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OPERATOR: Good afternoon. My name is Amanda (phon) and I will be your conference operator today. At this time I would like to welcome everyone to the Canadian Western Bank's First Quarter 2012 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 this time, simply press *, then the number one on your telephone keypad. If you would like to withdraw your question, press the # key.

I'll now turn the call over to Tracey Ball, Executive Vice President and Chief Financial Officer.

TRACEY BALL (Executive Vice President and Chief Financial Officer, Canadian Western Bank): Thank you, Amanda, and good afternoon, everyone, and welcome to our 2012 first quarter results conference call for Canadian Western Bank.

Before we begin, please note the conference call slides, quarterly results news release, and supplemental financial information are available on the Bank's website at cwbankgroup.com in the Investor Relations section. I'll also point out the forward-looking advisory statement on Slide 10.

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The agenda for today's call is on Slide 2. Joining me today is Larry Pollock, President and Chief Executive Officer. Also in attendance are Chief Operating Officer, Chris Fowler, and Executive Vice Presidents, Bill Addington, and Randy Garvey.

To begin I will provide a brief summary of our first quarter financial highlights and then I'll turn things over to Larry for an overview of our outlook and strategy. We will leave as much time as necessary for Q&A at the end of the call.

Moving to Slide 3. The Bank reported strong first quarter performance highlighted by 4 percent quarterly loan growth, record total revenues, and our 95th consecutive profitable quarter, a period spanning nearly 24 years. Very strong quarterly loan growth led to total assets surpassing the 15 billion milestone and reflected good performance across all lending sectors.

This quarter is also our first reporting period under IFRS. All comparative financial results have been restated to IFRS with details of the transition available on our 2011 Annual Report and first quarter news release.

We also changed our operating segment disclosure. Starting this quarter for the purposes of financial reporting, Canadian Western Bank

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operates in one segment, Banking and Financial Services, and one geographic region.

Moving to the next slide. Net income available to common shareholders of 41.5 million was up 10 percent over the same quarter last year, while diluted earnings per common share increased 8 percent to reach $0.54. Adjusted cash earnings per share, which excludes the noncash deductible change in fair value of contingent consideration and amortization of intangible assets, increased 4 percent to $0.57.

Record total revenues of 126.3 million represented a 4 percent increase over the same period last year as the positive influence, a very strong 15 percent loan growth, more than offset the impact of a 30 basis point reduction in net interest margin and slightly lower Other income.

Other income of 18.8 million was done 1.4 million compared to a year earlier, reflecting 2.3 million lower net gains on securities, partially offset by growth in credit fee income, trust and wealth management fees, and a $1.3 million lower charge for the change in fair value of the contingent consideration.

Based on current market expectations and the composition of the securities portfolio, we believe future quarterly net gains on securities will be similar to or below the level achieved this quarter.

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Compared to the previous quarter, net income available to common shareholders was up 15 percent, as positive contribution from strong loan growth and 5 million higher net gains on securities more than offset the impact of a 10 basis point reduction in net interest margin. Adjusted cash earnings per common share were up 8 percent.

An improvement in overall credit quality was evidenced by our 7th consecutive quarter of reducing gross impaired loans. The dollar provision for credit losses represented 20 basis points of average loans and more than one-fifth of this amount was allocated to the collective allowance to support our growth profile.

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

Slide 5 shows year-to-date results compared to our fiscal 2012 targets. As shown, our strong performance early in the year has us well positioned in relation to all of these objectives. The volume in the pipeline for new loans is encouraging, and we remain confident about our ability to achieve another year of double-digit loan growth. While the compressed net interest margin and lower gains of securities have had a moderating

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impact on total revenue growth, we believe this measure will improve through the remainder of the year with ongoing loan growth and a downward pressure on margin begins to level off.

The efficiency ratio of 43.7 percent was very favourable compared to our target of 46 percent or less, but this is partially due to timing of certain marketing, community investment, and other initiatives. While the efficiency ratio will likely increase from the current level, it should remain at or better than our target for the year.

