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OPERATOR: Good afternoon. My name is Steve (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Canadian Western Bank Fourth Quarter and Fiscal 2011 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during that time simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press the # key.

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

TRACEY BALL (Executive Vice President and Chief Financial Officer, Canadian Western Bank): Thank you, Steve, and good afternoon, everyone. And welcome to the 2011 fourth quarter and annual results conference call for Canadian Western Bank.

Before we begin, please note that the conference call graphs, quarterly result's news release and supplemental financial information are available on the bank's Web site at cwbankgroup.com in the Investor Relations section. Our 2011 annual report and audited financial statements will be filed on SEDAR and available on the bank's Web site on Friday of this week.

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Also before we begin, I want to draw your attention to our forward-looking statement advisory on Slide 12.

The agenda for today's call is on Slide 2. And joining me today is Larry Pollock, President and Chief Executive Officer. Also in attendance are Executive Vice Presidents, Chris Fowler, Randy Garvey, and Brian Young.

First, I will provide a brief summary of our fourth quarter and annual results, and then I'll turn things over to Larry for an overview of our outlook and strategy. The intent is to leave as much time as necessary for Q&A at the end of the call.

Moving to Slide 3. The bank reported strong quarterly performance that contributed to a record year for the CWB Group. Highlights in the quarter included the achievement of new milestones for total loans and total assets of 12 billion and 14 billion, respectively. We opened a new full-service branch in Richmond, BC, bringing our total number of branches to 40. We are also very proud of CWB's recognition as one of the 50 best employers in Canada for a sixth straight year.

We achieved record results for 2011 having surpassed or met all of our minimum targets for revenue and earnings growth, profitability and efficiency. Overall, financial performance was led by a very strong 16%

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loan growth and an 8 basis point improvement in annual net interest margin. Credit quality also showed a meaningful improvement as evidenced by our relatively stable provision for credit losses and a 32% reduction in the balance of gross impaired loans.

Fourth quarter net income of 45 million was up 15% over last year and mark the bank's 94th consecutive profitable quarter, a period spanning over 23 years.

Quarterly diluted earnings per common share of $0.54, or $0.55 on a diluted cash basis, increased 13% and 12% respectively over the fourth quarter of 2010. Total revenues on a taxable equivalent basis increased 11% over the same quarter last year to reach a record $124.3 million.

Quarterly net interest margin of 2.72% represented a 12 basis point decline from the same period last year with the difference relating to lower yields on both loans and investments as well as the expenses related to the additional subordinated debentures we issued in November of 2010.

Quarterly net interest margin was down 11 basis points from the previous quarter, with the difference mainly reflecting lower loan yields, the very low interest rate environment, and increased competitive pressure in some areas of our business. Margin was also negatively affected by

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higher average liquidity raised in response to the European debt crisis and other global economic uncertainties.

A prolonged period of low interest rates and a flat yield curve, combined with the impact of ongoing competition and other factors, will continue to pressure net interest margin.

Slide 4. Annual net income of 178.1 million, or $2.12 per diluted common share, both established new records, increasing 9% and 3% respectively.

Diluted cash earnings per common share of $2.18 was up 4% over 2010.

Record total revenues of 491 million represented a 13% increase.

Annual net interest income was up 17%, reflecting very strong loan growth and margin improvement.

Other income of 106.3 million was up 1%. Highlights within other income included strong 1.7 million growth in trust and wealth management revenues, 1.3 million of higher credit related fee income, and the first full year contribution from National Leasing.

Net gains on sale of securities were 2.1 million lower compared to 2010. And based on our current outlook, and considering the composition

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of the securities portfolio, we believe there will be limited opportunities to realize net gains on securities in 2012.

Net insurance revenues were down 1.5 million compared to last year as the benefit of 6% growth in net earned premiums was offset by the reduction in the contribution of the Alberta auto risk sharing pools.

Yesterday, our Board declared a quarterly cash dividend of $0.15 per common share. This dividend represents a 7% increase from the previous quarter and is 15% higher than the quarterly dividend declared one year ago.

Total common share dividends paid in the year of 39.2 million represented approximately 24% of our earnings available to common shareholders. The bank also declared a quarterly cash dividend on our Series 3 Preferred Shares.

Turning to Slide 5, annual growth of 16% was well above our minimum target. Results reflect very strong growth across all of the bank's lending portfolios and geographic markets. Growth in general commercial loans at 409 million contributed the greatest dollar increase for the year while oil and gas production loans showed the highest percentage growth at 36%.

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Our equipment financing portfolio experienced very strong growth in dollar and percentage terms reflecting excellent performance in both the bank's heavy equipment financing business and National Leasing small- and mid-ticket leasing business.

