EVENT:	CANADIAN WESTERN BANK THIRD QUARTER 2011 FINANCIAL RESULTS ONFERENCE CALL
TIME:	15H00 E.T.
REFERENCE:	CNW GROUP
LENGTH:	APPROXIMATELY 41 MINUTES
DATE:	SEPTEMBER 2, 2011

OPERATOR: Good afternoon. My name is Alicia, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Canadian Western Bank's Third Quarter 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 this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key.

Thank you. Miss Tracey Ball, Chief Financial Officer, you may begin your conference.

TRACEY BALL (Chief Financial Officer, Canadian Western Bank): Thank you, Alicia. Good afternoon, everyone, and welcome to our 2011 Third Quarter Results Conference Call for Canadian Western Bank. Before we begin, please note that the conference call graphs, quarterly results news release and supplemental financial information are available on the Bank's website at cwbankgroup.com in the Investor Relations section.

And before we begin, I just want to draw your attention to our forward-looking statement advisory on slide 10.

The agenda for today's call is on slide two, and joining me today is Larry Pollock, President and Chief Executive Officer. Also in attendance are Executive Vice Presidents, Bill Addington, Chris Fowler, Randy Garvey and Brian Young. And today, we also have a special guest, our President and CEO, Nick Logan, of National Leasing Group.

First, I will provide a brief summary of our third quarter and year-to-date financial highlights, 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 three, the Bank reported strong third quarter performance, marking our 93rd consecutive profitable quarter, a period spanning over 23 years. Net income of 44.7 million was down 4 percent from the third quarter last year but was up 11 percent before taxes. The significant difference between before and after tax earnings reflects a 7.5 million tax recovery recognized in the third quarter of 2010.

Total loans increased by a record 708 million in the quarter and led to loan growth of 6 percent in the quarter, 14 percent year-to-date, and 18 percent over the past year.

Total revenues, on a taxable equivalent basis, increased 11 percent over the same quarter last year to reach a record 123.1 million, as the impact of loan growth and a slightly improved margin offset lower other income.

The quarterly net interest margin of 2.83 percent represented a 5 basis point improvement over the same period last year but was down 4 basis points from the previous quarter. In view of ongoing competition and other factors, including the expectation of a prolonged period of low interest rates, we believe that some moderation of net interest margin will continue.

Third quarter diluted earnings per common share decreased 12 percent to $0.52, reflecting the 2010 tax recovery and the impact of 8.1 million additional common shares issued since December 2010 upon the exercise of warrants. Excluding the impact of the tax recovery, diluted earnings per share increased 8 percent, and on a diluted cash basis, third quarter earnings per common share were $0.54.

As we communicated in June with the release of our prior period results, there was a significant number of warrants exercised near the end of the second quarter that resulted in a considerable increase in the third quarter average number of diluted shares outstanding. The average number was further impacted by additional warrants exercised early in the third quarter. However, subsequent to quarter end, we were very pleased to redeem all of the remaining 4.2 million warrants for cash of $17.21 per warrant. The redemption will benefit future diluted earnings per common share and return on common shareholders equity. The cost of the redemption of 72.4 million will be charged to retained earnings.

Turning to slide four, our capital ratios at July 31st under the existing Basel II standards remain strong, with a tangible common equity to risk weighted assets ratio of 9.3 percent, a Tier 1 ratio of 11.8 percent, and a total capital ratio of 16.3 percent. The pro forma impact of the warrant redemption on the Bank's regulatory capital ratios at July 31st is approximately a 60 basis point reduction in each ratio. Our ongoing assessment of how the Bank will be impacted by the forthcoming Basel III capital rules continued to confirm our previous view that the Bank is already in compliance with the 2019 standards.

Compared to the prior quarter, net income increased 1 percent as the positive impact of three additional revenue earning days and very strong loan growth more than offset a 3.6 million reduction in other income that was mainly due to a 4.4 million decline in net gains on sale of securities. Looking forward, we expect the future level of net gains on sale of securities to be near, or below, the 0.9 million realized in the current period.

