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OPERATOR: Good morning. My name is Shannon and I will be your conference operator today.

At this time I would like to welcome everyone to the Canadian Western Bank third quarter 2010 financial results. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press * then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

At this time I would like to turn the call over to Ms. Tracey Ball, Chief Financial Officer for Canadian Western Bank. Ms. Ball, you may begin.

TRACEY BALL (Chief Financial Officer, Canadian Western Bank): Thank you, Shannon, and good morning, everyone, and welcome to our 2010 third quarter results conference call for Canadian Western Bank.

Before we begin please note that the conference call graphs, quarterly results press release, and supplemental financial information are available on the Bank's website at cwbankgroup.com in the investor relations section. Also at this time I'd like to draw your attention to the advisory on slide 10 related to our forward-looking statement.

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

We are aware there are other banks reporting today, so I will start by providing a very brief summary of our financial highlights. I'll then turn things over to Larry for an overview of our outlook and strategy.

Our results were released yesterday afternoon, and we will only provide a high level summary. We will leave as much time as necessary for Q&A at the end of the call.

Moving to slide 3, the Bank reported record quarterly results marking our 89th consecutive profitable quarter, a period spanning more than 22 years. Total loans are past the $10 billion milestone, reflecting our continued success in growing the loan book despite ongoing global economic uncertainties.

Net income of $46.6 million was up 62 per cent over the third quarter last year, while earnings per common share increased 55 per cent to reach $0.59 on a fully diluted basis. Results included a tax recovery and related interest receipt from prior period transactions that together increased net income by $8.3 million or approximately $0.11 per diluted share. Net income before taxes was up 34 per cent on a 30-per-cent growth in total revenues, which reached a record $111 million.

Net interest margin improved 65 basis points to 2.78 per cent, and was the main factor contributing to growth in total revenue. Based on competitive and other factors, we believe net interest margin will stabilize from this point.

Other income was up 6 per cent compared to the same period last year as strong growth across almost all areas was offset by 5.6 million lower gains on sale of securities. Looking forward, we expect gains on sale of securities will remain subdued compared to prior quarters.

Banking and trust operations achieved very strong results and Canadian Direct Insurance achieved its third consecutive quarter of record earnings. Compared to the previous quarter, net income and diluted earnings per common share increased 23 per cent and 26 per cent respectively. Net income before taxes was up 1 per cent as the combined positive impact of three additional revenue earning days, loan growth, and a slightly improved net interest margin offset a 16 per cent reduction in other income, which was mainly due to lower gains on sale of securities.

On a year-to-date basis net income of $124.5 million increased 64 per cent compared to last year's record results on 36 per cent growth in total revenues. Diluted earnings per common share was $1.57 compared to $1.08 last year, an increase of 45 per cent.

Total loans were up 2 per cent in the quarter, 9 per cent year to date, and 11 per cent over the past 12 months. On balance sheet leases from National Leasing contributed approximately 4 per cent to our year-to-date loan growth, and we expect this will continue to be a solid source of growth in the future. Loan growth remained challenging in some sectors due to economic and competitive factors, but considering ongoing uncertainties, we remain optimistic about our overall pipeline for new loans.

Looking at slide 5. We were very well capitalized at quarter end with a tier-one ratio of 11.4 per cent, and a total capital ratio of 14.4 per cent. Compared to last quarter, the retention of earnings due to our relatively low dividend payout ratio helped offset the capital impact of 3 per cent growth in risk-weighted assets, and warrant purchases made under the Bank's outstanding normal course issuer bid.

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

The quarterly dividend declared on our common shares remain noticeably below our target payout ratio of 25 to 30 per cent of net income. We plan to revisit our dividend payout once we have further clarification on the forthcoming changes to regulatory capital standards. Regulators have indicated they will issue the final capital requirements on a related transition plan before the end of the calendar year.

Slide 6. This slide shows actual results compared to our fiscal 2010 minimum performance targets. As shown, Canadian Western Bank is positioned to surpass most of these targets by a considerable margin, largely reflecting the robust improvement in net interest margin early in the year. Performance measures related to revenues and profitability are well ahead of the minimum targets. The year to date efficiency ratio also compares very well to our target, and should end the year considerably better than 48 per cent.

