Based on our current interest rate sensitivity, increases in the prime rate are expected to positively impact net interest income.

Outlook

First quarter performance continued to build off our record results last year and represents an excellent start for fiscal 2011. Although it is still early in the year, we are optimistic about our ability to meet or surpass all of our 2011 minimum performance targets. Strong loan growth was apparent across all lending sectors and this achievement will benefit earnings for the remainder of the year. We are seeing positive trends in both credit quality and the volume in our pipeline for new loans, which we believe reflects increasing confidence about economic opportunities in our key western Canadian markets. All of our subsidiaries continue to perform very well and have excellent growth prospects looking forward. The Bank's solid balance sheet and strong capital base ensures we are well positioned to meet forthcoming changes to regulatory capital standards. It also provides flexibility to capitalize on opportunities, as well as manage through any unforeseen challenges that may arise.

We look forward to reporting our fiscal 2011 second quarter results on June 2, 2011.

Fiscal 2011 First Quarter Results Conference Call

CWB's first quarter results conference call is scheduled for Thursday, March 3, 2011 at **1:30 p.m. ET (11:30 a.m. MT)**. The Bank's executives will comment on financial results and respond to questions from analysts and institutional investors.

The conference call may be accessed on a listen-only basis by dialing 647-427-7450 or toll-free 1-888-231-8191. The call will also be webcast live on the Bank's website, www.cwbankgroup.com.

A replay of the conference call will be available until March 17, 2011 by dialing 416-849-0833 (Toronto) or 1-800-642-1687 (toll-free) and entering passcode 41328955.

About Canadian Western Bank Group

Canadian Western Bank offers a full range of business and personal banking services across the four western provinces and is the largest publicly traded Canadian bank headquartered in Western Canada. The Bank, along with its operating subsidiaries, National Leasing Group Inc., Canadian Western Trust Company, Valiant Trust Company, Canadian Direct Insurance Incorporated, Adroit Investment Management Ltd. and Canadian Western Financial Ltd., collectively offer a diversified range of financial services across Canada and are together known as the Canadian Western Bank Group. The common shares of Canadian Western Bank are listed on the Toronto Stock Exchange under the trading symbol "CWB". The Bank's Series 3 Preferred Shares and common share purchase warrants trade on the Toronto Stock Exchange under the trading symbols "CWB.PR.A" and "CWB.WT", respectively. Refer to www.cwbankgroup.com for additional information.

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Management's Discussion and Analysis

This management's discussion and analysis (MD&A) should be read in conjunction with Canadian Western Bank's (CWB or the Bank) unaudited interim consolidated financial statements for the period ended January 31, 2011, as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2010, available on SEDAR at www.sedar.com and the Bank's website at www.cwbankgroup.com. Except where indicated below, the factors discussed and referred to in the MD&A for fiscal 2010 remain substantially unchanged.

Overview

CWB recorded very strong first quarter results reflecting sound financial performance from both business segments. Consolidated net income increased 10% (\$3.9 million) over the same quarter last year to \$44.0 million. First quarter diluted earnings per common share was \$0.54 (\$0.59 basic), up 4%. Lower percentage growth for diluted earnings per common share compared to net income mainly reflects the dilution from CWB's outstanding warrants and 2.1 million CWB common shares issued as partial consideration for the acquisition of National Leasing Group Inc. (National Leasing) on February 1, 2010, partially offset by 2.0 million warrants purchased and canceled to date through the Bank's Normal Course Issuer Bids. An additional 2.9 million CWB common shares were issued in the latter part of the first quarter through the exercise of warrants for total consideration to the Bank of \$40.6 million.

Measured by business segment, banking and trust segment net income of \$41.4 million increased 13% (\$4.7 million) compared to the first quarter last year. The positive impact on total revenues due to an improved net interest margin, 17% (\$1,605 million) loan growth and 15% (\$3.2 million) growth in other income more than offset 38% (\$14.4 million) higher non-interest expenses and a \$2.5 million increase in the quarterly provision for credit losses. The acquisition of National Leasing, effective on February 1, 2010 (refer to Note 34 of the audited consolidated financial statements for the year ended October 31, 2010 for details on the acquisition) positively impacted overall performance and contributed to record total revenues, on a taxable equivalent basis (teb – see definition following Financial Highlights table), of \$115.4 million. The insurance segment, which includes the operations of Canadian Direct Insurance Incorporated (Canadian Direct or CDI), posted quarterly net income of \$2.5 million, down \$0.8 million from a year ago as the benefit of a 6% increase in net earned premiums was more than offset by a lower contribution from Canadian Direct's share of the Alberta auto risk sharing pools (the Pools).

Net income increased 12% (\$4.8 million) compared to the previous quarter as 27% (\$6.1 million) growth in other income, the positive contribution from loan growth and a four basis point improvement in net interest margin (teb) more than offset the combined impact of 6% (\$3.2 million) higher non-interest expenses and a \$0.8 million increase in the provision for credit losses.

First quarter return on common shareholders' equity of 16.4% was down 160 basis points compared to a year earlier as the benefit of higher net income was more than offset by an increase in the average balance of common shareholders' equity due to net profits retained to support continued growth and common shares issued. Compared to the prior quarter, return on common shareholders' equity increased 130 basis points. The quarterly return on assets was 1.24%, compared to 1.25% a year earlier and 1.13% last quarter.

Total Revenues (teb)

Total revenues (teb), comprising both net interest income and other income, reached a record \$121.8 million for the quarter, up 21% (\$21.2 million) compared to a year earlier. Quarterly net interest income grew 26% (\$19.1 million) to reach a record \$93.4 million driven by net interest margin improvement and loan growth, while other income was up 8% (\$2.1 million) to \$28.4 million. Total revenues increased 9% (\$10.3 million) compared to last quarter reflecting \$4.2 million growth in net interest income and \$6.1 million higher other income. Growth in other income over the fourth quarter of 2010 reflected improved results across all categories, including a \$3.2 million increase in gains on sale of securities.

Net Interest Income (teb)

Growth in quarterly net interest income (teb) of 26% (\$19.1 million) was driven by a 32 basis point improvement in net interest margin to 2.88% and 17% loan growth. The improvement in net interest margin compared to the same quarter in 2010 reflects more favourable yields on fixed rate loans, reduced deposit costs and lower liquidity levels. The increased yield on fixed rate loans largely reflects the positive impact from National Leasing's portfolio. Net interest income was up 5% (\$4.2 million) compared to the prior quarter as a result of loan growth and a four basis point improvement in net interest margin.

Ongoing competitive influences and other factors suggest that a meaningful improvement in net interest margin over that achieved in the current period is unlikely. Based on the current asset and liability composition, increases in the prime lending interest rate would have a positive impact on net interest margin. Note 13 to the unaudited interim consolidated financial statements summarizes the Bank's exposure to interest rate risk as at January 31, 2011. The estimated sensitivity of net interest income to a change in interest rates is presented in the table below. The amounts represent the estimated change in net interest income over the time periods shown resulting from a one-percentage point change in interest rates. The January 31, 2011 estimates are based on a number of assumptions and factors, which include:

- a constant structure in the interest sensitive asset and liability portfolios;
- floor levels for various deposit liabilities;
- interest rate changes affecting interest sensitive assets and liabilities by proportionally the same amount and applied at the appropriate re-pricing dates; and
- no early redemptions.

(\$ thousands)	January 31 2011	October 31 2010	January 31 2010
Impact of 1% increase in interest rates			
1 year	\$ 8,894	\$ 7,372	\$ (2,066)
1 year percentage change	2.7 %	2.3 %	(0.8)%
Impact of 1% decrease in interest rates			
1 year	\$ (11,938)	\$ (4,703)	\$ 8,532
1 year percentage change	(3.7)%	(1.5)%	3.2 %

As at January 31, 2011, it is estimated that a one-percentage point increase in interest rates would increase net interest income by approximately 2.7% over the following twelve months; this compares to October 31, 2010 when it was estimated that a one-percentage point increase in interest rates would have increased net interest income by approximately 2.3% over the following twelve months.

It is estimated that a one-percentage point decrease in interest rates as at January 31, 2011, would decrease net interest income by approximately 3.7% over the following twelve months; this compares to October 31, 2010 when it was estimated that a one-percentage point decrease in interest rates would have decreased net interest income by approximately 1.5% over the following twelve months.

Based on the interest rate gap position at January 31, 2011, it is estimated that a one-percentage point increase in interest rates would decrease unrealized gains related to available-for-sale securities within other comprehensive income by \$8.2 million, net of tax (October 31, 2010 – \$9.8 million); it is estimated that a one-percentage point decrease in all interest rates at January 31, 2011 would increase unrealized gains related to available-for-sale securities within other comprehensive income by a similar amount.

It is management's intention to continue to manage the asset liability structure and interest rate sensitivity within the Bank's established policies through pricing and product initiatives, as well as the use of interest rate swaps or other appropriate hedging techniques.

Other Income

First quarter other income of \$28.4 million was up 8% (\$2.1 million) from a year earlier as growth in credit related and retail services fee income, coupled with securitization revenue and an increase in the "other" category within other income, more than offset the impact of a \$2.3 million reduction in gains on sale of securities to \$4.2 million and lower net insurance revenues. The level of gains on sale of securities in the quarter were mainly realized due to a reduction in the Bank's investments in preferred shares of other financial institutions. Management's choice to reposition a portion of these preferred shares reflects forthcoming changes under the new regulatory capital framework known as Basel III that requires a deduction from regulatory capital for amounts over a certain threshold for this type of investment. Based on general market expectations and the current composition of the securities portfolio, management believes gains on sale of securities as a source of other income will remain below the high levels achieved in 2009 and the first two quarters of 2010. Credit related fee income increased 21% (\$1.5 million) over the same period last year and was consistent with strong loan growth. Retail services fee income was up 22% (\$0.4 million). Securitization revenues were attributed to National Leasing, as was the majority of the increase in the "other" category within other income. Trust and wealth management fee income remained relatively unchanged while net insurance revenues were down 19% (\$1.1 million) mainly reflecting a \$1.5 million lower before tax profit from Canadian Direct's share of the Pools.

Other income was up 27% (\$6.1 million) compared to the previous quarter reflecting growth across all categories, including \$3.2 million higher gains on sale of securities and a \$1.2 million growth in credit related fee income. Trust and wealth management fee income and securitization revenues were both up \$0.4 million.

Credit Quality

Overall credit quality remained satisfactory and within expectations given increased economic activity and a more positive outlook in key western Canadian markets. The dollar level of gross impaired loans decreased for the third consecutive quarter, but remains above the Bank's historical average reflecting the post-recessionary environment. The total number of accounts classified as impaired was up slightly compared to last quarter, but down 17% compared to a year earlier.