Slide 6 shows our capital ratios at October 31st under the existing Basel II standards. Capital levels remain strong with a tangible common equity to risk weighted assets ratio of 8.6%, a Tier 1 ratio of 11.1%, and a total capital ratio of 15.4%.

As previously disclosed, the warrant redemption completed in August reduced regulatory capital ratios by approximately 60 basis points.

For the year, this impact on capital was more than offset by additional common equity raised upon the exercise of ForEx.

OSFI has now publicly stated that all Canadian banks must comply with the Basel III standards by January 1, 2013, with the only available transition relating to the 10-year phase out of non-qualifying capital instruments. Pro forma Basel III calculations for CWB confirm that the bank already complies with the new ratios. As shown on application of the 2019 Basel III rules against the bank's actual financial position at quarter end results in a common equity Tier 1 ratio of 7.9%, a Tier 1 ratio of 8.6%, and a total capital ratio of 12.8%.

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This compares to the Basel III regulatory minimums of 7%, 8.5%, and 10.5% respectively. The bank's target capital ratios under Basel III, including an appropriate capital buffer over and above the prescribed OSFI minimums, will be established through development of our 2012 ICAAP in the first quarter. The transition to IFRS is not expected to have a material impact on the bank's regulatory capital ratios.

Slide 7 shows actual results compared to our fiscal 2011 minimum performance targets. As shown, we surpassed, or met, all of our targets and considerably outperformed the minimum goals for growth in both net income and loans.

Total revenue growth of 13% compared to our target of 12%. The provision of—for credit losses represented 20 basis points of average loans and remained at the low end of our target range.

The efficiency ratio of 45.3% was better than our targeted 46%.

The return on common shareholders' equity of 15.6% was above the 2011 minimum target while return on assets was on par at 1.2%.

Our minimum performance targets established for fiscal 2012 calculated under Canadian GAAP are presented on the next slide. These percentage targets will be recast in the first quarter once we transition to IFRS. We plan to prerelease the 2011 adjustments between GAAP and

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IFRS in January and will amend the 2012 targets at that time to reflect the 2011 IFRS comparative numbers.

The biggest differences under IFRS for the bank relate to the contingent consideration for National Leasing and accounting for available-for-sale securities.

I will now turn things over to Larry who will provide additional comments on our 2012 targets, as well as our overall outlook strategy.

LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks, Tracey. Our targets for 2012 confirm ongoing confidence in both our strategies and our core focus in Western Canada, but they also reflect the reality of ongoing global economic headwinds. We expect Canada will see modest economic growth next year and believe Western Canada will continue to outperform the rest of the country.

The volume in our pipeline for new loans remains solid, and we are trending—we're targeting another year of double-digit growth in 2012. Growth targets for both total revenues and net income of 6% are consistent with our business growth expectations, but also reflect our belief that margins will continue to be pressured. While this pressure largely results from the current low interest rate environment, we're also seeing

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heightened competition in some areas of our competitors continue to cut prices in order to achieve growth.

In response to the European debt crisis, we're also carrying higher-than-normal liquidity. This will have a further dampening effect on margins.

We will continue to build on our commitment to invest in people, infrastructure, and technology to position the bank for sustained growth. However, we will also closely monitor costs in order to maintain our efficiency ratio.

The minimum targets for return on common shareholders' equity and return on assets are consistent with our expectations for strong profitability and growth across all areas of our business while also reflecting expected challenges in the current operating environment. Our target range for provision for credit losses remains unchanged from last year at 20 to 25 basis points of average loans.

Turning to Slide 9, the level of gross impaired loans measured as a percentage of total loans demonstrates a continued positive trend in credit quality. The dollar level of gross impaired loans reduced for the sixth straight quarter, and totaled 97 million. This compares to 108 million last quarter and 143 million a year earlier. While we remain cautious about the

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potential impact on our markets from global uncertainties, overall credit quality is expected to remain strong. Gross impaired loans have returned to more normal historical levels and will likely fluctuate around the current level moving forwards.

Our fourth quarter provision for credit losses led to a 2.8 million increase in the dollar level of general allowance compared to last quarter.

Based on our current view of credit quality and results of ongoing stress tests, the general and specific allowances remain adequate in relation to the overall loan portfolio.

There were 32.1 million of write-offs in 2011 compared to 24.6 million in 2010. The increased level of write-offs compared to the prior year largely resulted from a change in our internal process. Write-offs for the year essentially reflect five quarters of losses, and the difference is a timing issue only. Our ongoing commitment to secured lending and disciplined underwriting, combined with a positive yet cautious economic outlook in our key markets, supports our view that future write-offs will remain within the bank's range of acceptable levels. Our loan losses remain low compared to other Canadian banks and we expect this trend to continue.

