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OPERATOR: Good afternoon. My name is Mason and I'll be your conference operator today. At this time, I would like to welcome everyone to the Canadian Western Bank second quarter 2010 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 would like to withdraw your question, press the # key. Thank you.

I would now like to turn the call over to Ms. Tracey Ball. You may now begin.

TRACEY BALL (Executive Vice-President and Chief Financial Officer, Canadian Western Bank): Thank you, Mason, and good afternoon and welcome to the 2010 second quarter results conference call for Canadian Western Bank.

Before we begin, I'll just note that the conference call graphs, quarterly results, press release, and supplemental financial information are available on the Bank's website at cwbankgroup.com in the Investor Relations section. I'll also draw your attention to the forward-looking advisory statement on slide 11.

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According to slide 2, the agenda for today's call is on slide two. Joining me today is Larry Pollock, President and Chief Executive Officer. And also in attendance our Executive Vice-President, Bill Addington; Chris Fowler; Randy Garvey; and Brian Young.

I will start by providing a brief summary of our second quarter and year-to-date financial highlights, and then I'll turn things over to Larry for an overview of our outlook and strategy. Our intent is to keep our discussion very brief then leave as much time as necessary for Q&A at the end of the call.

Moving to slide three, the Bank recorded very strong second quarter results, marking our 88th consecutive profitable quarter, a period spanning 22 years. Results also represent the initial three months of performance from our February 1st acquisition of National Leasing.

Net income of $37.9 million was up 76 per cent over the second quarter last year, while total revenues increased 47 per cent to reach a record $111 million. Diluted earnings per common share of $0.47 were up 57 per cent. All our growth in diluted earnings per share compared to net income mainly reflects the dilution from CWB's warrant and $2.1 million additional common shares issued as partial consideration for National Leasing.

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Significant improvement in earnings and revenues mainly reflects an 83-basis point increase in net interest margin to 2.76 per cent. For comparison purposes the net interest margin in the second quarter of last year dropped to an unprecedented low due to impacts of the global financial crisis. This quarter's net interest margin was above the bank's average historical levels, and includes the positive impact from much higher yields earned on National Leasing's lending portfolio. In view of our current position, including increased competitive factors, we believe net interest margin will stabilize from this point.

Other income was also very strong and included a second consecutive quarter of record earnings from Canadian Direct Insurance. Gains on sales and securities contributed $4.1 million toward total revenues, but we do expect these to reduce considerably going forward.

Looking at slide 4, National Leasing reported a great opening quarter as part of the CWB group, with a bottom line contribution of $3.9 million or about $0.05 per diluted share. This result exceeded our initial expectations and sets the bar quite high for the remaining two quarters of the year. For reporting purposes, National Leasing's results are included in our banking and trust segment.

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Compared to the previous quarter, net income on diluted earnings per share decreased 5 per cent and 10 per cent respectively. They combined a positive impact of strong asset growth and improved net interest margins and increased other income was more than offset by higher non-interest expenses, three fewer revenue earning days, and an increased provision for credit losses.

On a year-to-date basis net income of $77.9 million increased 65 per cent compared to last year on 39 per cent growth in total revenues. Diluted earnings per common share were $0.99 compared to $0.70 last year, an increase of 41 per cent.

Total loans were up 6 per cent in the quarter, 7 per cent year to date and 9 per cent over the past 12 months. On balance sheet assets, lease assets from National Leasing at April 30th accounted for about 60 per cent, $376 million of the total year to date loan growth. Organic loan growth remained challenging in some sectors due to the economic factors, but the pipeline for new loans has picked up compared to recent quarters.

Going to slide 5. We were very well capitalized at quarter end with a tier one ratio of 11.4 per cent and a total capital ratio of 14.5. Additional common shares and the retention of earnings helped offset the capital

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impact of strong balance sheet growth, increased goodwill, and other capital deductions related to the acquisition.

Yesterday our board of directors declared a quarterly cash dividend of $0.11 per common share. This quarterly dividend is unchanged compared to both the previous quarter and the dividend declared one year earlier. The quarterly cash dividend on our series 3 preferred shares was also declared.