(unaudited) (\$ thousands)	For the three months ended			Change from January 31 2010
	January 31 2011	October 31 2010	January 31 2010	
Gross impaired loans, beginning of period	\$ 143,207	\$ 149,976	\$ 137,944	4 %
New formations	32,888	33,602	45,745	(28)
Reductions, impaired accounts paid down or returned to performing status	(33,628)	(37,540)	(30,682)	10
Write-offs	(10,047)	(2,831)	(6,605)	15
Total⁽³⁾	\$ 132,420	\$ 143,207	\$ 146,402	(10)%
Balance of the ten largest impaired accounts	\$ 63,909	\$ 79,721	\$ 79,513	(20)%
Total number of accounts classified as impaired ⁽⁴⁾	195	189	234	(17)
Total number of accounts classified as impaired under \$1 million ⁽⁴⁾	169	163	209	(19)
Gross impaired loans as a percentage of total loans ⁽¹⁾	1.21 %	1.35 %	1.57 %	(14) bp ⁽²⁾

(1) Total loans do not include an allocation for credit losses or deferred revenue and premiums.

(2) bp – basis point change.

(3) Gross impaired loans includes foreclosed assets held for sale with a carrying value of \$1,591 (October 31, 2010 – \$867 and January 31, 2010 – nil).

(4) Total number of accounts excludes National Leasing accounts.

Gross impaired loans at January 31, 2011 were \$132.4 million, compared to \$143.2 million last quarter and \$146.4 million a year earlier. The ten largest accounts classified as impaired, measured by dollars outstanding, represented approximately 48% of the total gross impaired loans at quarter end, compared to 55% in the prior quarter and 54% a year earlier. New formations of impaired loans in the quarter totaled \$32.9 million, compared to \$45.7 million a year earlier.

The dollar level of gross impaired loans represented 1.21% of total loans at quarter end, compared to 1.35% last quarter and 1.57% one year ago. While there are positive signs, the current credit cycle continues to run its course and management expects the dollar level of gross impaired loans will fluctuate until the economic recovery strengthens further. The dollar level of gross impaired loans goes up and down as loans become impaired and are subsequently resolved and does not directly reflect the dollar value of expected write-offs given the tangible security held against the Bank's lending positions. The Bank establishes its current estimates of expected write-offs through detailed analyses of both the overall quality and ultimate marketability of the security held against impaired accounts. Actual credit losses are expected to remain within the Bank's historical range of acceptable levels.

The first quarter provision for credit losses measured against average loans of 23 basis points was within the Bank's fiscal 2011 target range of 20 to 25 basis points and includes the impact of National Leasing. Compared to the Bank's lending portfolio, the nature of National Leasing's business leads to a higher provision for credit losses measured as a percentage of loans. Based on the current environment and outlook, management believes the provision for credit losses will remain within the fiscal 2011 target range.

The Bank's long-standing strategy with respect to managing the allowance for credit losses has been to maintain a relatively consistent provision to cover both identified and unidentified losses. The general allowance for credit losses represents an estimate of losses inherent in the portfolio that are not presently identifiable on an account-by-account basis and management expects that the level of the general allowance will fluctuate as specific losses are recognized and subsequently written-off. Based on results from ongoing stress testing of the portfolio, the adequacy of the general allowance for credit losses is deemed sufficient in consideration of management's current assessment of credit quality and the secured nature of the loan portfolio.

The total allowance for credit losses (general and specific) represented 57% of gross impaired loans at quarter end, compared to 55% last quarter and 50% one year ago. The total allowance for credit losses was \$75.0 million at January 31, 2011, compared to \$78.6 million last quarter and \$72.6 million a year earlier. The general allowance at January 31, 2011 was \$60.2 million, up from \$59.6 million last quarter and \$59.0 million a year earlier. The general allowance as a percentage of risk-weighted loans was 64 basis points, down from 66 basis points last quarter and 70 basis points one year ago.

Non-interest Expenses

Effective execution of CWB's strategic plan, which is focused on profitable growth over the long-term, will continue to require increased spending in certain areas. Significant expenditures relate to additional staff complement as well as expanded premises and technology upgrades. Spending in these areas is an integral part of the Bank's commitment to maximize shareholder value and is expected to provide material benefits in future periods. In support of management's objective to enhance market presence, a new full-service banking branch is expected to open in Richmond, British Columbia (BC) in late 2011 and other new branch locations are currently under consideration. Management's objective is to offer business and personal banking services through 50 CWB branches by 2015; this compares to the current branch count of 39. A key technology highlight in the first quarter was the successful pilot of the Bank's new loan origination system that is expected to provide significant efficiencies, as well as enhanced statistical tracking and portfolio management capabilities going forward. The roll-out of the system to all CWB branches has commenced.

First quarter non-interest expenses of \$55.1 million were up 37% (\$14.9 million) compared to last year with the acquisition of National Leasing contributing \$6.1 million (41%) of the year-over-year difference, including \$1.1 million of additional amortization of intangibles. The opening of two new full-service branches in the fourth quarter of 2010 further contributed to the increase in non-interest expenses. Total salary and benefit costs increased \$9.2 million, other expenses were \$3.1 million higher and premises and equipment expenses were up \$1.8 million. Within non-interest expenses and excluding the impact of National Leasing, salary and benefit costs were up 19% (\$5.0 million) mainly reflecting increased staff complement, additional stock-based compensation charges, annual salary increases and a special bonus of \$250 paid to every CWB Group employee for recognition of exceptional achievements in 2010. National Leasing represented \$0.6 million of the increase in premises and equipment expenses, including depreciation, with the remainder due to premises and technology infrastructure investment across other business areas. Other non-interest expense included \$1.2 million of costs related to National Leasing. Provincial capital taxes were \$0.7 million higher as the Bank's capital position surpassed the threshold to qualify for the lower rate in BC before the 2010 fiscal year end. Capital taxes in BC were eliminated in April 2010 and this differential represents a one-time adjustment.

Compared to the prior quarter, non-interest expenses were up 6% (\$3.2 million) as a \$1.4 million reduction in other expenses was more than offset by a \$3.5 million increase in salary and benefit costs due to the factors already noted, as well as higher expense related to restricted share units reflecting CWB's higher average share price in the quarter.

The first quarter efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb), of 45.2% compared to 40.0% a year earlier and 46.6% in the previous quarter. In consideration of expected revenue growth and planned expenditures, management believes the efficiency ratio will meet its 2011 target of 46% or better.

Income Taxes

The first quarter income tax rate (teb) was 27.3%, down 200 basis points from one year ago, while the tax rate before the teb adjustment was 23.8%, or 210 basis points lower. The lower tax rate compared to the same period last year mainly reflects the 150 basis point decrease in the basic federal income tax rate and the 50 basis point reduction in the provincial income tax rate in BC, both effective January 1, 2011. CWB's expected income tax rate (teb) for fiscal 2011 is 28.4%, or 24.4% before the teb adjustment.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes, and totaled \$39.1 million for the first quarter, compared to \$42.7 million in the same period last year. The decrease in comprehensive income reflects a 10% (\$3.9 million) improvement in net income offset by a \$7.6 million decrease in OCI. The change in OCI mainly reflects market value fluctuations in available-for-sale securities as well as the volume of gains reclassified to other income when securities are

sold. While the combined dollar investment in preferred shares and common equities is relatively small in relation to total liquid assets, it increases the potential for comparatively larger fluctuations in OCI.

Balance Sheet

Total assets increased 2% (\$245 million) in the quarter and 11% (\$1,305 million) in the past year to reach \$12,946 million at January 31, 2011.

Cash and Securities

Cash, securities and securities purchased under resale agreements totaled \$1,754 million at January 31, 2011, compared to \$1,876 million last quarter and \$2,170 million one year ago (refer to the *Treasury Management* section of this MD&A for additional details). The unrealized gain recorded on the balance sheet at January 31, 2011 was \$24.8 million, compared to \$32.1 million last quarter and \$29.7 million a year earlier. The change in unrealized gains compared to the prior quarter was largely attributed to a reduction in the market value of the preferred share portfolio and realized gains included in other income, partially offset by an increase in unrealized gains on the Bank's investment in common equities. Unrealized gains in the preferred share portfolio totaled \$9.1 million at January 31, 2011, compared to \$18.3 million last quarter. The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve.

Realized gains on sale of securities in the first quarter were \$4.2 million, compared to \$1.0 million in the previous quarter and \$6.5 million a year earlier. The majority of gains on sale of securities in the current period were attributed to the sale of preferred shares of other financial institutions, which will require a deduction from regulatory capital under Basel III for amounts over a certain threshold. Gains on sale of securities in prior periods mainly resulted from a steep interest rate curve and wide credit spreads that allowed the Bank to capitalize on specific investment strategies. Looking forward, the quarterly dollar amount of gains on sale of securities is expected to be below the high levels achieved in fiscal 2009 and the first two quarters of 2010.

Treasury Management

As the economic recovery has continued to unfold, the Bank's liquidity has been reduced compared to the high levels maintained in prior periods. Additionally, the Bank continues to refine its methodologies for measuring and monitoring liquidity risk. Use of dynamic scenario analysis has allowed for a reduction in the level of liquid asset coverage while continuing to maintain prudent liquidity standards. Lower liquidity has a positive impact on net interest margin.

During the quarter, DBRS Limited issued credit ratings on the Bank's senior debt (deposits) and subordinated debentures of "A (low)" and "BBB (high)", respectively, both with a stable outlook. Credit ratings do not comment on market price or suitability of any financial instrument for a particular investor and are not recommendations to purchase, sell or hold securities. Ratings are subject to revision or withdrawal at any time by the rating organization. Management believes the rating will help increase the breadth of clients and investors who can participate in CWB's deposit and debt offerings while also lowering the Bank's overall cost of capital.

In addition to the Basel III rules text described in the Capital Management section of this MD&A, the Bank for International Settlements (BIS) finalized liquidity proposals initially described in its document entitled *International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The results remain subject to significant transition and monitoring activities, and revisions are expected. It is still too early to tell how this transition will impact CWB. After an observation period beginning in 2011, it is expected the BIS will introduce a *Liquidity Coverage Ratio* (LCR) to become effective on January 1, 2015. A *Net Stable Funding Ratio* (NSFR) is expected to be transitioned to a minimum standard by January 1, 2018.

