CANADIAN WESTERN BANK
The Working Bank

Third Quarter Report — July 31 — 2012

To Shareholders

CWB reports record quarterly earnings and revenues

Strong loan growth of 3% in the quarter, 11% year-to-date and 13% over the past year
Quarterly dividend declared of $0.16 per CWB common share
Quarterly dividend declared on CWB preferred shares

Third Quarter 2012 Highlights(1) (compared to the same period in the prior year)

- Record earnings represented by net income available to common shareholders of $48.0 million, up 24% ($9.2 million).
- Diluted earnings per common share of $0.61, up 22%; adjusted cash earnings per common share(2) of $0.63, up 17%.
- Record total revenues, on a taxable equivalent basis (teb)(2), of $138.2 million, up 13% ($15.4 million).
- Total assets surpassed the $16 billion milestone based on strong loan growth of 3% in the quarter, 11% year-to-date and 13% over the past twelve months.
- Solid Basel II regulatory capital position using the standardized approach for calculating risk-weighted assets: tangible common equity to risk-weighted assets ratio(2) of 8.7%, Tier 1 capital ratio of 10.5% and total capital ratio of 13.7%. Well positioned for transition to Basel III regulatory capital framework effective January 1, 2013.
- Completed the previously announced settlement of the contingent consideration associated with the 2010 acquisition of National Leasing Group Inc. with the issuance of 2,256,868 CWB common shares valued at $63.5 million.
- On August 29, declared a quarterly dividend of $0.16 per CWB common share, unchanged from the prior quarter and up 14% over the quarterly dividend declared a year earlier.

(1) Effective in the first quarter of 2012, CWB's unaudited interim consolidated financial statements and the accompanying notes, along with all comparative information, 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 4.

Edmonton, August 29, 2012 – Canadian Western Bank (TSX: CWB) (CWB or the Bank) today announced record quarterly financial performance marking the Bank's 97th consecutive profitable quarter, a period spanning more than 24 years. Record net income available to common shareholders of $48.0 million increased 24% compared to the same quarter last year while adjusted cash earnings per common share reached $0.63, up 17%. Record total revenues (teb) of $138.2 million represented a 13% increase over the same quarter last year as the positive impact of strong loan growth and 28% ($5.1 million) growth in other income was partially offset by a 14 basis point reduction in net interest margin (teb).

Compared to last quarter, net income available to common shareholders increased 21% ($8.3 million) reflecting very strong 7% ($7.6 million) growth in net interest income resulting from a moderately improved net interest margin and two additional revenue earnings days. Other income increased 13% ($2.7 million) as the benefit from the sale of a residential mortgage portfolio, the elimination of charges related to changes in the fair value of contingent consideration and solid growth in both credit related fee income and net insurance revenues more than offset the impact of lower net gains on securities. Adjusted cash earnings per common share was up 15% ($0.08) compared to the prior quarter.

Year-to-date net income available to common shareholders was $129.2 million, up 14% compared to the same period last year, as the positive impact of strong loan growth and higher other income was partially offset by a 22 basis point reduction in net interest margin (teb), mainly reflecting the continuing very low interest rate environment. Adjusted cash earnings per common share of $1.75 compares to $1.64 earned through the same period in 2011, up 7%.

"The achievement of record results this quarter is particularly gratifying in view of ongoing challenges related to the interest rate environment, global economic uncertainties and competitive pressures," said Larry Pollock, President and CEO. "Strong loan growth and solid contributions from all of our complementary businesses validate our strategic direction and the success of our business model, as well as the benefit of our core geographic footprint in Western Canada. We were pleased to see some modest relief relating to net interest margin, but the increase this quarter compared to the prior period is likely not sustainable in view of the current external environment."

"Our pipeline for new loans remains strong and we expect to continue building on our long track record of double-digit loan growth. We also see further positive signs on the credit quality front, as evidenced by the ninth consecutive quarter of declines in the dollar level of gross impaired loans. The combination of strong credit quality and a solid capital base will help ensure the Bank is well positioned when the transition to Basel III occurs in 2013. It also provides flexibility to manage potential adverse effects that may arise from what we believe is still a fragile global economy. Overall, we are confident that our commitment to building and maintaining strong customer relationships while focusing on sustainable, profitable growth will continue to benefit both our clients and shareholders," continued Mr. Pollock.

On August 29, 2012, CWB's Board of Directors declared a cash dividend of $0.16 per common share, payable on September 27, 2012 to shareholders of record on September 13, 2012. This quarterly dividend was unchanged from the previous quarter and is 14% higher compared to 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 October 31, 2012 to shareholders of record on October 18, 2012.

Fiscal 2012 Minimum Performance 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 Year-to-date Performance	2012 Minimum Targets
Net income available to common shareholders growth(1)	**14%**	10%
Total revenue (teb) growth(1)	**8%**	7%
Loan growth(2)	**13%**	10%
Provision for credit losses as a percentage of average loans(3)	**0.20%**	0.20% - 0.25%
Efficiency ratio (teb)(4)	**44.2%**	46%
Return on common shareholders' equity(5)	**15.4%**	15%
Return on assets(6)	**1.10%**	1.05%

(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 results through nine months of fiscal 2012 confirm that CWB is well positioned to meet or surpass all of its minimum performance targets. The combined benefit of higher than expected loan growth, strong other income and the third quarter elimination of accounting charges related to contingent consideration contributed to the growth in net income available to common shareholders and more than offset the pressure on total revenues from a lower net interest margin. Near-term improvement in net interest margin will likely be constrained by very low interest rates, a relatively flat yield curve and ongoing competitive pressures; however, continued loan growth and eventual increases in Canadian interest rates should have a positive impact on net interest income in the future. Expectations for continued strong growth in higher yielding lending portfolios such as equipment financing and leasing should also alleviate some of the margin pressure. The 2012 target for the efficiency ratio is expected to be achieved. Overall credit quality remains satisfactory and continues to show improvement, as evidenced by the ninth consecutive quarterly reduction in the dollar level of gross impaired loans. Based on our current view of credit quality, we believe the annual provision for credit losses will remain at the low end of the 2012 target range. Achievement of the minimum targets for return on shareholders' equity and return on assets is also expected. Although it is too early to provide an accurate estimate of the financial impact, a severe hail storm that occurred in Calgary, Alberta in August is expected to result in significantly lower net insurance revenues for the fourth quarter.