Year-to-date net income was up 7 percent to 133.1 million, due to the combined positive impact of very strong loan growth and a 16 basis point improvement in net interest margin, slightly offset by higher non-interest expenses. Year-to-date diluted earnings per share of $1.59 compared to $1.57 earned through the same period of 2010.

Yesterday, our Board declared a quarterly cash dividend of $0.14 per common share. This dividend is unchanged from the previous quarter and is 27 percent higher than the quarterly dividend declared one year earlier. We plan to maintain our target dividend payout ratio at 25 to 30 percent of earnings available to common shareholders. Total common share dividends paid year-to-date represent approximately 24 percent of year-to-date earnings. The Board also declared a quarterly cash dividend on our Series 3 Preferred Shares.

Slide five shows year-to-date results compared to our fiscal 2011 minimum performance target. As shown, our strong performance through the first nine months has us positioned to meet or surpass all of our targets related to growth, profitability, credit quality and efficiency.

Growth in year-to-date net income of 7 percent compared to our annual target of 6 percent. Total revenues were up 14 percent year-to-date compared to our target of 12 percent. Very strong year-to-date loan growth of 14 percent, combined with our expectation for solid growth in the fourth quarter, has us positioned to surpass the 10 percent loan growth target by a considerable margin.

The provision for credit losses measured against average loans was 20 basis points, within our target range. Based on our current view of credit quality, we expect the provision will remain at or below the lower end of the target range for the remainder of the year.

The efficiency ratio of 45.4 percent compares to our target of 46 percent or less. The year-to-date return on common shareholders' equity is 15.7 percent, and the return on assets of 1.22 percent also have us well positioned to surpass our minimum targets of 15 percent and 1.2 percent, respectively.

Looking forward, we expect our earnings will continue to benefit from the positive impact of strong loan growth and the ongoing development of all business lines. Our management team is closely monitoring the potential for spillover effect in our markets from adverse economic development in Europe and the United States. However, we maintain our belief that Western Canada's economic environment will remain favourable relative to the rest of Canada.

On slide six, we show our current capital position under Basel II at July 31st, 2011, along with results from our impact assessment related to the forthcoming transition to Basel III. As shown, 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 8.5 percent, a Tier 1 ratio of 9.4 percent, and a total capital ratio of 14.1 percent. This compares favourably to expected regulatory minimums under Basel III of 7 percent, 8.5 percent and 10.5 percent, respectively. The Bank's already strong base of tangible common equity, relatively straightforward operations and composition of capital are the main factors contributing to this strong position.

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

LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks, Tracey. Our exceptional loan growth this quarter was driven by strong performance across all of our lending sectors and each geographic area of the markets. As shown on this slide, total loans grew 708 million in the quarter and surpassed our previous benchmark by a significant margin. The very high level of loan growth shown in the second quarter of 2010 included the addition of National Leasing's on-balance sheet loans.

Beyond that, our next best quarter for loan growth was achieved in the third quarter of 2007. Measured by lending sector and ranking them in order of dollars and (inaudible) contributions, our year-to-date growth in total loans reflects 12 percent growth in real estate loans, 13 percent in commercial loans, 17 percent in equipment financing and leasing, 12 percent in personal loans and mortgages, and 36 percent growth in energy loans.

While it will be challenging to sustain this level of growth for an extended period of time, the achievement reflects the significant opportunities in our markets, as well as our ongoing success in increasing market share. It's also worth noting that a good portion of our third quarter loan growth was booked near the end of the quarter and we won't see the earnings benefit from this until the fourth quarter and on into 2012. The volume in our pipeline for new loans remains strong and we expect solid growth to continue through the remainder of the year.

On slide eight, Credit Performance—as shown in this slide, the level of gross impaired loans, measured as a percentage of total loans, demonstrates ongoing positive trends in credit quality. Gross impaired loans have reduced in each of the last five quarters and totaled 108 million at quarter end compared to 129 million last quarter and 150 million a year earlier. The overall improvement in credit quality is consistent with our expectations. Although we are cautious about the potential impact on our markets from ongoing global uncertainties, we believe the economy will continue to grow, albeit a slower pace than we expected earlier in the year. As Tracey mentioned, we also believe economic circumstances will remain favourable in Western Canada relative to other parts of the country.