Loans

Total loans of \$10,887 million grew 4% (\$390 million) in the quarter and 17% (\$1,605 million) in the past twelve months, including \$526 million of on-balance sheet loans at January 31, 2011 attributed to National Leasing. Measured by geographic concentration, all provinces except Manitoba showed positive quarterly loan growth led by strong performance in both BC and Alberta. Each lending sector also showed strong growth with the largest dollar contributions coming from general commercial, real estate lending and

equipment financing. Personal loans and mortgages and oil and gas production loans, which represent a comparatively smaller percentage of the total portfolio, showed strong quarterly results as well. The level of activity in the heavy equipment financing business is showing improved momentum and management remains optimistic about increased lending opportunities in this area moving forward. Management also continues to believe Western Canada's resource-based economies are poised for a comparatively stronger recovery than the rest of Canada. While there are still uncertainties about both the strength and sustainability of the economic recovery, as well as expectations for continued challenges, CWB is well positioned to meet or exceed its fiscal 2011 loan growth target of 10%.

Loans in the Bank's alternative mortgage business, Optimum Mortgage (Optimum), increased 6% in the quarter and 37% over the past twelve months to reach \$841 million. Results in the quarter reflected growth in both higher ratio insured mortgages and uninsured mortgages. Uninsured mortgages continue to be secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 70%, and represented about 61% of Optimum's total portfolio at quarter end. Management remains committed to further developing the alternative mortgage business as it continues to produce strong returns while maintaining an acceptable risk profile. Optimum's portfolio of insured mortgages is also expected to provide a continued source of growth.

Deposits

Total branch deposits, including those raised by trust services, were up 2% (\$153 million) in the quarter and 11% (\$682 million) compared to a year earlier. The demand and notice component within branch deposits was up 5% (\$165 million) over last quarter and 15% (\$475 million) compared to the same time last year. Growth in demand and notice deposits supports management's objective to further enhance and diversify the Bank's funding sources and can also improve net interest margin.

Total deposits at quarter end were \$10,786 million, down slightly from the previous quarter and up 8% (\$782 million) over the past year. Total branch deposits represented 63% of total deposits at January 31, 2011, compared to 61% in both the previous quarter and a year earlier. Demand and notice deposits were 34% of total deposits, up from 33% at October 31, 2010 and 32% a year earlier.

Other Assets and Other Liabilities

Other assets at January 31, 2011 totaled \$306 million, compared to \$329 million last quarter and \$190 million one year ago. The change in other assets compared to a year earlier mainly reflects the acquisition of National Leasing (refer to Note 34 of the audited consolidated financial statements for the year ended October 31, 2010 for details on the acquisition), including increases in goodwill and other intangible assets, net of taxes, of \$27.9 million and \$27.3 million, respectively. Other liabilities at quarter end were \$405 million, compared to \$426 million the previous quarter and \$302 million last year.

Off-Balance Sheet

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, including both trust assets under administration and third-party leases under service agreements, totaled \$9,013 million at January 31, 2011, compared to \$8,531 million last quarter and \$5,462 million one year ago. Assets under management held within Adroit Investment Management Ltd. were \$804 million at quarter end, compared to \$795 million last quarter and \$881 million one year ago. The gross amount of securitized assets at quarter end attributed to National Leasing was \$170 million, compared to \$199 million last quarter and nil one year ago. Management expects to retain future leases underwritten by National Leasing on-balance sheet and the level of securitized assets will decrease as existing portfolios reach maturity. Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit), and the non-consolidated variable interest entity. CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Notes 8, 15 and 21 of the audited consolidated financial statements on pages 87, 93 and 98 respectively in the Bank's 2010 Annual Report.

Capital Management

At January 31, 2011, CWB's total capital adequacy ratio, which measures regulatory capital as a percentage of risk-weighted assets, was 16.5%, up from 14.3% last quarter and 15.1% one year ago. The Tier 1 ratio was 11.6% at January 31, 2011, up from 11.3% last quarter and unchanged from a year earlier. Current minimums for the total and Tier 1 capital adequacy ratios of Canadian Banks as set by the Office of the Superintendent of Financial Institutions Canada (OSFI) are 10% and 7%, respectively.

Compared to one year ago, the Bank's Tier 1 regulatory capital increased with the retention of earnings, net of dividends and warrant purchases under the Bank's Normal Course Issuer Bids (refer to Note 9 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2010 for further details), and the issuance of additional CWB common shares (including 2.1 million shares issued as partial consideration for National Leasing and 2.9 million shares issued upon the exercise of warrants), partially offset by goodwill attached to the acquisition and a capital deduction relating to its securitized assets. In calculating capital adequacy ratios, 50% of the total deduction for securitized assets is deducted from Tier 1 capital and 50% from total capital. Total regulatory capital was impacted by the foregoing factors, as well as the redemption of \$70 million and issuance of \$300 million subordinated debentures in November 2010, and an increased deduction for the investment in CWB's insurance subsidiary. Further details regarding changes in CWB's regulatory capital and capital adequacy ratios compared to prior periods are included in the following table:

(unaudited) (\$ millions)	As at January 31 2011	As at October 31 2010	As at January 31 2010	Change from January 31 2010
Regulatory Capital				
Tier 1 Capital before deductions	\$ 1,297.4	\$ 1,230.3	\$ 1,104.2	\$ 193.2
Less: Goodwill	(37.9)	(37.7)	(9.4)	(28.5)
Securitization (National Leasing)	(9.2)	(8.9)	-	(9.2)
Tier 1 Capital	1,250.3	1,183.7	1,094.8	155.5
Tier 2 Capital before deductions	618.4	390.7	386.1	232.3
Less: Investment in insurance subsidiary	(71.5)	(69.0)	(60.1)	(11.4)
Securitization (National Leasing)	(9.2)	(8.9)	-	(9.2)
Total Tier 2 Capital	537.7	312.8	326.0	211.7
Total Regulatory Capital	\$ 1,788.0	\$ 1,496.5	\$ 1,420.8	\$ 367.2
Risk Weighted Assets	\$ 10,817.9	\$ 10,490.2	\$ 9,422.4	\$ 1,395.5
Tier 1 capital adequacy ratio	11.6 %	11.3 %	11.6 %	- bp ⁽¹⁾
Total capital adequacy ratio	16.5	14.3	15.1	140

⁽¹⁾ bp – basis point change.

CWB expects to remain very well capitalized. Existing capital coupled with the retention of earnings and subordinated debentures issued in the quarter should more than support capital requirements associated with forthcoming regulatory changes and expected organic asset growth. The Bank's strong capital ratios provide considerable flexibility and management continues to evaluate opportunities to deploy capital for the long-term benefit of CWB shareholders.

In December 2010, the Basel Committee on Banking Supervision of the BIS (the Committee) published the Basel III rules text supporting new global standards on capital adequacy and liquidity. In February 2011, OSFI issued guidance and advisories on its implementation plan for all Canadian financial institutions, including a draft advisory regarding the treatment of non-viability contingent capital (NVCC). Although Basel III will have a significant impact on the type of instruments that qualify as regulatory capital in the future, preliminary calculations support management's expectation that CWB will be in compliance with the proposed new ratios well before the transition requirements take effect in 2013. Management intends to disclose the Bank's Basel III pro-forma ratios in the second quarter once a more robust set of assumptions has been fully developed and reviewed.

Further information relating to the Bank's capital position is provided in Note 15 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2010.

Book value per common share at January 31, 2011 was \$14.35 compared to \$14.08 last quarter and \$12.67 one year ago.

Common shareholders received a quarterly cash dividend of \$0.13 per common share on January 13, 2011. On March 2, 2011, CWB's Board of Directors declared a cash dividend of \$0.13 per common share, payable on March 31, 2011 to shareholders of record on March 21, 2011. This quarterly dividend is unchanged from the previous quarter and 18% higher than the quarterly dividend declared a year earlier.

The Board of Directors also declared a cash dividend of \$0.453125 per Series 3 Preferred Share payable on April 30, 2011 to shareholders of record on April 21, 2011.

Changes in Accounting Policies

There were no new significant accounting policies adopted during the quarter for purposes of presenting the Bank's financial statements under Canadian GAAP.

Future Accounting Changes

International Financial Reporting Standards

The CICA is transitioning Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). The Bank's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing November 1, 2011 and will include comparative information for the prior year, including an opening balance sheet as at November 1, 2010.

The Bank has a four stage project underway to identify and evaluate the impact of the transition to IFRS on the consolidated financial statements and develop a plan to complete the transition. The project plan includes the following phases – diagnostic, design and planning, solution development, and implementation. The Bank is currently working on the final implementation phase. Further information on the Bank's transition plan is provided on pages 65 to 67 of the 2010 Annual Report.

Based on the analysis completed to date, the most significant accounting policy differences on initial transition for the Bank due to adopting IFRS have been identified as follows:

- Derecognition – The Bank expects that National Leasing's securitized assets (totaling \$170 million at January 31, 2011 and \$199 million at October 31, 2010) will be reported on the balance sheet, which would increase loans and debt.
- Consolidation – Under IFRS, a variable interest entity (VIE) is consolidated by an entity if the entity is deemed to control it, as determined under the criteria within IFRS standards for *Consolidated and Separate Financial Statements and Consolidation – Special Purpose Entities*. As a result, Canadian Western Bank Capital Trust will be consolidated under IFRS, which will decrease deposits and increase debt by \$105 million. For more information about this special purpose entity see Note 15 to the 2010 audited consolidated financial statements.
- Business Combinations – Under IFRS, contingent consideration related to a business combination is accounted for as a financial liability and fair valued at the time of the acquisition. An adjustment of the liability to current fair value is recorded through net income every period thereafter until settlement. Under Canadian GAAP, when the amount of contingent consideration cannot be reasonably estimated or the outcome of the contingency cannot be determined without reasonable doubt, the liability is not recognized until the contingency is resolved and consideration is issued or becomes issuable and, at such time, the consideration is recorded as an adjustment of goodwill. The Bank expects the contingent consideration related to the 2010 National Leasing acquisition will be fair valued and the initial adjustment is expected to increase liabilities and goodwill. Subsequent changes in estimated fair value from the acquisition date will be recognized in retained earnings at transition and net income thereafter. Development of an appropriate methodology to calculate the fair value of the National Leasing contingent consideration is currently underway.
- Loan loss accounting – Although both existing Canadian GAAP and IFRS calculate loan losses using the incurred loss model, IFRS is more specific as to what qualifies as an "incurred event." Under IFRS, incurred losses require objective evidence of impairment, must have a reliably measurable effect on the present value of estimated cash flows and be supported by currently observable data. This difference is not expected to impact the calculation of the specific allowance for credit losses but may impact the estimation of the general (or collective) allowance, which totaled \$60.2 million at January 31, 2011. The Bank continues to develop its methodology, but it is not yet determinable whether any adjustments will be required.
- IFRS 1 – *IFRS 1: First Time Adoption of IFRS* provides a framework for the transition to IFRS. Generally, retroactive application will be applied to the November 1, 2010 opening balance sheet for the comparative financial statements as though the Bank had always applied IFRS. However, IFRS 1

permits both mandatory exceptions to retroactive application and optional exemptions from other IFRS standards. The Bank has evaluated all optional exemptions under IFRS 1 with the most significant potential exemption relating to business combinations. The Bank expects to elect to apply *IFRS 3 – Business Combinations* retrospectively with the restatement of the February 2010 National Leasing acquisition. The most significant expected impact of restating the National Leasing acquisition and, more specifically, the contingent consideration, is described above.