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The next slide highlights our strategic priorities for 2012. We plan to further build on our strategic theme ‘to do what we do, only better’ and to focus on and refine our proven business models in the bank and all subsidiaries. This includes enhancing our business banking services in Western Canada while also growing in other business areas to further diversify our sources of income.

As we stated in prior periods, the objective for 2012 and beyond is to improve across each area of our organization and identify opportunities where we can further build on our competitive advantage.

Our strategic theme to 'make the whole worth more than the sum of the parts,' includes fostering additional cross-partnering between our different companies. We see a lot of potential to add value by concentrating on doing more business with existing clients. Although effective execution of our strategies will require ongoing investment in our people, infrastructure and technology, as I mentioned earlier, our goal is to maintain or improve operating leverage and we intend to manage cost very closely to achieve this.

While it is good to get some further clarification about the 2013 transition to Basel III, I think regulators and government have a very challenging job to ensure they maintain effective regulatory standards

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without stifling economic growth by restricting the lending capacity of Canadian banks.

While it appears all of Canada's banks are relatively well positioned, the potential that some banks will begin to more actively manage their balance sheets could result in unintended consequences as it relates to the status of economic recovery.

Regulations also need to ensure that Canadian banks stay on a relatively level playing field with non-OSFI regulated entities, or global banks that may be subject to less stringent rules. We're in good shape for the Basel III minimums, but at the same time we face a significant disadvantage compared to our peers who use an advanced approach for calculating their risk-weighted assets.

On an apples-to-apples basis, our capital level appears stronger than any of the Canadian banks. This point is demonstrated through our much lower leverage based on total assets, as well as our long history of lower loan losses compared to the industry. We're also able to retain more capital to support growth due to our consistent profitability and relatively low dividend payout ratio.

The problem under the standardized approach for calculating risk-weighted assets, is we are subject to 100% risk weighting for almost all

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commercial loans. This compares to many of our peers who may be retaining at that amount or less to what is essentially the same risk exposure. We've seen specific examples of this through syndicated loans that we've participated in with the other banks.

We're continuing to evaluate what we need for the bank's eventual transition to an advanced methodology for calculating risk-weighted assets, but this is still a few years out and requires the approval of OSFI.

In the meantime, we plan to maintain our strong regulatory capital position, which we believe is particularly important in the current environment. While we still have a positive view, we're well prepared for economic headwinds that could result from global risk outside of our control.

We are pleased to provide common shareholders with an increased dividend this quarter. The announcement brings us closer to the bottom end of our target payout ratio of 25 to 30% of net income available to common shareholders. Our recommendation for future increases will be based on both the bank's financial performance and any further regulatory economic developments that may arise.

Overall, our objective is to remain focused on our core businesses and build on our history of double-digit growth. We're very excited about

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our future in both the short and long term. The 2012 performance targets confirm our expectations for another year of record performance. While the achievement of these targets will be challenging, the future growth potential in our key areas of banking, trust, insurance, and wealth management is very positive.

I will now turn things back to Tracey.

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

OPERATOR: At this time I would like to remind everyone if you would ask to a question you may do so by pressing *, then the number 1 on your telephone keypad.

And your first question comes from the line of Robert Sedran from CIBC. Your line is now open.

ROBERT SEDRAN: Hello; good afternoon. Just a couple of quick ones. Tracey, I know you mentioned you're going to be restating 2011 for IFRS, but I'm curious if you can give us any guidance in terms of is this a small positive? Small negative? Is it a neutral to earnings per share?

TRACEY BALL: Well, what I can tell you is it's about—altogether we're estimating currently about a $36 million decrease in retained

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earnings between transition and 2011 restatements. And the biggest item for 2011 will be related to the contingent consideration calculation. And we—I don't know that I have number right in front of me, but it would be about a $12 million charge for 2011. Is that helpful?

ROBERT SEDRAN: But that's a one-time impact kind of thing? It's not a really a run rate number, is it?

TRACEY BALL: No, because what happened—it's kind of complicated to explain, but the contingent consideration is based on an average of two years of earnings. So in 2011 the earnings for national Leasing improved significantly so the contingent consideration also had to be revalued—will have to be revalued every quarter. And it essentially creates the liability to be higher and the offset goes to the income statement.

And under Canadian GAAP, you wouldn't see that until we finalize the contingent consideration, and under Canadian GAAP it would go to goodwill. And personally, I think that the Canadian version is the better one, but that's what we have to live with.