Our quarterly provision for credit losses of 5.2 million was down slightly from last quarter and represented 18 basis points of average loans. The dollar provision added 0.7 million to a general allowance. We expect to have a relatively consistent provision for credit losses in the fourth quarter and, based on our current view, this should lead to a further increase in the general allowance by year end.

There were 13.6 million of write-offs this quarter, which were previously reflected in the specific allowance for general—or for credit losses. The level of write-offs resulted from a change in our internal process and is a timing issue only. Our ongoing commitment to secured lending and disciplined underwriting, combined with our relatively positive economic outlook in our key Western Canadian markets, supports our view that future write-offs will remain within the Bank's range of acceptable levels.

Slide nine. The next slide highlights our strategic priorities for 2011. As we stated in prior periods, the Bank's objective for 2011 and beyond is to improve across each area of our organization. Our strategic theme is do what we do, only better; and we will continue to concentrate our resources in areas where we can build on our competitive advantages. This includes enhancing our focus on business banking, while continuing to diversify in complementary financial service areas. Although effective execution of our strategies will require ongoing investment in our people, infrastructure and technology, we believe we can further improve our operating leverage and will manage costs very closely to achieve this.

We are pleased to complete the roll-out of the Bank's new loan origination system to all CWB branches this quarter. A new loan—or the new system will provide considerable efficiencies, which we believe will further improve turnaround times for credit approvals and allow our lenders to spend more time with clients. The enhanced statistical tracking and portfolio management capabilities of this new system also represent a preliminary step for the Bank to eventually transition to an advanced methodology for calculating risk-weighted assets. Although this transition is a few years out and requires the approval of OSPE (phon), we believe it will materially benefit the Bank's overall capital position, providing additional capital flexibility in the future.

We continue to evaluate strategies to further optimize our existing capital base, with an objective to maintain a strong position while increasing return on equity and earnings per share. Redemption of our warrants was an example of this. Our commitment to grow in less capital-intensive areas, such as equipment financing, alternative mortgage lending and other areas, is also consistent with our objective to enhance ROE and earnings per share.

Our strong capital base relative to both existing and Basel III capital rules has us very well positioned to support continued growth, while also remaining flexible to both pursue accretive opportunities and manage any future challenges. We remain on target to open our new full-service branch in Richmond, BC, later this month. We also just opened a new business lending centre for the Bank that is based in National Leasing's headquarters in Winnipeg. Plans are currently underway to build a second full-service branch in Winnipeg that will be expected to open late next year. This positive decision was incented by recent favourable changes to Manitoba's capital tax on smaller financial institutions.

We are experiencing excellent earnings growth and strong operating results from all of our affiliates. Our third quarter and year-to-date performance has the Bank positioned for another year of record results. While we expect there will be ongoing challenges, including those from elevated uncertainties and increased competition, our goal is to further build on the Bank's success and set new performance benchmarks for 2012 and beyond. We will provide an updated outlook and discuss our performance targets for next year with the release of our fourth quarter and annual results on December 6.

I'll now turn things back to Tracey.

TRACEY BALL: Okay, thank you, Larry, and that concludes our formal presentation for today. At this time, I'll ask Alicia to begin the question and answer period.

OPERATOR: Absolutely. At this time, I would like to remind participants, in order to ask a question, you may press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Our first question comes from the line of Michael Goldberg with Desjardins Securities. Your line is open.

MICHAEL GOLDBERG: Thank you. To what extent is the margin compression actually due to low interest rates rather than product margin compression?

TRACEY BALL: Well, you know that we are asset-sensitive, so to the extent that we expected rates to go up, as we did earlier in the year, would have affected that because they haven't gone up, so that doesn't explain the quarter-over-quarter, but it does explain the change in our outlook from the previous quarters. As well, during the quarter, we (inaudible) received dividend we received on some redemption of preferred shares and also some of the shares we sold reduced our yield on preferred shares.

MICHAEL GOLDBERG: Okay. And, I have another one. Is the impact of the warrant redemption on common equity Tier 1 Basel III also 60 basis points?

TRACEY BALL: It would be probably approximately the same, yes.

MICHAEL GOLDBERG: Okay. And last, IFRS is implemented in a couple of quarters.

