First Quarter Report | January 31 | 2012

To Shareholders

CWB reports strong earnings and record quarterly revenues
Very strong loan growth of 4% in the quarter and 15% over the past twelve months
Quarterly dividend declared of $0.15 per CWB common share
Quarterly dividend declared on CWB preferred shares

First Quarter 2012 Highlights[1] (compared to the same period in the prior year)

- Record total revenues, on a taxable equivalent basis (teb)[2], of $126.3 million, up 4% ($4.9 million).
- Very strong loan growth of 4% in the quarter and 15% over the past twelve months.
- Net income available to common shareholders of $41.5 million, up 10% ($3.6 million).
- Diluted earnings per common share of $0.54, up 8%.
- Adjusted cash earnings per common share[2] of $0.57, up 4%.
- Solid regulatory capital position supported by a tangible common equity to risk-weighted assets ratio[2] of 8.2%, Tier 1 capital ratio of 10.2% and total capital ratio of 14.6%.
- Total assets surpassed the $15 billion milestone.
- On March 7, declared a quarterly dividend of $0.15 per CWB common share, unchanged from the prior quarter and up 15% over the quarterly dividend declared a year earlier.

(1) Effective this quarter, CWB's unaudited interim consolidated financial statements, including comparative information, and the accompanying Management's Discussion and Analysis (MD&A) are prepared in accordance with International Financial Reporting Standards (IFRS).
(2) Non-GAAP measure – refer to definitions following the table of *Selected Financial Highlights* on page 3.

Edmonton, March 7, 2012 – Canadian Western Bank (TSX: CWB)(CWB or the Bank) today announced strong financial performance marking the Bank's 95th consecutive profitable quarter. Net income available to common shareholders of $41.5 million increased 10% compared to the same quarter last year, while adjusted cash earnings per common share of $0.57 was up 4%. Record total revenues (teb) of $126.3 million represented a 4% increase over the same quarter last year as the positive impact of very strong loan growth was partially offset by a 30 basis point reduction in net interest margin (teb) and 7% lower other income.

Compared to the previous quarter, net income available to common shareholders increased 15%, while adjusted cash earnings per common share was up 8%. Total revenues (teb) grew 6% as positive contributions from significantly higher other income and 4% quarterly loan growth offset the impact of a 10 basis point reduction in net interest margin (teb).

"CWB Group's strong first quarter performance is a great way to start the year," said Larry Pollock, President and CEO. "Quarterly loan growth exceeded our expectations and was supported by strong contributions from all of our businesses. We are well positioned in relation to all of our 2012 performance targets despite considerable pressure over the past two quarters on net interest margin. Looking forward, while we expect there will be ongoing challenges related to very low interest rates and increased competition, we believe recent downward pressure on net interest margin will moderate as we prudently reduce liquidity and replace maturing term deposits at comparatively lower rates. The anticipated redemption of $125 million of subordinated debentures in March 2012 will also help offset recent margin compression."

"Overall credit quality continues to improve and very strong first quarter loan growth will benefit earnings and revenues for the remainder of the year. Business activity across all areas of our geographic footprint supports our optimism about Western Canada's economic outlook, particularly over the longer term, but we also remain cautious about potential impacts in our markets from global economic uncertainties, including ongoing turmoil in Europe."

The quarterly return on common shareholders' equity of 15.5% was down 40 basis points compared to a year earlier as the benefit of increased net income was partially offset by comparatively higher percentage growth in the balance of common shareholders' equity. Equity growth compared to a year earlier mainly resulted from the retention of earnings and the issuance of common shares upon the exercise of warrants, partially offset by the redemption of warrants completed in August 2011. Compared to the previous quarter, return on common shareholders' equity increased 190 basis points mainly reflecting increased earnings. Quarterly return on assets of 1.07% was down from 1.15% last year, but up from 0.97% in the previous quarter.

Overall credit quality remained satisfactory and continued to show improvement from prior quarters. Gross impaired loans totaled $90.9 million at quarter end, compared to $97.3 million last quarter and $132.9 million a year earlier. This represented the seventh consecutive quarter of reductions in the dollar level of gross impaired loans from the peak level reached in the second quarter of 2010.

Outlook

The Bank's strong first quarter performance represents an excellent start for fiscal 2012. We believe Canada will see modest growth this year despite the ongoing impact of global economic uncertainties, including the European debt crisis. Although it is still early in the year, we are also optimistic about the Bank's ability to meet or surpass all of our 2012 minimum performance targets. Strong loan growth was apparent across all lending sectors in the first quarter reflecting ongoing economic activity in each of our key western Canadian markets. While challenges related to the very low interest rate environment and increased competition will persist, we believe recent downward pressure on net interest margin will moderate going forward. Strong performance is expected from each company of the CWB Group and the ongoing growth of these businesses should continue to augment earnings and further diversify operations. While we are cautious and will continue to monitor economic factors and other developments closely, the current overall outlook for 2012 and beyond is positive. We look forward to reporting our second quarter results on June 7, 2012.

Fiscal 2012 First Quarter Results Conference Call

CWB's quarterly conference call and live audio webcast took place on March 8, 2012 at 3:00 p.m. ET. The webcast will be archived on the Bank's website at www.cwbankgroup.com for sixty days.

A replay of the conference call will be available until March 22, 2012 by dialing 416-849-0833 (Toronto) or 1-855-859-2056 (toll-free) and entering passcode 51521762.

About Canadian Western Bank Group

Canadian Western Bank offers a full range of business and personal banking services across the four western provinces and is the largest publicly traded Canadian bank headquartered in Western Canada. The Bank, along with its operating affiliates, National Leasing Group Inc., Canadian Western Trust Company, Valiant Trust Company, Canadian Direct Insurance Incorporated, Adroit Investment Management Ltd. and Canadian Western Financial Ltd., collectively offer a diversified range of financial services across Canada and are together known as the Canadian Western Bank Group. The common shares of Canadian Western Bank are listed on the Toronto Stock Exchange under the trading symbol "CWB". The Bank's Series 3 Preferred Shares trade on the Toronto Stock Exchange under the trading symbol "CWB.PR.A". Refer to www.cwbankgroup.com for additional information.

Selected Financial Highlights

(unaudited) ($ thousands, except per share amounts)	For the three months ended January 31 2012	 October 31 2011	 January 31 2011	Change from January 31 2011
Results of Operations				
Net interest income (teb – see below)	**$ 107,509**	$ 106,184	$ 101,218	6 %
Less teb adjustment	**2,620**	3,133	2,744	(5)
Net interest income per financial statements	**104,889**	103,051	98,473	7
Other income	**18,791**	13,489	20,146	(7)
Total revenues (teb)	**126,300**	119,673	121,363	4
Total revenues	**123,680**	116,540	118,619	4
Net income available to common shareholders	**41,478**	35,921	37,852	10
Earnings per common share				
Basic[1]	**0.55**	0.48	0.56	(2)
Diluted[2]	**0.54**	0.47	0.50	8
Adjusted cash[3]	**0.57**	0.53	0.55	4
Return on common shareholders' equity[4]	**15.5%**	13.6 %	15.9 %	(40) bp[5]
Return on assets[6]	**1.07**	0.97	1.15	(8)
Efficiency ratio (teb)[7]	**43.7**	45.5	44.5	(80)
Efficiency ratio	**44.6**	46.7	45.5	(90)
Net interest margin (teb)[8]	**2.77**	2.87	3.07	(30)
Net interest margin	**2.70**	2.79	2.99	(29)
Provision for credit losses as a percentage of average loans	**0.20**	0.17	0.23	(3)
Insurance Summary				
Insurance net earned premium	**$ 30,454**	$ 30,252	$ 28,996	5
Claims loss ratio[9]	**67%**	64 %	66 %	100 bp
Combined ratio[10]	**96**	93	95	100
Per Common Share				
Cash dividends	**$ 0.15**	$ 0.14	$ 0.13	15 %
Book value	**14.36**	13.87	13.95	3
Closing market value	**26.47**	28.50	29.64	(11)
Common shares outstanding (thousands)	**75,694**	75,462	69,703	9
Balance Sheet and Off-Balance Sheet Summary				
Assets	**$ 15,484,048**	$ 14,849,141	$ 13,098,697	18
Loans	**12,744,891**	12,293,282	11,035,921	15
Deposits	**12,960,929**	12,394,689	10,681,341	21
Debt	**685,049**	634,877	716,812	(4)
Shareholders' equity	**1,296,634**	1,256,613	1,182,169	10
Assets under administration	**6,912,244**	9,369,589	9,013,307	(23)
Assets under management	**843,648**	816,219	804,486	5
Capital Adequacy[11]				
Tangible common equity to risk-weighted assets[12]	**8.2%**	8.6 %	8.9 %	(70) bp
Tier 1 ratio	**10.2**	11.1	11.6	(140)
Total ratio	**14.6**	15.4	16.5	(190)

(1) Basic earnings per common share is calculated as net income available to common shareholders divided by the average number of common shares outstanding.
(2) Diluted earnings per common share is calculated as net income available to common shareholders divided by the average number of common shares outstanding adjusted for the dilutive effects of stock options and warrants.
(3) Adjusted cash earnings per share is diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges mainly related to the acquisition of National Leasing Group Inc. and are not considered to be indicative of ongoing business performance. The Bank believes the adjusted results provide the reader with a better understanding about how management views CWB's performance.
(4) Return on common shareholders' equity is calculated as annualized net income available to common shareholders divided by average common shareholders' equity.
(5) bp – basis point change.
(6) Return on assets is calculated as annualized net income available to common shareholders divided by average total assets.
(7) Efficiency ratio is calculated as non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration.
(8) Net interest margin is calculated as annualized net interest income divided by average total assets.
(9) Claims loss ratio is net insurance claims and adjustment expenses as a percentage of net earned premiums.
(10) Combined ratio is the sum of the claims loss ratio and the expense ratio. The expense ratio is defined as policy acquisition costs and non-interest expenses, net of commissions and processing fees, as a percentage of net earned premiums.
(11) Capital adequacy is calculated in accordance with Basel II guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI). The 2011 ratios reflect the returns filed and have not been restated to IFRS.
(12) Tangible common equity to risk-weighted assets is calculated as shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by OSFI. The 2011 ratios reflect the returns filed and have not been restated to IFRS.

Taxable Equivalent Basis (teb)

Most banks analyze revenues on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures

Taxable equivalent basis, adjusted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, provision for credit losses as a percentage of average loans, claims loss ratio, combined ratio and tangible common equity to risk-weighted assets do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other financial institutions.

This management's discussion and analysis (MD&A) should be read in conjunction with Canadian Western Bank's (CWB or the Bank) unaudited interim consolidated financial statements for the period ended January 31, 2012 and the audited consolidated financial statements and MD&A for the year ended October 31, 2011, available on SEDAR at www.sedar.com and the Bank's website at www.cwbankgroup.com. CWB's financial results for the quarter ending January 31, 2012 represent the first quarterly financial statements prepared under International Financial Reporting Standards (IFRS). Except where indicated below, the factors discussed and referred to in the MD&A for fiscal 2011 remain substantially unchanged.

Commencing this quarter, the operating results are presented as one segment – *Banking and Financial Services* – operating in one geographic region – *Canada*.

Overview

CWB recorded its 95th consecutive profitable quarter highlighted by record total revenues and very strong loan growth of 4% in the quarter and 15% over the past twelve months. Net income available to common shareholders of $41.5 million increased 10% ($3.6 million) compared to the same quarter last year while diluted earnings per common share was up 8% to $0.54. Adjusted cash earnings per common share, which excludes the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration, was $0.57, up 4%. Lower percentage growth in diluted earnings per common share compared to net income mainly reflects the dilutive impact of 8.1 million CWB common shares issued between December 2010 and August 2011 upon the exercise of warrants.

Compared to the previous quarter, net income available to common shareholders was up 15% ($5.6 million) as the positive contribution from loan growth and higher other income largely attributed to a $5.0 million positive change in net gains on securities more than offset the impact of a 10 basis point reduction in net interest margin. Quarterly diluted earnings per common share increased 15% ($0.07) while adjusted cash earnings per common share was up 8% ($0.04).

The quarterly return on common shareholders' equity of 15.5% decreased 40 basis points from the same quarter last year as a material increase in common shareholders' equity more than offset the positive influence of higher net income. The retention of profits to support ongoing growth and the issuance of CWB common shares upon the exercise of warrants were the main factors contributing to the increase in common shareholders' equity, partially offset by the impact of warrants purchased for cancellation. Compared to the previous quarter, return on common shareholders' equity increased 190 basis points reflecting strong earnings growth and the impact of the warrant redemption completed in August 2011. First quarter return on assets of 1.07% was down eight basis points from a year earlier, but up 10 basis points compared to the previous quarter.

Total Revenues (teb)

Total revenues, comprising both net interest income and other income, reached a record $126.3 million for the quarter, up 4% ($4.9 million) compared to a year earlier. Growth in net interest income from very strong loan growth was constrained by a 30 basis point reduction in net interest margin, while other income was down 7% ($1.4 million) reflecting $2.3 million lower net gains on securities. Compared to the previous quarter, total revenues were up 6% ($6.6 million) mainly driven by a $5.0 million positive change in net gains on securities and very strong quarterly loan growth, partially offset by a 10 basis point reduction in net interest margin.

Net Interest Income (teb)

Quarterly net interest income of $107.5 million grew 6% ($6.3 million) over the same quarter last year reflecting the combined influence of very strong 15% loan growth, largely offset by the impact of a 30 basis point reduction in net interest margin to 2.77%. The deterioration in net interest margin compared to the same quarter in 2011 was mainly attributed to lower yields on loans and securities, partially offset by more favourable fixed term deposit costs. Lower asset yields reflect the combined impact of the very low interest rate environment, a flat interest rate curve as well as ongoing competitive pressures. Net interest margin was further impacted by higher average liquidity maintained in response to elevated global uncertainties, as well as anticipated requirements for near-term maturities of certain fixed term deposits and the redemption of subordinated debentures in March 2012.

Compared to the previous quarter, net interest income increased 1% ($1.3 million) as the positive impact of very strong 4% loan growth was largely offset by a 10 basis point reduction in net interest margin. Margin compression compared to the prior quarter mainly resulted from higher liquidity and a lower average yield on securities. Based on management's current view, including consideration of the Bank's current composition of assets and liabilities and expectations for reduced liquidity requirements moving forward, recent downward pressure on net interest margin is expected to moderate, helping to offset the impact of ongoing competitive pressures. Future increases in interest rates or a notable steepening of the interest rate curve would positively impact net interest margin.

Note 13 to the unaudited interim consolidated financial statements summarizes the Bank's exposure to interest rate risk as at January 31, 2012. The estimated sensitivity of net interest income to a change in interest rates is presented in the table below. The amounts represent the estimated change in net interest income that would result over the following twelve months from a one-percentage point change in interest rates. The January 31, 2012 estimates are based on a number of assumptions and factors, which include:

- a constant structure in the interest sensitive asset and liability portfolios;
- floor levels for various deposit liabilities;
- interest rate changes affecting interest sensitive assets and liabilities by proportionally the same amount and applied at the appropriate repricing dates; and
- no early redemptions.

($ thousands)	**January 31 2012**	October 31 2011	January 31 2011
Estimated impact on net interest income of a 1% increase in interest rates			
1 year	**$ 13,519**	$ 11,024	$ 8,894
1 year percentage change	**3.7 %**	3.0 %	2.7 %
Estimated impact on net interest income of a 1% decrease in interest rates			
1 year	**$ (16,549)**	$ (13,436)	$ (11,938)
1 year percentage change	**(4.5)%**	(3.7)%	(3.7) %

It is estimated that a one-percentage point increase in all interest rates at January 31, 2012 would decrease unrealized gains related to available-for-sale securities and result in a reduction in other comprehensive income of approximately $10.1 million, net of tax (January 31, 2011 – $8.2 million); it is estimated that a one-percentage point decrease in all interest rates at January 31, 2012 would result in a higher level of unrealized gains related to available-for-sale securities and increase other comprehensive income by similar amounts.

Management will continue to manage the asset liability structure and interest rate sensitivity within the Bank's established policies through pricing and product initiatives, as well as the use of interest rate swaps and other appropriate strategies.