The International Accounting Standards Board continues to propose IFRS changes. The standards in effect at the transition date, the composition of CWB's consolidated balance sheet, future operating and economic environments, and various accounting policy choices yet to be made are some of the factors that could have significant impacts on the Bank's future financial statements. The impacts of transitioning to IFRS on the Bank's consolidated financial statements will be disclosed as they become known.

Controls and Procedures

There were no changes in the Bank's internal controls over financial reporting that occurred during the quarter ended January 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

The Bank's certifying officers had previously limited the scope of the design of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) to exclude the controls, policies and procedures of National Leasing, acquired in the second quarter of 2010. This limitation has been removed for the current quarter.

Prior to its release, this quarterly report to shareholders was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of Canadian Western Bank.

Updated Share Information

As at February 25, 2011, there were 69,734,510 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 3,772,706 common shares for maximum proceeds of \$77.9 million. There were 10,069,321 warrants outstanding that are each exercisable until March 3, 2014 to purchase one common share of the Bank at a price of \$14.00.

Dividend Reinvestment Plan

The Bank's common shares (TSX: CWB) and preferred shares (TSX: CWB.PR.A) are deemed eligible to participate in CWB's dividend reinvestment plan (the "Plan"). The Plan provides holders of the Bank's eligible shares the opportunity to direct cash dividends toward the purchase of common shares. Further details for the Plan are available on the Bank's website at http://www.cwbankgroup.com/investor_relations/drip.htm. At the current time, for the purposes of the Plan, the Bank has elected to issue common shares from treasury at a 2% discount from the average market price (as defined in the Plan).

Normal Course Issuer Bid

On January 18, 2011, CWB received approval from the Toronto Stock Exchange for a Normal Course Issuer Bid (NCIB) to purchase, for cancellation, up to 1,029,108 of its warrants. The NCIB commenced January 20, 2011 and will expire January 19, 2012. From January 20 to 31, 2011, the Bank purchased and cancelled 500,000 warrants at an average purchase price per warrant of \$15.60. The aggregate amount required for the warrant purchases of \$7.8 million was charged to retained earnings. Security holders may contact the Bank to obtain, without charge, a copy of the notice filed with the TSX. Additionally, a copy of the NCIB news release is available on the Bank's website and on SEDAR at www.sedar.com.

Summary of Quarterly Financial Information

(\$ thousands)	2011		2010			2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenues (teb)	\$ 121,847	\$ 111,570	\$ 111,045	\$ 110,972	\$ 100,672	\$ 90,099	\$ 85,538	\$ 75,382
Total revenues	119,103	108,391	108,263	108,310	98,109	87,702	83,349	73,707
Net income	43,952	39,107	46,595	37,884	40,035	30,357	28,729	21,580
Earnings per common share								
Basic	0.59	0.53	0.64	0.52	0.57	0.42	0.39	0.30
Diluted	0.54	0.48	0.59	0.47	0.52	0.39	0.38	0.30
Diluted cash	0.55	0.49	0.60	0.48	0.52	0.39	0.38	0.30
Total assets (\$ millions)	12,946	12,702	12,110	12,004	11,642	11,636	11,331	11,450

The financial results for each of the last eight quarters are summarized above. In general, CWB's performance reflects a relatively consistent trend although the second quarter contains three fewer revenue earning days.

The Bank's quarterly financial results are subject to some fluctuation due to its exposure to property and casualty insurance. Insurance operations, which are primarily reflected in other income (refer to Results by Business Segment – *Insurance*), are subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes. Mandatory participation in the Alberta auto risk sharing pools can also result in unpredictable quarterly fluctuations. Quarterly results can also fluctuate due to the recognition of periodic income tax items, as was the case in the third quarter of 2010 when an income tax recovery and related interest receipt from certain prior period transactions increased net income by approximately \$8.3 million.

Throughout fiscal 2009 the Bank's quarterly net interest income, reflected in total revenues (teb), was negatively impacted by compression of the net interest margin that mainly resulted from consecutive reductions in the prime lending interest rate, coupled with significantly higher deposit costs and other spin-off effects of the global financial crisis. In the first quarter of 2010, net interest margin recovered to more typical levels achieved before the onset of the global financial crisis. Gains on sale of securities, reflected in other income, were unusually high throughout 2009 and the first two quarters of 2010 also mainly due to factors associated with the financial crisis, including a steep interest rate curve and wide credit spreads that allowed the Bank to capitalize on specific investment strategies.

The acquisition of National Leasing was effective February 1, 2010 and the results of its operations and financial position are consolidated as part of the Bank's overall financial performance beginning with the second quarter of 2010 (refer to Results by Business Segment – *Banking and trust*). The acquisition had a positive impact on all categories in the table above.

For additional details on variations between the prior quarters, refer to the summary of quarterly results section of the Bank's MD&A for the year ended October 31, 2010 and the individual quarterly reports to shareholders which are available on SEDAR at www.sedar.com and on CWB's website at www.cwbankgroup.com.

Results by Business Segment

CWB operates in two business segments: 1) banking and trust, and 2) insurance. Segmented information is also provided in Note 14 of the unaudited interim consolidated financial statements.

Banking and trust

Operations of the banking and trust segment comprise all commercial and retail banking services including equipment leasing offered by National Leasing, acquired on February 1, 2010. The banking and trust segment also includes trust, wealth management and other financial services provided through Canadian Western Trust Company, Valiant Trust Company and Adroit Investment Management Ltd.

Net income of \$41.4 million increased 13% (\$4.7 million) compared to the same quarter last year as the positive impact of a 33 basis point improvement in net interest margin (teb), 17% loan growth and 15% (\$3.2 million) growth in other income more than offset the impact of 38% (\$14.4 million) higher non-interest expenses and a \$2.5 million increase in the provision for credit losses. Total revenues (teb) reached a record \$115.4 million and represented a 24% increase over the same period last year. The change in net interest margin mainly resulted from more favourable yields on fixed rate loans (largely due to the positive impact of National Leasing's portfolio), reduced deposit costs, and lower liquidity levels. Increased other income due to combined growth in credit related fee income and other areas, including contributions from National Leasing, more than offset a \$2.2 million decline in gains on sale of securities. The increase in non-interest expenses and the provision for credit losses is largely attributed to the addition of National Leasing. The efficiency ratio (teb), which measures non-interest expense as a percentage of total revenues (teb), was 45.0%, compared to 40.4% in the same quarter last year.

Net income was up \$4.4 million compared to the previous quarter as \$5.8 million higher other income and \$4.2 million growth in net interest income (teb) more than offset the impact of increases in non-interest expenses and the quarterly provision for credit losses of \$3.3 million and \$0.8 million, respectively.

(\$ thousands)	For the three months ended			Change from
	January 31 2011	October 31 2010	January 31 2010	January 31 2010
Net interest income (teb)	\$ 91,596	\$ 87,350	\$ 72,619	26 %
Other income	23,802	17,961	20,616	15
Total revenues (teb)	115,398	105,311	93,235	24
Provision for credit losses	6,216	5,407	3,713	67
Non-interest expenses	51,984	48,673	37,627	38
Provision for income taxes (teb)	15,719	14,174	15,129	4
Non-controlling interest in subsidiary	60	39	76	(21)
Net income	\$ 41,419	\$ 37,018	\$ 36,690	13 %
Efficiency ratio (teb)	45.0 %	46.2 %	40.4 %	460 bp
Efficiency ratio	46.0	47.5	41.4	460
Net interest margin (teb)	2.87	2.84	2.54	33
Net interest margin	2.79	2.74	2.46	33
Average loans (millions) ⁽¹⁾	\$ 10,620	\$ 10,293	\$ 9,253	15 %
Average assets (millions) ⁽¹⁾	12,655	12,217	11,317	12

bp – basis point change.

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

⁽¹⁾ Assets and loans are disclosed on an average daily balance basis.

Insurance

The insurance segment is comprised of the operations of Canadian Direct Insurance Incorporated (Canadian Direct or CDI), which provides auto and home insurance to individuals in British Columbia and Alberta.

Canadian Direct reported quarterly net income of \$2.5 million, down \$0.8 million from a year ago as the positive impact of 6% growth in net earned premiums was more than offset by an increase in net claims expense. Growth in net earned premiums reflected a 5% increase in policies outstanding and a higher average premium per policy in all lines of business except Alberta auto, where a mandated 5% rate reduction on basic coverage took effect November 1, 2010. The unfavourable variance in claims expense was mainly attributed to Canadian Direct's share of the Alberta auto risk sharing pools (the Pools). The Pool's results in the first quarter last year were positively impacted by a \$1.5 million decrease in unpaid claims reserves related to the Supreme Court decision on the Minor Injury Regulation. Excluding the Pools' impact on first quarter results for both years, net income was up \$0.2 million reflecting a 100 basis point drop in the loss ratio.

Net income was up \$0.4 million compared to the prior quarter reflecting an increase in net earned premiums and lower operating expenses, partially offset by an increase in net claims expense. The first quarter is typically affected by a combination of higher claims experience due to winter weather and slower new policy growth. Assuming there is no significant impact on claims due to severe weather or other catastrophe type events, and that policy sales increase as expected during the busier spring and summer seasons, Canadian Direct should continue to produce solid results through the remainder of fiscal 2011.

(\$ thousands)	For the three months ended			Change from
	January 31 2011	October 31 2010	January 31 2010	January 31 2010
Net interest income (teb)	\$ 1,830	\$ 1,856	\$ 1,687	8 %
Other income (net)				
Net earned premiums	28,996	28,552	27,331	6
Commissions and processing fees	465	576	618	(25)
Net claims and adjustment expenses	(19,157)	(18,844)	(16,990)	13
Policy acquisition costs	(5,714)	(5,893)	(5,289)	8
Insurance revenues (net)	4,590	4,391	5,670	(19)
Gains on sale of securities	29	12	80	(64)
Total revenues (net) (teb)	6,449	6,259	7,437	(13)
Non-interest expenses	3,144	3,299	2,621	20
Provision for income taxes (teb)	772	871	1,471	(48)
Net income	\$ 2,533	\$ 2,089	\$ 3,345	(24)%
Policies outstanding (#)	185,926	185,167	177,272	5
Gross written premiums	\$ 25,810	\$ 33,887	\$ 24,332	6
Claims loss ratio ⁽¹⁾	66 %	66 %	62 %	400 bp
Expense ratio ⁽²⁾	29	30	27	200
Combined ratio ⁽³⁾	95	96	89	600
Alberta auto risk sharing pools impact on net income before tax	\$ 397	\$ 337	\$ 1,913	(79)%
Average total assets (millions) ⁽⁴⁾	233	230	214	9

bp – basis point change.