TRACEY BALL: Yes (phon).

MICHAEL GOLDBERG: Could you give us some idea of the impact on book value, and is there going to be any volatility that might be caused by hedging transition?

TRACEY BALL: Not for hedging, Michael. The biggest change that we have on the balance sheet would be to take the securitized assets from National Leasing and put them on balance sheet. That's the biggest balance sheet change; it's only about—we only expect about a 1 percent total change in assets, and going—the most—the biggest change for us is going to be in contingent consideration, this calculation that we have to do for National Leasing. That becomes a financial instrument under IFRS; it has to be revalued every quarter. And any change in that value is a reduction to net income, and it's not tax effective. So that's the biggest change for us. I don't have any information specifically on book value, though.

MICHAEL GOLDBERG: Thank you.

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

JOHN REUCASSEL: Thank you, and good afternoon. Just a question for Larry. Larry, and I apologize if I missed it in your documentation, but in the loan growth, was there any acquisition of loan portfolios?

LARRY POLLOCK: There was a small portfolio in our industrial group but not that material, no. It would be pretty minor, well under 10 percent of the growth number.

JOHN REUCASSEL: Okay. And was this—I know I ask this question, and I know there's not a right answer, but how much of the growth was—was it drawing on more facilities or was it net new loans, or how would you characterize this 708 million?

LARRY POLLOCK: It would be a combination, but I don't have a specific for you; but I would estimate that most of it was new growth, new clients or new facilities for existing clients.

JOHN REUCASSEL: Okay. And how does it look in—since the end of the quarter? Have you—has activity slowed down at all or—for August, I mean relative to last August, how does activity look?

LARRY POLLOCK: Well, I can compare it to going into this quarter. Going into Q3, it was—our pipeline was lower than going into Q4, so it's looking very strong. Now, how much of that ends up being booked in the quarter is anybody's guess, but we're seeing unprecedented loan demand in all areas, as we saw in Q3.

JOHN REUCASSEL: Okay. You know, just, we're trying to marry that with slow economic growth in Canada, so that's—good for you, Larry. The million nine impact from the Slave Lake on insurance…

LARRY POLLOCK: Yes.

TRACEY BALL: Yes.

JOHN REUCASSEL: That is—I assume that's a pre-tax number, Tracey?

TRACEY BALL: Yes, it is.

JOHN REUCASSEL: Okay, and could we apply the normal tax rate to that?

TRACEY BALL: Yes, you may.

JOHN REUCASSEL: Okay. And then, my last two questions; first, on the outlook for spread, you said it would continue to moderate. Is that because of low interest rates, or could you talk about competitive pressure, Larry or Tracey, on commercial lending?

LARRY POLLOCK: Yes, the low interest rates certainly were part of it, and as Tracey mentioned, some of the slippage in Q3 was from a rollover of some of the preferred shares. We're seeing quite strong competition from the Canadian banks on transactions. We sometimes choose to not participate in those deals and let them fill their pail up with low-yielding product, especially when the pricing is, we think, far lower than it should be for the comparable risk. But we have so many relationships with mid-market commercial borrowers that quite often the relationship will carry the day as opposed to—it doesn't boil down to just price.

JOHN REUCASSEL: Right.

LARRY POLLOCK: And, in going through 2008 and '09, we didn't exit from any segment of the market, and a lot of these clients have long marries; and they got letters from the other banks, some of them saying, your rate's up or your facility's not renewed, period. And, we didn't do any of that. Any discussions we had with the client were one-on-one, and I think that's going to pay off for us, in keeping our margins a little bit stronger than some of the other competitors.

JOHN REUCASSEL: Okay, have (inaudible), Larry, and you're not having to cut your price; I'd certainly say it's working for you.

TRACEY BALL: John, the other thing I might mention is that we have had really good growth in the industrial equipment sector, and that is our highest margin portfolio and it's the one where we're one of the main competitors. And also, the—we've also seen better pricing in the alternative mortgage product compared to earlier in the year. So, those are working the other way, so it's hard to say which way things will go.

We're seeing more competition in interim construction and on some of the commercial deals, as Larry mentioned.

