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OPERATOR: Good afternoon. My name is Sarah and I will be your conference operator today.

At this time I would like to welcome everyone to the Canadian Western Bank fourth quarter and fiscal 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 this 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, Chief Financial Officer. Ms. Ball, you may begin.

TRACEY BALL (Chief Financial Officer, Canadian Western Bank Group): Thank you, Sarah, and good afternoon and welcome to our 2010 fourth quarter and annual 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. Our 2010 annual report and audited financial statements will be filed on SEDAR and be available on the Bank's website early next week.

I'll just draw your attention to our forward-looking statement advisory on slide 10.

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 Executive Vice Presidents Bill Addington, Chris Fowler, Randy Garvey, and Brian Young. I will start by providing a very brief summary of our financial highlights, and then I'll turn things over to Larry for an overview of outlook and strategy. Our results were released this morning, and we will only provide a high level summary. We will leave as much time as necessary for Q&A at the end of the call.

So going to slide 3, the Bank reported strong quarterly performance that contributed to a record year for the CWB Group. Highlights in the quarter included 4-per-cent loan growth and the opening of two new full service branches, bringing our total number of branches to 39. We were also very proud to be recognized as one of Canada's 50 best employers for a fifth straight year, and as one of Canada's top 10 most admired corporate cultures.

Record results for the year surpassed all of our minimum targets for revenue growth, profitability and efficiency. Results were led by the significant positive impact of a 64-basis-point improvement in net interest margin, and strong 14-per-cent loan growth.

Fourth quarter net income of $39.1 million was up 29 per cent over last year, and marked our 90th consecutive profitable quarter. Earnings per common share increased 23 per cent to reach $0.48 on a fully diluted basis. Record total revenues of $111.6 million increased 24 per cent compared to the same quarter last year, and represented the sixth consecutive quarter that we had set a new benchmark for this measure.

Net interest margin improved 50 basis points to reach 2.84 per cent, and continued to be supported by relatively low deposit costs, the positive impact of National Leasing's high yielding assets and lower average liquidity levels.

Annual net income of $163.6 million or $2.05 per diluted common share both established new records increasing 54 per cent and 39 per cent respectively. Net interest income increased 39 per cent over 2009, reflecting the margin improvement and strong loan growth. Looking forward, ongoing competitive and other factors suggest that a material improvement in margin from the level achieved in the fourth quarter is unlikely without meaningful increases in the prime lending interest rate. And based on our current rate sensitivity, we expect further increases in the prime rate to positively impact net interest income.

Other income for the year of $105.6 million increased 15 per cent, as strong result from CWB's core operations, including contributions from the second quarter acquisition of National Leasing more than offset a $12.8 million decline in gains on the sale of securities. Although the Bank still has a material amount of unrealized gains in its securities portfolio, the amount, likelihood and timing of future realized gains is uncertain and depends on our treasury management strategies, the interest rate environment, and other market factors.

Looking at slide 4, the level of loan growth picked up compared to prior quarters, and annual results marked the 20th time in the past 21 years that we have achieved double-digit loan growth. Results reflect positive growth across almost all lending sectors. National Leasing added about 5 per cent loan growth for the year and is included in equipment financing.

Strong performance in commercial mortgages, personal loans and mortgages, and general commercial lending offset the impact of negative growth for the year in real estate project loans. Although it still represents a relatively small part of the overall portfolio, we also realized significant growth in oil and gas production loans.

We remain very well capitalized at quarter end with a tier-one ratio of 11.3 per cent and a total capital ratio of 14.3 per cent. In November 2010 subsequent to yearend, we were pleased to close a $300 million issue of subordinated debentures that will qualify as tier-two capital for the bank. The issuance more than replaces $70 million of subordinated debentures redeemed in November, and will support continued growth. Including the impact of these transactions, the pro forma total capital ratio at October 31st, 2010 was 16.4 per cent.