ROBERT SEDRAN: So to the extent National Leasing keeps outperforming, you're going to basically have to tell us every quarter what that item is in order to get a sense for...

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TRACEY BALL: Looking forward to 2012, we don't see—we see a number less than half of 2011.

ROBERT SEDRAN: Okay. And just quickly, and I'm not sure if I missed it at the beginning of the call, but the other other income line jumped higher, and I gather it was from an asset sale related to Optimum. And I'm sort of used to you guys being asset purchasers, not asset sellers. So if you can give us any guidance as to what that was and a) why you sold it and b) whether this is kind of ongoing business or something unusual.

LARRY POLLOCK: Rob, it was an opportunity that presented itself. We had another financial institution that was looking for insured mortgages. And at the same time, we had declining bond yields. So we saw that as an opportunity to actually sell the assets and earn more on them in a one-time basis than we would have earned by retaining them for the period of time they would have matured. So it was strictly a one-time opportunity, and there may be more of those that may present themselves.

ROBERT SEDRAN: Okay. Thank you.

OPERATOR: Your next question comes from the line of John Reucassel from BMO Capital Markets. Your line is now open.

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JOHN REUCASSEL: Okay, great. Larry, just talking about the competitive environment in commercial lending is it competitive on pricing? Or terms? Or both? And then it is interesting you say it's competitive, but you're still getting 17% loan growth. So are you walking away from business? Are you starting to walk away from business? Or could you just kind of talk about that?

LARRY POLLOCK: It's both on—we've seen some on terms, I'd say more on the rate than terms, is that right Chris?

CHRIS FOWLER: Absolutely, it's more on rate.

LARRY POLLOCK: Yes. So that's where we're seeing it, but we still had very strong growth, which is an indication that the areas that we specialize in we don't see a lot of competition, such as the industrial group, as I really turned it around in the last year. And general commercial, where all of these clients are looking for a good solid banking relationship as opposed to just the best price on the street. So we tend to be able to still grow and I think we grew over 400 million in our commercial sector last year, which was, I believe, our best year ever in straight commercial banking. Fixed.

JOHN REUCASSEL: Okay. And so—but, Larry, just if you think about we've had just under a year here of kind of—or less than that, six

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months of rebounding commercial loan growth in the country and generally these cycles last longer. I understand there's some uncertainty out there, but it seems like the 10% loan growth number is—I don't—it seems to be an easy number. Is that—are we missing something? Or is that not correct?

LARRY POLLOCK: Well it's kind of compounding because we added 16% on last year and now we're adding 10% on again this year. The 10% is a lot higher number than it would've been three or four years ago in straight growth. But with the uncertainty out there in Europe and the United States, and oil prices flip-flopping all over the place, there's—what we're hearing from our clients is that there's some hesitation in, you know, 'we're going to order another 10 trucks and maybe I'll just wait till next month.' And you see some hesitation there about well, I'd like to see where we're going in the global economy before I stick my neck out too far.

JOHN REUCASSEL: Okay. And then just—I think I know the answer to this, but the lower return on asset number of 110 basis points versus 120, presumably that's just margin related and maybe more liquid assets. Is that—the holding more liquid assets, is that right? Or is there something else going on?

LARRY POLLOCK: Yes. That's both.

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TRACEY BALL: It's both, and also there would be some factor there for a reduction in other income from reduced gains on securities sales, so just revenue, but mostly the margin obviously.

JOHN REUCASSEL: Okay. Thank you.

OPERATOR: Your next question comes from the line of Sumit Malhotra from Macquarie Capital Management.

SUMIT MALHOTRA: Good afternoon. First question in regards to other income or fee income. Obviously, you communicated that the net interest margin environment is going to be—or remain somewhat challenged. So I wanted to get your outlook for some of your fee income lines. Obviously, the securities gains is going to be, as you put, nowhere near as beneficial as it was last year. So if I look at your core fee income lines: insurance, credit related retail and trust, perhaps some thoughts on how those businesses are trending and what their contribution in terms of growth could look like next year?

TRACEY BALL: Sure, Sumit. In terms of commercial, you should see it go somewhat with loan growth. However, we are going to see more fees going into interest income after we transition to IFRS, so that's part of a change that we're doing in our own sort of internal policy. So that'll have

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a bit of a negative pressure on it. But I would guess about 10% on commercial or credit related.

Trust and wealth management should be quite consistent with last year. Insurance revenues should be also, well, consistent with last year, except you have to back out the Alberta risk sharing pools because in 2010 they had a very positive effect on a direct in 2011 that was positive, but a lot less. And we never know what's happening in 2012. I don't know, Brian, if you want to add anything on the insurance?