Due in large part to the growth contribution from National Leasing, we expect to meet or surpass our target for 10-per-cent loan growth. The acquisition of National Leasing also had an impact on the provision for credit losses. The Bank's target range for the 2010 provision did not consider National Leasing's comparatively higher losses measured against total loans due to the nature of its business. Actual provisions for the year are now expected to be between 20 to 25 basis points of average loans. On an annualized basis the provision for credit losses in the third quarter was 23 basis points of average loans.

I'll now turn things over to Larry who will provide further comments on our outlook and strategy beginning on slide 7.

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

This slide shows our current level of gross impaired loans measured as a percentage of total loans. While the level of impaired loans continued to be at a higher level of the Bank's historical range, we did experience a decline compared to last quarter. Overall credit quality remains within expectations, and is consistent with our position in the latter stages of the credit cycle. While it's likely that the level of impaired loans will continue to fluctuate, actual losses are expected to remain within the Bank's range of acceptable levels.

Our quarterly provision for losses was above the level of new specific provisions, and resulted in a slight increase in our general allowance this quarter. We continue to believe the existing level of general allowance remains sufficient in view of our current expectations. Our ongoing credit discipline and secured lending practices continue to result in much lower loss given default compared to the industry.

Slide 8. The next slide highlights our main strategic priorities for 2010, which remain consistent with prior periods. Our ongoing objective is to grow across all areas of our business, including banking, trust, insurance, and wealth management.

With regard to banking we will concentrate our efforts on both loans and deposits. We plan to step up our focus on high-quality assets and retail product growth by increasing our market presence and being more proactive when it comes to business development. In support of this commitment we will open two new full-service branches in the fourth quarter, and have plans to further expand the branch network within Western Canada.

National Leasing operates across Canada and also has excellent potential to significantly enhance growth in both loans and income over time. We plan to develop our deposit base with a focus on diversification and increasing our proportion of lower cost retail deposits. Our success in this regard will enhance our competitive position and support net interest margin.

Canadian Direct posted record results for a third quarter and we expect our insurance operations will continue to produce strong earnings in growth. Trust services also continued to show strong momentum. Wealth management remains a small part of our business, but we believe there is considerable room for expansion through both organic and growth through acquisition.

Overall we remain very confident about our current direction and believe the benefits of our business focus and core geographic position in Western Canada will become even more apparent as the economic recovery firms up. Although there are still some challenges, our disciplined underwriting, strong balance sheet and solid capital base have us in an excellent position to manage any unforeseen challenges that may arise.

We are also very well positioned to take advantage of opportunities, including the potential for further acquisitions.

Our very strong third quarter year to date performance demonstrates the increasing strength of our overall franchise and we expect to deliver continued strong performance.

I'll now turn things back to Tracey.

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

OPERATOR: At this time I would like to remind participants that if you do have a question, you may press * and the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

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

MICHAEL GOLDBERG: Thanks and good morning.

TRACEY BALL: Good morning, Michael.

MICHAEL GOLDBERG: I have a question about your $40 million of cure sales and repayments during the quarter. Can you talk about key contributing factors, and was there any significant interest recapture?

LARRY POLLOCK: Yes, we had one large loan that made up the bulk of that. Over the last three quarters you'll notice we've had a core resolution of about $25 million a quarter in our gross impaired loans, and in this particular quarter we had a large media company that paid out and recaptured the… specific on that, plus all interest.

MICHAEL GOLDBERG: Can you quantify the size of the recapture of interest, and the amount of the loan that came out?

LARRY POLLOCK: The amount of our exposure is about $17 million on that. And I don't have the quantified interest at hand.

TRACEY BALL: Mike, we get recoveries all the time. This wasn't an unusual quarter for the level of interest recoveries.

LARRY POLLOCK: It wasn't an unusual amount either.

TRACEY BALL: No, no.

MICHAEL GOLDBERG: Okay. And what's the prognosis for further ongoing cure sales and repayments out of what's now left as non-performing? So what's the prognosis for going in and coming out?

LARRY POLLOCK: Well as you know, we don't take any recovered specifics back into income. We put them back in the general reserves. So that has no impact on income. The only impact on income would be the collection of interest, and every now and then you do collect interest on the recovery, but it's not assured. So it's just an ongoing process, Michael. There won't be any material changes as this gross NPL number comes down. We don't take those recoveries of reserves back into income, so they won't have an impact on the income statement.

MICHAEL GOLDBERG: I understand. I guess what I'm really asking is are you confident that the gross NPL number is moving down from the level that it's at now?