The next slide shows actual results compared to our fiscal 2010 minimum performance target. As shown, CWB is positioned to surpass most of these targets by a considerable margin, primarily reflecting the robust improvement in net interest margins.

Looking forward, we expect actual percentage growth for earnings and revenues to come down from current levels as we start to benchmark against stronger financial performance achieved in the latter half of fiscal 2009. While return on equity and return on assets are also on track to be well ahead of our minimum targets, considerably lower gains on sales of securities moving forward will impact future profitability. Although we are in an excellent position to better the 48 per cent annual target for the efficiency ratio, we do not believe the current year-to-date results are a sustainable benchmark for the year.

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Performance related to loan growth and the provision for credit losses have also been materially impacted by National Leasing. As mentioned earlier, the addition of National Leasing is on track to meet our target for double-digit loan growth.

On a pro-forma basis, consolidated year-over-year loan growth at the end of the second quarter, excluding the acquisition, would have been 5 per cent or about 2 per cent in the quarter.

The nature of National Leasing's business also has a meaningful impact on the provision for credit losses. The bank's target range for the 2010 provision did not consider increased losses from National Leasing for obvious reasons, and actual provisions for the year are now expected to be in the range of 20 to 25 basis points an average loan.

The provision for the quarter was 23 basis points of average loans or 16 basis points, excluding the impact of National Leasing.

I will now turn things over to Larry who will provide further comment on our outlook and strategy beginning with slide seven.

LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks, Tracey.

This slide shows our current level of gross impaired loans measured as a percentage of total loans. Impaired loans continue to be at the upper

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level of the bank's historical range and are consistent with our position in the latter stages of the credit cycle. The gross amount largely reflects a handful of problem accounts with comparatively large balances. The 10 largest accounts classified as impaired represent 58 per cent of the total balance at quarter end. We do not believe there are any systemic issues with these accounts, and overall credit quality remains within expectations.

All losses expected at the present time are reflected in the specific provisions. The net new specific provision this quarter was well above our historical average, but the bulk of this amount was attributed to a single connected account.

As we've said in prior periods, the level of impaired loans will fluctuate as we progress through the bottom of the credit cycle. But actual losses are expected to remain at acceptable levels. Based on what we see today we expect the level of gross impaired loans will peak within the current year.

Despite a decrease in general allowance for credit losses this quarter, we believe the existing level remains sufficient in view of our current expectations and the secured nature of our lending portfolio. Our secured lending practices continue to result in much lower gross given default compared to the industry.

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Slide eight. The next slide highlights our main strategic priorities for 2010, which remain consistent with prior periods. The bank's objective is to work closely with our clients and grow across all areas of our business, including both loans and deposits. We need to ensure we are earning a fair and profitable return on our portfolio while also remaining mindful of competitive factors. We will continue to enhance our focus on earning our clients' business, which includes being more proactive in our business development practices.

Economic indicators in our markets are positive despite continued uncertainty regarding the timing and strength of the global economic recovery, particularly as it relates to Europe's debt crisis. The bank has no credit exposure to any sovereign debt outside of Canada. There are many high quality lending opportunities in our markets, and the intent of our growth strategy is to further expand CWB's market presence and stimulate growth with certain market segments.

Our pipeline for new loans is up compared to recent quarters, and we are very optimistic about our opportunities, despite ongoing challenges.

Another key area of focus is the ongoing development of our subsidiaries. Canadian Direct posted record results for the second consecutive quarter, and we expect this business will continue to produce

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strong earnings and growth. Trust services, particularly Canadian Western Trust, also continues to show strong momentum. Valiant Trust continues to grow its client base and is positioned to benefit from increased activity in capital markets. Wealth management is currently a small part of our business, but we believe there is considerable room for expansion through both organic growth and acquisition. We will continue to develop our deposit base with a focus on diversification and increasing our lower cost retail deposits. We are also currently evaluating strategies to capitalize on Valiant's recent approval as a federal deposit-taking institution.

Slide nine. This slide includes some additional points on National Leasing. This company does business across Canada and specializes in commercial equipment leases for small- and mid-sized transactions. As we've discussed before, National's seasoned management and great corporate culture are key strengths of this company and match very well with the CWB group. They are customer oriented and growth focused, which further confirms the great strategic fit of this organization.