General economic activity remains strong across each of our core geographic markets and we are optimistic about continued growth opportunities. However, moderated construction and sales activity in certain Canadian residential real estate markets, due in part to regulatory changes in mortgage lending guidelines, have impacted growth opportunities within some lending sectors. Developments in the United States, euro region and other major economies will continue to be closely monitored for potential macroeconomic impacts. Some positive trends are apparent in the United States and eventual recovery of this important economy should further benefit Canada's position. Despite ongoing challenges, our overall outlook remains positive.

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.

Fiscal 2012 Third Quarter Results Conference Call

CWB's quarterly conference call and live audio webcast took place on August 30, 2012 at 1:30 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 September 13, 2012 by dialing 416-849-0833 (Toronto) or 1-855-859-2056 (toll-free) and entering passcode 15462805.

Contents

Selected Financial Highlights

(unaudited) ($ thousands, except per share amounts)	For the three months ended July 31 2012	 April 30 2012	 July 31 2011	Change from July 31 2011	For the nine months ended July 31 2012	 July 31 2011	Change from July 31 2011
Results of Operations							
Net interest income (teb – see below)	**$ 115,217**	$ 107,600	$ 104,886	10 %	**$ 330,326**	$ 305,268	8 %
Less teb adjustment	**2,086**	2,458	2,797	(25)	**7,164**	7,926	(10)
Net interest income per financial statements	**113,131**	105,142	102,089	11	**323,162**	297,342	9
Other income	**22,933**	20,254	17,867	28	**61,979**	58,614	6
Total revenues (teb)	**138,150**	127,854	122,753	13	**392,305**	363,882	8
Total revenues	**136,064**	125,396	119,956	13	**385,141**	355,956	8
Net income available to common shareholders	**48,004**	39,669	38,824	24	**129,152**	113,618	14
Earnings per common share							
Basic(1)	**0.62**	0.52	0.52	19	**1.69**	1.60	6
Diluted(2)	**0.61**	0.52	0.50	22	**1.68**	1.48	14
Adjusted cash(3)	**0.63**	0.55	0.54	17	**1.75**	1.64	7
Return on common shareholders' equity(4)	**16.1 %**	14.6 %	14.3 %	180 bp	**15.4 %**	15.1 %	30 bp(5)
Return on assets(6)	**1.19**	1.03	1.11	8	**1.10**	1.13	(3)
Efficiency ratio (teb)(7)	**42.8**	46.2	44.6	(180)	**44.2**	44.6	(40)
Efficiency ratio	**43.4**	47.1	45.6	(220)	**45.0**	45.6	(60)
Net interest margin (teb)(8)	**2.85**	2.81	2.99	(14)	**2.81**	3.03	(22)
Net interest margin	**2.80**	2.74	2.91	(11)	**2.75**	2.95	(20)
Provision for credit losses as a percentage of average loans	**0.19**	0.19	0.17	2	**0.20**	0.20	-
Per Common Share							
Cash dividends	**$ 0.16**	$ 0.15	$ 0.14	14 %	**$ 0.46**	$ 0.40	15 %
Book value	**15.56**	14.73	14.56	7	**15.56**	14.56	7
Closing market value	**26.27**	28.69	30.45	(14)	**26.27**	30.45	(14)
Common shares outstanding (thousands)	**78,319**	75,909	75,224	4	**78,319**	75,224	4
Balance Sheet and Off-Balance Sheet Summary							
Assets	**$ 16,033,025**	$ 15,713,443	$ 14,096,517	14 %			
Loans	**13,642,414**	13,281,729	12,043,047	13			
Deposits	**13,455,398**	13,219,077	11,543,114	17			
Debt	**603,931**	602,675	660,587	(9)			
Shareholders' equity	**1,428,090**	1,327,783	1,304,943	9			
Assets under administration	**6,830,282**	6,843,070	9,349,249	(27)			
Assets under management	**814,498**	826,299	806,666	1			
Capital Adequacy(9)							
Tangible common equity to risk-weighted assets(10)	**8.7 %**	8.0 %	9.3 %	(60) bp			
Tier 1 ratio	**10.5**	9.9	11.8	(130)			
Total ratio	**13.7**	13.2	16.3	(260)			

(1) Basic earnings per common share (EPS) is calculated as net income available to common shareholders divided by the average number of common shares outstanding.
(2) Diluted EPS 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 EPS is diluted EPS 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 indicative of ongoing business performance. The effect of the non-tax deductible change in the fair value of contingent consideration was eliminated in the third quarter of 2012 on the settlement of such consideration. 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) Capital adequacy is calculated in accordance with Basel II guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI). The 2011 ratio reflects the returns filed and has not been restated to International Financial Reporting Standards (IFRS).
(10) 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 ratio has not been restated to IFRS.

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.

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), dated August 29, 2012, should be read in conjunction with Canadian Western Bank's (CWB or the Bank) unaudited interim consolidated financial statements for the period ended July 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. Commencing in 2012, CWB's financial results and quarterly financial statements, including comparative information, are 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 in the first quarter of 2012, operating results are presented as one segment – Banking and Financial Services.

Overview

CWB is pleased to report record financial performance for its 97th consecutive profitable quarter, a period spanning more than 24 years. Record net income available to common shareholders of $48.0 million represented growth of 24% ($9.2 million) compared to the same quarter last year while diluted earnings per common share was up 22% to $0.61. Adjusted cash earnings per common share of $0.63 (which excludes the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration) was up 17%. Record total revenues, on a taxable equivalent basis (teb - refer to definition at the end of this MD&A), grew 13% ($15.4 million) mainly reflecting the positive impact of strong loan growth of 3% in the quarter, 11% year-to-date and 13% over the past twelve months. Loan growth also resulted in total assets surpassing the $16 billion milestone.

Compared to the previous quarter, net income available to common shareholders increased 21% ($8.3 million) while adjusted cash earnings per share was up 15%. Earnings growth resulted from the positive revenue impact of an improved net interest margin due primarily to interest recoveries on previously impaired loans, two additional revenue earning days, continued loan growth and very strong growth in other income.

On a year-to-date basis, net income available to common shareholders of $129.2 million was up 14% ($15.5 million) compared to the same period last year while adjusted cash earnings per common share increased 7% to $1.75. The difference in the rate of growth of adjusted cash earnings per share compared with net income available to common shareholders reflects the elimination of non-cash charges for contingent consideration combined with a relatively smaller adjustment for this charge in 2012 compared to the prior year. Results reflect the benefit of strong growth in loans and increased other income, which more than offset the impact of a reduced net interest margin, higher non-interest expenses and an increase in the dollar provision for credit losses. The provision for credit losses measured as percentage of average loans of 20 basis points was unchanged compared to the same period in 2011.