On December 1st, 2010 the Basel Committee on Banking Supervision of the BIS announced that it had agreed on the Basel 3 Rule Text, which supports the global standards on capital adequacy and liquidity. The Rules Text is expected to be published by the end of 2010, and we expect implementation of the final set of standards to be relatively straightforward for Canadian Western Bank to manage, particularly given the lack of complexity in the Bank's current composition of regulatory capital.

Yesterday our board of directors declared a quarterly cash dividend of $0.13 per common share, representing an 18 per cent increase from the quarterly dividend declared in both the previous quarter and one year ago. This represents the first dividend increase since July 2008, and brings us closer to our target payout ratio of 25 to 30 per cent of net income. We do plan to keep our payout range low relative to most other Canadian banks to support our continued growth. But shareholders can expect further dividend increases in the future as we continue to grow earnings and meet our performance targets. The quarterly cash dividend on our Series 3 preferred shares was also declared.

Looking at slide 6, it shows the actual results compared to our fiscal 2010 minimum performance targets. As shown, we surpassed six of the seven key measures, considerably outperforming our minimum objectives for revenue growth, profitability and efficiency. The acquisition of National Leasing materially benefited all performance metrics except the provision for credit losses. The impact of National Leasing's loan loss experience compared to the Bank's core lending business is more than offset by the relatively higher yield earned on its portfolio.

I'll now turn things over to Larry who will introduce our minimum targets for 2011 and provide additional comments on outlook and strategy.

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

Turning to slide 7, we have set challenging performance targets for 2011 that confirm ongoing confidence in both our strategies and our core focus in Western Canada. We expect moderate economic growth for 2011, and maintain our belief that Western Canada will outperform the rest of the country. As shown on the slide, we expect to achieve another year of double-digit loan growth by further building on our competitive advantage and expanding our market presence. Our 2011 minimum target for loan growth remains unchanged from last year at 10 per cent. We're also looking to achieve double-digit growth in both total revenues and net income before taxes.

Our minimum targets for profitability and the efficiency ratio include the positive impact of revenue growth, but also reflect our ongoing commitment to invest in our people, infrastructure and technology to position the Bank for sustained growth in the future. Our minimum target for the return on common shareholders' equity is 15 per cent, while return on assets is 1.20 per cent. Our objective is to keep CWB's efficiency ratio the best among all of the Canadian banks, and we have set our target at 46 per cent or less. Our target range for provisions for credit losses is 20 to 25 basis points of average loans, and reflects the combined expectations for the Bank's core lending business, as well as National Leasing's portfolio.

Slide 8: Credit quality remained within expectations, and this slide shows our current level of gross impaired loans measured as a percentage of total loans. The dollar level of gross impaired loans decreased for the second straight quarter, and actual write-offs are expected to remain within the Bank's historical range of acceptable levels. The total number of accounts classified as impaired decreased 10 per cent from last quarter, and 16 per cent compared to a year earlier. While there are positive signs the current credit cycle continues to run its course, and we expect that the dollar level of gross impaired loans will fluctuate until economic conditions stabilize further.

Our quarterly provision for credit losses of $5.4 million was down $400,000 from last quarter, but is unlikely to reduce much further as we continue to grow the loan book. The provision added slightly to the dollar level of the general allowance this quarter, which we also believe will continue to fluctuate as specific losses are recognized and subsequently written off.

Results of our ongoing stress testing has shown that the general allowance for credit losses remain sufficient based on our expectations for credit quality and the secured nature of our loan book.

Slide 9: The next slide highlights our main strategic priorities and outlook. One thing about having such a great year is that expectations are now that much higher for 2011. While we do not expect to achieve the level of growth in revenue and profits we had in 2010, we still have ample room to develop and grow all of our businesses. Our goals are to improve across each area of our organization so we can better use our competitive advantages to serve our clients and increase market share. Our management is focused on creating value and growth for shareholders over the long term, and we will continue to invest whatever necessary to support sustained growth. In line with this objective, we have plans to further develop the branch network in 2011, adding to the two new branches we opened just recently in 2010.