Slide 6 shows our capital ratios at January 31st under both the existing Basel II standards and pro forma calculations under Basel III. The full transition impact of IFRS led to a reduction in the capital ratios of approximately 40 basis points compared to the previous quarter.

First quarter ratios were also impacted by the expiry of a Basel II transition provision that permitted Canadian Western Bank's investment in Canadian Direct Insurance to be deducted from Tier 2 capital. Beginning this quarter, this deduction is recorded 50 percent against Tier 1 and 50 percent against Tier 2. The impact of this transition compared to October 31, 2011, was a reduction in the Tier 1 ratio of approximately 40 basis points and no change to the total capital ratio.

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Basel II capital ratios remained well above both regulatory minimums and our internal targets. The tangible common equity to risk-weighted assets ratio was 8.2 percent, the Tier 1 ratio was 10.2 percent, and the total capital ratio was 14.6 percent.

OSFI has advised that all Canadian banks must comply with the Basel III standard by January 1, 2013. The only available transitional adjustment relates to the 10-year phase out of non-qualifying capital instruments. Pro forma Basel III calculations based on the Bank's financial position at quarter-end show a common equity Tier 1 ratio of 7.5 percent, a Tier 1 ratio of 8.2 percent, and a total capital ratio of 11.9 percent. This compares to the Basel III regulatory minimums of 7 percent, 8.5 percent, and 10.5 percent respectively. The Bank is positioned to meet or exceed these minimums before the transition date without any material changes to the overall composition of regulatory capital.

The next slide shows the long-term trend of net interest margin, the spread on loans, and the prime lending interest rate. The margin and spread on loans for periods prior to the fourth quarter of 2010 have not been restated for either IFRS or the change in accounting for loan fees that commence this quarter.

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First quarter net interest margin of 2.77 percent represented a 30 basis point decline from the same period last year with the difference largely reflecting reduced loan yields, partially offset by lower fixed-term deposit costs. While a very low interest rate environment, flat yield curve and increased competitive pressures are the main reasons for lower margins, the impact of our strategy to carry higher liquidity has also had meaningful impact on recent margin compression.

Net interest margin was down 10 basis points from the previous quarter with more than half of this difference attributed to higher average liquidity. While competitive pressures are likely to persist, we expect liquidity to reduce moving forward as maturing term deposits roll off and 125 million of subordinated debentures are redeemed later this month.

Based on these factors and our current outlook for easing global uncertainties, we believe recent downward pressure will moderate and that net interest margin is likely to remain in the range around the current level. Any increases in interest rates or a relative steepening of the yield curve would have a positive impact on margin.

I will now turn things over to Larry to provide additional comments on our overall outlook and strategy.

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LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks, Tracey. Slide 8 shows our historical level of gross impaired loans and write-offs measured as a percentage of total loans. Overall credit quality continued to improve with the dollar level of gross impaired loans increasing for a 7th straight quarter. Gross impaired loans have returned to more normal historical levels, and looking forward will likely fluctuate around the current level.

The provision for credit losses added to the dollar level of the collective allowance and future write-offs are expected to remain within the Bank's range of acceptable levels. The total number of accounts classified as impaired was also down significantly compared to a year earlier.

We've received a number of questions lately about our view on a potential Canadian residential real estate bubble. While there are certain markets where residential prices and building activity have risen beyond expectations, we continue to believe Canada's overall market for residential real estate remains healthy. People try to compare what's happening in Canada to what the US experienced, while we believe there are structural and other differences that will help prevent any severe or rapid price declines. For example, when we look at debt service capacity,

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current residential prices remain quite affordable in all but a few areas within certain markets.

We regularly stress our portfolios, and results show that our expected provision for credit losses in the event of a 30 percent decline in real estate volumes would remain manageable. The primary impact on our near-term performance would most likely be a decrease in loan growth resulting from the combination of less demand and tighter credit criteria.