LARRY POLLOCK: Yeah, I think it will… and is. It did this quarter. But I can't give you the precise date that this recession's going to end. I think we're still in a slow economic environment. And I don't expect radical changes to the numbers. I think they'll drift down, but you could have a quarter where they drift up slightly as well. So they will, I think we've used the word fluctuate and they should continue to fluctuate. But we're not alarmed by anything that's going on. In fact we're quite encouraged.

MICHAEL GOLDBERG: Okay. And one other question, is there a way to quantify the contribution to earnings from National Leasing this quarter?

TRACEY BALL: It's approximately $0.05.

MICHAEL GOLDBERG: Thank you very much.

OPERATOR: Again, if you have any questions, you may press * and the number 1 on your telephone keypad.

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

JOHN REUCASSEL: Thank you. Tracey, just you talked about... or Larry, you talked about trying to bring some of the securitized assets from NL back on balance sheet. And have you had any success doing that in the quarter or is that a longer-term project? Could you just remind me what is going on there?

TRACEY BALL: Yeah, John, it's Tracey. There's about, I think $230 million off balance sheet, and they're not securitizing their assets anymore. So essentially the growth they're experiencing will all be on balance sheet now, so that's what we talk about, the securitized assets coming back on balance sheet. It's just that they're not going to continue to be securitized.

JOHN REUCASSEL: Okay.

TRACEY BALL: In addition they do... with their existing pool, they can exercise their right to bring back onto the balance sheet when there's less than 10 per cent of the pool back.

JOHN REUCASSEL: Yeah. Okay. And I think last quarter, Tracey, you mentioned that 20 basis points of the improvement in spread was from National Leasing. Did I get that right? And can you provide something similar this quarter?

TRACEY BALL: Well, I would say that without National Leasing we're about 255, 256, so 20 to 23 basis points is in the ballpark, but…

JOHN REUCASSEL: Okay.

TRACEY BALL: At some point… we don't want to keep…

JOHN REUCASSEL: Talking about that.

TRACEY BALL: ... National Leasing's separate, so...

JOHN REUCASSEL: Fair enough. And Larry, the outlook for 2011, I know you're hesitant to do that, but should we expect major changes from what we see on your last slide there when you think about 2011 or is this kind of lingering recession making you a little more cautious on earnings growth and loan growth?

LARRY POLLOCK: Well I'm personally becoming more optimistic because we're seeing some activity now in the oil and gas sector. And we had a lot of runoff in our construction book, and we're seeing that subside a little bit. And new activity, mainly in British Columbia. So we're seeing a couple of positive aspects there.

Our oil and gas portfolio we expect on the production side becoming a lot more active, especially on oil, and we should see some growth there. At one time we used to have between 5 and 7 per cent of our assets in production loans. It drained down to around 1 per cent, and now it's building again. So we're expecting to see growth there, and there's significant amount of activity now in the oil sands where we're expecting a number of these plants and major projects to go forward because construction costs have come down significantly, about 25 per cent. And some of the projects will now go ahead because labour is available, equipment’s available, and they’re letting the jobs now.

So I expect to see a lot more activity coming into this fall and winter.

JOHN REUCASSEL: Okay. So on the earnings and loan growth side, you’re optimistic that the targets you set for 2010, they’re not going to be a lot different in 2011 or...?

LARRY POLLOCK: No, we don’t expect... well the target... based off the targets, yeah, the actual performance for 2010 was exceeding our expectations because the margin came back a lot faster than we thought it would. But yeah, I expect we could reach double-digit growth numbers in 2010 as well. We’re also quite aggressive with our sales culture and we will try to grow not just at the same rate as the economy obviously, but we expect to be able to take some business from our competitors.

JOHN REUCASSEL: Right. Thank you very much.

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

SUMIT MALHOTRA: Hi, good morning.

LARRY POLLOCK: Good morning.

TRACEY BALL: Hi, Sumit.

SUMIT MALHOTRA: First question is probably for you, Tracey, just looking at the actual interest income when you give the details by product type on interest income. A pretty significant increase in interest income from securities, something like $900 million quarter over quarter. Is there anything particular you can point to there? I know there was some commentary about liquidity being taken down. Is there maybe rolling some assets further down the curve that helped this line? Any detail you can provide there would be appreciated.