We also have great opportunities to further develop and grow our subsidiaries. Canadian Direct Insurance had a record year and its steady earnings provide an important source of diversification. Canadian Western Trust and Valiant Trust also maintained a very positive outlook as each of these companies continues to gain share in their respective businesses.

Optimal Mortgage had a terrific year, and despite certain challenges relating to slower residential sales activity, we expect this portfolio will be approaching $1 billion before the end of 2011.

National Leasing represents another key part of CWB Group's future success. The initial contributions from this business have exceeded our expectations, and we see a lot of opportunities to further build on our position as leader in small and mid ticket leasing. We believe there is room for some consolidation in this industry, and we are currently evaluating a couple of smaller acquisitions in this area. Our strategy moving forward is to retain all of our leases on the balance sheet as we believe this will produce better margins compared to the type of securitization funding that National Leasing used prior to becoming part of the CWB Group. We are also currently evaluating opportunities to expand our presence in wealth management, which could be accomplished through organic growth and acquisition.

Overall, we remain very confident about our current direction and believe the benefits of our business focus and core geographic position in Western Canada will become even more apparent as the economic recovery firms up. Our 2010 growth in Northern Alberta was reduced compared to prior years. However, current indications for both conventional oil and gas and oil sands suggests there will be a much higher level of activity than we experienced over the past couple of years.

Although there are still some challenges, our disciplined underwriting, low leverage, strong balance sheet, and solid capital base have us in an excellent position to manage any unforeseen challenges that may arise. We're also in an excellent position to capitalize on any opportunities we deem as being strategic and accretive to our further development.

Our record performance in 2010 demonstrates the increasing strength of our franchise, and we expect to deliver continued strong results. We are particularly positive about our current geographic position in Western Canada as we believe economic opportunities and prospects for new growth in our markets will continue to outpace those in the rest of the country. Although our view for the near term remains somewhat cautious, our overall outlook for 2011 and beyond is positive.

I'll now turn things back to Tracey.

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

OPERATOR: At this time I would like to remind everyone in order to ask a question, please press * then the number 1 on your telephone keypad. And your first question comes from the line of John Reucassel from BMO Capital Markets. Your line is open.

JOHN REUCASSEL: Thank you. Tracey, just a couple of questions of clarifying. On the spread outlook, if short-term interest rates do not rise, can your spreads stay stable, given what you know today?

TRACEY BALL: Yes.

JOHN REUCASSEL: Okay. Okay. And the 20 to 25 basis point PCL target is a little higher mainly because of the National Leasing acquisition.

TRACEY BALL: That's correct.

JOHN REUCASSEL: Okay. So there's no other… you're not forecasting higher losses in the…?

TRACEY BALL: No.

JOHN REUCASSEL: Okay. Larry, just the target EPS… sorry, the target net income growth of 6 per cent, is that lower because of the tax benefit you had Q3 of this year or…?

LARRY POLLOCK: Yes.

JOHN REUCASSEL: Why, if revenue's up 12 and earnings... pre-tax earnings are up 10, I don't see corporate tax rates going up in Alberta. Could you just tell me why the 6 per cent on the net income?

LARRY POLLOCK: Yes, if you take the pre-tax number, you would see increases of around 10 per cent in net income.

TRACEY BALL: And yes, John, we had that large income tax recovery in the third quarter.

JOHN REUCASSEL: Okay.

TRACEY BALL: And that was about $0.11 per share, so…

JOHN REUCASSEL: So if we took out that $0.11 and we looked at it, …

TRACEY BALL: Yes.

JOHN REUCASSEL: ... would it still be 10 per cent on after tax basis?

TRACEY BALL: It would be around there.

JOHN REUCASSEL: Okay. Just want to make sure that that was why the 6 per cent was lower.

TRACEY BALL: That's correct.