National Leasing's products and services complement and diversify our banking operations, and provide an opportunity to broaden offerings and grow market share. Its business focus and current operations across Canada benefit both our industry and geographic diversification. The

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company has a well chosen niche, and one of National's primary competitive advantages comes from its position as a technology leader in this field. We believe there will be opportunities to leverage this expertise in other parts of CWB's business.

From a financial standpoint, the most significant benefit that's immediately apparent is the improved funding capabilities we bring to the table as a Schedule 1 bank. National's primary historical funding sources were syndicated bank debt and securitization. Compared to its previous structure as a private company, National Leasing now has a huge funding advantage and very few capital constraints relating to future growth. We are very excited about this business and believe it has excellent potential to significantly enhance growth in both net interest income and other income.

Slide 10 highlights our strong capital position, which is instrumental to the ongoing growth and development of our business. Our combination of strong and consistent income, our relatively high earnings retention ratio, and the preferred share capital we raised in 2009 provides us with significant flexibilities as we move forward. We are in an excellent position to capitalize on strategic opportunities, including the potential for further acquisitions.

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There are significant changes underway with regard to the regulatory capital landscape. But given the bank's straightforward business model and the current composition of our regulatory capital, we believe we are in very good shape to manage any further changes that may occur. Our strong equity level also has us very well positioned to manage any unforeseen challenges that may arise.

Overall, our second quarter and year-to-date results represent an exceptional start for fiscal 2010. While there are still many challenges ahead, we expect to achieve continued strong performance.

I'll 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 Mason to begin the question-and-answer period.

OPERATOR: All right, at this time I would like to remind everyone in order to ask a question press, * then the number 1 on your telephone keypad. We'll pause for a brief moment to compile the Q&A roster.

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

ROBERT SEDRAN: Hi there. Good afternoon, everyone. I guess I saw a comment that all of the sequential margin improvement was

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essentially all it was related to the National Leasing acquisition. Is that right?

TRACEY BALL: Yes, it was about 20 basis points quarter one over quarter two.

ROBERT SEDRAN: Okay. So I also saw a comment though that suggested the margin is likely to be stable from here. And so is that independent of potential further rate hikes or is that assuming the current interest rate environment?

TRACEY BALL: Well it depends how much the rate hike is, Rob. At 25 basis points it won't have a significant impact on us. So if there are further increases say above… up to 75 basis points, then we will see a positive contribution for margins.

ROBERT SEDRAN: Okay. That's helpful. And then just the second question, and it's a quick one: the $2.4 million in the mark-to-market on National Leasing's interest rate swaps…?

TRACEY BALL: Right.

ROBERT SEDRAN: Is that some sort of thing that happened at close or should we assume that there's going to be some volatility in the results now because of this?

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TRACEY BALL: What's happened is at the time that we bought the company they had about $280 million of notional interest rate swaps, most of which were allocated to their bank debt. And the bank debt was paid out right at closing. And now we're funding them, so those interest rate swaps have been terminated.

ROBERT SEDRAN: So it was a one-time thing then?

TRACEY BALL: Yes. There's still about $60 million out there relating to securitizations. And so those will have a little bit of volatility, but it's not that significant.

ROBERT SEDRAN: Okay. Thank you.

OPERATOR: Your next question comes from the line of Dave Mun from RBC. Your line is open.

DAVE MUN: Thanks and good afternoon. Just a quick one. Your organic loan growth ex the NLG acquisition is about 5 per cent. It seems to be still weak. You mentioned the pipeline of new loans is getting better this quarter. Can you give us some colour on what areas and what geographies the pipeline has improved and where it's still, I guess, empty, or is it just generally broad based improvement?

LARRY POLLOCK: I think most of the growth we've experienced geographically has been British Columbia. And the pipeline seems to be

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building more out of B.C., and of course we've had a very strong real estate market in British Columbia, so that's the source of a lot of it.

We still have not seen a major pickup in Alberta, although we're seeing some positive signs where there's now chatter about a new upgrader going to be built and the province vending it's bitumen into this upgrader. So that should assure it of going forward.