Other Income

First quarter other income of $18.8 million was down 7% ($1.4 million) from a year earlier as growth in credit related fee income ($0.4 million), trust and wealth management fees and the positive impact of $1.3 million lower contingent consideration fair value change was more than offset by $2.3 million lower net gains on securities and a $0.6 million reduction in the 'other' component of other income. The level of gains on securities in the first quarter last year was mainly realized due to a reduction in the Bank's investments in preferred shares of other financial institutions. The decision to reposition a portion of these preferred shares reflects forthcoming changes under the new regulatory capital framework known as Basel III that requires a deduction from regulatory capital or an increase in risk weightings for amounts over a certain threshold for investments in other financial institutions. Based on the current composition of the securities portfolio and elevated volatility in financial markets resulting from ongoing global uncertainties, CWB expects the future level of quarterly net gains on securities will be similar to or below that achieved in the current quarter. The reduction in the 'other' category of other income compared to the same period last year resulted from a combination of lower revenue contributions resulting from the termination of a lease servicing contract during the current quarter, partially offset by contributions from the finalization of loan realization assets and a positive change in fair value of certain interest rate swaps recognized in the first quarter last year. Quarterly net insurance revenues, retail services and foreign exchange gains each showed modest decreases compared to the same period a year earlier.

Other income was up $5.3 million compared to the previous quarter mainly reflecting a $5.0 million positive change in net gains on securities. Net gains on securities of $1.9 million in the first quarter compared to net losses of $3.1 million in the previous period. The first quarter contingent consideration fair value change of $1.2 million compares to $3.5 million in the previous period. The net benefit to other income of a $2.3 million lower charge for contingent consideration was largely offset by a $2.1 million reduction in the 'other' category of other income, which in the fourth quarter of 2011 included $1.9 million from the sale of a residential mortgage portfolio. Net insurance revenues were down $0.5 million as the benefit of growth in net earned premiums was offset by increased claims expense in the home insurance line of business, largely attributed to windstorms in southern Alberta.

Credit Quality

Overall credit quality remained satisfactory and within expectations in view of favourable economic activity and a relatively positive outlook in Western Canada despite ongoing global uncertainties. The dollar level of gross impaired loans decreased for the seventh consecutive quarter. Compared to both the previous quarter and a year earlier, the total number of accounts classified as impaired was also down.

(unaudited) ($ thousands)	For the three months ended **January 31 2012**	 October 31 2011	 January 31 2011	Change from January 31 2011
Gross impaired loans, beginning of period	**$ 97,258**	$ 108,117	$ 143,700	(32)%
New formations	**18,928**	14,100	32,888	(42)
Reductions, impaired accounts paid down or returned to performing status	**(20,787)**	(18,455)	(33,240)	63
Write-offs	**(4,542)**	(6,504)	(10,417)	44
Total[1]	**$ 90,857**	$ 97,258	$ 132,931	(32)%
Balance of the ten largest impaired accounts	**$ 44,252**	$ 46,884	$ 63,909	(44)%
Total number of accounts classified as impaired[3]	**139**	153	195	(40)
Gross impaired loans as a percentage of total loans[3]	**0.71 %**	0.79 %	1.20 %	(49)bp[2]

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $4,683 (October 31, 2011 – $3,241 and January 31, 2011 – $1,591).
(2) bp – basis point change.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.

Gross impaired loans at January 31, 2012 were $90.9 million, compared to $97.3 million last quarter and $132.9 million a year earlier. The ten largest accounts classified as impaired, measured by dollars outstanding, represented approximately 49% of total gross impaired loans, relatively consistent with prior periods. New formations of impaired loans totaled $18.9 million, compared to $14.1 million last quarter and $32.9 million a year earlier.

The dollar level of gross impaired loans represented 0.71% of total loans at quarter end, compared to 0.79% last quarter and 1.20% one year ago. While the trends are positive, management expects the dollar level of gross impaired loans will fluctuate from the current level until global uncertainties subside and overall economic conditions strengthen further. The dollar level of gross impaired loans goes up and down as loans become impaired and are subsequently resolved and does not directly reflect the dollar value of expected write-offs given the tangible security held against the Bank's lending positions. The Bank establishes its current estimates of expected write-offs through detailed analyses of both the overall quality and ultimate marketability of the security held against impaired accounts. Actual credit losses are expected to remain within the Bank's historical range of acceptable levels.

The first quarter provision for credit losses measured against average loans of 20 basis points was at the low end of the Bank's 2012 target range of 20 to 25 basis points. This result reflects ongoing positive credit trends in the equipment leasing portfolio and consistent expectations for credit quality in other areas. Based on the current environment and outlook, management believes the annual provision for credit losses will remain within the 2012 target range.

The total allowance for credit losses (collective and specific) represented 82% of gross impaired loans at quarter end, compared to 74% last quarter and 58% one year ago. The total allowance for credit losses was $74.6 million at January 31, 2012, compared to $72.0 million last quarter and $77.6 million a year earlier. The reduction in the total allowance for credit losses compared to the same period last year was entirely attributed to lower specific allowances. The collective allowance at January 31, 2012 was $62.7 million, compared to $61.3 million last quarter and $62.2 million a year earlier. The collective allowance as a percentage of risk-weighted loans was 57 basis points, unchanged from last quarter and down from 66 basis points one year ago. The decline in the collective allowance as a percentage of risk-weighted loans

resulted from very strong loan growth. An enhanced methodology has been developed to estimate the collective allowance for credit losses. No material change on transition to IFRS was realized in the overall level of the collective allowance; however, the revised methodology has potential to increase volatility in the quarterly provision for credit losses.

Non-interest Expenses

One of management's key priorities is to maintain effective control of costs while ensuring the Bank is positioned to deliver strong growth over the long term. Effective execution of CWB's strategic plan will continue to require increased investment in certain areas. Significant anticipated expenditures relate to additional staff complement as well as expanded infrastructure and further technology upgrades. The majority of investment in these areas is aligned with the Bank's commitment to maximize shareholder value and is expected to provide material benefits in future periods. Ongoing compliance with an ever-increasing level of regulatory rules and oversight for all Canadian banks requires the investment of both time and resources, which further contributes to higher non-interest expenses. A new full-service branch is expected to open in Winnipeg, Manitoba in the fourth quarter of 2012. Other potential new branch locations are currently under consideration. Upgrades and expansion of existing branch infrastructure will also continue.

Compared to the same quarter last year, non-interest expenses of $55.7 million were up 1% ($0.5 million) as increases in salary and benefit costs, and premises and equipment expenses of $0.8 million and $0.6 million, respectively, were offset by a $0.8 million reduction in general expenses. The change in salary and benefit costs was driven by a combination of increased staff complement to support ongoing growth and annual salary increments, partially offset by lower expense related to restricted share units. The increase in premises and equipment expense includes the addition of a new full-service branch opened in Richmond, British Columbia (BC) in the latter part of 2011, as well as ongoing expansion and upgrades to existing infrastructure and technology. Within general expenses, capital and business taxes were down $1.0 million reflecting the final payment of BC capital taxes in the first quarter of 2011.

Compared to the previous quarter, non-interest expenses were down $0.4 million as lower general expenses were largely offset by $1.2 million higher salary and benefit costs related to increased staff complement and annual salary increments. Within general expenses, marketing and business development costs were down $1.2 million reflecting the timing of expenses related to ongoing initiatives to enhance awareness of the Bank's brand and product offerings. Reductions in professional fees and travel expenses of $0.5 million and $0.4 million, respectively, were largely offset by higher community investment and insurance costs.

The first quarter efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb) excluding the non-tax deductible change in fair value of contingent consideration, was 43.7%, compared to 44.5% last year and 45.5% in the previous quarter. Given expected revenue growth and planned expenditures, management believes the 2012 target for the efficiency ratio of 46% or better will be achieved.

Income Taxes

The first quarter income tax rate (teb) was 26.7%, down from 27.6% one year ago, while the tax rate before the teb adjustment was 23.6%, compared to 24.2% last year. The reduction mainly reflects the 150 basis point decrease in the basic federal income tax rate and the 50 basis point reduction in the provincial income tax rate in BC, both effective January 1, 2011.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes, and totaled $52.9 million for the first quarter, compared to $38.5 million in the same period last year. The increase in comprehensive income was driven by a $10.8 million positive change in OCI related to favourable market value fluctuations in available-for-sale securities and 8% ($3.6 million) higher net income. While the combined dollar investment in preferred shares and common equities is relatively small in relation to total liquid assets, it increases the potential for comparatively larger fluctuations in OCI.

Balance Sheet

Total assets surpassed the $15 billion milestone, increasing 4% ($635 million) in the quarter and 18% ($2,385 million) in the past year to reach $15,484 million at January 31, 2012.

Cash and Securities

Cash, securities and securities purchased under resale agreements totaled $2,429 million at January 31, 2012, compared to $2,238 million last quarter and $1,754 million one year ago (refer to the *Treasury Management* section of this MD&A for additional details). Net unrealized gains recorded on the balance sheet at January 31, 2012 were $18.8 million, compared to $10.9 million at October 31, 2011 and $27.2 million a year earlier. The change in unrealized gains compared to the same time last year was mainly attributed to net gains realized through the statements of income and fluctuations in the market value of the Bank's investment in common equities and preferred shares. Compared to the prior quarter, the change in net unrealized gains mainly reflects increased market values within the preferred equities portfolio. The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares.

Net realized gains on securities in the first quarter of $1.9 million compares to $4.2 million in the same period last year. In the previous quarter, impairments recognized on certain equity investments resulted in a $3.1 million net loss on securities. The majority of gains on securities in the current quarter resulted from the repositioning of certain fixed income investments. Based on the current composition of the securities portfolio and elevated volatility in financial markets resulting from ongoing global uncertainties, CWB expects the future level of quarterly net gains on securities will be similar to or below that achieved in the current quarter. The Bank has no direct investment in any non-Canadian sovereign debt or other securities outside of Canada or the United States.

Treasury Management

The Bank continues to refine its methodologies for measuring and monitoring liquidity risk. Use of dynamic scenario analysis has allowed for a reduction in liquid asset coverage while maintaining prudent liquidity standards. In view of elevated market risks mainly attributed to ongoing global economic uncertainties, including the European debt crisis, the composition of liquid assets will continue to include a higher balance of cash resources and low yielding government securities compared to what would be held in a more normal market environment. That being said, average liquidity is expected to trend lower compared to the levels maintained over the past two quarters. The strategy to maintain higher than normal liquidity has a negative impact on net interest margin but is considered appropriate in view of the current macro economic environment.

DBRS Limited maintains published credit ratings on the Bank's senior debt (deposits) and subordinated debentures of "A (low)" and "BBB (high)", respectively, both with a stable outlook. Credit ratings do not comment on market price or suitability of any financial instrument for a particular investor and are not recommendations to purchase, sell or hold securities. Ratings are subject to revision or withdrawal at any time by the rating organization. Management believes the ratings widen the base of clients and investors who can participate in CWB's deposit and debt offerings while also lowering the Bank's overall cost of capital.

The Bank for International Settlements (BIS) finalized liquidity proposals initially described in its document "International Framework for Liquidity Risk, Measurement, Standards and Monitoring." The proposals as outlined remain subject to significant transition and monitoring activities, and revisions are expected. The new liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are presently subject to an observation period and include a review clause to address any unintended consequences. It is too early to tell how this framework will impact CWB. The BIS is currently expected to introduce the LCR effective January 1, 2015 and the NSFR effective January 1, 2018.

Loans

Total loans of $12,745 million grew 4% ($452 million) in the quarter and 15% ($1,709 million) in the past twelve months. The level of quarterly growth measured in both dollar and percentage terms was led by activity in general commercial lending, and equipment financing and leasing. Positive quarterly growth was also realized in both real estate lending, and personal loans and mortgages, while the amount of oil and gas production loans was relatively unchanged. Measured by geographic concentration, lending activity in Alberta showed the highest quarterly growth while performance in other areas was also strong. Over the

past twelve months, strong double-digit growth is apparent across all lending sectors and each geographic market with the only exception being Manitoba, where loans are up by slightly less than 10%.

While there is increased competition in certain areas, management believes market share will be gained from the combined positive influences of an expanded market presence, increased brand awareness in core geographic markets due in part to targeted marketing initiatives, and the effective execution of CWB's strategic plan focused on further enhancing existing competitive advantages. Canada's domestic economy is expected to grow modestly in 2012 despite impacts from ongoing global economic uncertainties. The Bank's key markets in Western Canada are generally expected to perform well relative to the rest of Canada. While strong competition from domestic banks and other financial services firms is expected to persist, the current overall outlook for new loans is encouraging. Major risks that could have a material adverse impact on the Bank's expectations include a global economic recession spurred by the European debt crisis, a recession in the United States, or a meaningful slowdown in China's economic growth. Based on a cautiously optimistic outlook and stronger than expected first quarter loan growth, CWB is well positioned to meet or exceed its fiscal 2012 loan growth target of 10%.

Loans in the Bank's broker-sourced residential mortgage business, Optimum Mortgage (Optimum), increased 6% ($60 million) in the quarter and 18% ($154 million) over the past twelve months to reach $995 million. Results in the quarter reflected growth in both uninsured mortgages and higher ratio insured mortgages. Uninsured mortgages continue to be secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 70%, and represented approximately 61% of Optimum's total portfolio at quarter end. CWB remains committed to further developing this mortgage business as it continues to produce solid returns while maintaining an acceptable risk profile. The possible benefits of using securitization or whole loan sales as additional alternatives for cost-effective funding are also being evaluated. The level of new lending opportunities in this business could moderate going forward reflecting increased competitive pressure and overall slower growth in demand for residential mortgages in Canada.

Under IFRS, the Bank's securitized assets are reported on-balance sheet as part of total loans. The gross amount of securitized loans at January 31, 2012 totaled $150 million, compared to $91 million last quarter and $170 million one year ago.

Deposits

Total deposits at quarter end were $12,961 million, up 5% ($566 million) from the previous quarter and 21% ($2,280 million) over the past year. Total branch deposits represented 57% of total deposits at January 31, 2012, compared to 58% in the previous quarter and 63% one year earlier. Demand and notice deposits were 32% of total deposits, unchanged from the previous quarter and down from 35% a year earlier. Other deposits are mainly comprised of retail term deposits raised through the Bank's deposit broker network and $650 million of fixed term deposits raised through debt capital markets.

Total branch deposits, including trust services deposits, of $7,379 million increased 2% ($168 million) in the quarter and 9% ($618 million) over the past twelve months. The demand and notice component within branch deposits, which includes lower cost deposits, was up 5% ($212 million) from last quarter and 14% ($508 million) compared to the same time last year to reach $4,203 million. Reflecting CWB's business banking focus, a material portion of total branch deposits are attributed to larger commercial balances that are subject to greater fluctuation compared to smaller personal deposits. A strategic focus on increasing branch-raised deposits will continue in 2012, with emphasis on the demand and notice component, which is often lower cost and provides associated transactional fee income. CWB's expanded market presence, which includes the opening of three new full-service branches since September 2010, also supports objectives to generate branch-raised deposits.

Management remains committed to further enhance and diversify all funding sources to support ongoing growth while maintaining acceptable net interest margins. The Bank's deposit broker network remains a valued source for raising insured fixed term retail deposits and has proven to be an extremely effective and efficient way to access funding and liquidity over a wide geographic base. Selectively utilizing the debt capital markets is also part of the Bank's strategy to further diversify the funding base over time. Provided costs remain satisfactory, management plans to continue utilizing securitization channels for a portion of its equipment leasing funding requirements in 2012.

Other Assets and Other Liabilities

Other assets at January 31, 2012 totaled $310 million, compared to $318 million last quarter and $309 million one year ago. Other liabilities at quarter end were $436 million, compared to $458 million the previous quarter and $413 million last year.

Off-Balance Sheet

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets under administration and third-party leases under service agreements totaled $6,912 million at January 31, 2012, compared to $9,370 million last quarter and $9,013 million one year ago. The significant reduction in assets under administration reflects a reduced level of leases under servicing agreements resulting from the termination of a lease servicing contract. Assets under management were $844 million at quarter end, compared to $816 million last quarter and $804 million one year ago.

Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit). CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Notes 12 and 21 of the audited consolidated financial statements on pages 97 and 106, respectively, in the Bank's 2011 Annual Report.