LARRY POLLOCK: Yes, it will be low double digits, John.

JOHN REUCASSEL: Okay, okay. And last question, on the acquisitions, you mentioned small ones. Are these like National Leasing or are these in your trust or insurance subsidiaries? What type of deals have you been looking at?

LARRY POLLOCK: We were referring to National Leasing, and they're small, usually localized or regionally focused, small ticket leasing companies.

JOHN REUCASSEL: Okay. And would this be the size of National Leasing or are they smaller than National Leasing?

LARRY POLLOCK: They'd be smaller, much smaller.

JOHN REUCASSEL: Okay. Thank you.

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

MICHAEL GOLDBERG: Thank you. How big was the loan portfolio that you bought in the fourth quarter? And can you give us a little more colour on other opportunities that you're looking at, aside from the tuck-ins to National Leasing?

LARRY POLLOCK: The portfolio was – correct me, Chris – $70 million. And that was on the equipment side. And that's quite a regular occurrence for us. We do buy them periodically throughout the year. So there could be more. We don't have any other imminent acquisitions of any material size right now, Mike.

MICHAEL GOLDBERG: Okay. And could you just give us a little bit of background on this loan portfolio acquisition? Was it a situation along the lines of the National Leasing where you've got the funding, and they had the loans?

LARRY POLLOCK: That's pretty well described, I'd say. We don't disclose because the vendor doesn't want us to. But it is a regular connection that we have, and we expect this will continue.

MICHAEL GOLDBERG: But this is a regular connection that you bought the loans from in the past, and you could have the opportunity to buy more loans in the future.

LARRY POLLOCK: Yes.

MICHAEL GOLDBERG: Okay. Thank you very much.

LARRY POLLOCK: Thanks, Michael.

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

SHUBHA KHAN: Hi. Thanks. Good afternoon. I'd also like to drill down on loan growth a little bit. You saw pretty strong growth in your residential mortgage portfolio. I'm struggling to sort of reconcile that growth with what I'm seeing in the general environment. Home sales seem to be down. Perhaps you can help me reconcile the two?

LARRY POLLOCK: Yes, we have expanded our reach into Ontario, and have two mortgage reps operating there now. We expect to add to that during this year. So what we're doing is expanding our geographic reach, diversifying our portfolio, and we also book not only all day mortgages, but we book CMHC insured mortgages as well, and straight conventional. So we've expanded our product line and our reach.

SHUBHA KHAN: Okay. Perfect. And as far as NIM expansion this quarter, you saw I think it was 6 basis points. I'm trying to figure out how much was attributable to sort of the improving margin mix and how much to the three sort of rate hikes that we've seen from the Bank of Canada? If we were to break down that 6 basis points, how would that stack up?

LARRY POLLOCK: I'm not sure we had it broken down. Tracey…?

TRACEY BALL: I can talk a little bit about that, Shubha. A little bit on liquidity, that was probably 4 basis points of an increase there. We did get a bit of a benefit from the increase in prime, but not as much as you might expect because we had those floors, that draw down that we are coming off now. So once prime's over 3.25 per cent they won't really be a factor anymore. So those were the two major changes.

SHUBHA KHAN: Excellent. Thank you very much.

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

And your next question comes from the line of Sumit Malhotra from Macquarie Capital Markets. Your line is open.

SUMIT MALHOTRA: Good afternoon. First question is around the insurance segment, and I hate to do it because the insurance segment had a really good year up until Q4 when there was a bit of step back. There were some comments in the MD&A about one of the issues that affected results this quarter. I was hoping you could give us a little bit more colour on that, please?

LARRY POLLOCK: Sure. We'll ask Brian to comment. Do you want to comment on that, Brian?

BRIAN YOUNG (Executive Vice President, Canadian Western Bank Group): Sure. What happened is we experienced a few larger claims in our B.C. auto books and development on bodily injury claims, and as well as some Alberta Home was… there was a build-up of a carryover on some large fire losses in Alberta Home. And the hail storm in August.