There's a lot of pipe being shipped into Alberta for pipeline construction. And a lot of this work takes place, especially in the service sector and drilling sector in the winter when the ground's frozen, on the conventional side. So I expect we'll see a pickup there, so we're a little bit more optimistic on what's going to happen in Alberta than we would have been a year ago, Dave. But our book of deals is building, and fairly materially, going forward.

DAVE MUN: Great. Thank you.

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

JOHN REUCASSEL: Thank you. Tracey, sorry, I just want to be clear, your answer to Rob's question that your margin forecast is not dependent on rates rising any further or they are?

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TRACEY BALL: What I said was we expect the margins to stabilize at this point. A 25-basis-point improvement is not in the, or a raise in the prime rate is not going to have a significant impact on margins.

If the total increase in prime rate went up to 75 basis points over the course of the year there would be a positive impact, so...

JOHN REUCASSEL: Okay, so if there's no increase then this… you're comfortable with this margin?

TRACEY BALL: That's correct.

JOHN REUCASSEL: Okay. Okay. Thank you for that. On the PCL forecast of 20 to 25 basis points, is that the peak number you look for this year, Larry, or is that something that we should look for going forward or how should we think about that 20 to 25 basis points?

LARRY POLLOCK: Yes, the 20 to 25 is probably where we'll be going forward because we are factoring in National Leasing. And they have a different way of reserving than we do. They just take a piece of their gross margin and allocate that to losses. And in weak periods, economic periods, they actually use it, and other periods they don't. So they build a bit of a general there.

JOHN REUCASSEL: But will that show up in your generals or what?

LARRY POLLOCK: Yes, it will.

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JOHN REUCASSEL: Okay. So we'll see, over the course of the year assuming... you'll build up the generals assuming that credit gets better? Well, the specific or the provisioning will not deviate much from the 20 to 25?

LARRY POLLOCK: That's right, yes. I think 20 to 25 is the number to focus on.

JOHN REUCASSEL: Okay, two quick final questions. Tracey, if I look at the $3.9 million from the National Leasing…

TRACEY BALL: Right.

JOHN REUCASSEL: What was the $2.5 million and the fair value on the swaps, what was that after tax?

TRACEY BALL: 1.7.

JOHN REUCASSEL: So would the 3.9 minus the 1.7, is that a good base number to look at earnings on National Leasing or is that still a challenging number to meet in the quarters?

TRACEY BALL: The $3 million, $3.9 is not a bad number, we feel.

JOHN REUCASSEL: Okay. And I guess Larry, related to that, are you able to talk about what the funding cost advantage is to National Leasing being part of Canadian Western Bank or...?

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LARRY POLLOCK: Yes. First of all, as Tracey mentioned, the swaps won't be required because we can match fund them. Pretty well all of their leases, if not all of them, are fixed rate. And so we have access, of course, to fixed rate funding, so we will just raise match funding for them, so there won't be a need to swap or likely not a need to swap.

And a rough number would be 200 points advantage. And that was right from day one. We paid the bank line out, and started funding them around 200 points below where they were.

Our strategy going forward would be to certainly lessen our dependence on securitization. So we will be, as these securitization pools run down, bringing those assets back on the books. So you will see a growth in the balance sheet, which will grow our margin as well because we'll have a better margin on the assets we retain than they were realizing on secured portfolios.

JOHN REUCASSEL: Okay. And sorry, just… so the 200 basis point advantage, how much of that... of that 200, that's… I assume you'll get there at some point. How much of that do you think you got to in this quarter?

LARRY POLLOCK: We would have got… I think we paid out the bank loan, which was 320 million or something, in that range. And the

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balance sheet, including the securitized assets, would be between the 7 and 800 million range. So the balance sheet will grow to that level just on the present level of business, going forward.

So you'll see another pickup going forward over time, and I don't think you'll see sustainable regular earnings out of National Leasing until the 2011 year, until we get done financially engineering it.

JOHN REUCASSEL: Okay. Thank you.

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

SUMIT MALHOTRA: Good afternoon. Thanks. First for Tracey, on the security gains, certainly a… in the unrealized balance, certainly a substantial decline this quarter. Am I right to say that the bulk of that is due to the increase in long-term interest rates over the course of Q2?