Capital Management

At January 31, 2012, CWB's Basel II total capital adequacy ratio, which measures regulatory capital as a percentage of risk-weighted assets, was 14.6%, compared to 15.4% last quarter and 16.5% one year ago. The Tier 1 ratio was 10.2% at January 31, 2012, down from 11.1% last quarter and 11.6% a year earlier. Current minimums for the total and Tier 1 capital adequacy ratios of Canadian banks as set by the Office of the Superintendent of Financial Institutions Canada (OSFI) are 10% and 7%, respectively.

Compared to one year ago, the Bank's Tier 1 regulatory capital increased with the retention of earnings, net of common and preferred share dividends, and the issuance of 5.4 million additional CWB common shares at $14 per share upon the exercise of warrants (refer to the audited consolidated financial statements and MD&A for the year ended October 31, 2011 for further details), partially offset by total costs for the purchase of warrants for cancellation. The decrease in Tier 1 capital from October 31, 2011 reflects the full transition impact of IFRS and the expiration of a Basel II transition provision that permitted the capital deduction related to CWB's insurance subsidiary ($83,500 at January 31, 2012; $80,942 at October 31, 2011) to be deducted from Tier 2 capital. Beginning in the first quarter of 2012, the deduction for the insurance subsidiary is recorded 50% against Tier 1 capital and 50% against Tier 2 capital. The full transition to IFRS reduced Tier 1 capital by $50 million compared to the prior quarter (an impact of approximately 40 basis points on the January 31, 2012 Tier 1 and total ratios). The 2011 capital structure and regulatory ratios reflect the returns filed and have not been restated to IFRS. Further details regarding changes in CWB's regulatory capital and capital adequacy ratios compared to prior periods are included in the following table:

(unaudited) ($ millions)	**As at January 31 2012**	As at October 31 2011	As at January 31 2011	Change from January 31 2011
Regulatory Capital				
Tier 1 Capital before deductions	**$ 1,388**	$ 1,395	$ 1,297	$ 91
Less: Goodwill	**(46)**	(38)	(38)	(8)
Investment in insurance subsidiary	**(41)**	-	-	(41)
Securitization	**(11)**	(7)	(9)	(2)
Tier 1 Capital	**1,290**	1,350	1,250	40
Tier 2 Capital before deductions	**618**	607	618	-
Less: Investment in insurance subsidiary	**(42)**	(81)	(71)	29
Securitization	**(11)**	(6)	(9)	(2)
Total Tier 2 Capital	**565**	520	538	27
Total Regulatory Capital	**$ 1,855**	$ 1,870	$ 1,788	$ 67
Risk-Weighted Assets	**$ 12,667**	$ 12,161	$ 10,818	$ 1,849
Tier 1 capital adequacy ratio	**10.2 %**	11.1 %	11.6 %	(140) bp[1]
Total capital adequacy ratio	**14.6**	15.4	16.5	(190)

[1] bp – basis point change.

The Bank's capital ratios are currently well above Basel II target ranges established through CWB's Internal Capital Adequacy Assessment Process (ICAAP) and have the Bank well positioned for the remainder of the year. The ongoing retention of earnings should support capital requirements associated with the anticipated achievement of the 2012 minimum performance targets. Management continues to evaluate alternatives to deploy capital for the long-term benefit of CWB shareholders, which includes the potential for strategic acquisitions.

The Bank applied for and received OSFI approval to redeem $125 million of subordinated debentures callable on March 22, 2012. Including the impact of this expected transaction, the estimated pro forma Basel II total capital adequacy ratio at January 31, 2012 would be reduced by 90 basis points to 13.7%.

Additional strategies are under development to further optimize the Bank's capital structure. Management is currently in the early stages of identifying required resources, costs and potential timelines related to the Bank's possible transition to an Advanced Internal Rating Based (AIRB) methodology for managing credit risk and calculating risk-weighted assets. Preliminary analysis confirms a multi-year timeframe would be required to complete the transition.

Further information relating to the Bank's capital position is provided in Note 14 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2011.

Book value per common share at January 31, 2012 was $14.36, compared to $13.87 last quarter and $13.95 one year ago.

Common shareholders received a quarterly cash dividend of $0.15 per common share on January 4, 2012. On March 7, 2012, CWB's Board of Directors declared a cash dividend of $0.15 per common share, payable on April 5, 2012 to shareholders of record on March 22, 2012. This quarterly dividend was unchanged from the previous quarter and is 15% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.453125 per Series 3 Preferred Share payable on April 30, 2012 to shareholders of record on April 20, 2012.

Basel III Capital Framework

The Basel Committee on Banking Supervision of the BIS (the Committee) has published the Basel III rules text supporting more stringent global standards on capital adequacy and liquidity, and OSFI has confirmed its intent to implement the Basel III rules for Canadian banks. OSFI also issued guidance and advisories on its capital implementation plan for all Canadian financial institutions, including proposed transition allowances and details about the treatment of non-viability contingent capital (NVCC).

Significant capital changes most relevant to CWB include:

- increased focus on tangible common equity;
- all forms of non-common equity, such as conventional subordinated debentures and preferred shares, must be NVCC. Compliant NVCC instruments include a clause requiring conversion to common equity in the event that OSFI deems the institution to be insolvent or a government has decided to inject "bail out" funding;
- innovative Tier 1 instruments, such as CWB's WesTS, will no longer qualify;
- investment in an insurance subsidiary is no longer deducted from capital except for any amount that exceeds 15% of tangible common equity; and
- changes in the risk-weighting or capital treatment for investments in the regulatory capital of other financial institutions.

OSFI has publicly stated that all Canadian banks must comply with the Basel III capital standards, including a 250 basis point capital conservation buffer. Regulatory minimum capital ratios of 7.0% tangible common equity Tier 1 (CET1), 8.5% Tier 1 and 10.5% total capital are effective January 1, 2013. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules will be phased in over time. The only available transitional adjustment in the Basel III capital standards permitted by OSFI for Canadian banks relates to the 10-year phase out of non-qualifying capital instruments. Application of the proposed 2019 Basel III standards to the Bank's financial position at January 31, 2012 results in a 7.5% CET1 ratio, 8.2% Tier 1 ratio and 11.9% total capital ratio. The foregoing estimates are based on the Bank's current capital structure and composition of risk-weighted assets, and will change depending on strategic initiatives, the composition of regulatory capital, the Bank's financial performance in the future and

modifications, if any, to the standards and available transitional adjustments by the regulatory authorities. CWB expects to meet or exceed the stated Basel III capital requirements in advance of the transition date. Management will maintain its practice of prudent capital planning, which includes a comprehensive ICAAP.

Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

The Canadian Institute of Chartered Accountants has transitioned Canadian generally accepted accounting principles (GAAP) for publicly accountable entities to IFRS. The transition is applicable to interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for the prior year. As a result, CWB's consolidated financial statements for the 2012 fiscal year are prepared in accordance with IFRS, including comparative information for 2011. CWB's financial results for the quarter ending January 31, 2012 are the first quarterly IFRS financial statements.

Information regarding CWB's transition plan, which is now substantially complete, can be found in the Future Changes in Accounting Policies section of the MD&A within CWB's 2011 Annual Report. Additional quantitative information related to the transition to IFRS can be found in Note 15 of the interim financial statements for the period ended January 31, 2012. The adoption of IFRS did not have a significant impact on CWB's disclosure controls and procedures, information technology or business activities.

Significant accounting policy differences for the Bank on initial transition to IFRS and any elections made are described below.

(1) Business Combinations – Under IFRS, contingent consideration related to a business combination is accounted for as a financial liability and fair valued at the time of the acquisition. An adjustment of the liability to current fair value is recorded through net income every period thereafter until settlement. Under Canadian GAAP, when the amount of contingent consideration or the outcome of the contingency cannot be estimated with reasonable certainty, the liability is not recognized until the contingency is resolved and consideration is issued or becomes issuable; at such time, the consideration is recorded as an adjustment of goodwill.

The Bank has applied IFRS 3 – *Business Combinations* retrospectively to the acquisition of National Leasing Group Inc. (National Leasing) (described in Note 34 to the 2011 annual consolidated financial statements on page 119 of the 2011 Annual Report). Under IFRS 1 – *First Time Adoption of IFRS*, the estimated fair value of the associated contingent consideration at the acquisition date of February 1, 2010 was recorded at the acquisition date.

The retrospective restatement increased goodwill recorded on the consolidated balance sheet at November 1, 2010 by $8 million. The revaluation of the contingent consideration since acquisition decreased retained earnings at November 1, 2010 by $10 million. The net effect of revaluing the obligation in fiscal 2011 resulted in a $12 million reduction in net income.

The change in fair value of the contingent consideration reflects the Bank's best estimate of when the contingent consideration will be settled in accordance with the terms of the purchase agreement, and estimates of future earnings of National Leasing. Increases in the estimated fair value of the contingent consideration result in a non-tax deductible charge to earnings based on forecasted earnings growth attributable to National Leasing, changes in management's estimates of the expected settlement date of the contingent consideration and a notional interest charge. Future charges to quarterly earnings attributable to the fair value estimate of the contingent consideration are expected to be lower compared to amounts reported in 2011, as prior year charges included a larger adjustment to forecasted net income than is expected going forward.

(2) Derecognition of Securitized Financial Assets – CWB's securitized leases are reported as loans on the IFRS balance sheet which resulted in an increase in both loans and debt. The corresponding impact on net income in fiscal 2011 was insignificant. The IFRS transition resulted in the following increase in total loans at the respective balance sheet dates:

($ millions)	Increase in Total Loans
November 1, 2010	$196
January 31, 2011	167
April 30, 2011	140
July 31, 2011	114
October 31, 2011	90

The earnings effect of securitization as reported under IFRS resulted in a $2 million decrease in retained earnings as at November 1, 2010. The change reflects the elimination of cumulative securitization gains and losses realized under Canadian GAAP, less recognition of interest income and expense under IFRS. The net effect on 2011 consolidated net income was an increase of $1 million.

The future earnings impact from securitization transactions completed prior to October 31, 2011 is expected to be insignificant. Leases securitized in the future will remain on the consolidated balance sheet reported as loans.

(3) Consolidation – Under IFRS, a special purpose entity is consolidated if it is deemed to be controlled by the reporting entity, as determined under specific criteria. Canadian Western Bank Capital Trust is consolidated under IFRS, which resulted in a $105 million decrease in deposits and the presentation of the CWB Capital Trust Capital Securities Series 1 (WesTS) as equity attributed to non-controlling interests. Distributions on the WesTS that were effectively reported as deposit interest expense are now presented as an equity dividend within IFRS "net income attributable to non-controlling interests." For more information about this special purpose entity, refer to Note 15 to the consolidated financial statements beginning on page 100 of the 2011 Annual Report.

The net effect on 2011 consolidated "net income" effectively resulted in an increase of $7 million as the deposit interest expense under Canadian GAAP is treated as an equity dividend payment under IFRS. "Net income attributable to shareholders of the Bank" is reported net of the non-controlling interest and was not affected in 2011 by this accounting policy difference.

(4) Impairment of Available-for-Sale Securities – Under both Canadian GAAP and IFRS, available-for-sale securities are reported on the balance sheet at fair value with changes in fair value generally reported in other comprehensive income. An unrealized loss is recognized in net income when a security is considered impaired; a subsequent recovery in the value of an equity security is not reversed through net income until the security is either sold or redeemed. Under Canadian GAAP, a significant or prolonged decline in the fair value of an investment below its cost is assessed in the context of whether it is considered an "other than temporary impairment" (OTTI). Under IFRS, the concept of OTTI does not exist and either a significant or prolonged decline in fair value is considered objective evidence of impairment. The differences between Canadian GAAP and IFRS will generally result in earlier recognition of impairment losses through net income under IFRS.

There was no change in shareholders' equity and a $2 million reduction in 2011 net income as a result of the transition. The impact of the IFRS definition of significant or prolonged impairment on the Bank's future earnings is not determinable as it depends on future interest rate environments, market conditions, investment strategies and the Bank's asset/liability position.

(5) Other Reclassifications – Certain other financial statement reclassifications have been made on the transition to IFRS. An example includes the presentation of the non-controlling interest in Adroit Investment Management Ltd. which has been reclassified from other liabilities under Canadian GAAP to non-controlling interests (presented in equity) under IFRS.

In addition to the IFRS transition adjustments previously described, the recognition of certain credit related fees was also amended. Certain credit related fees, previously recognized in other income, are now reflected as part of the loan yield and amortized to net interest income over the expected life of the loan. Because total loans are reported net of deferred loan fees, this change resulted in a decrease in total loans of $18 million at both November 1, 2010 and October 31, 2011, and a reduction in retained earnings of $13 million at November 1, 2010. While the change had no impact on 2011 net income, approximately $15

million was reclassified from other income to net interest income resulting in a 17 basis point increase in the fiscal 2011 IFRS net interest margin (teb) compared to Canadian GAAP. The impact on the income statement in future periods is expected to be relatively consistent with 2011.

IFRS Regulatory Capital Implications

As at January 31, 2012, the Basel II Tier 1 and total regulatory capital ratios declined approximately 40 basis points as a result of the transition to IFRS. After adjusting for the effect of the IFRS transition, these ratios remain well above both regulatory minimums and target capital thresholds determined through the Bank's ICAAP.

Under IFRS, the Bank's securitized leases are accounted for as secured borrowings. Recognition of securitized assets on the consolidated balance sheet increases the regulatory assets to capital multiple. As at January 31, 2012, the assets to capital multiple increased slightly from 8.1 to 8.3 as a result of the IFRS transition adjustment and still remains well within the regulatory limit.

Future Accounting Changes

A number of standards and amendments have been issued by the International Accounting Standards Board (IASB), and the following changes may have an impact on the Bank's future financial statements. CWB is currently reviewing these standards to determine the impact on the financial statements.

IFRS 9 – Financial Instruments

The IASB deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015. The new standard specifies that financial assets be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. Gains or losses on remeasurement of financial assets measured at fair value will generally be recognized in profit or loss.

IFRS 10 – Consolidated Financial Statements and *IFRS 12 – Disclosure of Interests in Other Entities*

The IASB has issued IFRS 10 and 12, which establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, and new disclosure requirements for all forms of interests in other entities. IFRS 10 and 12 are effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

The IASB has issued new guidance on fair value measurement and disclosure requirements for IFRS. The amendments are effective for annual periods beginning on or after January 1, 2013.

CWB continues to monitor IASB ongoing activity and proposed changes to IFRS. Several accounting standards that are in the process of being amended by the IASB (i.e. loan impairment, leases and insurance) may have a significant impact on the Bank's future consolidated financial statements.

Controls and Procedures

There were no changes in the Bank's internal controls over financial reporting that occurred during the quarter ended January 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Bank's internal controls over financial reporting.

Prior to its release, this quarterly report to shareholders was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of Canadian Western Bank.

Updated Share Information

As at March 2, 2012, there were 75,694,379 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 3,915,337 common shares for maximum proceeds of $88 million.

Normal Course Issuer Bid

CWB received approval from the Toronto Stock Exchange for a Normal Course Issuer Bid (NCIB) to purchase, for cancellation, up to 2,261,434 of its common shares. The NCIB commenced November 2, 2011 and will end no later than November 1, 2012. To date, no common shares have been purchased or cancelled under the NCIB. Security holders may contact the Bank to obtain, without charge, a copy of the notice filed with the TSX. Additionally, a copy of the NCIB news release is available on the Bank's website and on SEDAR at www.sedar.com.

Dividend Reinvestment Plan

CWB common shares (TSX: CWB) and preferred shares (TSX: CWB.PR.A) are deemed eligible to participate in the Bank's dividend reinvestment plan (the Plan). The Plan provides holders of eligible shares the opportunity to direct cash dividends toward the purchase of CWB common shares. Further details for the Plan are available on the Bank's website at www.cwbankgroup.com/investor_relations/drip. At the current time, for the purposes of the Plan, the Bank has elected to issue common shares from treasury at a 2% discount from the average market price (as defined in the Plan).

Summary of Quarterly Financial Information

	IFRS					Canadian GAAP		
	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenues (teb)	**$ 126,300**	$ 119,673	$ 122,753	$ 119,766	$ 121,363	$ 111,570	$ 111,045	$ 110,972
Total revenues	**123,680**	116,540	119,956	117,381	118,619	108,391	108,263	108,310
Net income	**47,051**	41,474	44,393	42,440	43,414	39,107	46,595	37,884
Net income available to common shareholders	**41,478**	35,921	38,824	36,941	37,852	35,305	42,793	34,082
Earnings per common share								
Basic	**0.55**	0.48	0.52	0.52	0.56	0.53	0.64	0.52
Diluted	**0.54**	0.47	0.50	0.48	0.50	0.48	0.59	0.47
Adjusted cash	**0.57**	0.53	0.54	0.55	0.55	0.49	0.60	0.48
Total assets ($ millions)	**15,484**	14,849	14,097	13,726	13,099	12,702	12,110	12,004

The financial results for each of the last eight quarters are summarized above. Note that 2010 results are presented under Canadian GAAP and have not been restated to IFRS. In general, CWB's performance reflects a relatively consistent trend although the second quarter contains three fewer revenue earning days, or two fewer days in a leap year.