Our total exposure to project loans for high-rise condominiums at quarter-end was approximately 200 million, with geographic concentration in Vancouver, Calgary, Toronto, and Ottawa. The average loan-to-value for these loans is approximately 60 percent and demonstrates our conservative underwriting practises. The condo exposure is less than 2 percent of total loans and approximately 15 percent of all personal loans and mortgages.

We also stressed the loan portfolios for the expected impact of a rapid increase in interest rates and believe this is another manageable scenario. This IS confirmed by the excess debt service capacity required through our underwriting processes as well as an increased number of clients who are choosing fixed interest rates.

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Slide 9. The next slide highlights our strategic priorities and outlook. The Bank's continuing objective for 2012 and beyond is to focus on building on our competitive advantages and improving each area of our organization. Our theme of do what we do, only better is gaining traction across our organization and we will continue to drive our strategic initiatives moving forward.

We plan to expand our market share and are well positioned to take advantage of new growth opportunities, particularly in our core Western Canadian markets. As part of our long-term commitment to add value for shareholders, we will also continue to invest in our people, infrastructure, and technology to support future growth. This also includes the continued development of our branch network.

We're well positioned to meet or exceed the Basel III capital minimums, but at the same time we face a significant disadvantage compared to our peers who carry far less capital on a per-loan basis using the advanced approach for calculating their risk-weighted assets. On an apples-to-apples basis compared to other Canadian banks, we believe our capital base is very strong. We maintain much lower leverage on total assets-to-equity basis, and we also have a long history of lower loan losses compared to the industry.

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We continue to assess the Bank's potential transition to an advanced methodology for calculating risk-weighted assets, but our preliminary analysis has confirmed this is a multi-year process. In the meantime, we plan to maintain our solid regulatory capital position. Based on our performance and the amount of our current common share dividend, we remain at the lower end of our target payout range of 25 to 30 percent of net income available to common shareholders. We will continue to evaluate the dividend quarterly.

Great opportunities exist to further develop and grow all of our subsidiaries and great divisions—and operating divisions, and the performance of National Leasing continues to exceed our expectations. We are committed to building on our position as a leader in small- in mid-ticket leasing and believe there are opportunities for significant growth in this space. Canadian Direct Insurance and our trust services companies are also maintaining strong momentum.

Our strong first quarter performance continues to build on our record results last year and represents an excellent start for 2012. While we expect there will be ongoing challenges, including increased competition, our disciplined underwriting, strong balance sheet, and solid capital base have us well positioned to capitalize on growth opportunities

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and manage the transition to Basel III capital requirements. Based on what we are seeing today and compared to the rest of Canada, we are also optimistic about the significant potential in our key western markets.

I'll now turn things back to Tracey.

TRACEY BALL: Okay. Thank you, Larry. And, Amanda, I would like to open up the call for the question-and-answer period please.

OPERATOR: At this time I would like to remind you in order to ask a question press *, and then the number 1 on your telephone keypad.

Your first question comes from the line of Scott Chan at Canaccord Genuity. Your line is open.

SCOTT CHAN: Good afternoon. My first question just relates to the off-balance sheet. In the MD&A it specified the AUA dropped approximately 3 billion, down to 6.9 billion, relating to third-party leases. Can you explain that to me? And does that impact revenue Other income I guess in terms of the trust service revenue?

TRACEY BALL: The service revenue is in—it was a leasing contract so it won't affect trust services revenue.

SCOTT CHAN: Right.

TRACEY BALL: It was a large lease portfolio that we were managing for very large financial institution in Canada that National

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Leasing was managing. And that financial institution has bought another leasing company and moved that portfolio there. So we had been expecting that for well over a year.

SCOTT CHAN: Okay. So then it doesn't do move the trust side at all?

TRACEY BALL: No. No.

SCOTT CHAN: You just saw the accounts kind of increase quarter-over-quarter. My last question just relates to the loan portfolio. I know you just talked about it briefly, but can you just talk about the Vancouver real estate market, the Alt-A portfolio, and I guess the oil and gas portfolio in terms of the drastic price deviations we've seen in terms of nat gas prices declining and oil prices increasing?