TRACEY BALL: Yes, that would be correct. We also did realize some of those gains, as you know, during the quarter.

SUMIT MALHOTRA: So when we sit here one month into the third quarter and rates have backed off again, especially over the last month, I mean just mathematically, I guess the unrealized side of things picks up. But you seem to be – I know this has been a recurring theme over the last year – but you seem to be talking down the contribution you can receive

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from the portfolio on the realized side going forward. What specifically drives that, in your mind?

LARRY POLLOCK: Do you want me to take it?

TRACEY BALL: Yes, sure.

LARRY POLLOCK: Well it's primarily the bond book. We have, I think, about 20 per cent of our investment assets in preferred shares, which we buy to hold, and realized margins, they're excellent margins on those. Most of them are resets. And part of this process that we've been going through and rolling over our fixed book was to shorten duration because it was our view that rates were going to rise. So we wanted to shorten the book. We improved the quality of some of our investments, and we also had a desire to move more to a larger asset sensitive position, which we are in today.

But as Tracey mentioned, a quarter point isn't going to have a material effect. A 1-per-cent move in interest rates would have a more material effect than, of course, a quarter point would. So we're very well positioned now for a rising rate environment, but you're not going to see the harvesting of those extraordinary gains that we had experienced over the last year.

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SUMIT MALHOTRA: But for those gains, Larry, and the positioning for a rising rate environment, are we… you know, obviously the short end of the curve, rates are extremely low. Is it the same… for the gains side of the equation, is it more the long end that matters?

LARRY POLLOCK: Yes, it was the long end, of course, that we were taking the gains out of and shortening that book down. We're still realizing reasonable yields. So I think we're really well positioned. If you looked at our investment schedule you'd say fairly risk adverse, well positioned, reasonably asset sensitive. But we're not wildly excited about rates rising quickly here. We got a quarter point, and we may get another quarter point this year, but we're not building into the expectations that we're going to see really rapid rises. And we're probably at the lower end of rate increases than most analysts are.

SUMIT MALHOTRA: Staying kind of with the rates, if we go over to the net interest margin, some specific comments from you folks regarding competition picking up again. When we break down your margin in the quarter, obviously the NLG portfolio gave a boost to loan yields. When you talk about that competition and them flattening out, are you more concerned about pressure on loan pricing or an uptick in funding costs?

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LARRY POLLOCK: It's mostly pressure on loan pricing, primarily, because everybody's funding costs are more or less the same. It's how much yield do you expect to get on making a loan. And we're seeing some very abnormal pricing in the marketplace today, probably driven by the high capital levels in most financial institutions. And they really don't have any other place to deploy that capital other than loans. And I like to describe it as too many foxes and not enough rabbits. So you drive the pricing down.

So we're now assessing how much we're going to play in that game and where we want to focus our efforts because there are segments of the market, like the small ticket leasing, the big ticket financing and leasing, and some commercial areas that you could still get very good margins in.

It's the real estate side that seems to be driving it down where you get competition from… we're now seeing the pension funds, Lifecos, back in the market in a much bigger way than we saw a year ago. And the credit unions who are now far more liquid than they were, and they're back in the game.

SUMIT MALHOTRA: Well, not enough rabbits, but at least for this quarter it seems like your organic loan growth, ex for the transaction, was

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maybe the best we've seen since early 2009, and obviously was a slower period over the last four quarters.

Not to put too fine a line on this, but clearly with the uptick in market volatility, you know, you referenced the Bank of Canada's statement that they may not be that quick to raise rates as they want to see what the situation is globally, when you compare your loan growth with what the bank enjoyed in the '05-'06 era, are you just hearing from your customers and your clients that there's a lot less project activity at this point, even with the pickup in economic conditions over the last year, folks are waiting to see how the economic picture plays out before we start to see loan growth accelerate?

LARRY POLLOCK: No, we're actually starting to see the project growth re-emerge here. What we're experiencing is you had no project growth during '09. What you had is the projects you booked in '06, '07 and '08 paying back, which is a good thing. But we had… have quite a large construction lending book, and that book is from those projects and those years, is paying us back today, which is a good thing. But you're having to run pretty hard to replace it.