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

(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.

(4) Average total assets are disclosed on an average daily balance basis.

Fiscal 2011 Minimum Targets and Outlook

The minimum performance targets established for the 2011 fiscal year together with CWB's actual year-to-date performance are presented in the table below:

	2011 Minimum Targets	2011 Year-to-date Performance ⁽¹⁾
Net income growth ⁽²⁾	6%	10%
Net income growth, before taxes (teb) ⁽³⁾	10%	7%
Total revenue (teb) growth	12%	21%
Loan growth	10%	17%
Provision for credit losses as a percentage of average loans	0.20% - 0.25%	0.23%
Efficiency ratio (teb)	46%	45.2%
Return on common equity ⁽⁴⁾	15%	16.4%
Return on assets ⁽⁵⁾	1.20%	1.24%

⁽¹⁾ 2011 year-to-date 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.

⁽²⁾ Net income, before preferred share dividends.

⁽³⁾ Net income before income taxes (teb), non-controlling interest in subsidiary and preferred share dividends.

⁽⁴⁾ Return on common equity calculated as annualized net income after preferred share dividends divided by average common shareholders' equity.

⁽⁵⁾ Return on assets calculated as annualized net income after preferred share dividends divided by average total assets.

Very strong performance early in the year has CWB positioned to surpass all its fiscal 2011 minimum targets. While reported year-over-year loan growth will likely reduce in the second quarter reflecting the addition of National Leasing on February 1, 2010, the overall volume in the pipeline for new loans appears strong, and is consistent with more robust economic activity. Economic fundamentals in Western Canada are expected to be favourable relative to the rest of Canada and management remains very confident about its proven business plan. Management is also confident about the Bank's ability to increase market share while maintaining a focus on high quality, secured loans that offer a fair and profitable return on investment. Each of the Bank's subsidiaries has excellent growth potential and will additionally benefit from a more favourable economic environment. The overall outlook for 2011 and beyond is positive.

This management's discussion and analysis is dated March 2, 2011.

Taxable Equivalent Basis (teb)

Most banks analyze 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 GAAP and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures

Taxable equivalent basis, diluted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, tangible common equity to risk-weighted assets, Tier 1 and total capital adequacy ratios, average balances, claims loss ratio, expense ratio and combined ratio do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures presented by other financial institutions. The non-GAAP measures used in this MD&A are calculated as follows:

- taxable equivalent basis – described above;
- diluted cash earnings per common share – diluted earnings per common share excluding the amortization of acquisition-related intangible assets;
- return on common shareholders' equity – net income less preferred share dividends divided by average shareholder's equity;
- return on assets – net income less preferred share dividends divided by average total assets;
- efficiency ratio – non-interest expenses divided by total revenues (net interest income plus other income);
- net interest margin – net interest income divided by average total assets;
- tangible common equity to risk-weighted assets – shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI);
- Tier 1 and total capital adequacy ratios – in accordance with guidelines issued by OSFI;
- average balances – average daily balances;
- claims loss ratio – net insurance claims and adjustment expenses as a percentage of net earned premiums;
- expense ratio – policy acquisition costs and non-interest expenses net of commissions and processing fees as a percentage of net earned premiums; and
- combined ratio – sum of the claims loss and expense ratios.

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, general business and economic conditions in Canada including the volatility and lack of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, regulatory and legal developments, the level of competition in the Bank's markets, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, 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. It is important to note that 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 as a number of important factors could cause the Bank's actual results to differ materially from the expectations expressed in such forward looking statements. Unless required by securities law, 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.

Assumptions about the performance of the Canadian economy in 2011 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting minimum performance targets for fiscal 2011, management's assumptions included: moderate economic growth in Canada aided by positive relative performance in the four western provinces; relatively stable energy and other commodity prices; sound credit quality with actual losses remaining within the Bank's historical range of acceptable levels, including consideration for National Leasing; modest inflationary pressures and gradual increases in the prime lending interest rate beginning in early-to-mid calendar year 2011; and, a relatively stable net interest margin supported by a low deposit cost environment, favourable yields on both new lending facilities and renewed accounts, and relatively stable investment returns reflecting high quality assets held in the securities portfolio. There was elevated political tension in the Middle East at the end of the first quarter that could impact the global economic recovery and lead to higher than expected prices in energy-related commodities.

Consolidated Statements of Income

(unaudited) (\$ thousands, except per share amounts)	For the three months ended			Change from January 31 2010
	January 31 2011	October 31 2010	January 31 2010	
Interest Income				
Loans	\$ 144,163	\$ 138,824	\$ 116,841	23 %
Securities	9,962	10,265	10,938	(9)
Deposits with regulated financial institutions	1,379	899	2,104	(34)
	155,504	149,988	129,883	20
Interest Expense				
Deposits	58,843	59,555	53,570	10
Subordinated debentures	5,979	4,406	4,570	31
	64,822	63,961	58,140	11
Net Interest Income	90,682	86,027	71,743	26
Provision for Credit Losses (Note 5)	6,216	5,407	3,713	67
Net Interest Income after Provision for Credit Losses	84,466	80,620	68,030	24
Other Income				
Credit related	8,813	7,627	7,278	21
Insurance, net (Note 2)	4,590	4,391	5,670	(19)
Trust and wealth management services	4,533	4,087	4,470	1
Retail services	2,462	2,419	2,016	22
Gains on sale of securities	4,237	1,038	6,497	(35)
Securitization revenue	1,514	1,136	-	nm
Foreign exchange gains	836	691	435	92
Other	1,436	975	-	nm
	28,421	22,364	26,366	8
Net Interest and Other Income	112,887	102,984	94,396	20
Non-Interest Expenses				
Salaries and employee benefits	35,641	32,138	26,390	35
Premises and equipment	8,847	8,429	7,028	26
Other expenses	9,609	10,962	6,520	47
Provincial capital taxes	1,031	443	310	233
	55,128	51,972	40,248	37
Net Income before Income Taxes and Non-Controlling Interest in Subsidiary	57,759	51,012	54,148	7
Income Taxes	13,747	11,866	14,037	(2)
	44,012	39,146	40,111	10
Non-Controlling Interest in Subsidiary	60	39	76	(21)
Net Income	\$ 43,952	\$ 39,107	\$ 40,035	10 %
Preferred share dividends (Note 9)	\$ 3,802	\$ 3,802	\$ 3,802	- %
Net income available to common shareholders	40,150	35,305	36,233	11
Average number of common shares (in thousands)	68,151	66,593	63,925	7
Average number of diluted common shares (in thousands)	75,032	73,435	70,090	7
Earnings Per Common Share				
Basic	\$ 0.59	\$ 0.53	\$ 0.57	4
Diluted	0.54	0.48	0.52	4

nm –not meaningful.

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

Consolidated Balance Sheets

(unaudited) (\$ thousands)	As at January 31 2011	As at October 31 2010	As at January 31 2010	Change from January 31 2010
Assets				
Cash Resources				
Cash and non-interest bearing deposits with financial institutions	\$ 59,036	\$ 8,965	\$ 18,728	215 %
Interest bearing deposits with regulated financial institutions (Note 3)	219,953	168,998	266,158	(17)
Cheques and other items in transit	941	9,981	9,280	(90)
	279,930	187,944	294,166	(5)
Securities (Note 3)				
Issued or guaranteed by Canada	478,771	564,694	930,048	(49)
Issued or guaranteed by a province or municipality	187,816	88,478	96,999	94
Other securities	807,088	857,015	828,737	(3)
	1,473,675	1,510,187	1,855,784	(21)
Securities Purchased Under Resale Agreements				
	-	177,954	20,000	(100)
Loans (Notes 4 and 6)				
Residential mortgages	2,667,045	2,479,957	2,308,916	16
Other loans	8,294,891	8,095,148	7,045,834	18
	10,961,936	10,575,105	9,354,750	17
Allowance for credit losses (Note 5)	(75,047)	(78,641)	(72,570)	3
	10,886,889	10,496,464	9,282,180	17
Other				
Property and equipment	66,830	65,978	41,248	62
Goodwill	37,852	37,723	9,360	304
Other intangible assets	42,027	43,420	6,152	583
Insurance related	57,853	59,652	56,583	2
Derivative related (Note 7)	130	134	802	(84)
Other assets	101,031	122,235	75,359	34
	305,723	329,142	189,504	61
Total Assets	\$ 12,946,217	\$ 12,701,691	\$ 11,641,634	11 %
Liabilities and Shareholders' Equity				
Deposits				
Payable on demand	\$ 584,728	\$ 530,608	\$ 399,888	46 %
Payable after notice	3,110,008	2,999,599	2,820,033	10
Payable on a fixed date	6,986,605	7,177,560	6,679,000	5
Deposit from Canadian Western Bank Capital Trust	105,000	105,000	105,000	-
	10,786,341	10,812,767	10,003,921	8
Other				
Cheques and other items in transit	47,423	39,628	33,498	42
Insurance related	143,010	149,396	137,424	4
Derivative related (Note 7)	812	992	64	nm
Other liabilities	213,407	235,865	131,085	63
	404,652	425,881	302,071	34
Subordinated Debentures				
Conventional (Note 8)	545,000	315,000	315,000	73
Shareholders' Equity				
Preferred shares (Note 9)	209,750	209,750	209,750	-
Common shares (Note 9)	323,340	279,352	227,716	42
Contributed surplus	21,089	21,291	20,442	3
Retained earnings	638,007	614,710	540,951	18
Accumulated other comprehensive income	18,038	22,940	21,783	(17)
	1,210,224	1,148,043	1,020,642	19
Total Liabilities and Shareholders' Equity	\$ 12,946,217	\$ 12,701,691	\$ 11,641,634	11 %
Contingent Liabilities and Commitments (Note 11)				

nm - not meaningful.