LARRY POLLOCK: All those areas are performing very well as indicated by looking at our declining nonperforming loans balances, it's the 7th quarter in a row that they declined. We haven't seen any aberrations in any of those markets that I'm aware of. I'll turn it over to Chris to add something to that.

CHRIS FOWLER: No, we haven't seen any aberrations at all. We still have good volume in the Vancouver real estate construction market. And the natural gas market is clearly an issue with the drop in price in

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natural gas, but we definitely stress test our existing accounts that have some gas weighting to them, and we are certainly managing that portfolio very carefully and we believe it is manageable.

SCOTT CHAN: Okay. Perfect. Thanks a lot, guys.

TRACEY BALL: You're welcome.

OPERATOR: Your next question comes from the line of Shubha Khan, National Bank Financial. Your line is open.

SHUBHA KHAN: Thanks. Good afternoon. I had a couple questions, and follow-up questions really, on growth in some of your lending portfolios. So to start, could you just comment on the strong growth in equipment financing? Was that all attributable to heavy equipment? Or was it mainly in National Leasing? And what are your thoughts on whether this pace of growth can be sustained? I think it was 7 percent in the quarter.

CHRIS FOWLER: It would be balanced between National Leasing and the Bank leasing. The Bank leasing volumes are increasing as the— we think as a leading indicator of the economy. The economy has picked up. What has occurred there as well is that a lot of the financing in that portfolio is been more to new equipment when previously it was in used equipment, so the duration is extending, so that's allowing the new

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fundings to increase the portfolio, which is a definitely positive. So we see that both on the National Leasing and the Bank mid-ticket leasing as continue to grow.

SHUBHA KHAN: Perfect. And a similar question on your general commercial book then. You saw pretty strong growth there as well but that comes on the heels of a somewhat lacklustre fourth quarter. So I'm wondering whether you can at all comment on how much of the growth in Q1 was just a catch-up effect of sorts rather than a genuine pickup in demand.

CHRIS FOWLER: Well, our year-over-year on that book is about 15 percent and 7 percent in Q1 compared to Q4. There is a longer lead time in originating those credits because they're not necessarily transactional credits so they can be lumpy when they come on, but certainly it's an area that we have particular focus on as a growth area for the Bank.

SHUBHA KHAN: Okay. That's helpful. And then final question just on the Optimum portfolio. So the competitive landscape has changed a little bit. Some of the larger banks have pulled back from the business results segment and the broker channel as well. So I'm wondering whether that helped originations in the quarter. Or would it have more of

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an impact on your Q2 results? And perhaps you can comment generally on volumes with one month under your belt in the current quarter.

LARRY POLLOCK: Sure. We have heard that a couple of—well, one bank in particular will stop originating in March, the end of this month, and I think another bank is making a decision on their continued participation in the Alt-A space. Certainly our volumes in Q1 were double what they were in Q1 of 2011. So I would say that we would see probably pickup and continued trajectory of our growth as the other banks participate less in that. We'll monitor for Q2 but I think where we sit right now, it's good growth, and we pick and choose our spot based on geography and on pricing.

SHUBHA KHAN: Got it. Thank you so much.

OPERATOR: Your next question comes from the line of Bryan Brown at Macquarie Capital Markets. Your line is open.

BRYAN BROWN: Good afternoon. Would you be able to say how much of the NIM compression in the quarter was related to the rise in liquidity? And could you give us reasons why you expect liquidity to decrease going forward?

TRACEY BALL: I sure can. I would say that it's about 7 basis points of the 10 basis point drop. And we had a couple of things going on

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with respect to liquidity. One is in 2011 in the last quarter we did raise a fair slack (phon) of deposits in the Agent market in anticipation of about 500 million rolling off in January, and the reason that we did that is we had that market interruption that occurred because of what was happening in Europe in August, and so we decided that it was prudent to raise that liquidity earlier so we wouldn't be in a market that might be further disrupted later out and while we had those large amount of maturities last month.

In addition to that, the market conditions in January were very good for a senior deposit note to be issued to the capital markets, and we had very good take-up on that so we ended up issuing 250 million, which added to our liquidity. At this point, the deposits have by and large rolled off and to the extent they were replaced, they were replaced by lower-cost deposits.