The Bank's quarterly financial results are subject to some fluctuation due to its exposure to property and casualty insurance. Insurance operations, which are primarily reflected in other income, are subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes. Mandatory participation in the Alberta auto risk sharing pools can also result in unpredictable quarterly fluctuations.

Quarterly results can also fluctuate from the recognition of periodic income tax items, as was the case in the third quarter of 2010 when an income tax recovery from certain prior period transactions increased net income available to common shareholders by approximately $7.5 million.

For additional details on variations between the prior quarters, refer to the summary of quarterly results section of the Bank's MD&A for the year ended October 31, 2011 and the individual quarterly reports to shareholders which are available on SEDAR at www.sedar.com and on CWB's website at www.cwbankgroup.com.

Fiscal 2012 Minimum Targets and Outlook

The minimum performance targets established for the 2012 fiscal year, calculated under IFRS, together with CWB's actual year-to-date performance are presented in the table below:

	2012 Minimum Target – IFRS	**2012 Year-to-date Performance**
Net income available to common shareholders growth[(1)]	10%	**10%**
Total revenue (teb) growth[(1)]	7%	**4%**
Loan growth[(2)]	10%	**15%**
Provision for credit losses as a percentage of average loans[(3)]	0.20% - 0.25%	**0.20%**
Efficiency ratio (teb)[(4)]	46%	**43.7%**
Return on common shareholders' equity[(5)]	15%	**15.5%**
Return on assets[(6)]	1.05%	**1.07%**

(1) Year-to-date performance for earnings and revenue growth is the current year results over the same period in the prior year.
(2) Loan growth is the increase over the past twelve months.
(3) Year-to-date provision for credit losses, annualized, divided by average total loans.
(4) Efficiency ratio (teb) calculated as non-interest expenses divided by total revenues (teb), excluding the non-tax deductible change in fair value of contingent consideration.
(5) Return on common shareholders' equity calculated as annualized net income available to common shareholders divided by average common shareholders' equity.
(6) Return on assets calculated as annualized net income available to common shareholders divided by average total assets.

Strong first quarter results have CWB well positioned in relation to its fiscal 2012 performance targets for loan growth, profitability, efficiency and overall credit quality. Higher than expected first quarter loan growth reflects ongoing strong business activity in each of the Bank's lending sectors and all key geographic markets. Economic fundamentals in Western Canada are expected to remain favourable relative to the rest of Canada, although management continues to closely monitor global economic developments, including potential adverse impacts from the ongoing European debt crisis. The volume in the new loan pipeline is encouraging and supports management's ongoing confidence in strategies to build market share while maintaining a focus on loans that offer a fair and profitable return on investment. While the combined impact of the strategy to maintain higher than normal liquidity, the very low interest rate environment and other external factors, including increased competition, has had a material impact on net interest margin, recent downward pressure is expected to moderate. This occurrence, combined with strong lending activity, should have a positive influence on total revenue growth moving forward. Solid performance is expected within each company of the CWB Group and the ongoing growth of these businesses should continue to augment earnings and further diversify operations. Despite ongoing caution related to global economic uncertainties, the outlook for 2012 and beyond remains positive.

This management's discussion and analysis is dated March 7, 2012.

Taxable Equivalent Basis (teb)

Most banks analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures

Taxable equivalent basis, adjusted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, tangible common equity to risk-weighted assets, Tier 1 and total capital adequacy ratios, average balances, claims loss ratio, expense ratio and combined ratio do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other financial institutions. The non-GAAP measures used in this MD&A are calculated as follows:

- taxable equivalent basis – described above;
- adjusted cash earnings per common share – diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges mainly related to the acquisition of National Leasing Group Inc. and are not considered to be indicative of ongoing business performance;
- return on common shareholders' equity – annualized net income attributable to shareholders of the Bank after preferred share dividends divided by average common shareholders' equity;
- return on assets – annualized net income attributable to shareholders of the Bank after preferred share dividends divided by average total assets;
- efficiency ratio – non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration;
- net interest margin – net interest income divided by average total assets;
- tangible common equity to risk-weighted assets – shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI);
- Tier 1 and total capital adequacy ratios – in accordance with guidelines issued by OSFI;
- Basel III common equity Tier 1, Tier 1 and total capital ratios – in accordance with CWB's interpretation of the Basel III capital requirements and OSFI proposed guidance;
- average balances – average daily balances;
- claims loss ratio – net insurance claims and adjustment expenses as a percentage of net earned premiums; and
- combined ratio – sum of the claims loss ratio and the expense ratio. The expense ratio is defined as policy acquisition costs and non-interest expenses net of commissions and processing fees as a percentage of net earned premiums.

Forward-looking Statements

From time to time, Canadian Western Bank (the Bank) makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about the Bank's objectives and strategies, targeted and expected financial results and the outlook for the Bank's businesses or for the Canadian economy. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could."

By their very nature, forward-looking statements involve numerous assumptions. A variety of factors, many of which are beyond the Bank's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general business and economic conditions in Canada including the volatility and lack of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, regulatory and legal developments, the level of competition in the Bank's markets, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, the accuracy of and completeness of information the Bank receives about customers and counterparties, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, reliance on third parties to provide components of the Bank's business infrastructure, changes in tax laws, technological developments, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, and management's ability to anticipate and manage the risks associated with these factors. It is important to note that the preceding list is not exhaustive of possible factors.

These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause the Bank's actual results to differ materially from the expectations expressed in such forward looking statements. Unless required by securities law, the Bank does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

Assumptions about the performance of the Canadian economy in 2012 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting minimum performance targets for fiscal 2012, management's assumptions included: modest economic growth in Canada aided by positive relative performance in the four western provinces; relatively stable energy and other commodity prices; sound credit quality with actual losses remaining within the Bank's historical range of acceptable levels; and, a lower net interest margin attributed to expectations for a prolonged period of very low interest rates due to uncertainties about the strength of global economic recovery and potential adverse effects from the European debt crisis. Management's assumptions at the end of the first quarter remained relatively unchanged compared to those at the 2011 fiscal year end. Major risks that would have a material adverse impact on the Bank's economic expectations and forecasts include a global economic recession spurred by the European debt crisis, a recession in the United States, or a meaningful slowdown in China's economic growth.

Consolidated Balance Sheets

(unaudited) ($ thousands)		As at January 31 2012	As at October 31 2011	As at January 31 2011	As at November 1 2010	Change from January 31 2011
Assets						
Cash Resources						
Cash and non-interest bearing deposits with financial institutions		**$ 44,745**	$ 73,318	$ 59,036	$ 8,965	(24) %
Interest bearing deposits with regulated financial institutions	(Note 4)	**182,427**	233,964	219,953	168,998	(17)
Cheques and other items in transit		**1,792**	5,053	941	9,981	90
		228,964	312,335	279,930	187,944	(18)
Securities	(Note 4)					
Issued or guaranteed by Canada		**680,933**	644,356	478,771	564,694	42
Issued or guaranteed by a province or municipality		**415,166**	380,031	187,816	88,478	121
Other securities		**983,692**	901,317	807,088	857,015	22
		2,079,791	1,925,704	1,473,675	1,510,187	41
Securities Purchased Under Resale Agreements		**119,999**	-	-	177,954	nm
Loans	(Notes 5 and 7)					
Residential mortgages		**3,082,924**	3,008,545	2,667,045	2,479,957	16
Other loans		**9,736,523**	9,356,717	8,446,469	8,276,263	15
		12,819,447	12,365,262	11,113,514	10,756,220	15
Allowance for credit losses	(Note 6)	**(74,556)**	(71,980)	(77,593)	(81,523)	(4)
		12,744,891	12,293,282	11,035,921	10,674,697	15
Other						
Property and equipment		**71,439**	72,674	66,830	65,978	7
Goodwill		**45,691**	45,691	45,691	45,562	-
Other intangible assets		**36,131**	37,420	42,027	43,420	(14)
Insurance related		**56,058**	56,734	57,853	59,652	(3)
Derivative related	(Note 8)	**-**	-	130	134	nm
Other assets		**101,084**	105,301	96,640	116,200	5
		310,403	317,820	309,171	330,946	-
Total Assets		**$ 15,484,048**	$ 14,849,141	$ 13,098,697	$ 12,881,728	18 %
Liabilities and Shareholders' Equity						
Deposits						
Payable on demand		**$ 592,566**	$ 583,267	$ 584,728	$ 530,608	1 %
Payable after notice		**3,610,670**	3,407,590	3,110,008	2,999,599	16
Payable on a fixed date		**8,757,693**	8,403,832	6,986,605	7,177,560	25
		12,960,929	12,394,689	10,681,341	10,707,767	21
Other						
Cheques and other items in transit		**32,874**	45,986	47,423	39,628	(31)
Insurance related		**144,468**	149,130	143,010	149,396	1
Derivative related	(Note 8)	**539**	436	812	992	(34)
Other liabilities		**258,330**	262,185	221,891	239,474	16
		436,211	457,737	413,136	429,490	6
Debt						
Debt securities		**140,049**	89,877	171,812	202,006	(18)
Subordinated debentures		**545,000**	545,000	545,000	315,000	-
		685,049	634,877	716,812	517,006	(4)
Equity						
Preferred shares	(Note 9)	**209,750**	209,750	209,750	209,750	-
Common shares	(Note 9)	**412,120**	408,282	323,608	279,620	27
Retained earnings		**639,004**	608,848	607,932	586,933	5
Share-based payment reserve		**22,079**	21,884	21,089	21,291	5
Other reserves		**13,681**	7,849	19,790	24,692	(31)
Total Shareholders' Equity		**1,296,634**	1,256,613	1,182,169	1,122,286	10
Non-controlling interests		**105,225**	105,225	105,239	105,179	-
Total Equity		**1,401,859**	1,361,838	1,287,408	1,227,465	9
Total Liabilities and Shareholders' Equity		**$ 15,484,048**	$ 14,849,141	$ 13,098,697	$ 12,881,728	18 %

nm - not meaningful.

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Income

(unaudited) ($ thousands, except per share amounts)		For the three months ended January 31 2012	October 31 2011	January 31 2011	Change from January 31 2011
Interest Income					
Loans		**$ 166,300**	$ 162,945	$ 152,682	9 %
Securities		**11,821**	12,011	9,962	19
Deposits with regulated financial institutions		**1,025**	808	1,379	(26)
		179,146	175,764	164,023	9
Interest Expense					
Deposits		**66,255**	64,265	57,143	16
Debt		**8,002**	8,448	8,407	(5)
		74,257	72,713	65,550	13
Net Interest Income		**104,889**	103,051	98,473	7
Provision for Credit Losses	(Note 6)	**6,429**	5,183	6,250	3
Net Interest Income after Provision for Credit Losses		**98,460**	97,868	92,223	7
Other Income					
Credit related		**4,967**	4,638	4,526	10
Insurance, net	(Note 3)	**4,402**	4,943	4,590	(4)
Trust and wealth management services		**4,769**	4,336	4,533	5
Retail services		**2,356**	2,289	2,462	(4)
Gains (losses) on securities, net		**1,938**	(3,103)	4,237	(54)
Foreign exchange gains		**669**	930	836	(20)
Contingent consideration fair value change		**(1,200)**	(3,539)	(2,516)	52
Other		**890**	2,995	1,478	(40)
		18,791	13,489	20,146	(7)
Net Interest and Other Income		**117,251**	111,357	112,369	4
Non-Interest Expenses					
Salaries and employee benefits		**36,407**	35,183	35,641	2
Premises and equipment		**9,433**	9,383	8,847	7
Other expenses		**9,702**	11,419	9,609	1
Provincial capital taxes		**125**	125	1,031	(88)
		55,667	56,110	55,128	1
Net Income before Income Taxes		**61,584**	55,247	57,241	8
Income Taxes		**14,533**	13,773	13,827	5
Net Income		**$ 47,051**	$ 41,474	$ 43,414	8 %
Net Income Attributable to Non-Controlling Interests		**1,771**	1,751	1,760	1
Net Income Attributable to Shareholders of the Bank		**$ 45,280**	$ 39,723	$ 41,654	9
Preferred share dividends	(Note 9)	**3,802**	3,802	3,802	-
Net Income Available to Common Shareholders		**$ 41,478**	$ 35,921	$ 37,852	10
Average number of common shares (in thousands)		**75,528**	75,376	68,151	11
Average number of diluted common shares (in thousands)		**76,288**	76,959	75,032	2
Earnings Per Common Share					
Basic		**$ 0.55**	$ 0.48	$ 0.56	(2) %
Diluted		**0.54**	0.47	0.50	8

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited) ($ thousands)	For the three months ended January 31 2012	 January 31 2011
Net Income	**$ 47,051**	$ 43,414
Other Comprehensive Income (Loss), net of tax		
Available-for-sale securities:		
Gains (losses) from change in fair value[1]	**7,355**	(1,852)
Reclassification to net income[2]	**(1,424)**	(3,050)
	5,931	(4,902)
Derivatives designated as cash flow hedges:		
Losses from change in fair value[3]	**(395)**	-
Reclassification to net income[4]	**296**	-
	(99)	-
	5,832	(4,902)
Comprehensive Income for the Period	**$ 52,883**	$ 38,512
Comprehensive income for the period attributable to:		
Shareholders of the Bank	**$ 51,112**	$ 36,752
Non-controlling interests	**1,771**	1,760
Comprehensive Income for the Period	**$ 52,883**	$ 38,512

[1] Net of income tax expense of $2,610 (2011 - $721 tax recovery).
[2] Net of income tax expense of $514 (2011 - $1,187).
[3] Net of income tax recovery of $138 (2011 - nil).
[4] Net of income tax recovery of $104 (2011 - nil).

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) ($ thousands)		For the three months ended January 31 2012	 January 31 2011
Retained Earnings			
Balance at beginning of period		**$ 608,848**	$ 586,933
Net income attributable to shareholders of the Bank		**45,280**	41,654
Dividends – Preferred shares		**(3,802)**	(3,802)
– Common shares		**(11,322)**	(9,050)
Warrants purchased and cancelled		**-**	(7,803)
Balance at end of period		**639,004**	607,932
Other Reserves			
Balance at beginning of period		**7,849**	24,692
Changes in available-for-sale securities		**5,931**	(4,902)
Changes in derivatives designated as cash flow hedges		**(99)**	-
Balance at end of period		**13,681**	19,790
Preferred Shares	(Note 9)		
Balance at beginning and end of period		**209,750**	209,750
Common Shares	(Note 9)		
Balance at beginning of period		**408,282**	279,620
Issued under dividend reinvestment plan		**2,492**	574
Transferred from share-based payment reserve on the exercise or exchange of options		**967**	1,491
Issued on exercise of options		**379**	1,291
Issued on exercise of warrants		**-**	40,632
Balance at end of period		**412,120**	323,608
Share-based Payment Reserve			
Balance at beginning of period		**21,884**	21,291
Amortization of fair value of options		**1,162**	1,289
Transferred to common shares on the exercise or exchange of options		**(967)**	(1,491)
Balance at end of period		**22,079**	21,089
Total Shareholders' Equity		**1,296,634**	1,182,169
Non-Controlling Interests			
Balance at beginning of period		**105,225**	105,179
Net income attributable to non-controlling interests		**1,771**	1,760
Dividends to non-controlling interests		**(1,771)**	(1,700)
Balance at end of period		**105,225**	105,239
Total Equity		**$ 1,401,859**	$ 1,287,408

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow

(unaudited) ($ thousands)		For the three months ended January 31 2012	January 31 2011
Cash Flows from Operating Activities			
Net income		**$ 47,051**	$ 43,414
Adjustments to determine net cash flows:			
Provision for credit losses		**6,429**	6,250
Depreciation and amortization		**4,941**	4,444
Current income taxes receivable and payable		**509**	2,603
Amortization of fair value of employee stock options		**1,162**	1,289
Accrued interest receivable and payable, net		**(931)**	(7,686)
Deferred income taxes, net		**37**	(7,736)
Gain on securities, net		**(1,938)**	(4,237)
Other items, net		**(9,957)**	16,474
		47,303	54,815
Cash Flows from Financing Activities			
Deposits, net		**566,240**	(26,426)
Debt securities, net		**50,171**	(30,194)
Common shares issued	(Note 9)	**2,871**	42,497
Dividends		**(15,124)**	(12,852)
Dividends to non-controlling interests		**(1,771)**	(1,700)
Debentures issued		**-**	300,000
Debentures redeemed		**-**	(70,000)
Warrants purchased and cancelled		**-**	(7,803)
		602,387	193,522
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		**51,655**	(51,567)
Securities, purchased		**(1,018,273)**	(1,105,342)
Securities, sale proceeds		**298,641**	462,158
Securities, matured		**579,603**	673,075
Securities purchased under resale agreements, net		**(119,999)**	177,954
Loans, net		**(458,038)**	(367,474)
Property and equipment		**(2,001)**	(3,904)
		(668,412)	(215,100)
Change in Cash and Cash Equivalents		**(18,722)**	33,237
Cash and Cash Equivalents at Beginning of Year		**32,385**	(20,683)
Cash and Cash Equivalents at End of Year *		**$ 13,663**	$ 12,554
* Represented by:			
Cash and non-interest bearing deposits with financial institutions		**$ 44,745**	$ 59,036
Cheques and other items in transit (included in Cash Resources)		**1,792**	941
Cheques and other items in transit (included in Other Liabilities)		**(32,874)**	(47,423)
Cash and Cash Equivalents at End of Year		**$ 13,663**	$ 12,554
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		**$ 183,805**	$ 170,234
Interest paid		**75,591**	74,922
Income taxes paid		**13,926**	19,091

The accompanying notes are an integral part of the interim consolidated financial statements.