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (\$ thousands)	For the three months ended	
	January 31 2011	January 31 2010
Retained Earnings		
Balance at beginning of period	\$ 614,710	\$ 511,784
Net income	43,952	40,035
Dividends – Preferred shares	(3,802)	(3,802)
– Common shares	(9,050)	(7,033)
Warrants purchased under normal course issuer bid (Note 9)	(7,803)	(33)
Balance at end of period	638,007	540,951
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period	22,940	19,119
Other comprehensive income (loss)	(4,902)	2,664
Balance at end of period	18,038	21,783
Total retained earnings and accumulated other comprehensive income	656,045	562,734
Preferred Shares (Note 9)	209,750	209,750
Common Shares (Note 9)		
Balance at beginning of period	279,352	226,480
Issued on exercise of warrants	40,632	44
Transferred from contributed surplus on exercise or exchange of options	1,491	130
Issued on exercise of options	1,291	304
Issued under dividend reinvestment plan	574	758
Balance at end of period	323,340	227,716
Contributed Surplus		
Balance at beginning of period	21,291	19,366
Amortization of fair value of options	1,289	1,206
Transferred to common shares on exercise or exchange of options	(1,491)	(130)
Balance at end of period	21,089	20,442
Total Shareholders' Equity	\$ 1,210,224	\$ 1,020,642

Consolidated Statements of Comprehensive Income

(unaudited) (\$ thousands)	For the three months ended	
	January 31 2011	January 31 2010
Net Income	\$ 43,952	\$ 40,035
Other Comprehensive Income (Loss), net of tax		
Available-for-sale securities:		
Gains (losses) from change in fair value ⁽¹⁾	(1,852)	8,634
Reclassification to other income ⁽²⁾	(3,050)	(4,909)
	(4,902)	3,725
Derivatives designated as cash flow hedges:		
Gains from change in fair value ⁽³⁾	-	783
Reclassification to net interest income ⁽⁴⁾	-	(1,844)
	-	(1,061)
	(4,902)	2,664
Comprehensive Income for the Period	\$ 39,050	\$ 42,699

(1) Net of income tax benefit of \$721 (2010 – net of income tax expense of \$2,793).

(2) Net of income tax benefit of \$1,187 (2010 – \$1,558).

(3) Net of income tax expense of nil (2010 – \$336).

(4) Net of income tax benefit of nil (2010 – \$791).

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

Consolidated Statements of Cash Flow

(unaudited) (\$ thousands)	For the three months ended	
	January 31 2011	January 31 2010
Cash Flows from Operating Activities		
Net income	\$ 43,952	\$ 40,035
Adjustments to determine net cash flows:		
Provision for credit losses	6,216	3,713
Depreciation and amortization	4,444	2,379
Amortization of fair value of employee stock options	1,289	1,206
Future income taxes, net	(7,736)	40
Gain on sale of securities, net	(4,237)	(6,497)
Accrued interest receivable and payable, net	(7,686)	(12,725)
Current income taxes payable, net	2,603	(14,074)
Other items, net	13,243	7,224
	52,088	21,301
Cash Flows from Financing Activities		
Deposits, net	(26,426)	386,683
Common shares issued (Note 9)	42,497	1,107
Warrants purchased under normal course issuer bid (Note 9)	(7,803)	(33)
Dividends	(12,852)	(10,835)
Debentures issued (Note 8)	300,000	-
Debentures redeemed (Note 8)	(70,000)	(60,000)
Securities sold under repurchase agreements, net	-	(300,242)
	225,416	16,680
Cash Flows from Investing Activities		
Interest bearing deposits with regulated financial institutions, net	(51,567)	122
Securities, purchased	(1,105,342)	(1,380,990)
Securities, sale proceeds	462,158	1,309,731
Securities, matured	673,075	113,268
Securities purchased under resale agreements, net	177,954	(20,000)
Loans, net	(396,641)	(49,700)
Property and equipment	(3,904)	(4,062)
	(244,267)	(31,631)
Change in Cash and Cash Equivalents	33,237	6,350
Cash and Cash Equivalents at Beginning of Period	(20,683)	(11,840)
Cash and Cash Equivalents at End of Period *	\$ 12,554	\$ (5,490)
* Represented by:		
Cash and non-interest bearing deposits with financial institutions	\$ 59,036	\$ 18,728
Cheques and other items in transit (included in Cash Resources)	941	9,280
Cheques and other items in transit (included in Other Liabilities)	(47,423)	(33,498)
Cash and Cash Equivalents at End of Period	\$ 12,554	\$ (5,490)
Supplemental Disclosure of Cash Flow Information		
Amount of interest paid in the period	\$ 74,922	\$ 78,367
Amount of income taxes paid in the period	19,081	28,071

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. Summary of Significant Accounting Policies

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 Office 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, 2010. 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, 2010 as set out on pages 76 to 110 of the Bank's 2010 Annual Report.

2. Insurance Revenues, Net

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

	For the three months ended		
	January 31 2011	October 31 2010	January 31 2010
Net earned premiums	\$ 28,996	\$ 28,552	\$ 27,331
Commissions and processing fees	465	576	618
Net claims and adjustment expenses	(19,157)	(18,844)	(16,990)
Policy acquisition costs	(5,714)	(5,893)	(5,289)
Total, net	\$ 4,590	\$ 4,391	\$ 5,670

3. Securities

Net unrealized gains (losses) reflected on the balance sheet follow:

	As at January 31 2011	As at October 31 2010	As at January 31 2010
Interest bearing deposits with regulated financial institutions	\$ 1,227	\$ 2,104	\$ 6,689
Securities issued or guaranteed by			
Canada	22	(139)	901
A province or municipality	535	723	1,250
Other debt securities	1,841	3,412	7,231
Equity securities			
Preferred shares	9,131	18,331	13,009
Common shares	12,049	7,669	647
Unrealized gains, net	\$ 24,805	\$ 32,100	\$ 29,727

The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve. Unrealized losses are considered to be other than permanent in nature.

4. Loans

The composition of the Bank's loan portfolio by geographic region and industry sector follow:

(\$ millions)	British Columbia	Alberta	Saskatchewan	Manitoba	Other	Total	January 31 2011	October 31 2010	January 31 2010
							Composition Percentage	Composition Percentage	Composition Percentage
Loans to Individuals									
Residential mortgages ⁽²⁾	\$ 1,136	\$ 1,109	\$ 141	\$ 71	\$ 210	\$ 2,667	24 %	23 %	25 %
Other loans	63	98	14	3	1	179	2	2	2
	1,199	1,207	155	74	211	2,846	26	25	27
Loans to Businesses									
Commercial	853	1,538	109	92	243	2,835	26	26	28
Construction and real estate ⁽³⁾	1,238	1,526	234	70	185	3,253	30	31	32
Equipment financing	340	732	121	68	489	1,750	16	16	12
Energy	-	278	-	-	-	278	2	2	1
	2,431	4,074	464	230	917	8,116	74	75	73
Total Loans⁽¹⁾	\$ 3,630	\$ 5,281	\$ 619	\$ 304	\$ 1,128	\$ 10,962	100 %	100 %	100 %
Composition Percentage									
January 31, 2011	33 %	48 %	6 %	3 %	10 %	100 %			
October 31, 2010	33 %	48 %	6 %	3 %	10 %	100 %			
January 31, 2010	35 %	50 %	5 %	3 %	7 %	100 %			

⁽¹⁾ This table does not include an allocation for credit losses.

⁽²⁾ Includes single- and multi-unit residential mortgages and project (interim) mortgages on residential property.

⁽³⁾ Includes commercial term mortgages and project (interim) mortgages for non-residential property.

Notes to Interim Consolidated Financial Statements

5. Allowance for Credit Losses

The following table shows the changes in the allowance for credit losses:

	For the three months ended January 31, 2011			For the three months ended October 31, 2010		
	Specific Allowance	General Allowance for Credit Losses	Total	Specific Allowance	General Allowance for Credit Losses	Total
Balance at beginning of period	\$ 19,038	\$ 59,603	\$ 78,641	\$ 16,707	\$ 59,039	\$ 75,746
Provision for credit losses	5,634	582	6,216	4,843	564	5,407
Write-offs	(10,047)	-	(10,047)	(2,831)	-	(2,831)
Recoveries	237	-	237	319	-	319
Balance at end of period	\$ 14,862	\$ 60,185	\$ 75,047	\$ 19,038	\$ 59,603	\$ 78,641

	For the three months ended January 31, 2010		
	Specific Allowance	General Allowance for Credit Losses	Total
Balance at beginning of period	\$ 14,306	\$ 61,153	\$ 75,459
Provision for credit losses	5,827	(2,114)	3,713
Write-offs	(6,605)	-	(6,605)
Recoveries	3	-	3
Balance at end of period	\$ 13,531	\$ 59,039	\$ 72,570

6. Impaired and Past Due Loans

Outstanding gross loans and impaired loans, net of allowances for credit losses, by loan type, are as follows:

	As at January 31, 2011				As at October 31, 2010			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	\$ 1,857,252	\$ 26,919	\$ 2,033	\$ 24,886	\$ 1,793,181	\$ 24,534	\$ 1,288	\$ 23,246
Real estate ⁽¹⁾	4,220,509	75,153	4,179	70,974	4,124,235	82,799	4,880	77,919
Equipment financing	2,027,565	16,058	6,034	10,024	1,943,716	27,918	10,215	17,703
Commercial	2,856,610	14,290	2,616	11,674	2,713,973	7,956	2,655	5,301
Total ⁽²⁾	\$ 10,961,936	\$ 132,420	\$ 14,862	117,558	\$ 10,575,105	\$ 143,207	\$ 19,038	124,169
General allowance ⁽³⁾				(60,185)				(59,603)
Net impaired loans after general allowance				\$ 57,373				\$ 64,566

	As at January 31, 2010			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	\$ 1,533,375	\$ 19,128	\$ 1,115	\$ 18,013
Real estate ⁽¹⁾	3,944,058	79,143	3,220	75,923
Equipment financing	1,284,931	18,233	2,954	15,279
Commercial	2,592,386	29,898	6,242	23,656
Total ⁽²⁾	\$ 9,354,750	\$ 146,402	\$ 13,531	132,871
General allowance ⁽³⁾				(59,039)
Net impaired loans after general allowance				\$ 73,832

⁽¹⁾ Multi-family residential mortgages are included in real estate loans.

⁽²⁾ Gross impaired loans include foreclosed assets with a carrying value of \$1,591 (October 31, 2010 - \$867 and January 31, 2010 - nil) which are held for sale.

⁽³⁾ The general allowance for credit risk is not allocated by loan type.

Notes to Interim Consolidated Financial Statements

6. Impaired and Past Due Loans – continued

Outstanding impaired loans, net of allowance for credit losses, by provincial location of security, are as follows:

	As at January 31, 2011			As at October 31, 2010		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	\$ 79,603	\$ 7,970	\$ 71,633	\$ 98,973	\$ 14,515	\$ 84,458
British Columbia	35,052	1,099	33,953	38,543	1,259	37,284
Saskatchewan	2,149	760	1,389	2,109	1,114	995
Manitoba	792	328	464	329	233	96
Other	14,824	4,705	10,119	3,253	1,917	1,336
Total	\$ 132,420	\$ 14,862	117,558	\$ 143,207	\$ 19,038	124,169
General allowance⁽¹⁾			(60,185)			(59,603)
Net impaired loans after general allowance			\$ 57,373			\$ 64,566

	As at January 31, 2010		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	\$ 80,478	\$ 4,854	\$ 75,624
British Columbia	33,623	2,058	31,565
Saskatchewan	1,570	645	925
Manitoba	684	29	655
Other	30,047	5,945	24,102
Total	\$ 146,402	\$ 13,531	132,871
General allowance⁽¹⁾			(59,039)
Net impaired loans after general allowance			\$ 73,832

⁽¹⁾ The general allowance for credit risk is not allocated by province.