The previously announced settlement of the contingent consideration associated with the 2010 acquisition of National Leasing Group Inc. (National Leasing) resulted in the issuance of 2,256,868 CWB common shares. Completion of this transaction eliminates charges related to changes in fair value of contingent consideration in both the current quarter and looking forward. It also supports management's objectives to realize additional business synergies across all business units. Simplified financial reporting and reduced future earnings volatility are additional benefits that mitigate the slightly dilutive impact of common shares issued.

The quarterly return on common shareholders' equity of 16.1% was up 180 basis points from the same quarter in 2011 and 150 basis points compared to the prior quarter as the percentage growth in net income available to common shareholders exceeded growth in the balance of common shareholders' equity resulting from the retention of profits and additional CWB common shares outstanding. Year-to-date return on common shareholders' equity of 15.4% compares to 15.1% in the same period last year reflecting the factors already noted. Third quarter return on assets of 1.19% compares to 1.11% a year earlier and 1.03% last quarter. Year-to-date return on assets was down three basis points to 1.10%.

Total Revenues (teb)

Total revenues, comprising both net interest income and other income, reached a record $138.2 million for the quarter, up 13% ($15.4 million) compared to a year earlier. Growth in net interest income of 10% ($10.3 million) mainly reflects the positive impact of strong loan growth, partially offset by a 14 basis point reduction in net interest margin. Other income increased 28% ($5.1 million) largely resulting from the elimination of the contingent consideration fair value change (which was $2.5 million in the third quarter of 2011), a $1.2 million increase in the 'other' category of other income and $1.0 million higher net gains on securities.

Total revenues were up 8% ($10.3 million) compared to the previous quarter resulting from the positive contribution of an improved net interest margin, a $2.7 million increase in other income, two additional revenue earning days and strong quarterly loan growth.

On a year-to-date basis, total revenues of $392.3 million increased 8% ($28.4 million) over the same period last year as the benefit of strong loan growth and slightly higher other income more than offset a reduction in net interest margin.

Net Interest Income (teb)

Net interest income of $115.2 million grew 10% ($10.3 million) over the same quarter last year reflecting the benefit of strong 13% loan growth that was partially offset by the impact of a 14 basis point reduction in net interest margin to 2.85%. The deterioration in net interest margin compared to the same quarter in 2011 was mainly attributed to lower yields on loans and preferred share securities, partially offset by a lower cost of funds resulting from more favourable fixed term deposit costs, the redemption of $125 million of subordinated debentures in March 2012 and higher interest recoveries on previously impaired loans. Lower asset yields reflect the combined impact of the sustained very low interest rate environment and flat interest rate curve, as well as ongoing competitive pressures.

Compared to the previous quarter, net interest income was up 7% ($7.6 million) reflecting the benefit of a four basis point improvement in net interest margin, strong loan growth and two additional revenue earning days. Margin improvement compared to the prior quarter mainly resulted from a higher level of interest recoveries on previously impaired loans, reduced debenture expense and slightly lower deposit costs, which more than offset the impact of lower yields on loans.

On a year-to-date basis, net interest income of $330.3 million increased 8% ($25.1 million) as the benefit of strong loan growth was moderated by a 22 basis point reduction in net interest margin. The reduction in year-to-date net interest margin reflects lower yields on loans and securities, as well as slightly higher average liquidity levels, partially offset by reduced fixed term deposit costs and lower debenture expense.

Continued very low interest rates, a highly competitive lending environment and other factors suggest that an improvement in net interest margin over the 2.81% achieved on a year-to date basis is unlikely in the absence of increases in the prime lending interest rate and/or a significant steepening of the interest rate curve.

Note 13 to the unaudited interim consolidated financial statements summarizes the Bank's exposure to interest rate risk as at July 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 July 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)	**July 31 2012**	April 30 2012	July 31 2011
Estimated impact on net interest income of a 1% increase in interest rates			
1 year	**$ 12,943**	$ 12,418	$ 11,036
1 year percentage change	**3.2 %**	3.2 %	3.1 %
Estimated impact on net interest income of a 1% decrease in interest rates			
1 year	**$ (19,267)**	$ (17,239)	$ (12,964)
1 year percentage change	**(4.7) %**	(4.4) %	(3.7) %

It is estimated that a one-percentage point increase in all interest rates at July 31, 2012 would decrease unrealized gains related to available-for-sale securities and the fair value of interest rate swaps designated as hedges, and result in a reduction in other comprehensive income of approximately $9.7 million, net of tax (July 31, 2011 – $7.8 million); it is estimated that a one-percentage point decrease in all interest rates at July 31, 2012 would result in a higher level of unrealized gains related to available-for-sale securities and increase the fair value of interest rate swaps designated as hedges, which would increase other comprehensive income by approximately $9.7 million, net of tax (July 31, 2011 – $7.8 million).

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

Third quarter other income of $22.9 million increased 28% ($5.1 million) compared to the same quarter last year mainly reflecting the elimination of contingent consideration fair value changes (the fair value change in the third quarter of 2011 reduced other income by $2.5 million) and the positive contribution from the sale of a $50 million loan portfolio within the broker-sourced residential mortgage business. The 'other' component of other income increased $1.2 million as $1.9 million attributed to the portfolio sale was partially offset by the termination of a lease servicing contract in the first quarter of 2012. Gains on securities were $1.0 million higher mainly driven by the sale of certain government securities and a reduction in the Bank's investments in preferred shares of other financial institutions. The decision to reposition a portion of certain preferred shares reflects forthcoming changes under the Basel III regulatory capital framework which requires a deduction from regulatory capital for investments in other financial institutions over a certain threshold. Net insurance revenues and credit related fee income each increased $0.5 million (9% and 11%, respectively) while trust and wealth management services revenues and retail service fees were down $0.7 million (13%) and $0.1 million (4%), respectively. Although it is too early to provide an accurate estimate of the financial impact, a severe hail storm that occurred in Calgary, Alberta in August is expected to result in significantly lower net insurance revenues for the fourth quarter compared to the $6.3 million recorded in the current period.

Compared to the previous quarter, other income was up 13% ($2.7 million) mainly reflecting the above-mentioned loan portfolio sale and a $1.3 million positive impact from the elimination of the change in fair value of contingent consideration, partially offset by a $1.3 million reduction in gains on securities and $0.4 million lower trust and wealth management services revenues. Based on the current composition of the securities portfolio and ongoing volatility in financial markets, management believes net gains on securities will be lower in future periods compared to the level realized in the current quarter. Other income further benefited from increases in credit related fee income and net insurance revenues of $0.6 million and $0.5 million, respectively.