(unaudited)
($ thousands, except per share amounts)

1. Basis of Presentation and Significant Accounting Policies

a) Statement of Compliance

These unaudited condensed consolidated financial statements of Canadian Western Bank (CWB or the Bank) have been prepared in accordance with International Financial Reporting Standards (IFRS) 1 – *First time Adoption of IFRS* and with International Accounting Standard (IAS) 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). These are the Bank's first interim consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition to IFRS has affected the Bank's consolidated financial statements is provided in Note 15.

These unaudited interim consolidated financial statements of CWB, domiciled in Canada, have been prepared in accordance with subsection 308 (4) of the Bank Act and the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

The consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2012.

The accounting policies adopted in these consolidated financial statements are consistent with the accounting policies the Bank expects to adopt in its IFRS consolidated financial statement for the year ended October 31, 2012 and are based on IFRS as issued by the IASB expected to be applicable at that time. Unless otherwise noted, the notes to the October 31, 2011 audited consolidated financial statements included in the 2011 annual report reported under Canadian generally accepted accounting principles (Canadian GAAP) are materially consistent. The significant accounting policies used in the preparation of these financial statements are summarized below.

b) Use of Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements as well as the reported amount of revenues and expenses during the period. Key areas of estimation where the Bank has made subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the allowance for credit losses, fair value of financial instruments, goodwill and intangible assets, provision for unpaid claims and adjustment expenses, deferred income tax assets and liabilities, impairment of available-for-sale securities and fair value of stock options. Therefore, actual results could differ from these estimates.

c) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as entities whose operations are controlled by the Bank and are corporations in which the Bank is the beneficial owner.

d) Business Combinations

Acquisitions on or after February 1, 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the acquisition date. Contingent consideration is considered a financial instrument, and as such it is remeasured each period thereafter with the adjustment recorded to other income – "other". Acquisition related costs are recognized as an expense in the income statement in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred, including any amount of any non-controlling interest in the acquiree, over the net of the recognized amounts of the identifiable assets acquired and the liabilities assumed.

The Bank elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Acquisitions prior to February 1, 2010
As part of the transition to IFRS, the Bank elected to restate only those business combinations that occurred on or after February 1, 2010. See Note 15 for details of the transition impact. In respect of business combinations prior to February 1, 2010, goodwill represents the amount recognized under Canadian GAAP. Under Canadian GAAP, business acquisitions were accounted for using the purchase method.

1. Basis of Presentation and Significant Accounting Policies – continued

e) Functional and Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is the Bank's functional currency. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. Revenues and expenses in foreign currencies are translated at the average exchange rates prevailing during the period. Realized and unrealized gains and losses on foreign currency positions are included in other income, except for unrealized foreign exchange gains and losses on available-for-sale equity securities that are included in other comprehensive income.

f) Securities

Securities have been designated as available-for-sale, are accounted for at settlement date and recorded on the consolidated balance sheets at fair value with changes in fair value generally recorded in other comprehensive income, net of income taxes. Interest income from securities, which includes amortization of premiums and discounts, is recognized using the effective interest method in the consolidated statements of income. Dividend income is recognized on the ex-dividend date.

Securities are purchased with the original intention to hold the instrument to maturity or until market conditions render alternative investments more attractive. Gains and losses realized on disposal of securities and adjustments to record any impairment in value are included in other income.

At each reporting date, the Bank assesses whether there is objective evidence that securities designated as available-for-sale are impaired. Objective evidence that a security is impaired can include significant financial difficulty of the issuer, indications that an issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an equity security, a significant or prolonged decline in fair value below amortized cost is objective evidence of impairment.

Impairment losses on available-for-sale securities are recognized by reclassifying the cumulative loss recognized in other comprehensive income to the income statement as "gains (losses) on securities, net". The reclassified amount is the difference between the amortized cost, net of any principal repayment and amortization, and the fair value, less any impairment previously recognized in net income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss is reversed, with the reversal recognized in net income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income until the equity security is sold or redeemed.

g) Securities purchased under resale agreements and securities sold under repurchase agreements

Securities purchased under resale agreements represent a purchase of Government of Canada securities by the Bank effected with a simultaneous agreement to sell them back at a specified price on a future date, which is generally short term. The difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as securities interest income.

Securities sold under repurchase agreements represent a sale of Government of Canada securities by the Bank effected with a simultaneous agreement to buy them back at a specified price on a future date, which is generally short term. The difference between the proceeds of the sale and the predetermined cost to be paid on a resale agreement is recorded as deposit interest expense.

Securities purchased under resale agreements have been designated as available-for-sale and are reported on the consolidated balance sheets at fair value with changes in fair value reported in other comprehensive income, net of income taxes.

1. Basis of Presentation and Significant Accounting Policies - continued

h) Loans

Loans, including leases, are recorded at amortized cost and stated net of unearned income, unamortized premiums and allowance for credit losses (Note 1(i)). Interest income is recorded using the effective interest method.

Loans are determined to be impaired when payments are contractually past due 90 days, or where the Bank has commenced realization proceedings, or where the Bank is of the opinion that the loan should be regarded as impaired based on objective evidence. Objective evidence that a loan is impaired can include significant financial difficulty of the borrower, default or delinquency of a borrower, breach of loan covenants or conditions, or indications that a borrower will enter bankruptcy. An exception may be made where the Bank determines that the loan is well secured and in the process of collection, and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to current status within 180 days from the date the payment went in arrears. All loans are classified as impaired when a payment is 180 days in arrears other than loans guaranteed or insured for both principal and interest by the Canadian government, the provinces or a Canadian government agency. These loans are classified as impaired when payment is 365 days in arrears.

Impairment is measured as the difference between the carrying value of the loan at the time it is classified as impaired and the present value of the expected cash flows (estimated realizable amount), using the interest rate originally inherent in the loan. When the amounts and timing of future cash flows cannot be reliably estimated, either the fair value of the security underlying the loan, net of any expected realization costs, or the current market price for the loan may be used to measure the estimated realizable amount. Impaired loans are returned to performing status when the timely collection of both principal and interest is reasonably assured, all delinquent principal and interest payments are brought current, and all charges for loan impairment have been reversed.

Loan fees, net of directly related costs, are amortized to interest income using the effective interest method. Premiums paid on the acquisition of loan portfolios are amortized to interest income using the effective interest method.

i) Allowance for credit losses

An allowance for credit losses is maintained which, in the Bank's opinion, is adequate to absorb credit related impairment losses incurred in its loan portfolio. The allowance for credit losses is calculated on individual loans (specific allowance) and on groups of loans assessed collectively (collective allowance). The adequacy of the allowance for credit losses is reviewed at least quarterly. The allowance for credit losses is deducted from the outstanding loan balance. Losses expected from future events are not recognized.

Specific Allowance
The specific allowance includes all the accumulated provisions for losses on identified impaired loans required to reduce the carrying value of those loans to their estimated realizable amount. See Note 1 (h) for the identification process of impaired loans.

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be objectively related to an event occurring after the impairment was recognized, the specific loan impairment allowance is reduced accordingly. The reversal of impairment is recognized in the consolidated statements of income in provision for credit losses.

Collective Allowance
The collective allowance for credit risk includes provisions for losses that have been incurred but have not yet been identified on an individual loan or account basis by the Bank. As soon as information becomes available which identifies losses on individual loans within the collective group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective allowance for credit risk is established by taking into consideration:

- Historical trends in the loss experience during economic cycles;
- The current portfolio profile;
- Historical loss experience in portfolios of similar credit risk characteristics;
- The estimated period between impairment occurring and the loss being identified; and
- CWB's expert judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

1. Basis of Presentation and Significant Accounting Policies – continued

i) Allowance for credit losses - continued

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses in the consolidated statements of income is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all incurred credit related losses.

Write-off of Loans
The Bank writes off a loan against the related specific allowance when the Bank determines that the loan is uncollectible. This determination is made after considering the Bank's ability to recover the loan or whether security proceeds will be insufficient to recover the loan.

j) Property and equipment

Land is carried at cost. Buildings, equipment and furniture, and leasehold improvements are carried at cost less accumulated depreciation and impairment.

Depreciation is calculated primarily using the straight-line method over the estimated useful life of the asset, as follows:

- Buildings 20 years;
- Equipment and furniture 3 to 10 years; and
- Leasehold improvements over the shorter of the term of the lease and the remaining useful life.

When components of an item of property and equipment have different useful lives, they are accounted for as separate items. Gains and losses on disposal are recorded in other income in the period of disposal. Property and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

k) Goodwill and intangible assets

Goodwill
On the date of acquisition, goodwill arises on the acquisition of subsidiaries and represents the excess of the fair value of the purchase consideration, including any amount of any non-controlling interest in the acquiree, over the net recognized amounts of the identifiable assets, liabilities assumed, including identifiable intangible assets. For the purposes of calculating goodwill, fair values of acquired assets and liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is performed using either market rates, or risk-free rates with risk-adjusted expected future cash flows.

Goodwill is stated at cost less accumulated impairment losses.

Intangible assets
Intangible assets arise from contractual or other legal rights and are recognized separately from goodwill when their fair value can be reliably measured. Intangible assets with a finite useful life are recorded at cost less any accumulated amortization and impairment losses. The assets' useful lives are confirmed at least annually. Certain intangible assets, such as trademarks, have an indefinite useful life. These indefinite life intangibles are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred.

Intangible assets with finite useful lives are amortized on a straight line basis as follows:

- Customer relationships 10 to 15 years;
- Non-competition agreements 4 to 5 years; and
- Other 3 to 5 years.

Impairment
The carrying amounts of the Bank's intangible assets with finite useful lives are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication exists, the Bank tests for impairment. For goodwill and intangible assets with indefinite useful lives, the impairment tests are performed each year. Goodwill is allocated to cash-generating units for the purpose of impairment testing considering the business level at which goodwill is monitored for internal management purposes.

Impairment testing is performed by comparing the estimated recoverable amount from a cash-generating unit with the carrying amount of its net assets, including attributable goodwill. The recoverable amount of an asset is the higher of its fair value less cost to sell, and its value in use. If the recoverable amount is less than the carrying value, an impairment loss is charged to the income statement.

1. Basis of Presentation and Significant Accounting Policies - continued

l) Derivative financial instruments

Interest rate, foreign exchange and equity contracts such as futures, options, swaps, floors and rate locks are entered into for risk management purposes in accordance with the Bank's asset liability management policies. It is the Bank's policy not to utilize derivative financial instruments for trading or speculative purposes. Equity swaps are used to reduce the earnings volatility from restricted share units linked the Bank's common share price. Interest rate swaps and floors are primarily used to reduce the impact of fluctuating interest rates. Equity contracts are used to economically offset the return paid on deposit products that are linked to a stock index. Foreign exchange contracts are only used for the purposes of meeting needs of clients or day-to-day business.

Designated Hedges
The Bank designates certain derivative financial instruments as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges). On an ongoing basis, the derivatives used in hedging transactions are assessed to determine whether they are effective in offsetting changes in fair values or cash flows of the hedged items. If a hedging transaction becomes ineffective or if the derivative is not designated as a cash flow hedge, any subsequent change in the fair value of the hedging instrument is recognized in net income.

Interest income received or interest expense paid on derivative financial instruments is accounted for on the accrual basis and recognized as interest expense over the term of the hedge contract. Premiums on purchased contracts are amortized to interest expense over the term of the contract. Accrued interest receivable and payable and deferred gains and losses for these contracts are recorded in other assets or liabilities as appropriate.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains separately in equity until the forecast transaction is eventually recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to the income statement.

Embedded Derivatives
Certain derivatives embedded in other financial instruments, such as the return on fixed term deposits that are linked to a stock index, are treated as separate derivatives when their economic characteristics and risk are not closely related to those of the host contract and the combined contract is not carried at fair value. Embedded derivatives identified have been separated from the host contract and are recorded at fair value.

Fair Value
Derivative financial instruments are recorded on the balance sheet at fair value as either other assets or other liabilities with changes in fair value related to the effective portion of cash flow interest rate hedges recorded in other comprehensive income, net of income taxes. Changes in fair value related to the ineffective portion of a designated hedge, a derivative not designated as a hedge and all other derivative financial instruments are reported in other income on the consolidated statements of income.

m) Stock based compensation

Stock Options
Stock options are accounted for using the fair value method. The estimated value is recognized over the applicable vesting period as an increase to both salary expense and share-based payment reserve. When options are exercised, the proceeds received and the applicable amount in share-based payment reserve are credited to capital stock.

Restricted Share Units
Under the Restricted Share Unit (RSU) plan, certain employees are eligible to receive an award in the form of RSUs. Each RSU entitles the holder to receive the cash equivalent of the market value of the Bank's common shares at the vesting date and an amount equivalent to the dividends paid on the common shares during the vesting period. RSUs vest on each anniversary of the grant in equal one-third instalments over a vesting period of three years. Salary expense is recognized over the vesting period except where the employee is eligible to retire prior to the vesting date, in which case the expense is recognized between the grant date and the date the employee is eligible to retire.

Deferred Share Units
Under the Deferred Share Unit (DSU) plan, non-employee directors receive at least 50% of their annual retainer in DSUs. The DSUs are not redeemable until the individual is no longer a director and must be redeemed for cash. Common share dividend equivalents accrue to the directors in the form of additional units. The expense related to the DSUs is recorded in the period the award is earned by the director.

1. Basis of Presentation and Significant Accounting Policies - continued

n) Insurance operations

Insurance Contracts – Classification
Contracts where CWB accepts significant insurance risk from another party by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiaries are classified as insurance contracts.

Premiums Earned and Deferred Policy Acquisition Costs
Insurance premiums are included in other income on a daily pro rata basis over the terms of the underlying insurance policies. Unearned premiums represent the portion of premiums written that relate to the unexpired term of the policies in force and are included in other liabilities. Insurance premiums are shown before deduction of commissions and are gross of any taxes and dues levied on premiums.

Policy acquisition costs are those expenses incurred in the acquisition of insurance business. Acquisition costs comprise advertising and marketing expenses, insurance advisor salaries and benefits, premium taxes and other expenses directly attributable to the production of business. Policy acquisition costs related to unearned premiums are only deferred, and included in other assets, to the extent that they are expected to be recovered from unearned premiums and are amortized to income over the periods in which the premiums are earned. If the unearned premiums are not sufficient to pay expected claims and expenses (including policy maintenance expenses and unamortized policy acquisition costs), a premium deficiency is said to exist. Anticipated investment income is considered in determining whether a premium deficiency exists. Premium deficiencies are recognized by writing down the deferred policy acquisition cost asset.