During the quarter ended January 31, 2011, interest recognized as income on impaired loans totaled \$472 (2010 - \$117).

Gross impaired loans exclude certain past due loans where payment of interest or principal is contractually in arrears, which are not classified as impaired. Details of such past due loans that have not been included in the gross impaired amount are as follows:

	As at January 31, 2011					Total
	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days		
Residential mortgages	\$ 9,255	\$ 9,918	\$ 810	\$ 190	\$	\$ 20,173
Other loans	18,238	17,673	1,472	-		37,383
	\$ 27,493	\$ 27,591	\$ 2,282	\$ 190	\$	\$ 57,556
Total as at October 31, 2010	\$ 23,639	\$ 41,871	\$ 9,643	\$ 4	\$	\$ 75,157
Total as at January 31, 2010	\$ 30,128	\$ 20,367	\$ 3,313	\$ 1,165	\$	\$ 54,973

7. 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). On an ongoing basis, the Bank assesses whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of the hedged items. If a hedging transaction becomes ineffective or if the derivative is not designated as a cash flow hedge, any subsequent change in the fair value of the hedging instrument is recognized in earnings. As at January 31, 2011, outstanding interest rate swaps include nil (2010 - \$145,000) designated as cash flow hedges and \$41,400 (2010 - nil) not designated as hedges.

For the quarter ended January 31, 2011, a net unrealized after tax gain of nil (2010 - \$783) was recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges, and nil (2010 - nil) was recorded in other income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that interest on certain floating rate loans (i.e. the hedged items) affect income. For the quarter ended January 31, 2011, a net gain after tax of nil (2010 - \$1,844) was reclassified to net income. A net gain of nil (2010 - \$601) after tax recorded in accumulated other comprehensive income as at January 31, 2011 is expected to be reclassified to net income in the next twelve months.

Notes to Interim Consolidated Financial Statements

7. Derivative Financial Instruments – continued

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

	As at January 31, 2011			As at October 31, 2010		
	Notional Amount	Positive Fair Value	Negative Fair Value	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps not designated as hedges ⁽¹⁾	\$ 41,400	\$ -	\$ 656	\$ 47,550	\$ -	\$ 930
Interest rate swaps designated as cash flow hedges	-	-	-	-	-	-
Equity contracts ⁽²⁾	500	3	-	500	2	-
Foreign exchange contracts ⁽³⁾	33,549	127	152	57,032	132	59
Embedded derivatives in equity-linked deposits ⁽²⁾	n/a	-	4	n/a	-	3
Other forecasted transactions	-	-	-	-	-	-
Derivative related amounts		\$ 130	\$ 812		\$ 134	\$ 992

	As at January 31, 2010		
	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps not designated as hedges	\$ -	\$ -	\$ -
Interest rate swaps designated as cash flow hedges	145,000	748	-
Equity contracts	2,000	-	12
Foreign exchange contracts	5,463	52	52
Embedded derivatives in equity-linked deposits	n/a	2	-
Other forecasted transactions	-	-	-
Derivative related amounts		\$ 802	\$ 64

⁽¹⁾ Interest rate swaps not designated as hedges outstanding at January 31, 2011 mature between January 2012 and April 2014.

⁽²⁾ Equity contract and equity-linked deposits outstanding at January 31, 2011 mature in March 2011.

⁽³⁾ Foreign exchange contracts outstanding at January 31, 2011 mature between February and September 2011.

n/a – not applicable.

There were no forecasted transactions that failed to occur during the quarter ended January 31, 2011.

8. Subordinated Debentures

On November 22, 2010, conventional subordinated debentures in the amount of \$70,000 were redeemed by the Bank at face value.

On November 30, 2010, the Bank issued \$300,000 of Series D subordinated debentures. The debentures have a fixed interest rate of 4.389% until November 30, 2015. Thereafter, the rate will be fixed quarterly at the Canadian dollar CDOR 90-day Bankers' Acceptance rate plus 193 basis points until maturity on November 30, 2020.

Notes to Interim Consolidated Financial Statements

9. Capital Stock

Share Capital

	For the three months ended			
	January 31, 2011		January 31, 2010	
	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 3				
Outstanding at beginning and end of period ⁽¹⁾	8,390,000	\$ 209,750	8,390,000	\$ 209,750
Common Shares				
Outstanding at beginning of period	66,641,362	279,352	63,903,460	226,480
Issued on exercise of warrants	2,902,290	40,632	3,200	44
Issued on exercise or exchange of options	136,955	1,291	34,143	304
Issued under dividend reinvestment plan ⁽²⁾	22,657	574	36,146	758
Transferred from contributed surplus on exercise or exchange of options	-	1,491	-	130
Outstanding at end of period	69,703,264	323,340	63,976,949	227,716
Share Capital		\$ 533,090		\$ 437,466

⁽¹⁾ Holders of the Preferred Shares – Series 3 are entitled to receive non-cumulative quarterly fixed dividends for the initial five-year period ending April 30, 2014 of 7.25% per annum, payable quarterly, as and when declared. For further information on dividend rates after April 30, 2014, refer to Note 19 of the audited consolidated financial statements for the year ended October 31, 2010 (see page 95 of the 2010 Annual Report).

⁽²⁾ During the year and 2010, shares were issued at a 2% discount from the average closing price of the five trading days preceding the dividend payment date.

Warrants to Purchase Common Shares

Each warrant is exercisable until March 3, 2014 at a price of \$14.00 to purchase one common share in the capital of the Bank.

Number of Warrants	For the three months ended	
	January 31, 2011	January 31, 2010
Outstanding at beginning of period	13,471,611	14,964,356
Purchased and cancelled	(500,000)	(4,500)
Exercised	(2,902,290)	(3,200)
Outstanding at end of period	10,069,321	14,956,656

Normal Course Issuer Bid

On January 18, 2011, the Bank received approval from the Toronto Stock Exchange for a Normal Course Issuer Bid (NCIB) to purchase and cancel up to 1,029,108 of its warrants. The NCIB commenced January 20, 2011 and will expire January 19, 2012. For the quarter ended January 31, 2011, the Bank purchased and cancelled 500,000 warrants (2010 – 4,500) at an aggregate cost of \$7,803 (2010 – \$33), which was charged to retained earnings.

10. Stock-Based Compensation

Stock Options

	For the three months ended			
	January 31, 2011		January 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	3,834,433	\$ 19.93	4,394,605	\$ 18.66
Granted	358,865	29.42	358,291	22.09
Exercised or exchanged	(361,650)	21.33	(55,500)	13.83
Forfeited	(14,643)	22.98	(29,665)	17.88
Balance at end of period	3,817,005	\$ 20.68	4,667,731	\$ 18.98

Notes to Interim Consolidated Financial Statements

10. Stock-Based Compensation – continued

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 361,650 options (2010 – 55,500) exercised or exchanged in the three months ended January 31, 2011, option holders exchanged the rights to 304,650 options (2010 – 33,650) and received 79,955 shares (2010 – 12,293) in return under the cashless settlement alternative.

For the three months ended January 31, 2011, salary expense of \$1,289 (2010 – \$1,206) was recognized relating to the estimated fair value of options. 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 2.2% (2010 – 2.6%), (ii) expected option life of 4.0 years (2010 – 4.0 years), (iii) expected volatility of 41% (2010 – 44%), and (iv) expected dividends of 1.8% (2010 – 2.0%). The weighted average fair value of options granted was estimated at \$8.69 (2009 – \$7.16) per share.

Further details relating to stock options outstanding and exercisable at January 31, 2011 follow:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$ 8.58 to \$11.76	931,300	2.9	\$ 11.72	-	\$ -
\$16.89 to \$21.46	1,119,840	2.0	19.69	416,300	21.46
\$22.09 to \$26.38	1,195,470	2.9	24.12	340,000	25.47
\$28.11 to \$31.18	570,395	3.8	30.06	211,530	31.13
Total	3,817,005	2.8	\$ 20.68	967,830	\$ 24.98

Restricted Share Units

Under the Restricted Share Unit (RSU) plan, certain employees are eligible to receive an award in the form of RSUs. Each RSU entitles the holder to receive the cash equivalent of the market value of the Bank's common shares at the vesting date and an amount equivalent to the dividends paid on the common shares during the vesting period. RSUs vest on each anniversary of the grant in equal one-third installments over a vesting period of three years. Salary expense is recognized evenly over the vesting period, except where the 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.

For the three months ended January 31, 2011, salary expense of \$2,782 (2010 – \$375) was recognized related to RSUs. As at January 31, 2011, the liability for the RSUs held under this plan was \$11,416 (2010 – \$4,360). At the end of each period, the liability and salary expense are adjusted to reflect changes in the market value of the Bank's common shares. As at January 31, 2011, 478,886 (2010 – 294,756) RSUs were outstanding.

Deferred Share Units

Under the Deferred Share Unit (DSU) plan, non-employee directors will receive at least 50% of their annual retainer in DSUs. The DSUs are not redeemable until the individual is no longer a director and must be redeemed for cash. Common share dividends accrue to the directors in the form of additional units. As at January 31, 2011, 24,151 DSUs were outstanding (2010 – nil).

The expense related to the DSUs is recorded in the period the award is earned by the director. For the three months ended January 31, 2011, non-interest expense "other expenses" included \$248 (2010 – nil) related to DSUs. As at January 31, 2011, the liability for DSUs was \$713 (2010 – nil). At the end of each period, the liability and expense are adjusted to reflect changes in the market value of the Bank's common shares.

Notes to Interim Consolidated Financial Statements

11. 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, 2010 (see page 98 of the 2010 Annual Report) and include:

	As at January 31 2011	As at October 31 2010	As at January 31 2010
Guarantees and standby letters of credit			
Balance outstanding	\$ 266,827	\$ 261,438	\$ 187,786
Business credit cards			
Total approved limit	13,037	13,153	11,025
Balance outstanding	3,018	2,927	2,794

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

12. Financial Instruments

As a financial institution, most of the Bank's balance sheet is comprised of financial instruments and the majority of net income results from gains, losses, income and expenses related to the same.