Year-to-date other income of $62.0 million was up 6% ($3.4 million) as a $6.3 million lower fair value charge for contingent consideration, $1.1 million growth in net insurance revenues and $0.8 million higher credit related fee income was largely offset by a $3.4 million reduction in gains on securities, a $0.5 million lower contribution from the 'other' category of other income and modestly lower contributions from retail services, foreign exchange and trust and wealth management operations.

Credit Quality

Continued improvement in overall credit quality reflects sound underwriting practices and a relatively strong level of economic activity in Western Canada despite ongoing global uncertainties and very low prices for natural gas. Gross impaired loans at July 31, 2012 were $70.2 million, compared to $87.9 million last quarter and $108.1 million a year earlier. This represented the ninth consecutive quarterly decrease in the dollar level of gross impaired loans. Compared to both the previous quarter and a year earlier, the total number of accounts classified as impaired was also down. New formations of impaired loans totaled $13.4 million, compared to $29.6 million last quarter and $18.0 million a year earlier.

(unaudited) ($ thousands)	For the three months ended **July 31 2012**	 April 30 2012	 July 31 2011	Change from July 31 2011
Gross impaired loans, beginning of period	**$ 87,873**	$ 90,857	$ 128,910	(32) %
New formations	**13,434**	29,589	18,044	(26)
Reductions, impaired accounts paid down or returned to performing status	**(28,233)**	(26,840)	(24,794)	14
Write-offs(4)	**(2,833)**	(5,733)	(14,043)	(80)
Total(1)	**$ 70,241**	$ 87,873	$ 108,117	(35) %
Balance of the ten largest impaired accounts	**$ 32,444**	$ 50,859	$ 51,381	(37) %
Total number of accounts classified as impaired(3)	**116**	124	158	(27)
Gross impaired loans as a percentage of total loans(3)	**0.51 %**	0.66 %	0.89 %	(38) bp(2)

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $11,721 (April 30, 2012 – $877 and July 31, 2011 – $3,425).
(2) bp – basis point change.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.
(4) Write-offs in the third quarter of 2011 reflect a change in internal process to recognize write-offs earlier than in prior periods.

The dollar level of gross impaired loans represented 0.51% of total loans at quarter end, compared to 0.66% last quarter and 0.89% one year ago. As at July 31, 2012, the collective allowance for credit losses exceeded the balance of impaired loans, net of specific allowances. Net impaired loans after adjusting for the collective allowance for credit losses represented -0.07% of total loans**,** compared to +0.09% last quarter and +0.30% a year earlier. While the trends are positive, management expects the dollar level of gross impaired loans will continue to fluctuate. 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 provision for credit losses measured against average loans was 19 basis points in the quarter and 20 basis points year-to-date. Based on the current environment and expectations for credit quality looking forward, management believes the annual provision for credit losses will remain at the low end of the 2012 target range of 20 to 25 basis points.

The total allowance for credit losses (collective and specific) represented 114% of gross impaired loans at quarter end, compared to 86% last quarter and 67% one year ago. The total allowance for credit losses was $79.8 million at July 31 2012, compared to $75.5 million last quarter and $72.4 million a year earlier. The increase in the total allowance for credit losses compared to both the prior quarter and the same period last year was mainly attributed to a higher collective allowance to support ongoing loan growth. The collective allowance was $67.0 million at July 31, 2012, compared to $64.8 million last quarter and $59.0 million a year earlier. The collective allowance as a percentage of risk-weighted loans was 57 basis points, up from 56 basis points last quarter and unchanged compared to one year ago. An enhanced methodology to estimate the collective allowance for credit losses was implemented with the IFRS transition. This methodology has the 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 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. The major program to implement a new core banking system to replace existing infrastructure is progressing as planned. Preliminary timelines anticipate implementation of the new core banking system in 2015. Optimum Mortgage successfully implemented a new loan origination system in the third quarter which is expected to enhance client service, increase capacity and improve efficiencies within that business. Compliance with an 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. Ongoing expansion plans include a new full-service branch expected to open in Winnipeg, Manitoba in the first quarter of 2013 and an enhanced presence for National Leasing in Quebec. Other potential new branch locations are under consideration while upgrades and expansion of existing branch infrastructure continues.

Compared to the same quarter last year, non-interest expenses of $59.1 million were up $3.3 million (6%) as $0.7 million (7%) lower general expenses were more than offset by a $3.7 million (10%) increase in salary and benefit costs and $0.5 million (5%) growth in premises and equipment expenses. The positive change within general expenses was mainly attributed to lower marketing and business development costs reflecting the timing of initiatives to enhance awareness of the Bank's brand and product offerings. The change in salary and benefit costs was driven by a combination of increased staff complement to support ongoing growth and annual salary increments. The increase in premises and equipment expenses relates to ongoing expansion and upgrades to existing technology and infrastructure, including the addition of a new full-service branch in Richmond, British Columbia (BC) in the latter part of 2011.

Compared to the previous quarter, non-interest expenses were down $0.5 million (1%) as $1.6 million (14%) lower general expenses more than offset a $1.1 million (3%) increase in salary and benefit costs. Premises and equipment expenses were relatively unchanged. General expenses reflect decreases across multiple categories led by reductions in marketing and business development costs of $0.8 million and professional fees and services of $0.5 million. The change within marketing and business development costs was attributed to a higher level of expense recognized in the previous period due to the timing of certain initiatives. Higher salary and benefit costs mainly reflect the impact of increased staff complement.

Year-to-date non-interest expenses increased $8.1 million (5%) compared to the first nine months of 2011 reflecting increases in salary and benefit costs, and premises and equipment expenses of $7.3 million (7%) and $1.7 million (6%), respectively, partially offset by $1.0 million (3%) lower general expenses attributed to a reduction in provincial capital taxes.

The third 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 42.8%, compared to 44.6% last year and 46.2% in the previous quarter. The year-to-date efficiency ratio (teb) was 44.2%, compared to 44.6% in the same period last year. In consideration of expected revenues and planned expenditures, management believes the 2012 target for the efficiency ratio of 46% or better will be achieved.

Income Taxes

The third quarter effective income tax rate (teb) was 26.2%, compared to 28.3% in the same quarter last year. The year-to-date effective income tax rate (teb) was 26.6%, down 140 basis points from the same period one year ago, while the tax rate before the teb adjustment was 23.9%, or 80 basis points lower. The reduced tax rate compared to the same year-to-date period last year mainly reflects 150 basis point decreases in the basic federal income tax rate effective on each of January 1, 2011 and 2012.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes, and totaled $50.5 million for the third quarter, compared to $38.8 million in the same period last year. The increase in quarterly comprehensive income was driven by 21% ($9.2 million) higher net income and lower unrealized losses, net of taxes, on available-for-sale securities compared to the same period last year.