Liability Adequacy Test
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related deferred policy acquisition costs (DPAC). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting the provisions, are used. Any deficiency is immediately charged to profit or loss by writing off DPAC and, if required, establishing a provision for losses arising from liability adequacy tests (the premium deficiency).

Unpaid Claims and Adjustment Expenses
The provision for unpaid claims represents the amounts needed to provide for the estimated ultimate expected cost of claims incurred (both reported and unreported) but not settled at the end of the reporting period. The provision for adjustment expenses represents the estimated ultimate expected costs of investigating, resolving and processing these claims. These provisions are included in other liabilities and their computation takes into account the time value of money using discount rates based on projected investment income from the assets supporting the provisions.

The process of determining the provision for unpaid claims and adjustment expenses necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit provisions for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development and recoverability of reinsurance balances.

The provisions are periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the current period.

Reinsurance Ceded
Earned premiums and claims expenses are recorded net of amounts ceded to, and recoverable from, reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims and adjustment expenses are recorded in other assets separately from estimated amounts payable to policyholders. Amounts recoverable from reinsurers are estimated in a manner consistent with the liabilities associated with the reinsured policies.

These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense in the period paid.

1. Basis of Presentation and Significant Accounting Policies – continued

n) Insurance operations – continued

Reinsurance assets are assessed for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and the impairment loss is recognized in the income statement. Objective evidence that a reinsurance asset is impaired is gathered using observable data about the following criteria:

- Significant financial difficulty of the reinsurer;
- A breach of contract, such as default or delinquency in payments; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from the reinsurance asset since its initial recognition.

o) Income taxes

The Bank follows the deferred method of accounting for income taxes whereby current income taxes are recognized for the estimated income taxes payable for the current period. Deferred tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates anticipated to apply to taxable income in the years in which those temporary differences are anticipated to be recovered or settled. Changes in deferred income taxes related to a change in tax rates are recognized in income in the period of the tax rate change. All deferred income tax assets and liabilities are expected to be realized in the normal course of operations.

p) Employee Future Benefits

All employee future benefits related to the Bank's group retirement savings and employee share purchase plans are recognized in the periods during which services are rendered by employees.

q) Earnings per common share

Basic earnings per common share is calculated based on the average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the treasury stock method, which assumes that any proceeds from in-the-money stock options or the exercise of warrants on common shares are used to purchase the Bank's common shares at the average market price during the period.

r) Fair value of financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the value of the consideration given or received). Subsequent to initial recognition, financial instruments measured at fair value that are quoted in active markets are based on bid prices for financial assets and offer prices for financial liabilities. For certain securities and derivative financial instruments where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, and unobservable market data.

The use of financial instruments exposes the Bank to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the 2011 consolidated annual financial statements.

2. Future Accounting Changes

CWB continues to monitor the IASB's proposed changes to accounting standards. Although not expected to materially impact the Bank's 2012 consolidated financial statements, these proposed changes may have a significant impact on future financial statements. Additional discussion on certain accounting standards that may impact the Bank is included in the Q1 2012 Management's Discussion and Analysis.

3. Insurance Revenues, Net

Insurance revenues, net, as reported in other income on the consolidated statement of income are presented net of net claims and adjustment expenses, and policy acquisition costs.

	For the three months ended		
	January 31 2012	October 31 2011	January 31 2011
Net earned premiums	**$ 30,454**	$ 30,252	$ 28,996
Commissions and processing fees	**455**	459	465
Net claims and adjustment expenses	**(20,327)**	(19,703)	(19,157)
Policy acquisition costs	**(6,180)**	(6,065)	(5,714)
Total, net	**$ 4,402**	$ 4,943	$ 4,590

4. Securities

Net unrealized gains (losses) reflected on the balance sheet follow:

	As at January 31 2012	As at October 31 2011	As at January 31 2011	As at November 1 2010
Interest bearing deposits with regulated financial institutions	**$ 477**	$ 815	$ 1,227	$ 2,104
Securities issued or guaranteed by				
Canada	**(210)**	(645)	22	(139)
A province or municipality	**(82)**	(479)	535	723
Other debt securities	**1,588**	1,827	1,841	3,412
Equity securities				
Preferred shares	**16,091**	9,312	11,531	20,731
Common shares	**892**	28	12,049	7,669
Unrealized gains, net	**$ 18,756**	$ 10,858	$ 27,205	$ 34,500

The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares. The Bank has assessed the securities with unrealized losses and, based on available objective evidence, does not consider the securities to be impaired.

5. Loans

The composition of the Bank's loan portfolio by geographic region and industry sector follows:

($ millions)	BC	AB	SK	MB	Other	Total	January 31 2012 Composition Percentage	October 31 2011 Composition Percentage	January 31 2011 Composition Percentage	November 1 2010 Composition Percentage
Loans to Individuals										
Residential mortgages[2]	$ 1,347	$ 1,188	$ 198	$ 75	$ 275	$ 3,083	24 %	24 %	24 %	23 %
Other loans	72	112	12	3	1	200	2	2	2	2
	1,419	1,300	210	78	276	3,283	26	26	26	25
Loans to Businesses										
Commercial	961	1,737	138	105	393	3,334	26	25	26	26
Construction and real estate[3]	1,450	1,694	246	79	182	3,651	28	29	30	31
Equipment financing [4]	406	858	170	79	677	2,190	17	17	16	16
Energy	-	361	-	-	-	361	3	3	2	2
	2,817	4,650	554	263	1,252	9,536	74	74	74	75
Total Loans[1]	$ 4,236	$ 5,950	$ 764	$ 341	$ 1,528	$ 12,819	100 %	100 %	100 %	100 %
Composition Percentage										
January 31, 2012	33 %	46 %	6 %	3 %	12%	100 %				
October 31, 2011	33 %	46 %	6 %	3 %	12%	100 %				
January 31, 2011	33 %	48 %	6 %	3 %	10%	100 %				
November 1, 2010	33 %	48 %	6 %	3 %	10%	100 %				

(1) This table does not include an allocation for credit losses.
(2) Includes single- and multi-unit residential mortgages and project (interim) mortgages on residential property.
(3) Includes commercial term mortgages and project (interim) mortgages for non-residential property.
(4) Includes securitized leases reported on-balance sheet of $150 (October 31, 2011 – $91; January 31, 2011 – $170; November 1, 2010 – $199).

6. Allowance for Credit Losses

The following table shows the changes in the allowance for credit losses:

	For the three months ended January 31, 2012			For the three months ended October 31, 2011		
	Specific Allowance	**Collective Allowance for Credit Losses**	**Total**	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	**$ 10,650**	**$ 61,330**	**$ 71,980**	$ 13,418	$ 58,980	$ 72,398
Provision for credit losses	**5,088**	**1,341**	**6,429**	2,833	2,350	5,183
Write-offs	**(4,524)**	**-**	**(4,524)**	(6,504)	-	(6,504)
Recoveries	**671**	**-**	**671**	903	-	903
Balance at end of period	**$ 11,885**	**$ 62,671**	**$ 74,556**	$ 10,650	$ 61,330	$ 71,980

	For the three months ended January 31, 2011		
	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	$ 19,531	$ 61,992	$ 81,523
Provision for credit losses	6,022	228	6,250
Write-offs	(10,417)	-	(10,417)
Recoveries	237	-	237
Balance at end of period	$ 15,373	$ 62,220	$ 77,593

7. Impaired and Past Due Loans

Outstanding gross loans and impaired loans, net of allowance for credit losses, by loan type, are as follows:

	As at January 31, 2012				As at October 31, 2011			
	Gross Amount	**Gross Impaired Amount**	**Specific Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	**$ 2,095,429**	**$ 19,924**	**$ 1,206**	**$ 18,718**	$ 2,018,627	$ 24,983	$ 1,173	$ 23,810
Real estate[1]	**4,809,796**	**44,221**	**3,130**	**41,091**	4,722,018	46,638	2,516	44,122
Equipment financing	**2,549,898**	**10,851**	**4,551**	**6,300**	2,502,620	15,596	5,592	10,004
Commercial	**3,364,324**	**15,861**	**2,998**	**12,863**	3,121,997	10,041	1,369	8,672
Total [2]	**$ 12,819,447**	**$ 90,857**	**$ 11,885**	**78,972**	$ 12,365,262	$ 97,258	$ 10,650	86,608
Collective allowance[3]				**(62,671)**				(61,330)
Net impaired loans after collective allowance				**$ 16,301**				$ 25,278

	As at January 31, 2011				As at November 1, 2010			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	$ 1,857,252	$ 26,919	$ 2,033	$ 24,886	$ 1,793,181	$ 24,534	$ 1,288	$ 23,246
Real estate[1]	4,211,834	75,153	4,179	70,974	4,115,560	82,799	4,880	77,919
Equipment financing	2,195,588	16,569	6,545	10,024	2,141,276	28,411	10,708	17,703
Commercial	2,848,840	14,290	2,616	11,674	2,706,203	7,956	2,655	5,301
Total [2]	$ 11,113,514	$ 132,931	$ 15,373	$ 117,558	$ 10,756,220	$ 143,700	$ 19,531	124,169
Collective allowance[3]				(62,220)				(61,992)
Net impaired loans after collective allowance				$ 55,338				$ 62,177

(1) Multi-family residential mortgages are included in real estate loans.
(2) Gross impaired loans include foreclosed assets with a carrying value of $4,683 (October 31, 2011 – $3,241; January 31, 2011 – $1,591 and November 1, 2010 – $867) which are held for sale. The Bank pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit risk is not allocated by loan type.

7. Impaired and Past Due Loans – continued

Outstanding impaired loans, net of allowance for credit losses, by provincial location of security, are as follows:

	As at January 31, 2012			As at October 31, 2011		
	Gross Impaired Amount	**Specific Allowance**	**Net Impaired Loans**	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	**$ 45,362**	**$ 6,150**	**$ 39,212**	$ 53,725	$ 5,208	$ 48,517
British Columbia	**38,434**	**2,199**	**36,235**	35,762	1,441	34,321
Saskatchewan	**2,545**	**760**	**1,785**	2,809	823	1,986
Manitoba	**845**	**265**	**580**	953	328	625
Other	**3,671**	**2,511**	**1,160**	4,009	2,850	1,159
Total	**$ 90,857**	**$ 11,885**	**78,972**	$ 97,258	$ 10,650	86,608
Collective allowance[1]			**(62,671)**			(61,330)
Net impaired loans after collective allowance			**$ 16,301**			$ 25,278

	As at January 31, 2011			As at November 1, 2010		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 79,700	$ 8,067	$ 71,633	$ 99,067	$ 14,609	$ 84,458
British Columbia	35,098	1,145	33,953	38,587	1,303	37,284
Saskatchewan	2,221	832	1,389	2,178	1,183	995
Manitoba	828	364	464	364	268	96
Other	15,084	4,965	10,119	3,504	2,168	1,336
Total	$ 132,931	$ 15,373	117,558	$ 143,700	$ 19,531	124,169
Collective allowance[1]			(62,220)			(61,992)
Net impaired loans after collective allowance			$ 55,338			$ 62,177

[1] The collective allowance for credit risk is not allocated by province.

Gross impaired loans exclude certain past due loans where payment of interest or principal is contractually in arrears, which are not classified as impaired. Details of such past due loans that have not been included in the gross impaired amount are as follows:

	As at January 31, 2012				
	1 – 30 days	**31 – 60 days**	**61 – 90 days**	**More than 90 days**	**Total**
Residential mortgages	**$ 7,139**	**$ 6,893**	**$ 1,943**	**$ 620**	**$ 16,595**
Other loans	**22,930**	**27,427**	**2,358**	**-**	**52,715**
	$ 30,069	**$ 34,320**	**$ 4,301**	**$ 620**	**$ 69,310**
Total as at October 31, 2011	$ 23,971	$ 16,688	$ 1,873	$ 352	$ 42,884
Total as at January 31, 2011	$ 27,493	$ 28,030	$ 2,596	$ 190	$ 58,309
Total as at November 1, 2010 [1]	$ 23,639	$ 41,871	$ 9,643	$ 4	$ 75,157

[1] Amounts at November 1, 2010 did not include National Leasing Group Inc. (National Leasing).

8. Derivative Financial Instruments

For the quarter ended January 31, 2012, $395 net unrealized after tax losses (2011 – nil) were recorded in other comprehensive income for changes in fair value of the effective portion of equity swap derivatives designated as cash flow hedges, and no amounts (2011 – nil) were recorded in other income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. Equity swaps are used to reduce the earnings volatility from restricted share units linked the Bank's common share price. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that salary expense on restricted share units (i.e. the hedged items) affects income. For the three months ended January 31, 2012, $296 net losses after tax amounts (2011 – nil) were reclassified to net income.

The following table shows the notional value outstanding for derivative financial instruments and the related fair value:

	As at January 31, 2012			As at October 31, 2011		
	Notional Amount	**Positive Fair Value**	**Negative Fair Value**	Notional Amount	Positive Fair Value	Negative Fair Value
Equity swaps designated as hedges[1]	**$ 14,214**	**$ -**	**$ 533**	$ -	$ -	$ -
Foreign exchange contracts[2]	**3,517**	**-**	**6**	6,384	-	16
Interest rate swaps not designated as hedges	**-**	**-**	**-**	19,400		420
Other forecasted transactions	**-**	**-**	**-**	-	-	-
Derivative related amounts		**$ -**	**$ 539**		$ -	$ 436

	As at January 31, 2011			As at November 1, 2010		
	Notional Amount	Positive Fair Value	Negative Fair Value	Notional Amount	Positive Fair Value	Negative Fair Value
Foreign exchange contracts	$ 33,549	$ 127	$ 152	$ 57,032	$ 132	$ 59
Interest rate swaps not designated as hedges	41,400	-	656	47,550	-	930
Equity contracts	500	3	-	500	2	-
Embedded derivatives in equity-linked deposits	n/a	-	4	n/a	-	3
Other forecasted transactions	-	-	-	-	-	-
Derivative related amounts		$ 130	$ 812		$ 134	$ 992

(1) Equity swaps designated as hedges outstanding at January 31, 2012 mature between June 2012 and June 2014. Equity swaps are used to reduce the earnings volatility from restricted share units linked the Bank's common share price. This is the first quarter the Bank has entered into equity swaps.
(2) Foreign exchange contracts outstanding at January 31, 2012 mature between February 2012 and December 2012.
n/a – not applicable

There were no forecasted transactions that failed to occur during the three months ended January 31, 2012.

9. Capital Stock

Share Capital

	For the three months ended			
	January 31, 2012		January 31, 2011	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred Shares - Series 3				
Outstanding at beginning and end of period[1]	**8,390,000**	**$ 209,750**	8,390,000	$ 209,750
Common Shares				
Outstanding at beginning of period	**75,461,981**	**408,282**	66,641,362	279,620
Issued on exercise or exchange of options	**134,116**	**379**	136,955	1,291
Issued under dividend reinvestment plan[2]	**97,693**	**2,492**	22,657	574
Transferred from contributed surplus on exercise or exchange of options	**-**	**967**	-	1,491
Issued on exercise of warrants	**-**	**-**	2,902,290	40,632
Outstanding at end of period	**75,693,790**	**412,120**	69,703,264	323,608
Share Capital		**$ 621,870**		$ 533,358

(1) Holders of the Preferred Shares – Series 3 are entitled to receive non-cumulative quarterly fixed dividends for the initial five-year period ending April 30, 2014 of 7.25% per annum, payable quarterly, as and when declared. For further information on dividend rates after April 30, 2014, refer to Note 19 of the audited consolidated financial statements for the year ended October 31, 2011 (see page 103 of the 2011 Annual Report).
(2) Shares were issued at a 2% discount from the average closing price of the five trading days preceding the dividend payment date.

9. Capital Stock – continued

Warrants to Purchase Common Shares

Each warrant was exercisable at a price of $14.00 to purchase one common share in the capital of the Bank.

	For the three months ended	
Number of Warrants	**January 31 2012**	January 31 2011
Outstanding at beginning of period	**-**	13,471,611
Purchased and cancelled under Normal Course Issuer Bid	**-**	(500,000)
Exercised	**-**	(2,902,290)
Outstanding at end of period	**-**	10,069,321

Common Share Normal Course Issuer Bid

On October 31, 2011, the Bank received approval from the Toronto Stock Exchange to institute a Normal Course Issuer Bid (NCIB) to purchase and cancel up to 2,261,434 of its common shares. The NCIB commenced November 2, 2011 and will expire November 1, 2012. No common shares have been purchased under this NCIB as at January 31, 2012.