Financial instrument assets include cash resources, securities, securities purchased under resale agreements, loans and derivative financial instruments. Financial instrument liabilities include deposits, securities sold under repurchase agreements, derivative financial instruments and subordinated debentures.

The use of financial instruments exposes the Bank to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the 2010 consolidated annual financial statements.

The value of financial assets recorded on the consolidated balance sheets at January 31, 2011 at fair value (cash, securities, securities purchased under resale agreements and derivatives) was determined using published market prices quoted in active markets for 99% (2010 – 97%) of the portfolio and estimated using a valuation technique based on observable market data for 1% (2010 – 3%) of the portfolio. The value of liabilities recorded on the consolidated balance sheet at fair value (derivatives and securities sold under repurchase agreements) was determined using a valuation technique based on observable market data. There were no financial instruments measured using unobservable market data. Further information on how the fair value of financial instruments is determined is included in Note 30 of the October 31, 2010 audited financial statements beginning on page 105 in the 2010 Annual Report.

Notes to Interim Consolidated Financial Statements

13. 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, is discussed in Note 29 of the audited consolidated financial statements for the year ended October 31, 2010 (see page 104 of the 2010 Annual Report). The following table shows the gap position for selected time intervals.

Asset Liability Gap Positions

(\$ millions)	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Non-interest Sensitive	Total
January 31, 2011								
Assets								
Cash resources and securities	\$ 182	\$ 258	\$ 427	\$ 867	\$ 670	\$ 116	\$ 101	\$ 1,754
Loans	4,900	617	1,184	6,701	4,120	115	(49)	10,887
Other assets	-	-	-	-	-	-	306	306
Derivative financial instruments ⁽¹⁾	41	1	-	42	-	-	33	75
Total	5,123	876	1,611	7,610	4,790	231	391	13,022
Liabilities and Equity								
Deposits	4,254	992	2,068	7,314	3,381	105	(13)	10,787
Other liabilities	3	7	30	40	34	7	324	405
Debentures	-	-	-	-	470	75	-	545
Shareholders' equity	-	-	-	-	-	-	1,210	1,210
Derivative financial instruments ⁽¹⁾	1	2	13	16	26	-	33	75
Total	4,258	1,001	2,111	7,370	3,911	187	1,554	13,022
Interest Rate Sensitive Gap	\$ 865	\$ (125)	\$ (500)	\$ 240	\$ 879	\$ 44	\$ (1,163)	\$ -
Cumulative Gap	\$ 865	\$ 740	\$ 240	\$ 240	\$ 1,119	\$ 1,163	\$ -	\$ -
Cumulative Gap as a percentage of total assets	6.6 %	5.7 %	1.8 %	1.8 %	8.6 %	8.9 %	- %	- %
October 31, 2010								
Cumulative gap	\$ 1,002	\$ 809	\$ 190	\$ 190	\$ 1,085	\$ 1,130	\$ -	\$ -
Cumulative gap as a percentage of total assets	7.8 %	6.3 %	1.5 %	1.5 %	8.5 %	8.8 %	- %	- %
January 31, 2010								
Cumulative gap	\$ 693	\$ 591	\$ 265	\$ 265	\$ 1,048	\$ 1,052	\$ -	\$ -
Cumulative gap as a percentage of total assets	5.9 %	5.0 %	2.2 %	2.2 %	8.9 %	8.9 %	- %	- %

⁽¹⁾ Derivative financial instruments are included in this table at the notional amount.

⁽²⁾ Accrued interest is excluded in calculating interest sensitive assets and liabilities.

⁽³⁾ Potential prepayments of fixed rate loans and early redemption of redeemable fixed term deposits have not been estimated. Redemptions of fixed term deposits where depositors have this option are not expected to be material. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

The effective, weighted average interest rates for each class of financial assets and liabilities are shown below:

	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
January 31, 2011							
Total assets	4.0 %	2.8 %	4.7 %	4.0 %	5.4 %	5.3 %	4.6 %
Total liabilities	1.0	2.1	2.4	1.5	3.2	5.8	2.2
Interest rate sensitive gap	3.0 %	0.7 %	2.3 %	2.5 %	2.2 %	(0.5) %	2.4 %
October 31, 2010							
Total assets	3.9 %	2.8 %	4.9 %	4.0 %	5.5 %	5.2 %	4.6 %
Total liabilities	1.2	2.0	2.6	1.7	3.2	5.8	2.3
Interest rate sensitive gap	2.7 %	0.8 %	2.3 %	2.3 %	2.3 %	(0.6) %	2.3 %
January 31, 2010							
Total assets	3.8 %	2.8 %	3.9 %	3.7 %	5.0 %	5.0 %	4.2 %
Total liabilities	0.7	1.9	2.9	1.4	3.4	5.7	2.2
Interest rate sensitive gap	3.1 %	0.9 %	1.0 %	2.3 %	1.6 %	(0.7) %	2.0 %

Based on the current interest rate gap position, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately 2.7% or \$8,894 (October 31, 2010 – 2.3% or \$7,372) and decrease other comprehensive income \$8,202 (October 31, 2010 – \$9,796) net of tax, respectively over the following twelve months. A one-percentage point decrease in all interest rates would decrease net interest income by approximately 3.7% or \$11,938 (October 31, 2010 – 1.5% or \$4,703) and increase other comprehensive income \$8,202 (October 31, 2010 – \$9,796) net of tax.

Notes to Interim Consolidated Financial Statements

14. 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 based within Western Canada. The banking and trust segment provides comprehensive banking services, trust and wealth management services for individuals, businesses and institutional clients. 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 2011	October 31 2010	January 31 2010	January 31 2011	October 31 2010	January 31 2010
Net interest income (teb) ⁽¹⁾	\$ 91,596	\$ 87,350	\$ 72,619	\$ 1,830	\$ 1,856	\$ 1,687
Less teb adjustment	2,491	2,910	2,379	253	269	184
Net interest income per financial statements	89,105	84,440	70,240	1,577	1,587	1,503
Other income ⁽²⁾	23,802	17,961	20,616	4,619	4,403	5,750
Total revenues	112,907	102,401	90,856	6,196	5,990	7,253
Provision for credit losses	6,216	5,407	3,713	-	-	-
Non-interest expenses	51,984	48,673	37,627	3,144	3,299	2,621
Provision for income taxes	13,228	11,264	12,750	519	602	1,287
Non-controlling interest in subsidiary	60	39	76	-	-	-
Net income	\$ 41,419	\$ 37,018	\$ 36,690	\$ 2,533	\$ 2,089	\$ 3,345
Total average assets (\$ millions) ⁽³⁾	\$ 12,655	\$ 12,217	\$ 11,317	\$ 233	\$ 230	\$ 214

	Total		
	Three months ended		
	January 31 2011	October 31 2010	January 31 2010
Net interest income (teb) ⁽¹⁾	\$ 93,426	\$ 89,206	\$ 74,306
Less teb adjustment	2,744	3,179	2,563
Net interest income per financial statements	90,682	86,027	71,743
Other income ⁽²⁾	28,421	22,364	26,366
Total revenues	119,103	108,391	98,109
Provision for credit losses	6,216	5,407	3,713
Non-interest expenses	55,128	51,972	40,248
Provision for income taxes	13,747	11,866	14,037
Non-controlling interest in subsidiary	60	39	76
Net income	\$ 43,952	\$ 39,107	\$ 40,035
Total average assets (\$ millions) ⁽³⁾	\$ 12,888	\$ 12,447	\$ 11,531

⁽¹⁾ Taxable Equivalent Basis (teb) – Most financial institutions analyze 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 and therefore may not be comparable to similar measures presented by other financial institutions.

⁽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.

15. Capital Management

Capital for Canadian financial institutions is currently managed and reported in accordance with a capital management framework specified by OSFI commonly called Basel II.

Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, protect customer deposits and provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, all while providing a satisfactory return for shareholders.

During the quarter, the Bank redeemed \$70,000 and issued \$300,000 of conventional subordinated debentures, which qualify as Tier 2 regulatory capital (refer to Note 8).

Notes to Interim Consolidated Financial Statements

15. Capital Management – continued

Additional information about the Bank's capital management practices is provided in Note 32 to the 2010 audited financial statements beginning on page 107 of the 2010 Annual Report.

Capital Structure and Regulatory Ratios

	As at January 31 2011	As at October 31 2010	As at January 31 2010
Capital			
Tier 1	\$ 1,250,346	\$ 1,183,680	\$ 1,094,841
Total	1,788,076	1,496,529	1,420,842
Capital ratios			
Tier 1	11.6 %	11.3 %	11.6 %
Total	16.5	14.3	15.1
Assets to capital multiple	7.3 x	8.5 x	8.2 x

During the quarter ended January 31, 2011, the Bank complied with all internal and external capital requirements.

16. Future Accounting Changes

International Financial Reporting Standards

The Canadian Institute of Chartered Accountants will transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). The Bank's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing November 1, 2011 and will include IFRS comparative information for the prior year.

The Bank has a four stage project underway to identify and evaluate the impact of the transition to IFRS on the consolidated financial statements and develop a plan to complete the transition. The project plan includes the following phases – diagnostic, design and planning, solution development, and implementation. The Bank is currently working on the final implementation phase.

The quantitative impact of the transition to IFRS on the Bank's consolidated financial statements for current standards has not yet been finalized. However, the differences identified include loan loss accounting, derecognition, the consolidation of variable interest entities, and contingent consideration as a result of a business combination. CWB continues to monitor the International Accounting Standards Board's proposed changes to standards during Canada's transition to IFRS. These proposed changes may have a significant impact on the Bank's implementation plan and future financial statements.

Shareholder Information

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Stock Exchange Listings

The Toronto Stock Exchange
Common Shares: CWB
Series 3 Preferred Shares: CWB.PR.A
Common Share Purchase Warrants: CWB.WT

Transfer Agent and Registrar

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Eligible Dividends Designation

CWB designates all dividends for both common and preferred shares paid to Canadian residents as “eligible dividends”, as defined in the *Income Tax Act* (Canada), unless otherwise noted.

Dividend Reinvestment Plan

CWB's dividend reinvestment plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar or visit www.cwbankgroup.com.

Investor Relations

For further financial information contact:
Investor & Public Relations
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E-mail: InvestorRelations@cwbank.com

Online Investor Information

Additional investor information including supplemental financial information and corporate presentations are available on CWB's website at www.cwbankgroup.com.

Quarterly Conference Call and Webcast

CWB's quarterly conference call and live audio webcast will take place on March 3, 2011 at 1:30 p.m. ET (11:30 a.m. MT). The webcast will be archived on the Bank's website at www.cwbankgroup.com for sixty days. A replay of the conference call will be available until March 17, 2011 by dialing (416) 849-0833 or toll-free (800) 642-1687 and entering passcode 41328955.