SUMIT MALHOTRA: And am I right to say that the premium performance this quarter or premiums written were a little bit lighter as well? Is that…? That was okay?

BRIAN YOUNG: No. Their premium growth continued to be just about as we expected, and it's running true to form.

SUMIT MALHOTRA: All right. Well, I mean if we… those issues that you mentioned for this particular quarter, I guess they balance the fact that you didn't have as much seasonality in Q1 2010...

BRIAN YOUNG: Correct.

SUMIT MALHOTRA: …as you have. So on a full-year basis you still ended up okay.

BRIAN YOUNG: Yes.

SUMIT MALHOTRA: But just maybe a big picture outside of seasonality for claims or anything like that, what's the thought process for insurance heading into 2011?

BRIAN YOUNG: Well we're looking at pretty much the same kind of growth rates that we managed to do over the last few years. The big difference, if you look on our numbers, is we were impacted because of the Alberta risk sharing pools. There was a huge contribution this year from the Alberta risk sharing pools, which was due to the unwinding of the MIR challenge.

SUMIT MALHOTRA: Positive contribution, you mean.

BRIAN YOUNG: It was a positive contribution. And so going forward it's not our expectation that you'll see that again.

SUMIT MALHOTRA: Okay, that's a natural one to think about. And then secondly for Tracey on expenses, despite very strong revenue growth this quarter, at least on my numbers, operating leverage at the total company level turn negative, and when I look at your non-compensation expenses, I know there're usually some yearend true-ups and project initiatives that end up coming through, but especially on the… what you call the general expenses, about a 20 per cent quarter-over-quarter uptick…

TRACEY BALL: Yes, we had what we call an operational loss of about $500,000. That's probably what you're referring to, and that is really sort of an accounting output in the sense that that was a home that we had to take title to. And we wrote it down initially, but it sits on our balance sheet as an available-for-sale asset. And when we were able to sell it, we took a much bigger loss than we anticipated, and it goes into operating losses, not credit.

SUMIT MALHOTRA: So it's in expenses, not revenue, for example?

TRACEY BALL: Right.

SUMIT MALHOTRA: All right. So that's $500 there.

TRACEY BALL: We also spent about over $600,000 on an awareness advertising campaign. And that doesn't come every quarter. That's quite lumpy, but it's expensive. And we also had expenses related to our rating.

SUMIT MALHOTRA: Yes.

TRACEY BALL: About $125,000. And we also run a major donation campaign in the fall called our greater interest GIC, and we sell GICs, and we send an 8th of a per cent of every GIC that we sell to charity. And that was $140,000 in the fourth quarter.

SUMIT MALHOTRA: Well maybe to get directly to what I'm coming to here, I'm looking at an efficiency ratio in 2010 of … it's in the low 40-per-cent range or low 44-per-cent range, 44.2, and your target is almost 200 basis points higher for next year. It seems like you've got pretty good confidence in what revenue's going to look like, so are you planning a significant expense uptick? I heard some of Larry's comments about the investments the Bank is undertaking, but is that really the gist of what seems to be a deteriorating in efficiency forecast for next year?

TRACEY BALL: Not really. We think a 44 per cent efficiency ratio is fantastic. And we have targeted 46 or less because we think the lower number may be achievable, but we don't want to put ourselves out there knowing that we have to increase expenses in our infrastructure. We've got the two new branches that Larry commented on that opened in November, and then we'll have other branch expenses during the year as well for new locations.

SUMIT MALHOTRA: Thank you for your time.

TRACEY BALL: You're welcome.

LARRY POLLOCK: Thank you.

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

JOHN REUCASSEL: Thank you. Just two quick questions. First – and I apologize if I missed it, Larry – your branch openings for next year, what are your plans?

And then could you talk about the competitive environment in the commercial lending spaces? The bigger banks all talk about growing there in that market. Are you seeing them or not? And just maybe some colour on that?