And secondly, the debentures outstanding of 125 million will be redeemed later this month and that'll take another big chunk of liquidity down. So that's really the main reasons why we were carrying liquidity.

BRYAN BROWN: Got you. And in the non-comp expenses we saw a pretty good decline sequentially, about 7 percent. Was there anything in there that was maybe one-time in nature?

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TRACEY BALL: Probably it's in our RSU expense and so that would just carry on as we go forward.

BRYAN BROWN: Okay. That's it for me.

OPERATOR: Again if you would like to ask a question, press *, then the number 1 on your telephone keypad.

Your next question comes from the line of Nick Stogdill from Credit Suisse. Your line is open.

NICK STOGDILL: Well, hi. Good afternoon. You guys have talked about competitive pressures on margins, but what about on loan growth? How much higher could it be if competitive trends weren't as intense? I just wanted to get what you're seeing there?

LARRY POLLOCK: We're seeing a lot of margin pressure on the larger deals, not so much on the smaller credits, and the vast majority of the credit that we do would be smaller transactions, mostly under $2 million. So we're not seeing the same kind of pressure there. Most of the pressure is on the larger deals where our competitors are trying to build market share and cutting rates to get that market share. So yeah, it's very competitive, but on the other hand there aren't as many foreign banks in the market as there were so we're not seeing that pressure. So it seems to

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always be there but it comes from different angles. Does that help with your...

NICK STOGDILL: Yep, yep. Thank you. And then could you just update us a bit on your capital plans for 2012? So with OSFI approving your sub-debt redemption, could it be possible to further rationalize your capital base? Is there anything else you can take out? Higher-cost deposits?

TRACEY BALL: Higher-cost deposits aren't in our capital base, but if we're talking about debentures we don't have any other redemptions coming up. It's a transition year to Basel III so I think you can expect to see us fairly well-capitalized as we go into that transition. As you would know, there is a requirement for any non-common Tier 1s to be non-viability contingent capital, and that market has not developed yet. And we would not anticipate being early to that market. So it is possible that we will raise additional preferred shares towards the end of the year to build up some transition room to allow that market to develop, but at this point we're looking at a number of different capital efficiency ideas and getting prepared to go to Basel III

NICK STOGDILL: Okay. Thank you.

LARRY POLLOCK: Thank you.

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OPERATOR: Your next question comes from the line of Bill Dye with Leith Wheeler. Your line is open.

BILL DYE: Oh hi there. I guess this question's for Tracey. You talked about having the opportunity to go from the standard to the advanced form of Basel III. And have you made a decision to do this? And if so, can you maybe talk a little bit about the costs versus the benefit and the timing of that?

TRACEY BALL: Yeah, we haven't made a decision yet. We've just received a very detailed roadmap from our advisors that we had engaged in the first quarter to help us out with that. It's a very large project and it's something that we have to consider very carefully. It's a multi-year project. It's tens of millions of dollars. We're not sure how much because we are also doing a banking system conversion in the next—well, probably within two years, two to three years, and that's already underway. And a lot of the software will be included in the banking system that we would need for the advanced approach. But we don't want to underestimate the real complexity and length of time it would take us to get there.

So at this point we're thinking at least five years, probably longer, but we really need to now figure out the scope between what's required for the advanced system and what we're going to achieve through our own

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banking system conversion that we don't need to add in to go to advanced. So we don't—I guess a long-winded comment, but at this point we just don't know.

BILL DYE: Okay. Thanks for that.

OPERATOR: There are no further questions at this time. I will now turn the call back over to the presenters.

TRACEY BALL: Okay. Thank you, Amanda, and thank you very much, everyone, for your continued interest in Canadian Western Bank. We look forward to reporting our 2012 second quarter results on June 7th. And as usual, if you have any follow-up questions or comments please call us or contact us by email. Thank you, and have a good day.

OPERATOR: This concludes today's conference call. You may now disconnect.

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