LARRY POLLOCK: Yes, and as National Leasing becomes a larger and larger part of the organization, they carry much higher margins than our Bank's traditional business does. You know, that will push it up marginally as well.

JOHN REUCASSEL: Okay, that's helpful. And, Larry, you did mention that you expect – I'm trying to get your words here – but further improve operating leverage in 2012. So, I know you don't want to give 2012 guidance, but does that mean you expect the efficiency ratio to get better next year?

LARRY POLLOCK: Well, certainly, as all of my colleagues around this table know, that is my target to always make sure that costs are carefully controlled. We had some abnormal things during 2011. The launch of our WAVE program, our lending platform, was reasonably expensive, and it's now launched and operative, and so the training costs and implementation costs are not going to be going forward, just support costs.

JOHN REUCASSEL: Yes.

LARRY POLLOCK: Well, that was a big event for us and very disruptive to the organization. I'm quite surprised that we were able to continue to grow as fast as we were while we were converting our entire organization onto a new platform, lending platform. But that should really enhance our performance going forward, because once all these loans, these 12,000 commercial loans are put onto that system, there's very little tweaking to do the next deal, so it will help us. Traditionally, we had to write a brand new credit.

JOHN REUCASSEL: Yes.

LARRY POLLOCK: And so, your officers, your calling officers were at their desk far more than they should have to be going forward.

JOHN REUCASSEL: Okay. And I said it was the last but one more. Commercial lenders—you know, you said the big banks are getting more aggressive. Are you finding it's hard to keep people, Larry, or that staff costs are going up because of that, or have you not encountered that with the big banks?

LARRY POLLOCK: We have; it's very competitive and you will always be raided. Historically, we have been the raider; we have relied on the big banks to train and get people ready for the street, and then we would go and recruit them. But, there's a little bit of that going both directions now, and it's not unexpected and we will lose some people, but we have a very unique call program where about 95 percent of our employees actually have stock. And, we introduced, I guess about two years ago, an RSU program for them. And, our option program goes far deeper in the organization than, I think, any other financial institution in the country. So, they are very engaged with us, and they tend not to walk away from that.

And then, we have a management associate program we introduced several years ago that has developed all new managers that we've brought out of university and trained them ourselves, and they're coming up through the system and they're now becoming branch managers and senior lenders. So, we are growing our own now, so we're not as reliant on recruiting from the outside, but certainly people see the value of a very well-trained Canadian Western Bank commercial lender as a real asset for them and they'll try to raid us, of course. But, that's a good question, really.

JOHN REUCASSEL: (Inaudible). Thank you, Larry.

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

BILL DYE: Good afternoon. I just wanted to follow up on John's question. On page seven of your presentation package, you talked about Q3 loan growth having a little bit of portfolio purchase of something other than 10 percent, something less than 10 percent. Can you just remind me of the previous three quarters whether that growth is organic, or did it include some loan purchases?

TRACEY BALL: It's Tracey, Bill. I know on the equipment side, we had about 59 million purchased in the third quarter and that would be the only purchase for this year.

BILL DYE: Okay.

LARRY POLLOCK: Bill?

TRACEY BALL: We just had some on the mortgage side as well.

LARRY POLLOCK: Bill, I'd also like to add to what Tracey said, but some of these purchases are ongoing. We have arrangements with, in some cases, large equipment dealers that sell us these—they accumulate these leases and mortgages, or loans, and sell them to us on a periodic basis. Well, they are not one-time transactions. They continue. And, on the mortgage side as well, we have arrangements with a couple of Ontario originators that actually sell us product on a regular basis.

BILL DYE: Right. Okay.

TRACEY BALL: Bill, I think on the mortgage side, it's been about $71 million for the year, so far, so it's not a lot of our number.

BILL DYE: Right.

TRACEY BALL: Just little tuck-ins.

BILL DYE: Okay. Appreciate that, thanks.

OPERATOR: Your next question comes from the line of Sumit Malhotra with Macquarie Capital Markets. Your line is open.

SUMIT MALHOTRA: Good afternoon. First question is around net interest margin as well, probably for Tracey. When National Leasing was acquired, you talked about, and we certainly saw, the numbers—the boost to the all-bank margin as a result of the securitized loans rolling back on balance sheet, for lack of a better term. Is that phenomenon still working for the Bank, or is there not too much left in regards to what has to come back?