LARRY POLLOCK: Yes. First of all, the branches, we just opened two, one in Surrey and one in Sherwood Park, Alberta. And these are not small retail operations. They're 7,000 plus square feet, and are fully staffed with commercial lending people. And they tend to be profitable reasonably quickly because we seed some business in there from other locations.

For 2011, we're looking at one major centre in Richmond, B.C., and have identified a site there. We are also looking at relocating our Edmonton main branch flagship, and it will be quite a large structure when we identify the site. And we're getting ready to go on that one. And we're also doing some significant upgrades in Surrey in our original branch at Strawberry Hill, and upgrading that. So that's sort of where we're at right now. And your second question was...?

JOHN REUCASSEL: On the competition in the…

LARRY POLLOCK: Oh, the competition, yes. We've seen competition from a couple of the big five in… competing with us, and we don't seem to have a problem winning the hearts and minds of the clients. Where we run into a problem with the big banks is on rates. And they tend to… their marketing efforts tend to centre around cutting rates, and we see some pretty thin margins being offered to some clients out there.

Having said that, we still grew 4 per cent in the fourth quarter facing that same competition that we'll face going forward. So I don't think that's going to have a huge impact on us. We just shift gears and go on looking for other clients.

JOHN REUCASSEL: Okay. Okay, that's great. Thanks, Larry.

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

And your next question comes from the line of Michael Goldberg from Desjardins Securities. Your line is open.

MICHAEL GOLDBERG: Thank you. You continue to buyback your warrants in the fourth quarter, having expanded the normal course buyback on that. I just don't remember, are you getting close to having used up that second normal course tranche?

TRACEY BALL: Yes, we're done on that one.

MICHAEL GOLDBERG: You're done.

TRACEY BALL: We're done.

MICHAEL GOLDBERG: Do you intend to expand that again and continue to buyback those warrants, and to what level would you want to buy them back?

LARRY POLLOCK: Well there's limits, of course, on a normal course issuer bid, if we decide to renew that going forward, which we haven't decided yet. And it also depends on the price of the warrants, what we can get them at. And the ones we have bought back, around 10 per cent of them have been at what we consider to be quite attractive prices.

Of course the other option we have is to look at incenting to exercise, so we could look at that option. But it is pre-raised capital, and if we just let them write out an exercise, we could use that to redeem our preferred shares going forward. So that's another option we have. And we're more or less I guess, just a little bit more than three years left on them. So we're not really sure I guess to make a long answer short, Michael. We're not sure what we're going to do with them yet.

MICHAEL GOLDBERG: And what's your sense? Do you think that you do get recognized for having the benefit of that capital that would be added on the exercise of the warrants?

LARRY POLLOCK: Yes. Some sophisticated shareholders will have figured that out, that we have raised a significant amount of capital going forward. We are being penalized for it in our dilution calculation. But we do not have the capital to actually invest. So when that actually happens, that event happens, when those warrants exercise, then we will have the capital, but there won't be further dilution from it.

MICHAEL GOLDBERG: Okay, thank you very much, Larry.

LARRY POLLOCK: Thank you.

OPERATOR: There are no further questions in queue. I turn the call back over to management for any closing remarks.

TRACEY BALL: Okay, thank you, Sarah. For those investors and analysts who want a more in-depth view of our strategic parties and outlooks, we are holding our first ever investor day in Toronto on January 12th, 2011. Please contact our investor relations department if you want more details or if you want to register. A webcast of the investor day will also be available from our website.

And as mentioned earlier, our 2010 annual report will be posted on SEDAR early next week and will be mailed to shareholders in January.

Thank you very much, everyone, for your continued interest in Canadian Western Bank Group. We look forward to reporting our 2011 first quarter results on March 3rd. If you have any follow-up questions or comments, please call us or contact us by email. Thank you. Best of the season. Bye for now.

LARRY POLLOCK: Bye, everyone.

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

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