So we're doing quite a lot of deals, but all we're doing is replacing the runoff from those years, and we had that one gap year where there

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wasn’t much done. So there’s a little bit of catch up here, and we’re seeing a build in our pipeline of deals.

TRACEY BALL: Sorry, I just wanted to comment too on the equipment, the large equipment portfolio. That portfolio was not growing, and it’s a fast amortization. So that just creates a drag on the whole book. And once that picks up we know that the recovery in Western Canada and our markets anyway is really taking hold. But we haven’t seen it yet. And the equipment manufacturers haven’t seen it yet.

SUMIT MALHOTRA: The last one for me is for you, Tracey. There’s a few references in the MD&A to the contribution of NLG to the numbers this quarter.

TRACEY BALL: Right.

SUMIT MALHOTRA: I’m not sure if I saw it. Are you able to give us the total revenue contribution of NLG this quarter?

TRACEY BALL: Not off the top of my head, I can’t, no.

SUMIT MALHOTRA: Okay, if somebody could get back to me on that, that would be great.

TRACEY BALL: Yes.

SUMIT MALHOTRA: Thank you.

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

MICHAEL GOLDBERG: Thanks very much. What is the additional contingent consideration for National Leasing hinge on?

LARRY POLLOCK: Hinge on.

TRACEY BALL: Oh, hinge on. Oh, future earnings over the next two years.

MICHAEL GOLDBERG: Okay. So can you tell us like what the criterion is?

LARRY POLLOCK: Can you help us, Bill?

BILL ADDINGTON (Executive Vice President, Canadian Western Bank): It's a formula approach. As Tracey said, it's based on net earnings after tax. So an average of two years' earnings, and it's supplied, there's a multiple side to it. And that can… the vendors can either put their position to us or we can call their position based on that formula approach. So the main driver is the net income of the company after tax.

LARRY POLLOCK: And conversely if income were to drop, the value of that interest would drop as well.

BILL ADDINGTON: That's correct, yes.

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LARRY POLLOCK: It goes both ways, Michael. So if the company does very well we'd be happy to pay a higher number.

MICHAEL GOLDBERG: Can you give us any ballpark range of what you think that consideration could be?

LARRY POLLOCK: I'm not sure now. I think the interest is about a 22 per cent carry interest.

BILL ADDINGTON: Yes, it's 22. Between 22 and 23.

LARRY POLLOCK: Twenty-two to 23 per cent is their interest. So we really won't know. We need two full years of audited statements before they put and call kick in.

MICHAEL GOLDBERG: Okay. Also you had initially indicated that National Leasing would add about $0.02 to $0.05 for all of 2010. Now it looks like it's going to be a lot more. What accounts for the difference from your original expectations?

LARRY POLLOCK: We were going off historical earnings and not factoring in many of the benefits that we bring to the table for the company. We just were using historical earnings. And assuming that the funding from the bank and the unwinding of the securitized book was going to take quite a long time to factor into the equation, we didn't factor in anything on the swaps. That ended up being a bit of a bonus for us. So it ended up being, I

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think, $0.05 this quarter. And we had forecast $0.05 for the first year. So we're a little ahead.

The other thing we're experiencing there is the company's been able to maintain its gross yields in the marketplace. There's a lot of smaller competitors that do have continuing funding issues. And I think we were able to pick up some of that market.

MICHAEL GOLDBERG: Okay. And just following up on that, on slide 9 of the presentation you show a long history of National Lease's assets under management. What's been its historic return on assets, and what do you think it can be given deposit funding and the removal of capital constraints?

LARRY POLLOCK: It should be much better than this. I haven't worked out an ROE number specifically for National Leasing, so I couldn't tell you that answer, but it will be much better than what they have experienced, of course.

MICHAEL GOLDBERG: Maybe you could get back with some numbers around what much better means and what it was?

LARRY POLLOCK: Yes.

MICHAEL GOLDBERG: Okay. And also what rate of growth does the loan pipeline now indicate?

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LARRY POLLOCK: Well we're forecasting 10 per cent for 2010. And we're sticking with that. Now when you compare that to the industry I think that's quite a bit ahead of where the industry is. And that factors in the runoff that we just talked about.