TRACEY BALL: There's not too much left in what has to come back, but it really is—I would caution you from thinking that that's a lot of it, in terms of margin, because the whole group is growing quite strongly. And, of course, for National Leasing, all new growth is—goes on balance sheet, which is the same way you're saying that the securitized is rolling off; we're not replacing it, so—but I think, you know, our heavy equipment group was really challenged with growth earlier this year and last year, and we're really starting to see that come back again. So that's—and that is a strong margin for our bank as well.

LARRY POLLOCK: And, Sumit, we will likely continue to securitize some assets because it's a good form of liquidity for the group and it gives us another form of liquidity, and you can never have too many of those.

SUMIT MALHOTRA: No, that certainly makes sense and probably leads into another question. I see—in some of the breakdowns we do, I certainly see what you were mentioning on the preferred shares, with your yield on securities falling in the quarter. But, it also looks like you had a decent decline in your yield on your core loan book. So, my question there would be, is this really a reflection of new business that gets put on, or a term that comes up for renewal just being done at lower rates? That would be part A.

And part B is, is there a function of customer choice in here that, given statements from the Federal Reserve which can likely in some way be applied to Canada, are your customers choosing variable much more than fixed these days, and what kind of impact does that have on your loan yields?

LARRY POLLOCK: I assume the—and, Chris, maybe you know better than I, that split is still around 50/50…

CHRIS FOWLER (Executive Vice President, Canadian Western Bank): (Inaudible).

LARRY POLLOCK: That hasn't changed really, and it depends on the slope of the curve, and if it's fairly flat, you tend to see people fixing. And sometimes it's a credit issue too, where we will insist on some loans being fixed so that the client doesn't become exposed to a rapid increase in rates. Now sure, we've been led to believe that rates are going to stay low, but I, for one, don't believe that they will for an extended period of time as inflation rears its ugly head at some point in the future.

SUMIT MALHOTRA: So, the decline in loan yields, for example this quarter, you would chalk that up to new business being put on at lower rates, is that…

LARRY POLLOCK: Yes, there's some new and then, of course, all commercial loans are renewed annually, and some of them are re-priced at more competitive rates, where you might have somebody at prime plus 1.5 and they negotiate pretty hard, and it goes down to prime plus 1; still a very reasonable rate for us. You know, you pick it up on the other side too because our deposit costs have dropped. So, as our older, higher cost deposits roll, they're all constantly rolling into lower rates as well. And, as you know, short—variable rates; you can do variable and floating rate notes now at much lower rates than we could have done them, even a year ago or six months ago.

SUMIT MALHOTRA: So that would be the last part of the margin discussion, because it doesn't seem like you're seeing any material pressure at this point on the funding side, which would be different than we saw during the depths of the crisis.

LARRY POLLOCK: Not really, and I think we're still tracking well above our historical average spreads.

SUMIT MALHOTRA: All right, let's move on to something else. Just on the securities gains, you know, that was a line you were able to make some use of to offset margin pressure, if I go back a few years. With rates dropping as sharply as they did, somewhat surprised that you weren't able to realize a larger pick-up, and then I heard the comments as well that this quarter's level is probably going to be the high end of the go-forward run rate. Just maybe, if you could help educate me here, the portfolio in terms of unrealized gain still looks pretty good. What makes you so much more cautious on this line going forward given the interest rate environment?

LARRY POLLOCK: Well, we had a—and maybe Randy wants to pitch in here too, but we had anticipated that rates would rise this year, not rapidly but there would be some increases in rates. And we have taken the view that our bond book should be shortened up, and so we shortened it up. And if you're just sitting on mostly short bonds—and I don't know what our average duration is. Now, Randy is (inaudible)—two and a half years; it's really short so, you know, you can get rates really dropped, but if you're really short on your book, you're not going to get much for gains.

RANDY GARVEY (Executive Vice President, Canadian Western Bank): The other thing is, we've pretty much repositioned our preferred share portfolio, so we were moving from financials to utilities and, as a result, we realized gains. And a lot of the gains we have sitting in our book today are related to our preferreds and we acquired those preferreds for a yield, and at this point in time, we don't look to harvest any of those gains that are there.