10. Stock-Based Compensation

Stock Options

	For the three months ended			
	January 31, 2012		January 31, 2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	**3,542,072**	**$ 21.36**	3,834,433	$ 19.93
Granted	**729,830**	**25.46**	358,865	29.42
Exercised or exchanged	**(326,880)**	**16.70**	(361,650)	21.33
Forfeited	**(25,574)**	**23.49**	(14,643)	22.98
Balance at end of period	**3,919,448**	**$ 22.50**	3,817,005	$ 20.68

The terms of the share incentive plan allow the holders of vested options a cashless settlement alternative whereby the option holder can either (i) elect to receive shares by delivering cash to the Bank in the amount of the option exercise price or (ii) elect to receive the number of shares equivalent to the excess of the market value of the shares under option, determined at the exercise date, over the exercise price. Of the 326,880 (2011 – 361,650) options exercised or exchanged, option holders exchanged the rights to 300,580 (2011 – 304,650) options and received 107,816 (2011 – 79,955) shares in return under the cashless settlement alternative.

For the three months ended January 31, 2012, salary expense of $1,162 (2011 - $1,289) was recognized relating to the estimated fair value of options granted. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 1.1% (2011 – 2.2%), (ii) expected option life of 4.0 (2011 – 4.0) years, (iii) expected annual volatility of 31% (2011 – 41%), and (iv) expected annual dividends of 2.4% (2011 – 1.8%). The weighted average fair value of options granted was estimated at $4.70 (2011 – $8.69) per share.

10. Stock-Based Compensation – continued

Further details relating to stock options outstanding and exercisable at January 31, 2012 follow:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$ 8.58 to $11.76	714,070	1.9	$ 11.71	703,570	$ 11.76
$16.89 to $21.46	685,940	2.0	18.67	266,790	21.46
$22.09 to $26.38	1,615,924	3.5	24.52	274,550	26.17
$28.11 to $31.18	903,514	3.1	30.31	183,775	31.13
Total	3,919,448	2.9	$ 22.50	1,428,685	$ 18.83

Restricted Share Units

For the three months ended January 31, 2012, salary expense of $1,275 (2011 – $2,782) was recognized related to RSUs. As at January 31, 2012, the liability for the RSUs held under this plan was $10,064 (2011 – $11,416). At the end of each period, the liability and salary expense are adjusted to reflect changes in the fair value of the RSUs. As at January 31, 2012, 535,014 RSUs were outstanding (2011 – 478,886).

Deferred Share Units

For the three months ended January 31, 2012, non-interest expenses "other expenses" included a $90 recovery (2011 – $248 expense) related to the DSUs. As at January 31, 2012, the liability for DSUs held under this plan was $1,377 (2011 – $713). At the end of each period, the liability and expense are adjusted to reflect changes in the fair value of the DSUs.

11. Contingent Liabilities and Commitments

Significant contingent liabilities and commitments, including guarantees provided to third parties, are discussed in Note 21 of the Bank's audited consolidated financial statements for the year ended October 31, 2011 (see page 106 of the 2011 Annual Report) and include:

	As at January 31 2012	As at October 31 2011	As at January 31 2011	As at November 1 2010
Guarantees and standby letters of credit				
Balance outstanding	**$ 297,572**	$ 276,323	$ 266,827	$ 261,438
Business credit cards				
Total approved limit	**20,522**	12,996	13,037	13,153
Balance outstanding	**2,793**	2,933	3,018	2,927

In the ordinary course of business, the Bank and its subsidiaries are party to legal proceedings. Based on current knowledge, CWB does not expect the outcome of any of these proceedings to have a material effect on the consolidated financial position or results of operations.

12. Fair Value of Financial Instruments

The Bank categorizes its fair value measurements of financial instruments recorded on the consolidated balance sheets according to a three-level hierarchy. Level 1 fair value measurements reflect published market prices quoted in active markets. Level 2 fair value measurements were estimated using a valuation technique based on observable market data. Level 3 fair value measurements were determined using a valuation technique based on unobservable market data.

Further information on how the fair value of financial instruments is determined is included in Note 30 of the October 31, 2011 consolidated audited financial statements (see page 114 of the 2011 Annual Report).

12. Fair Value of Financial Instruments – continued

The following table presents the Bank's financial assets and liabilities that are carried at fair value, categorized by level under the fair value hierarchy:

As at January 31, 2012	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Cash resources	**$ 228,964**	**$ 206,883**	**$ 22,081**	**$ -**
Securities	**2,079,791**	**2,079,791**	**-**	**-**
Securities purchased under resale agreements	**119,999**	**-**	**119,999**	**-**
	$ 2,428,754	**$ 2,286,674**	**$ 142,080**	**$ -**
Financial liabilities				
Other liability	**$ 62,211**	**$ -**	**$ -**	**$ 62,211**
Derivative related	**539**	**-**	**539**	**-**
	$ 62,750	**$ -**	**$ 539**	**$ 62,211**

As at October 31, 2011	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Cash resources	$ 312,335	$ 272,704	$ 39,631	$ -
Securities	1,925,704	1,925,704	-	-
	$ 2,238,039	$ 2,198,408	$ 39,631	$ -
Financial liabilities				
Other liability	$ 61,011	$ -	$ -	$ 61,011
Derivative related	436	-	436	-
	$ 61,447	$ -	$ 436	$ 61,011

As at November 1, 2010	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Cash resources	$ 187,944	$ 181,143	$ 6,801	$ -
Securities	1,510,187	1,510,187	-	-
Securities purchased under resale agreements	177,954	-	177,954	-
Derivative related	134	-	134	-
	1,876,219	$ 1,691,330	$ 184,889	$ -
Financial liabilities				
Other liability	$ 48,705	$ -	$ -	$ 48,705
Derivative related	992	-	992	-
	$ 49,697	$ -	$ 992	$ 48,705

Level 3 Financial Instruments

Level 3 financial instruments are comprised of the contingent consideration related to a subsidiary acquisition. The following table shows a reconciliation of the fair value measurements related to the Level 3 valued instrument:

	For the three months ended January 31 2012	2011
Balance at beginning of period	**$ 61,011**	$ 48,705
Change in fair value recognized in other income – "other"	**1,200**	2,516
Settlements	**-**	-
Balance at end of period	**$ 62,211**	$ 51,221

Although the Bank deems the estimate of the Level 3 fair value as appropriate, the use of different assumptions could lead to different measurements of fair value. The probability of a call option premium exercised by the Bank, forecasted net income of the subsidiary and the discount rate used have the most significant impact on the valuation. The undiscounted impact of a 10 percent increase and decrease in the probability of the call option being exercised by the Bank would result in a $1,393 increase and decrease in fair value, respectively. The undiscounted impact of assuming a $1,000 increase or decrease in the subsidiary's annual net income would result in a $2,517 increase and decrease in fair value, respectively, assuming a nil probability of the call option being exercised by the Bank.

13. Interest Rate Sensitivity

The Bank's exposure to interest rate risk as a result of a difference or gap between the maturity or repricing behavior of interest sensitive assets and liabilities, including derivative financial instruments, is discussed in Note 29 of the audited consolidated financial statements for the year ended October 31, 2011 (see page 113 of the 2011 Annual Report). The following table shows the gap position for selected time intervals.

13. Interest Rate Sensitivity – continued

Asset Liability Gap Positions

($ millions)	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Non-interest Sensitive	Total
January 31, 2012								
Assets								
Cash resources and securities	**$ 353**	**$ 662**	**$ 458**	**$ 1,473**	**$ 696**	**$ 157**	**$ 103**	**$ 2,429**
Loans	**5,821**	**715**	**1,534**	**8,070**	**4,694**	**52**	**(71)**	**12,745**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**310**	**310**
Derivative financial instruments[1]	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**18**
Total	**6,174**	**1,377**	**1,992**	**9,543**	**5,390**	**209**	**360**	**15,502**
Liabilities and Equity								
Deposits	**4,784**	**902**	**3,145**	**8,831**	**4,143**	**-**	**(13)**	**12,961**
Other liabilities	**3**	**6**	**26**	**35**	**35**	**8**	**358**	**436**
Debt	**6**	**133**	**48**	**187**	**423**	**75**	**-**	**685**
Equity	**-**	**-**	**-**	**-**	**105**	**-**	**1,297**	**1,402**
Derivative financial instruments[1]	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**18**
Total	**4,793**	**1,041**	**3,219**	**9,053**	**4,706**	**83**	**1,660**	**15,502**
Interest Rate Sensitive Gap	**$ 1,381**	**$ 336**	**$ (1,227)**	**$ 490**	**$ 684**	**$ 126**	**$ (1,300)**	**$ -**
Cumulative Gap	**$ 1,381**	**$ 1,717**	**$ 490**	**$ 490**	**$ 1,174**	**$ 1,300**	**$ -**	**$ -**
Cumulative Gap as a percentage of total assets	**8.9 %**	**11.1 %**	**3.2 %**	**3.2 %**	**7.6 %**	**8.4 %**	**- %**	**- %**
October 31, 2011								
Cumulative gap	$ 1,415	$ 1,251	$ (59)	$ (59)	$ 1,224	$ 1,254	$ -	$ -
Cumulative gap as a Percentage of total assets	9.5 %	8.4 %	(0.4) %	(0.4) %	8.2 %	8.4 %	- %	- %
January 31, 2011								
Cumulative gap	$ 866	$ 740	$ 239	$ 239	$ 1,116	$ 1,160	$ -	$ -
Cumulative gap as a percentage of total assets	6.6 %	5.6 %	1.8 %	1.8 %	8.5 %	8.8 %	- %	- %
November 1, 2010								
Cumulative gap	$ 1,002	$ 808	$ 188	$ 188	$ 1,082	$ 1,127	$ -	$ -
Cumulative gap as a percentage of total assets	7.7%	6.2 %	1.4 %	1.4 %	8.3 %	8.7 %	- %	- %

(1) Derivative financial instruments are included in this table at the notional amount.
(2) Accrued interest is excluded in calculating interest sensitive assets and liabilities.
(3) Potential prepayments of fixed rate loans and early redemption of redeemable fixed term deposits have not been estimated. Redemptions of fixed term deposits where depositors have this option are not expected to be material. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

The effective, weighted average interest rates for each class of financial assets and liabilities are shown below:

January 31, 2012	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total assets	**3.9 %**	**2.4 %**	**4.5 %**	**3.8 %**	**5.3 %**	**5.3 %**	**4.3 %**
Total liabilities	**1.2**	**2.4**	**2.4**	**1.7**	**2.7**	**5.0**	**2.1**
Interest rate sensitive gap	**2.7 %**	**- %**	**2.1 %**	**2.1 %**	**2.6 %**	**0.3 %**	**2.2 %**
October 31, 2011							
Total assets	4.0 %	2.4 %	4.6 %	3.9 %	5.2 %	5.1 %	4.4 %
Total liabilities	1.2	1.9	2.5	1.7	2.8	5.8	2.1
Interest rate sensitive gap	2.8 %	0.5 %	2.1 %	2.2 %	2.4 %	(0.7) %	2.3 %
January 31, 2011							
Total assets	4.0 %	2.8 %	4.7 %	4.0 %	5.4 %	5.3 %	4.6 %
Total liabilities	1.0	2.1	2.4	1.5	3.2	5.8	2.2
Interest rate sensitive gap	3.0 %	0.7 %	2.3 %	2.5 %	2.2 %	(0.5) %	2.4 %
November 1, 2010							
Total assets	3.9 %	2.8 %	4.9 %	4.0 %	5.5 %	5.2 %	4.6 %
Total liabilities	1.2	2.0	2.6	1.7	3.2	5.8	2.3
Interest rate sensitive gap	2.7 %	0.8 %	2.3 %	2.3 %	2.3 %	(0.6) %	2.3 %

Based on the current interest rate gap position, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately 3.7% or $13,519 (January 31, 2011 – 2.7% or $8,894) and decrease other comprehensive income $10,098 (January 31, 2011 – $8,202) net of tax, respectively over the following twelve months. A one-percentage point decrease in all interest rates would decrease net interest income by approximately 4.5% or $16,549 (January 31, 2011 – 3.7% or $11,938) and increase other comprehensive income $10,098 (January 31, 2011 – $8,202) net of tax.

14. Capital Management

Capital for Canadian financial institutions is managed and reported until December 2012 in accordance with a capital management framework specified by OSFI commonly called Basel II. A revised capital framework (called Basel III) is effective for Canadian financial institutions beginning on January 1, 2013. Further details are available in the Capital Management section in the Q1 2012 Management's Discussion and Analysis.

Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, protect customer deposits and provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, all while providing a satisfactory return for shareholders.

Additional information about the Bank's capital management practices is provided in Note 32 to the fiscal 2011 audited financial statements beginning on page 116 of the 2011 Annual Report.

The transition to IFRS, as described in Note 15, did not have a significant effect on the Bank's regulatory capital. On an IFRS basis as at October 31, 2011, the Banks Tier 1 and total regulatory capital ratios would have declined 40 basis points to 10.7% and 15.0%, respectively. The 2011 capital structure and regulatory ratios reflect the returns filed and have not been restated to IFRS.

Capital Structure and Regulatory Ratios

	As at January 31 2012	As at October 31 2011	As at January 31 2011
Capital			
Tier 1 [1]	**$ 1,289,705**	$ 1,350,466	$ 1,250,346
Total	**1,854,871**	1,869,880	1,788,076
Capital ratios			
Tier 1	**10.2 %**	11.1 %	11.6 %
Total	**14.6**	15.4	16.5
Assets to capital multiple	**8.3 x**	7.9 x	7.3 X

[1] The decrease in Tier 1 capital from October 31, 2011 to January 31, 2012 reflects the expiration of a Basel II transition provision that permitted the capital deduction related to CWB's insurance subsidiary ($83,500 at January 31, 2012; $80,942 at October 31, 2011; $71,487 at January 31, 2011) to be deducted from Tier 2 capital. Beginning in the first quarter of 2012, the deduction is recorded 50% against Tier 1 capital and 50% against Tier 2 capital.

During the three months ended January 31, 2012, the Bank complied with all internal and external capital requirements.

The Bank has received OSFI approval and will redeem $125,000 subordinated debentures with a fixed interest rate of 5.07% in March 2012. This redemption will reduce the total capital ratio by approximately 90 basis points. Of the $125,000 debentures, $5,000 are held by Canadian Direct Insurance Incorporated, a wholly owned subsidiary, and have been eliminated on consolidation.

15. Transition to International Financial Reporting Standards (IFRS)

As stated in Note 1, these are the Bank's first interim consolidated financial statements prepared in accordance with IFRS. In preparing the opening IFRS consolidated balance sheet as at November 1, 2010, the Bank has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Bank is set out in the following tables and accompanying notes. No material adjustments to the consolidated statement of cash flows were required.

IFRS has been applied retrospectively, except for certain optional and mandatory exemptions from full retrospective application provided for under IFRS 1 - *First time Adoption of IFRS* (IFRS 1), as described below.

Optional exemption

Business combinations – The Bank has elected to apply IFRS 3 – *Business Combinations* prospectively only to business combinations on or after February 1, 2010. As a result, business combinations prior to February 1, 2010 have not been restated.

Mandatory exemptions

The Bank has made all mandatory exemptions as required under IFRS 1.

a) Business combinations

The Bank elected to apply IFRS retrospectively to business combinations that occurred on or after February 1, 2010. This election resulted in the adjustment of the February 1, 2010 acquisition of National Leasing. The following transition adjustments were required:

- Under Canadian GAAP, contingent consideration is recorded only when it is determinable beyond a reasonable doubt. Under IFRS, certain contingent consideration arrangements are reported at fair value as at the acquisition date, and each period thereafter, the contingent consideration fair value is re-measured and any adjustments are recorded in the other income – "other" (non-tax deductible);
- Under Canadian GAAP, acquisition-related costs are included in the cost of the acquisition, while under IFRS, acquisition-related costs are expensed; and
- Under Canadian GAAP, the valuation of the Bank's shares issued as part of the consideration for the acquisition is based on a reasonable time frame before and after the acquisition date. Under IFRS, the valuation is completed on the acquisition date.