BRIAN YOUNG: From an insurance perspective, we're expecting very similar growth to what we had in 2011. The part of the trouble is, is the way you actually measure it. It feeds more in on the net income line than actually on the fee line 'cause we net out the claims against it. So you may not really see that other than it'll fall out at the—from a net income contribution perspective.

TRACEY BALL: I was just going to say, is that a benefit?

SUMIT MALHOTRA: I get it. I mean, maybe to go to the next point it probably brings us back to capital. You've communicated a goal of having the fee income businesses, I believe it's 30% of total revenue?

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TRACEY BALL: It was 30% before we purchased National Leasing, which of course it would've caused that percentage to come down because it is a spread lending business.

SUMIT MALHOTRA: Then if we're laying out an environment here where net interest income is going to be challenged by the lower rate environment, which is certainly understandable, when I think about your capital position and where it stands and the commentary you've provided us with that perhaps moving to another approach to calculating your RWA will free up a lot of capital, what can we think of from CWB in the likelihood of potential acquisitions that maybe get that fee income base to be a greater contributor at a time that it seems like NII is going to be challenged?

LARRY POLLOCK: Well, obviously, we'd like to grow our wealth management business through acquisition and organically, but it's a very, very competitive environment out there so we haven't been able to identify anything to acquire to this point.

You're also right, if we were under the IRB approach to capital, we would have significant surplus capital at this time and would look to deploy it in one way or another.

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SUMIT MALHOTRA: Lastly for me, I think it's—since the last call you announced, for the first time I can remember, that you have a normal course issuer bid. I don't think you've been active under that yet. Can you talk a little bit about what your intentions are there? Is this something that we should expect to see the bank pursuing on a regular basis with that capital position? Or is it more if you thought the share price was at extremely undervalued level? Well, Larry, I know you probably think the share price is—mostly you usually think it's undervalued, but is there something that should be a normal course or…

TRACEY BALL: Sumit, it's only for 3% of the shares outstanding, and as we look forward to 2012 with the uncertainty in the markets I would see it being mostly being a tool to support the share price and the sell-off.

SUMIT MALHOTRA: Thanks for your time.

OPERATOR: Your next question comes from the line of Michael Goldberg with Desjardins Securities. Your line is now open.

MICHAEL GOLDBERG: Thanks. You exceeded all your objectives for fiscal '11, particularly loan growth. Should I look at your fiscal '12 objectives again as being on the conservative side? In particular, so you were asked about loan growth, is the 10% really a minimum of a 10% loan growth that's your objective on the loss provision? Should we really be

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looking for your loss provision to increase in line with your loan growth, given the 20 to 25 basis point objective? And in terms of productivity, are you really looking for no improvement in your expense-to-revenue ratio? Or is this also a conservative objective?

LARRY POLLOCK: Well, what I'd say, Michael, is it's a pretty uncertain world out there compared to last year at this time. I think our targets were realistic, we were looking for rate increases; we were looking for our margins to hold. We didn't look for 16% growth that we got. So it was kind of—the growth allowed us to meet all of our targets, but we did have margin compression. We didn't get rates increased during the year. In fact, certainly bond yields came down. So 10% is—we've made 10% or more for 21 of the last 22 years, but with the amount of uncertainty out there I think a 10% growth rate is reasonably realistic and probably achievable based on what we see today.

On the loss provision, we don't expect we'd change from our 20 to 25 points, but you did see last quarter we actually didn't use it and—or didn't use it all; added some to our general reserve. We expect that trend will continue in the foreseeable future unless there's a major correction in the market. So our provisions likely won't change.

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In our productivity, we are looking at, and have started down the path of installing a new core banking system. And last year, we did install a new loan re-origination system and have numerous other enhancements going on in the bank's infrastructure. So I don't expect we'll see a lot of change in the productivity number. Anybody want to add anything to that?

TRACEY BALL: The only thing I would add, Michael, is that we always like to over deliver. So you're right in the sense that it is conservative, but it's not—we find it realistic as well.

MICHAEL GOLDBERG: Okay. Thank you very much.

OPERATOR: There appears to be no further questions at this time.

TRACEY BALL: Okay. Thank you, Steve, and thank you very much, everyone, for your continued interest in Canadian Western Bank. We'll provide a further update on the timing of our IFRS disclosure over the coming weeks. We look forward to reporting our 2012 first quarter results on March 8. If you have any follow-up questions or comments, please call us or contact us by email. Thank you, and all the best for the holiday season.

OPERATOR: Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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