SUMIT MALHOTRA: Last one for me is on expenses, and I heard your comments, Larry, about keeping a close eye on expenses in this environment. You know, and I've never thought of CWB as a bank that necessarily looks to take costs out. Your cost increases have always been at the higher end but your revenue has grown faster. You know, to put it directly, is that something that we should expect to change in the interim? Is some of the project-related spending being curtailed and we'll see a lower level of aggregate expense growth, or did I take that the wrong way?

LARRY POLLOCK: No, you won't hear us talking about taking costs out. What you will hear us say is that we will contain costs and try to contain the growth of our costs going forward. Because, when you're piling on, for the last 12 months, 18 percent more assets, you're always going to be growing your costs, but we're going to try to grow them at a somewhat slower pace than we have and try to bring that efficiency ratio back down under the 46 percent target that we have today. Still very strong and the strongest in the industry that I'm aware of anyway, and—but there's always more you can do. So, we're very cost-conscious, and we're not going to have layoffs of staff and slashing and burning going on here; it's just not in the cards.

SUMIT MALHOTRA: Thanks for your time.

LARRY POLLOCK: Yes.

OPERATOR: Once again, if you would like to ask a question, you may press star, then the number one on your telephone keypad. Our next question comes from the line of Ohad Lederer with Veritas Investment Research. Your line is open.

OHAD LEDERER: Hi, good afternoon. Just wanted to ask—there's some commentary in the shareholder's report on liquidity being below your optimal level. Just hoping you could maybe talk about your balance sheet. We're seeing that branch deposits actually shrunk sequentially during the quarter, that your loan to deposit ratio seems to have flipped; you've now got a little more in loans than deposits; and also that you're now sort of net repo funding instead of investing in reverse repos. Just maybe if you could put it all together, is that something…

TRACEY BALL: Ohad, I'll start.

OHAD LEDERER: Yes.

TRACEY BALL: Our liquidity during the quarter was—on average, was down a little bit, but what happened at the end of July, consistent with our 6 percent loan growth, is we just had a lot of fundings in the last week of July. So, it just dipped down there, you know, right at quarter end, which I guess is a little unfortunate from a reporting purpose, but from a growth purpose, it was very good news and, of course, we immediately took steps to increase liquidity.

As far as the branch deposits go, the reduction that you saw there actually came from our trust services clients, and that came about in a couple of ways. One was, we would have raised a lot of—or our clients would have raised a lot of money during RRSP season that would have sat in cash in their accounts that we hold for them, but their advisors would reinvest it, so that's a normal seasonal thing. In the third quarter, you see that those noticed (phon) accounts come down. As well, Valiant had some large transactions where customers actually had their cash in our branches. There was two or three very large transactions, so that also created a reduction in deposits for those trust customers.

And then, when you have a 6 percent loan growth in the quarter, you know, the arithmetic is such that you don't necessarily have the same branch deposit growth, since the branch deposits are, on average, much smaller than the loan. And, as far as the repos go, I think—Randy, do you have a comment on that?

RANDY GARVEY: It's just a function of where we're at in the market, right now (inaudible).

TRACEY BALL: Yes.

OHAD LEDERER: Yes, because the cash balance also fell about 65 million in the quarter.

RANDY GARVEY: Our which?

TRACEY BALL: Cash.

OHAD LEDERER: Just cash.

RANDY GARVEY: Cash balance, yes. We're back up to the targeted liquidity levels now though.

TRACEY BALL: Actually, and in terms of our liquidity scenario, we're above normal. We're going into above normal just because of the uncertainties that we see in Europe and the United States, so we've built up our liquidity quite a bit since quarter end.

OHAD LEDERER: Okay. Thank you.

OPERATOR: We have no further questions at this time. I turn the call back over to the presenters.

TRACEY BALL: Okay. Thank you, Alicia, and thank you very much, everyone, for your continued interest in Canadian Western Bank. We look forward to reporting our 2011 fourth quarter and fiscal year end results on December 6. Please follow up with any questions or comments. Thank you, have a good day and enjoy your long weekend. Bye for now.

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

*****