Comprehensive income on a year-to-date basis was $146.9 million, compared to $119.8 million in the same period of 2011. The increase in year-to-date comprehensive income reflects 12% ($15.6 million) higher net income and $6.2 million of unrealized gains, net of tax, in 2012 compared to $3.0 million of unrealized losses in 2011.

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 increased 2% ($320 million) in the quarter, 8% ($1,184 million) year-to-date and 14% ($1,937 million) in the past year to reach a new milestone of $16,033 million at July 31, 2012.

Cash and Securities

Cash, securities and securities purchased under resale agreements totaled $2,077 million at July 31, 2012, compared to $2,110 million last quarter and $1,735 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 July 31, 2012 were $12.1 million, compared to $16.0 million last quarter and $19.6 million a year earlier. The change in unrealized gains compared to the same period last year was mainly attributed to net gains realized on disposition and a higher market value of the common equity portfolio. Compared to the prior quarter, the change in net unrealized gains mainly reflects net gains realized on disposition and reduced market values within both the preferred and common equities portfolios. 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 third quarter of $1.9 million compares to $0.9 million in the same period last year and $3.2 million in the previous quarter. The majority of gains in the current quarter resulted from the sale of certain government securities, although the sale of preferred shares and common equities also contributed to the net result. Year-to-date net realized gains on securities were $7.0 million, compared to $10.4 million in the same period last year. The majority of year-to-date net gains on securities were attributed to the sale of preferred shares of other financial institutions in anticipation of the new Basel III capital framework effective January 1, 2013. Based on the current composition of the securities portfolio and ongoing volatility in financial markets, management believes net gains on securities will be lower in future periods compared to the level realized in the current quarter. The Bank has no direct investment in any non-Canadian sovereign debt or other securities issued outside of Canada or the United States.

Treasury Management

The average liquidity level remained relatively consistent with the previous quarter and below the high level maintained in the first quarter of 2012. A lower liquidity level and the corresponding reduction in cash balances and low yielding government securities has a positive influence on net interest margin, which was reflected in the second and third quarter results compared to the first quarter of this year. Management will continue to closely monitor macroeconomic events, including ongoing developments in the euro zone, and adjust its liquidity strategy accordingly. Based on management's current view, average liquidity is likely to remain at a relatively consistent level through the fourth quarter of 2012.

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 Basel Committee on Banking Supervision has issued a framework document outlining two new liquidity standards. The document prescribes the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as minimum regulatory standards effective January 1, 2015 and January 1, 2018, respectively. The LCR establishes a common measure of liquidity risk and requires institutions to maintain sufficient liquid assets to cover a minimum of 30 days of cash flow requirements in a stress situation. The NSFR establishes a second common measure of liquidity based on longer term assets to longer term liabilities. Although the rules are not yet finalized, CWB believes it is well positioned to comply with the new requirements.

Loans

Total loans of $13,642 million grew 3% ($361 million) in the quarter, 11% ($1,349 million) year-to-date and 13% ($1,599 million) in the past twelve months. The level of quarterly growth by sector was led by activity in general commercial loans ($181 million), equipment financing and leasing ($121 million), and personal loans and mortgages ($104 million, net of the sale of a portfolio of residential mortgages). Third quarter increases in corporate loans and real estate project loans were $49 million and $28 million, respectively. Commercial mortgages were down 1% ($37 million) while oil and gas production loans decreased by $32 million. On a year-to-date basis, strong loan growth is apparent across all lending sectors, with the exception of oil and gas production lending. Year-to-date growth in dollar terms was led by general commercial loans ($443 million) and equipment financing and leasing ($319 million). Measured by geographic concentration, lending activity in BC contributed the highest quarterly growth, while performance in Alberta was strongest on a year-to-date basis. The level of activity in Saskatchewan also continues to provide strong growth opportunities. Over the past twelve months, double-digit growth is apparent across almost all lending sectors and each geographic market, with the only exceptions being growth in commercial mortgages (up 6%), oil and gas production loans (down 5%) and overall lending activity in Manitoba.

(unaudited) ($ millions)	**July 31 2012**	April 30 2012	October 31 2011	July 31 2011
General commercial loans	**$ 3,041**	$ 2,860	$ 2,598	$ 2,595
Commercial mortgages	**2,782**	2,819	2,691	2,632
Equipment financing and leasing	**2,416**	2,295	2,097	2,037
Personal loans and mortgages	**2,210**	2,155	2,020	1,996
Real estate project loans	**2,072**	2,044	1,888	1,835
Corporate loans (1)	**873**	824	709	674
Oil and gas production loans	**328**	360	362	346
Total loans outstanding (2)	**$ 13,722**	$ 13,357	$ 12,365	$ 12,115

(1) Corporate loans represent a diversified portfolio that is centrally sourced and administered through a designated lending group located in Edmonton. These loans include participation in select syndications that are structured and led primarily by the major Canadian banks, but exclude participation in various other syndicated facilities sourced through relationships developed at CWB branches.

(2) Loans by lending sector exclude the allowance for credit losses

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 and the effective execution of CWB's strategic plan focused on further enhancing existing competitive advantages in business banking.

Canada's domestic economy is expected to grow modestly in 2012 despite impacts from ongoing 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 generating new business opportunities continues to be encouraging.

Affordability in most Canadian residential real estate markets remains within historical ranges largely reflecting very low interest rates; however, the combination of historically high price levels, particularly in certain geographical areas, relatively high levels of Canadian consumer debt and the potential for increasing interest rates in the future could slow construction and other related lending activity. Very low natural gas prices have adversely impacted the financial flexibility and cash flows of many exploration and production companies, but the Bank's direct exposure to this sector remains low. While fallout from sustained downward pressure on natural gas prices is not expected to materially impact overall portfolio quality, related growth opportunities will continue to be constrained. Based on stronger than expected year-to-date performance, CWB has already surpassed its fiscal 2012 loan growth target of 10%. The loan growth target to be established for fiscal 2013 will be published with the release of the Bank's fourth quarter financial results in December 2012. Based on the current level of activity and overall economic outlook within the Bank's key markets, management believes that double-digit loan growth can be maintained for the foreseeable future.