LARRY POLLOCK: It’s not a specific issue. I mean what you’ve seen is we’ve increased our preferred share holdings in there. They have a higher yield. So that has contributed the roll down the yield curve and has added value as well.

SUMIT MALHOTRA: And do you feel that the bulk of any pickup in that particular line is complete now or is there still some more work to be done on the liquidity side that can offset some of the competitive pressures you’ve discussed?

LARRY POLLOCK: We’re pretty much where we want to be from a liquidity perspective. I don’t see that coming down.

SUMIT MALHOTRA: And I apologize, I got on the line a little bit late. Was there any commentary from the Bank's part or any questions so far in regards to the dividend outlook?

TRACEY BALL: On the conference call I indicated that we would be taking a look at our payout after all the regulatory rules are confirmed, which the regulators have indicated that will be before the end of the calendar year. So no change to dividends at this point.

SUMIT MALHOTRA: Right. So I think we've… it's been made pretty clear that by the G20 when they were here in Toronto that Basel will likely weigh in before the next meeting in November.

TRACEY BALL: Yeah.

SUMIT MALHOTRA: So when we next meet in early December you'll be in a position to give some more colour on what your plans are from a capital allocation standpoint?

TRACEY BALL: That would be our expectation, yes.

SUMIT MALHOTRA: Okay. And you're certainly in that 20 to 30… low end of the 20 to 30-per-cent payout ratio range, and that's appropriate to think of as the range going forward? Target range going forward?

TRACEY BALL: Well that's our stated range, so we'll have to have that discussion with our board.

SUMIT MALHOTRA: Thanks for your time.

LARRY POLLOCK: Thank you.

OPERATOR: Again, if you have a question you may press * and the number 1 on your telephone keypad.

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

DAVE MUN: Good morning.

LARRY POLLOCK: Good morning, Dave.

TRACEY BALL: Good morning, Dave.

DAVE MUN: Just one follow-up question to Sumit's question on that interest income. Just wondering if you could provide a bit more colour on the competitive pressures, in particular which portfolios you're seeing the competitive pricing? Is it real estate? And also if we don't get more rate hikes, where do you see the margin going? And also maybe talk a little bit about if there's any spread changes in your NLG book? Thanks.

LARRY POLLOCK: Yeah, Dave, some anomalies out there. Most of the pressure seems to be on the fixed rate five-year term product. And that tends to primarily be real estate. And we're seeing some of the banks, our major competitors pricing off Canada's again. And Canada's have come from over 300 basis points five-year Canada's from over 300 to under 200.

And deposits have moved from an average cost of around 50 basis points over Canada's to 100. Now. So if you're pricing off Canada's and doing 165 over Canada's, you're getting 365 and paying 300. I don't see any reason why we should want to compete with that. And so we're just passing on those deals, and I don't know how you'd make money in the spread lending business doing that when your costs are 125 points.

So they can back the truck up and show it up as far as I'm concerned. And we'll find niches like our leasing business and our commercial lending business and our real estate construction lending business to continue to maintain our spreads there.

It's all this clamouring for market share, and I just don't see that producing earnings going forward. And you're locking your… very thin margining for five years. Now unless I'm missing something here I don't see us competing in that kind of a market.

DAVE MUN: Right. Okay. And your NLG book, any specific spread changes?

LARRY POLLOCK: No. No. They're holding up quite well. We have entered a couple of… that's National Leasing you're talking about? Yeah.

DAVE MUN: Yes.

LARRY POLLOCK: There's a couple of product lines that the company had backed away from because of their restrictions on liquidity the last year or so, since the meltdown started. And they've re-entered those product lines, I think primarily medical and turf, which is primarily mowing equipment and golf carts and things like that. They've re-entered those markets, which actually have a little bit lower margin, but very low loss levels and that sort of thing. So you might see a little bit of a contraction, but we should see growth, and at the end of the day we'll make more money anyway.

DAVE MUN: Great. Thanks very much.

OPERATOR: Again, if you have a question, you may press * and the number 1 on your telephone keypad.

There are no further questions at this time.

TRACEY BALL: Okay, thank you, Shannon, and thank you very much everyone for your continued interest in Canadian Western Bank. We look forward to reporting our 2010 fourth quarter and fiscal yearend results on December 7th, winter. If you have any follow-up questions or comments, please call us or contact us by email. Thank you and have a great day.

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

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