MICHAEL GOLDBERG: Okay. And my last question: how quickly will the securitized loans run off? What's the run off rate?

TRACEY BALL: They started to run off in August of this year, and it goes to 2014. I can't tell you off the top of my head what… sort of the amount per year. We'd have to get back to you on that.

LARRY POLLOCK: Just knowing how these portfolios function, it would be front-end loaded, though.

TRACEY BALL: Yes.

LARRY POLLOCK: You'll get most of it in the first 12 months probably and then it'll taper off.

MICHAEL GOLDBERG: So I guess what we should expect is a fairly rapid transition from off balance sheet to on balance sheet?

LARRY POLLOCK: Yes, in the numbers anyway. We won't finalize it for the four years because most of those accounts have about a four-year term on them. But when you're amortizing over four years you get a lot of your money back in the first three years.

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MICHAEL GOLDBERG: Thanks very much.

OPERATOR: Again, in order to ask a question, please press *1 on your telephone keypad.

Your next question comes from the line of Stephen Boland from GMP Securities. Your line is open.

STEPHEN BOLAND: Thanks. Just a couple of questions. If we can get back to the PCLs, I guess I'm looking at your guidance going from 15 to 20 to 20 to 25, and I guess you mentioned the addition of National Leasing as contributing to that, which I guess when I look at the portfolio it's only less than 10 per cent of your overall loan book, but the PCL guidance seems to be going up quite materially above that. So is that… am I reading that correctly?

LARRY POLLOCK: Yes, they run 120 point reserve. So even though it's a small portfolio at 10 per cent, it's – what is that? I can't do the math – but it's 11 times higher than the bank's reserving.

STEPHEN BOLAND: Okay. And you mentioned there that they're running their reserves. What's the rational for them to keep running the reserves and why wouldn't you put it on to your methodology?

LARRY POLLOCK: Well, they've been in business 30 years and it works extremely well, so we're reluctant to change how they run their

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reserves and how they handle losses. It's much a different process than the bank.

TRACEY BALL: Stephen, it's Tracey. We will look at different… or how we can sort of make it more consistent when we're going through IFRS transition. So we're building a better methodology in the bank, and National will want to take a look at it as well. But National Leasing is not a complicated business when it comes to estimating their losses, as we understand. So it's pretty simple.

STEPHEN BOLAND: The second question is just on your write-offs. I guess I'm always curious when you talk about collateral and you feel you're well collateralized in your loans. And you're working through them. Although it's not overly material, it has picked up now in the past three quarters. It's over 8 million this quarter. So I guess what circumstances are driving that you're actually getting write-offs? Because as we see the impaireds continue to go up, and perhaps if they stay on the books longer there's always that chance that write-offs can continue to grow.

LARRY POLLOCK: Yes, what you will experience historically I found over the years is when your economy starts to improve, as we're experiencing today, it's easier to resolve the accounts. So you're resolving them quicker. You will get a cresting of, we call it fluctuation of balances.

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So you've got maybe more coming in, more being resolved faster. If you've got a subdivision with 200 lots on it, and the market's really slow, it could take you years and years to sell them. If the market perks up you could sell them all in one year, and then resolve and figure out how much your write-off is.

So we're starting to experience a faster resolution on a lot of accounts. And I think you'll see some more of that in the third quarter.

STEPHEN BOLAND: Okay. So this is really your decision to say that an impaired's on your book and we can get a fair price or the workout scenario is… basically you're accepting a reasonable loss on some of your loans?

LARRY POLLOCK: Yes, we'll get offers to sell properties and equipment and things like that, and we'll take our offer and resolve the issue, and we've got a reserve on it already, and write it off and move on. Before, if you didn't get an offer, your write-off wouldn't be processed because you're going to sit with that account for a while until you can resolve it.

STEPHEN BOLAND: Okay. Thank you very much.

OPERATOR: There are no further questions at this time. I'll turn the call back over to leadership for any closing remarks.

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TRACEY BALL: Okay. Thank you, Mason, and thank you very much, everyone, for your continued interest in Canadian Western Bank.

We look forward to reporting our third quarter 2010 results on September 2nd. And 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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