Total loans of $1,043 million in the broker-sourced residential mortgage business, Optimum Mortgage (Optimum), represented growth of 1% ($15 million) in the quarter and 12% ($108 million) year-to-date. Adjusting for the $50 million residential mortgage portfolio sold during the current period, total quarterly loan growth was 6%. Quarterly and year-to-date growth was mainly driven by alternative mortgages secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 72%. The book value of alternative mortgages represented approximately 67% of Optimum's total portfolio at quarter end. Uncertainty about the future impact of recently confirmed regulatory changes, including more stringent residential mortgage underwriting criteria and other factors, has resulted in a more favourable competitive environment for Optimum in the short term, but the long-term impacts of these changes remain unknown. Notwithstanding less competition for alternative mortgages, the overall level of demand could moderate as a result of the new regulations. At the current time, Optimum is contributing solid returns while maintaining an acceptable risk profile. Management continues to evaluate the benefits of using whole loan sales as a form of cost-effective funding for this business.

Securitized leases are reported on-balance sheet as part of total loans. The gross amount of securitized leases at July 31, 2012 totaled $201 million, compared to $196 million last quarter and $116 million one year ago. The total amount of leases securitized in the third quarter and year-to-date was $28 million and $195 million, respectively.

Deposits

Total deposits at quarter end were $13,455 million, up 2% ($236 million) from the previous quarter, 9% ($1,061 million) year-to-date and 17% ($1,912 million) over the past year. Branch deposits represented 57% of total deposits at July 31, 2012, compared to 58% in the previous quarter and 59% one year earlier. Demand and notice deposits were 32% of total deposits, down from 33% in both the previous quarter and a year earlier. Other deposits are mainly comprised of retail term deposits raised through the deposit broker network and $650 million of fixed term deposits raised through debt capital markets.

Total branch deposits, including trust services deposits, of $7,708 million increased 1% ($61 million) in the quarter, 7% ($498 million) year-to-date and 12% ($848 million) over the past twelve months. The demand and notice component within branch deposits, which includes lower cost deposits, was relatively unchanged from last quarter at $4,355 million, but was up 9% ($364 million) year-to-date and 14% ($521 million) compared to the same time last year. 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 with specific emphasis on the demand and notice component. One specific initiative designed to support this strategy includes meaningful enhancements to CWB's cash management offerings for business banking clients. Certain types of demand and notice deposits are lower cost, provide associated transactional fee income, and also receive more favourable treatment under the proposed Basel III LCR and NSFR liquidity requirements. CWB's expanding market presence, which includes the opening of three new full-service branches since September 2010 and the planned opening of a new full-service branch in 2012, 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 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 management'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. Management also continues to evaluate the potential benefits of securitizing other types of loans.

Other Assets and Other Liabilities

Other assets at July 31, 2012 totaled $313 million, compared to $322 million last quarter and $319 million one year ago. Other liabilities at quarter end were $440 million, compared to $459 million the previous quarter and $483 million a year earlier.

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 $6,830 million at July 31, 2012, compared to $6,843 million last quarter and $9,349 million one year ago. The significant reduction in assets under administration compared to the same time last year reflects the termination of a lease servicing contract in December 2011. Assets under management were $814 million at quarter end, compared to $826 million last quarter and $807 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 Note 11 of the unaudited interim consolidated financial statements for the period ended July 31, 2012, as well as 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

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) under Basel II capital requirements are 10% and 7%, respectively, effective until December 31, 2012. At July 31, 2012, CWB's Basel II total capital adequacy ratio, which measures regulatory capital as a percentage of risk-weighted assets, was 13.7%, compared to 13.2% last quarter and 16.3% one year ago. The Tier 1 ratio at July 31, 2012 was 10.5%, compared to 9.9% last quarter and 11.8% a year earlier.

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, the issuance of CWB common shares 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) and the capital impact of CWB common shares issued in the third quarter of 2012 to settle the contingent consideration. The combined increase in the level of Tier 1 capital attributed to the foregoing factors was partially offset by the purchase of warrants for cancellation and the full transition impact of IFRS. The IFRS transition was fully reflected in the first quarter of 2012 and reduced Tier 1 capital by $50 million compared to the fourth quarter of 2011 (an impact of approximately 40 basis points on the Tier 1 and total ratios). The expiration of a Basel II transition provision that permitted the capital deduction related to CWB's insurance subsidiary ($90 million at July 31, 2012) to be deducted solely from Tier 2 capital also negatively affected the level of Tier 1 regulatory capital compared to the previous year. 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.

In addition to the combined impact of factors discussed above, lower regulatory capital ratios compared to the prior year period reflect an increase in risk-weighted assets largely owing to strong loan growth. The lower total capital adequacy ratio compared to a year earlier also reflects the March 2012 redemption of $125 million of subordinated debentures. 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 July 31 2012	As at April 30 2012	As at July 31 2011(2)	Change from July 31 2011
Regulatory Capital				
Tier 1 Capital before deductions	**$ 1,524**	$ 1,421	$ 1,432	$ 92
Less: Goodwill	**(45)**	(46)	(38)	(7)
Investment in insurance subsidiary	**(45)**	(42)	-	(45)
Securitization	**(16)**	(14)	(8)	(8)
Tier 1 Capital	**1,418**	1,319	1,386	32
Tier 2 Capital before deductions	**497**	498	611	(114)
Less: Investment in insurance subsidiary	**(45)**	(42)	(78)	33
Securitization	**(16)**	(14)	(8)	(8)
Total Tier 2 Capital	**436**	442	525	(89)
Total Regulatory Capital	**$ 1,854**	$ 1,761	$ 1,911	$ (57)
Risk-Weighted Assets	**$ 13,495**	$ 13,318	$ 11,746	$ (1,749)
Tier 1 capital adequacy ratio	**10.5 %**	9.9 %	11.8 %	(130) bp(1)
Total capital adequacy ratio	**13.7**	13.2	16.3	(260)

(1) bp – basis point change.
(2) the 2011 capital structure and regulatory ratios reflect the returns filed and have not been restated to IFRS.

Capital ratios exceed the Basel II targets established through CWB's Internal Capital Adequacy Assessment Process (ICAAP) and have the Bank well positioned for the remainder of 2012. The ongoing retention of earnings should support capital requirements associated with the anticipated achievement of the 2012 minimum performance targets, including stronger than expected loan growth.

CWB currently reports its regulatory capital ratios using the *Standardized* approach for calculating risk-weighted assets. Management believes this approach requires the Bank to carry significantly more capital for certain credit exposures compared to requirements under the *Advanced Internal Ratings Based* (AIRB) methodology used by many other financial institutions. For this reason, regulatory capital ratios of banks that utilize the *Standardized* approach versus the *AIRB* methodology are not directly comparable. Required resources, costs and potential timelines related to the Bank's possible transition to an *AIRB* methodology for managing credit risk and calculating risk-weighted assets are still being evaluated. Preliminary analysis confirms a multi-year timeframe would be required. CWB's new core banking system, expected to be implemented in 2015, is a critical component for a number of requirements necessary for *AIRB* compliance, including the collection and analysis of certain types of data.