The impact arising from the change is detailed in the following consolidated balance sheets, income statements and statements of comprehensive income under the heading "(a) Business Combinations". The increase noted in other assets relates to goodwill, and the increase noted in other liabilities relates to the acquisition contingent consideration obligation.

b) Derecognition of securitized financial assets

The Bank participates in securitization activities. Securitization consists of the transfer of equipment leases to an independent trust or other third party, which purchases the cash flows associated with the leases and may issue securities to investors. Under Canadian GAAP, securitized assets are accounted for as sales and removed from the consolidated balance sheet as the Bank surrenders control of the transferred assets and receives consideration other than beneficial interests in the transferred assets. Under IFRS, because the Bank retains a significant portion of the credit risk relating to the leases, the derecognition criteria within IAS 39 – *Financial Instruments: Recognition and Measurement* are not met and the leases are accounted for as a secured borrowing with the underlying leases of the securitization remaining on the consolidated balance sheet and a debt security recognized for the funding received.

The impact arising from the change is detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(b) Derecognition".

c) Consolidation

Under IFRS, a special purpose entity (SPE) is consolidated if it is deemed to be controlled by the reporting entity, as determined under specific criteria. Canadian Western Bank Capital Trust is consolidated under IFRS, which resulted in a $105 million decrease in deposits and the presentation of the CWB Capital Trust Capital Securities Series 1 (WesTS) as equity attributed to non-controlling interests. Distributions on the WesTS that were effectively reported as deposit interest expense under Canadian GAAP are now presented as an equity dividend within IFRS "net income attributable to non-controlling interests." For more information about this special purpose entity, refer to Note 15 to the consolidated financial statements beginning on page 100 of the 2011 Annual Report.

The impact arising from the change is detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(c) Consolidation".

15. Explanation of the Transition to IFRS – continued

d) Impairment of available-for-sale securities

Under both Canadian GAAP and IFRS, available-for-sale securities are reported on the balance sheet at fair value with changes in fair value generally reported in other comprehensive income. An unrealized loss is recognized in net income when a security is considered impaired; a subsequent recovery in the value of an equity security is not reversed through net income until the security is either sold or redeemed. Under Canadian GAAP, a significant or prolonged decline in the fair value of an investment below its cost is assessed in the context of whether it is considered an "other than temporary impairment" (OTTI). Under IFRS, the concept of OTTI does not exist and either a significant or prolonged decline in fair value is considered objective evidence of impairment. The differences between Canadian GAAP and IFRS will generally result in earlier recognition of impairment losses through net income under IFRS.

The impact arising from the change is detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(d) AFS impairment".

e) Other reclassifications

Certain other financial statement reclassifications have been made on the transition to IFRS. An example includes the presentation of the non-controlling interest in Adroit Investment Management Ltd. which has been reclassified from other liabilities under Canadian GAAP to non-controlling interests (presented in equity) under IFRS.

In addition to the IFRS transition adjustments previously described, the recognition of certain credit related fees was also amended. Certain credit related fees, previously recognized in other income, are now reflected as part of the loan yield and amortized to net interest income over the expected life of the loan. Because total loans are reported net of deferred loan fees, this change resulted in a decrease in total loans of $17,982 and a reduction in retained earnings of $13,450. While the change had no impact on 2011 net income, approximately $14,514 was reclassified from other income to net interest income.

The impact arising from the changes above are detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(e) Other Adjustments".

Reconciliation of Condensed Consolidated Balance Sheets

As at November 1, 2010 *(Unaudited)*

		IFRS Adjustments					
	Canadian GAAP	(a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Assets							
Cash resources, securities and securities under resale agreements	$ 1,876,085	$ -	$ -	$ -	$ -	$ -	$ 1,876,085
Loans	10,496,464	-	196,215	-	-	(17,982)	10,674,697
Other assets	329,142	7,839	(10,567)	-	-	4,532	330,946
Total Assets	$ 12,701,691	$ 7,839	$ 185,648	$ -	$ -	$ (13,450)	$ 12,881,728
Liabilities							
Deposits	$ 10,812,767	$ -	$ -	$ (105,000)	$ -	$ -	$ 10,707,767
Other liabilities	425,881	17,835	(14,047)	-	-	(179)	429,490
Debt	315,000	-	202,006	-	-	-	517,006
Total Liabilities	11,553,648	17,835	187,959	(105,000)	-	(179)	11,654,263
Equity							
Preferred shares	209,750	-	-	-	-	-	209,750
Common shares	279,352	268	-	-	-	-	279,620
Retained earnings	614,710	(10,264)	(2,311)	-	(1,752)	(13,450)	586,933
Share-based payment reserve	21,291	-	-	-	-	-	21,291
Other reserves	22,940	-	-	-	1,752	-	24,692
Total Shareholders' Equity	1,148,043	(9,996)	(2,311)	-	-	(13,450)	1,122,286
Non-controlling interest	-	-	-	105,000	-	179	105,179
Total Equity	1,148,043	(9,996)	(2,311)	105,000	-	(13,271)	1,227,465
Total Liabilities and Equity	$ 12,701,691	$ 7,839	$ 185,648	$ -	$ -	$ (13,450)	$ 12,881,728

15. Explanation of the Transition to IFRS – continued

Reconciliation of Condensed Consolidated Balance Sheets - continued

As at January 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Assets							
Cash resources and securities	$ 1,753,605	$ -	$ -	$ -	$ -	$ -	$ 1,753,605
Loans	10,886,889	-	167,014	-	-	(17,982)	11,035,921
Other assets	305,723	7,839	(8,923)	-	-	4,532	309,171
Total Assets	$ 12,946,217	$ 7,839	$ 158,091	$ -	$ -	$ (13,450)	$ 13,098,697
Liabilities							
Deposits	$ 10,786,341	$ -	$ -	$ (105,000)	$ -	$ -	$ 10,681,341
Other liabilities	404,652	20,351	(11,628)	-	-	(239)	413,136
Debt	545,000	-	171,812	-	-	-	716,812
Total Liabilities	11,735,993	20,351	160,184	(105,000)	-	(239)	11,811,289
Equity							
Preferred shares	209,750	-	-	-	-	-	209,750
Common shares	323,340	268	-	-	-	-	323,608
Retained earnings	638,007	(12,780)	(2,093)	-	(1,752)	(13,450)	607,932
Share-based payment reserve	21,089	-	-	-	-	-	21,089
Other reserves	18,038	-	-	-	1,752	-	19,790
Total Shareholders' Equity	1,210,224	(12,512)	(2,093)	-	-	(13,450)	1,182,169
Non-controlling interest	-	-	-	105,000	-	239	105,239
Total Equity	1,210,224	(12,512)	(2,093)	105,000	-	(13,211)	1,287,408
Total Liabilities and Equity	$ 12,946,217	$ 7,839	$ 158,091	$ -	$ -	$ (13,450)	$ 13,098,697

As at October 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Assets							
Cash resources and securities	$ 2,238,039	$ -	$ -	$ -	$ -	$ -	$ 2,238,039
Loans	12,221,143	-	90,121	-	-	(17,982)	12,293,282
Other assets	312,853	7,839	(7,404)	-	-	4,532	317,820
Total Assets	$ 14,772,035	$ 7,839	$ 82,717	$ -	$ -	$ (13,450)	$ 14,849,141
Liabilities							
Deposits	$ 12,499,689	$ -	$ -	$ (105,000)	$ -	$ -	$ 12,394,689
Other liabilities	433,780	30,140	(5,958)	-	-	(225)	457,737
Debt	545,000	-	89,877	-	-	-	634,877
Total Liabilities	13,478,469	30,140	83,919	(105,000)	-	(225)	13,487,303
Equity							
Preferred shares	209,750	-	-	-	-	-	209,750
Common shares	408,014	268	-	-	-	-	408,282
Retained earnings	650,028	(22,569)	(1,202)	-	(3,959)	(13,450)	608,848
Share-based payment reserve	21,884	-	-	-	-	-	21,884
Other reserves	3,890	-	-	-	3,959	-	7,849
Total Shareholders' Equity	1,293,566	(22,301)	(1,202)	-	-	(13,450)	1,256,613
Non-controlling interest	-	-	-	105,000	-	225	105,225
Total Equity	1,293,566	(22,301)	(1,202)	105,000	-	(13,225)	1,361,838
Total Liabilities and Equity	$ 14,772,035	$ 7,839	$ 82,717	$ -	$ -	$ (13,450)	$ 14,849,141

15. Explanation of the Transition to IFRS – continued

Reconciliation of Condensed Consolidated Income Statements

For the year ended October 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 373,624	$ -	$ 5,508	$ 6,747	$ -	$ 14,514	$ 400,393
Provision for credit losses	22,179	-	(396)	-	-	-	21,783
Other income	106,331	(12,305)	(4,386)	-	(3,023)	(14,514)	72,103
Non-interest expenses	222,451	-	-	-	-	-	222,451
Income taxes	56,948	-	409	-	(816)	-	56,541
Non-controlling interest in subsidiary	228	-	-	-	-	(228)	-
Net income	$ 178,149	$ (12,305)	$ 1,109	$ 6,747	$ (2,207)	$ 228	$ 171,721
Net income attributable to non-controlling interests	-	-	-	6,747	-	228	6,975
Net income attributable to shareholders of the Bank	$ 178,149	$ (12,305)	$ 1,109	$ -	$ (2,207)	$ -	$ 164,746
Preferred share dividends	15,208	-	-	-	-	-	15,208
Net income available to common shareholders	$ 162,941	$ (12,305)	$ 1,109	$ -	$ (2,207)	$ -	$ 149,538

For the three months ended January 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 90,682	$ -	$ 1,804	$ 1,700	$ -	$ 4,287	$ 98,473
Provision for credit losses	6,216	-	34	-	-	-	6,250
Other income	28,421	(2,516)	(1,472)	-	-	(4,287)	20,146
Non-interest expenses	55,128	-	-	-	-	-	55,128
Income taxes	13,747	-	80	-	-	-	13,827
Non-controlling interest in subsidiary	60	-	-	-	-	(60)	-
Net income	$ 43,952	$ (2,516)	$ 218	$ 1,700	$ -	$ 60	$ 43,414
Net income attributable to non-controlling interests	-	-	-	1,700	-	60	1,760
Net income attributable to shareholders of the Bank	$ 43,952	$ (2,516)	$ 218	$ -	$ -	$ -	$ 41,654
Preferred share dividends	3,802	-	-	-	-	-	3,802
Net income available to common shareholders	$ 40,150	$ (2,516)	$ 218	$ -	$ -	$ -	$ 37,852

For the three months ended October 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 96,709	$ -	$ 1,006	$ 1,700	$ -	$ 3,636	$ 103,051
Provision for credit losses	5,521	-	(338)	-	-	-	5,183
Other income	24,452	(3,539)	(765)	-	(3,023)	(3,636)	13,489
Non-interest expenses	56,110	-	-	-	-	-	56,110
Income taxes	14,433	-	156	-	(816)	-	13,773
Non-controlling interest in subsidiary	51	-	-	-	-	(51)	-
Net income	$ 45,046	$ (3,539)	$ 423	$ 1,700	$ (2,207)	$ 51	$ 41,474
Net income attributable to non-controlling interests	-	-	-	1,700	-	51	1,751
Net income attributable to shareholders of the Bank	$ 45,046	$ (3,539)	$ 423	$ -	$ (2,207)	$ -	$ 39,723
Preferred share dividends	3,802	-	-	-	-	-	3,802
Net income available to common shareholders	$ 41,244	$ (3,539)	$ 423	$ -	$ (2,207)	$ -	$ 35,921

15. Explanation of the Transition to IFRS – continued

Reconciliation of Consolidated Statements of Comprehensive Income

For the year ended October 31, 2011 *(Unaudited)*

		IFRS Adjustments					
	Canadian GAAP	(a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net income	$ 178,149	$ (12,305)	$ 1,109	$ 6,747	$ (2,207)	$ 228	$ 171,721
Other comprehensive income, net of tax							
Available-for-sale securities							
Gains from change in fair value	(11,710)	-	-	-	-	-	(11,710)
Reclassification to other income	(7,340)	-	-	-	2,207	-	(5,133)
Other comprehensive income for the period	(19,050)	-	-	-	2,207	-	(16,843)
Comprehensive income for the period	$ 159,099	$ (12,305)	$ 1,109	$ 6,747	$ -	$ 228	$ 154,878
Comprehensive income for the year attributable to:							
Shareholders of the Bank	$ 159,099	$ (12,305)	$ 1,109	$ -	$ -	$ -	$ 147,903
Non-controlling interests	-	-	-	6,747	-	228	6,975
Comprehensive income for the period	$ 159,099	$ (12,305)	$ 1,109	$ 6,747	$ -	$ 228	$ 154,878

For the quarter ended October 31, 2011 *(Unaudited)*

		IFRS Adjustments					
	Canadian GAAP	(a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net income	$ 45,046	$ (3,539)	$ 423	$ 1,700	$ (2,207)	$ 51	$ 41,474
Other comprehensive income, net of tax							
Available-for-sale securities							
Gains from change in fair value	(8,693)	-	-	-	-	-	(8,693)
Reclassification to other income	129	-	-	-	2,207	-	2,336
Other comprehensive income for the period	(8,564)	-	-	-	2,207	-	(6,357)
Comprehensive income for the period	$ 36,482	$ (3,539)	$ 423	$ 1,700	$ -	$ 51	$ 35,117
Comprehensive income for the year attributable to:							
Shareholders of the Bank	$ 36,482	$ (3,539)	$ 423	$ -	$ -	$ -	$ 33,366
Non-controlling interests	-	-	-	1,700	-	51	1,751
Comprehensive income for the period	$ 36,482	$ (3,539)	$ 423	$ 1,700	$ -	$ 51	$ 35,117

No transition adjustments to other comprehensive income were required for the three months ended January 31, 2011.

Shareholder Information

Head Office

Canadian Western Bank & Trust
Suite 3000, Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3X6
Telephone: (780) 423-8888
Fax: (780) 423-8897
www.cwbankgroup.com

Subsidiary Offices

National Leasing Group Inc.
1525 Buffalo Place
Winnipeg, MB R3T 1L9
Toll-free: 1-800-665-1326
Toll-free fax: 1-866-408-0729
www.nationalleasing.com

Canadian Western Trust Company
Suite 600, 750 Cambie Street
Vancouver, BC V6B 0A2
Toll-free: 1-800-663-1124
Fax: (604) 669-6069
www.cwt.ca

Valiant Trust Company
Suite 310, 606 – 4th Street S.W.
Calgary, AB T2P 1T1
Toll-free: 1-866-313-1872
Fax: (403) 233-2857
www.valianttrust.com

Canadian Direct Insurance Incorporated
Suite 600, 750 Cambie Street
Vancouver, BC V6B 0A2
Telephone: (604) 699-3678
Fax: (604) 699-3851
www.canadiandirect.com

Adroit Investment Management Ltd.
Suite 1250, Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3N6
Telephone: (780) 429-3500
Fax: (780) 429-9680
www.adroitinvestments.ca

Stock Exchange Listings

The Toronto Stock Exchange
Common Shares: CWB
Series 3 Preferred Shares: CWB.PR.A

Transfer Agent and Registrar

Valiant Trust Company
Suite 310, 606 – 4th Street S.W.
Calgary, AB T2P 1T1
Telephone: (403) 233-2801
Fax: (403) 233-2857
Website: www.valianttrust.com
Email: inquiries@valianttrust.com

Eligible Dividends Designation

CWB designates all dividends for both common and preferred shares paid to Canadian residents as "eligible dividends", as defined in the *Income Tax Act* (Canada), unless otherwise noted.

Dividend Reinvestment Plan

CWB's dividend reinvestment plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar or visit www.cwbankgroup.com.

Investor Relations

For further financial information contact:
Investor & Public Relations
Canadian Western Bank
Telephone: (780) 441-3770
Toll-free: 1-800-836-1886
Fax: (780) 969-8326
Email: InvestorRelations@cwbank.com

Online Investor Information

Additional investor information including supplemental financial information and corporate presentations are available on CWB's website at www.cwbankgroup.com.

Quarterly Conference Call and Webcast

CWB's quarterly conference call and live audio webcast took place on March 8, 2012 at 3:00 p.m. ET.
The webcast will be archived on the Bank's website at www.cwbankgroup.com for sixty days. A replay of the conference call will be available until March 22, 2012 by dialing (416) 849-0833 or toll-free (855) 859-2056 and entering passcode 51521762.