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 July 31, 2012 was $15.56, compared to $14.73 last quarter and $14.56 one year ago.

Common shareholders received a quarterly cash dividend of $0.16 per common share on July 5, 2012. On August 29, 2012, CWB's Board of Directors declared a cash dividend of $0.16 per common share, payable on September 27, 2012 to shareholders of record on September 13, 2012. This quarterly dividend was unchanged from the previous quarter and 14% 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 October 31, 2012 to shareholders of record on October 18, 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 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 effective January 1, 2013. Required minimum regulatory capital ratios, including a 250 basis point capital conservation buffer, will be 7.0% tangible common equity Tier 1 (CET1) as at January 1, 2013, and 8.5% Tier 1 and 10.5% total capital as at January 1, 2014. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules will be phased in between 2013 and 2019. The only available transition adjustment in the Basel III capital standards permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments. Pro forma application of the all-in Basel III standards to the Bank's financial position at July 31, 2012 results in an estimated 8.0% CET1 ratio, 9.6% Tier 1 ratio and 12.8% 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 implemented by regulatory authorities.

In conjunction with a commitment to prudent capital planning, which includes a comprehensive ICAAP, CWB expects to maintain Basel III capital ratios above the minimum regulatory requirements. At the same time, management will also continue to evaluate alternatives to deploy capital for the long-term benefit of CWB shareholders.

Changes in Accounting Policies

There were no new significant accounting policies adopted during the quarter for purposes of presenting the Bank's financial statements under International Financial Reporting Standards (IFRS).

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 July 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 August 27, 2012, there were 78,321,291 CWB common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 4,051,372 common shares for maximum proceeds of $95 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 and cancelled under the NCIB. Security holders may contact the Bank to obtain, without charge, a copy of the notice filed with the TSX. A copy of a news release issued by CWB pertaining to the NCIB 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							CDN GAAP
	2012			2011				2010
($ thousands)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues (teb)	**$ 138,150**	$ 127,854	$ 126,300	$ 119,673	$ 122,753	$ 119,766	$ 121,363	$ 111,570
Total revenues	**136,064**	125,396	123,680	116,540	119,956	117,381	118,619	108,391
Net income	**53,578**	45,212	47,051	41,474	44,393	42,440	43,414	39,107
Net income available to common shareholders	**48,004**	39,669	41,478	35,921	38,824	36,941	37,852	35,305
Earnings per common share								
Basic	**0.62**	0.52	0.55	0.48	0.52	0.52	0.56	0.53
Diluted	**0.61**	0.52	0.54	0.47	0.50	0.48	0.50	0.48
Adjusted cash	**0.63**	0.55	0.57	0.53	0.54	0.55	0.55	0.49
Total assets ($ millions)	**16,033**	15,713	15,484	14,849	14,097	13,726	13,099	12,702

The financial results for each of the last eight quarters are summarized above. Note that the 2010 fourth quarter 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 such as 2012.

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.

Among other things, quarterly results can also fluctuate from the recognition of periodic income tax items.

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.

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, and average balances 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 available to common shareholders divided by average common shareholders' equity;
- return on assets – annualized net income available to common shareholders 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 – common 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);
- Basel II 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; and
- average balances – average daily balances.

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 ongoing developments in the euro zone. Management's assumptions at the end of the third quarter remained relatively unchanged compared to those at the 2011 fiscal year end. Potential risks that would have a material adverse impact on the Bank's economic expectations and forecasts include a global economic recession spurred by unfavourable developments in the euro zone, a recession in the United States, a meaningful slowdown in China's economic growth, or a significant and sustained deterioration in Canadian residential real estate prices. The potential of these risks materially impacting CWB's 2012 fiscal year performance becomes less likely as the year end approaches.

Consolidated Balance Sheets

(unaudited) ($ thousands)		As at July 31 2012	As at April 30 2012	As at October 31 2011	As at July 31 2011	Change from July 31 2011
Assets						
Cash Resources						
Cash and non-interest bearing deposits with financial institutions		**$ 59,470**	$ 55,037	$ 73,318	$ 5,100	nm %
Interest bearing deposits with regulated financial institutions	(Note 4)	**217,290**	158,518	233,964	190,415	14
Cheques and other items in transit		**112**	4,054	5,053	8,442	(99)
		276,872	217,609	312,335	203,957	36
Securities	(Note 4)					
Issued or guaranteed by Canada		**688,164**	546,803	644,356	459,849	50
Issued or guaranteed by a province or municipality		**272,826**	360,465	380,031	300,962	(9)
Other securities		**839,519**	915,150	901,317	770,038	9
		1,800,509	1,822,418	1,925,704	1,530,849	18
Securities Purchased Under Resale Agreements		**-**	69,808	-	-	-
Loans	(Notes 5 and 7)					
Residential mortgages		**3,311,330**	3,232,976	3,008,545	2,920,821	13
Other loans		**10,410,879**	10,124,242	9,356,717	9,194,624	13
		13,722,209	13,357,218	12,365,262	12,115,445	13
Allowance for credit losses	(Note 6)	**(79,795)**	(75,489)	(71,980)	(72,398)	10
		13,642,414	13,281,729	12,293,282	12,043,047	13
Other						
Property and equipment		**75,685**	73,955	72,674	69,676	9
Goodwill		**45,536**	45,536	45,691	45,691	-
Other intangible assets		**33,245**	34,535	37,420	38,988	(15)
Insurance related		**56,774**	55,171	56,734	56,393	1
Derivative related	(Note 8)	**130**	740	-	85	53
Other assets		**101,860**	111,942	105,301	107,831	(6)
		313,230	321,879	317,820	318,664	(2)
Total Assets		**$ 16,033,025**	$ 15,713,443	$ 14,849,141	$ 14,096,517	14 %
Liabilities and Shareholders' Equity						
Deposits						
Payable on demand		**$ 590,923**	$ 629,637	$ 583,267	$ 572,218	3 %
Payable after notice		**3,763,642**	3,721,542	3,407,590	3,260,918	15
Payable on a fixed date		**9,100,833**	8,867,898	8,403,832	7,709,978	18
		13,455,398	13,219,077	12,394,689	11,543,114	17
Other						
Cheques and other items in transit		**78,726**	41,891	45,986	37,813	108
Insurance related		**151,052**	144,935	149,130	144,347	5
Derivative related	(Note 8)	**238**	39	436	581	(59)
Securities sold under repurchase agreements		**-**	-	-	41,894	nm
Other liabilities		**210,353**	271,800	262,185	258,000	(18)
		440,369	458,665	457,737	482,635	(9)
Debt						
Debt securities		**178,931**	177,675	89,877	115,587	55
Subordinated debentures		**425,000**	425,000	545,000	545,000	(22)
		603,931	602,675	634,877	660,587	(9)
Equity						
Preferred shares	(Note 9)	**209,750**	209,750	209,750	209,750	-
Common shares	(Note 9)	**483,266**	416,421	408,282	403,956	20
Retained earnings		**702,799**	667,305	608,848	655,942	7
Share-based payment reserve		**23,339**	22,322	21,884	21,090	11
Other reserves		**8,936**	11,985	7,849	14,205	(37)
Total Shareholders' Equity		**1,428,090**	1,327,783	1,256,613	1,304,943	9
Non-controlling interests		**105,237**	105,243	105,225	105,238	-
Total Equity		**1,533,327**	1,433,026	1,361,838	1,410,181	9
Total Liabilities and Shareholders' Equity		**$ 16,033,025**	$ 15,713,443	$ 14,849,141	$ 14,096,517	14 %

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 July 31 2012	April 30 2012	July 31 2011	Change from July 31 2011	For the nine months ended July 31 2012	July 31 2011	Change from July 31 2011
Interest Income								
Loans		**$ 176,977**	$ 166,066	$ 159,472	11 %	**$ 509,343**	$ 462,103	10 %
Securities		**10,578**	11,014	10,706	(1)	**33,412**	32,166	4
Deposits with regulated financial institutions		**500**	297	812	(38)	**1,822**	3,254	(44)
		188,055	177,377	170,990	10	**544,577**	497,523	9
Interest Expense								
Deposits		**68,387**	65,108	60,353	13	**199,749**	174,436	15
Debt		**6,537**	7,127	8,548	(24)	**21,666**	25,745	(16)
		74,924	72,235	68,901	9	**221,415**	200,181	11
Net Interest Income		**113,131**	105,142	102,089	11	**323,162**	297,342	9
Provision for Credit Losses	(Note 6)	**6,453**	6,263	5,072	27	**19,144**	16,600	15
Net Interest Income after Provision for Credit Losses		**106,678**	98,879	97,017	10	**304,018**	280,742	8
Other Income								
Insurance, net	(Note 3)	**6,251**	5,754	5,726	9	**16,406**	15,307	7
Credit related		**5,026**	4,428	4,508	11	**14,422**	13,669	6
Trust and wealth management services		**4,587**	4,984	5,251	(13)	**14,340**	14,714	(3)
Retail services		**2,249**	2,312	2,343	(4)	**6,916**	7,197	(4)
Gains on securities, net		**1,896**	3,182	852	123	**7,016**	10,386	(32)
Foreign exchange gains		**812**	809	803	1	**2,291**	2,558	(10)
Contingent consideration fair value change	(Note 12)	**-**	(1,289)	(2,508)	nm	**(2,489)**	(8,766)	(72)
Other		**2,112**	74	892	137	**3,077**	3,549	(13)
		22,933	20,254	17,867	28	**61,979**	58,614	6
Net Interest and Other Income		**129,611**	119,133	114,884	13	**365,997**	339,356	8
Non-Interest Expenses								
Salaries and employee benefits		**39,350**	38,261	35,647	10	**114,019**	106,682	7
Premises and equipment		**9,839**	9,826	9,355	5	**29,098**	27,355	6
Other expenses		**9,779**	11,448	10,525	(7)	**30,930**	30,835	-
Provincial capital taxes		**150**	70	278	(46)	**345**	1,469	(77)
		59,118	59,605	55,805	6	**174,392**	166,341	5
Net Income before Income Taxes		**70,493**	59,528	59,079	19	**191,605**	173,015	11
Income Taxes		**16,915**	14,316	14,686	15	**45,764**	42,768	7
Net Income		**$ 53,578**	$ 45,212	$ 44,393	21 %	**$ 145,841**	$ 130,247	12 %
Net Income Attributable to Non-Controlling Interests		**1,772**	1,741	1,767	-	**5,284**	5,224	1
Net Income Attributable to Shareholders of the Bank		**$ 51,806**	$ 43,471	$ 42,626	22 %	**$ 140,557**	$ 125,023	12 %
Preferred share dividends	(Note 9)	**3,802**	3,802	3,802	-	**11,405**	11,405	-
Net Income Available to Common Shareholders		**$ 48,004**	$ 39,669	$ 38,824	24 %	**$ 129,152**	$ 113,618	14 %
Average number of common shares (in thousands)		**77,527**	75,779	74,712	4	**76,281**	71,137	7
Average number of diluted common shares (in thousands)		**78,107**	76,511	78,336	-	**76,972**	76,609	-
Earnings Per Common Share								
Basic		**$ 0.62**	$ 0.52	$ 0.52	19 %	**$ 1.69**	$ 1.60	6 %
Diluted		**0.61**	0.52	0.50	22	**1.68**	1.48	14

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 July 31 2012	 July 31 2011	For the nine months ended July 31 2012	 July 31 2011
Net Income	**$ 53,578**	$ 44,393	**$ 145,841**	$ 130,247
Other Comprehensive Income (Loss), net of tax				
Available-for-sale securities:				
Gains (losses) from change in fair value(1)	**(1,541)**	(4,962)	**6,154**	(3,018)
Reclassification to net income(2)	**(1,377)**	(606)	**(5,145)**	(7,469)
	(2,918)	(5,568)	**1,009**	(10,487)
Derivatives designated as cash flow hedges:				
Losses from change in fair value(3)	**(592)**	-	**(84)**	-
Reclassification to net income(4)	**461**	-	**162**	-
	(131)	-	**78**	-
	(3,049)	(5,568)	**1,087**	(10,487)
Comprehensive Income for the Period	**$ 50,529**	$ 38,825	**$ 146,928**	$ 119,760
Comprehensive income for the period attributable to:				
Shareholders of the Bank	**$ 48,757**	$ 37,058	**$ 141,644**	$ 114,536
Non-controlling interests	**1,772**	1,767	**5,284**	5,224
Comprehensive Income for the Period	**$ 50,529**	$ 38,825	**$ 146,928**	$ 119,760

(1) Net of income tax of $560 and $2,194 for the three and nine months ended July 31, 2012, respectively (2011 - $1,931 and $1,178).
(2) Net of income tax of $500 and $1,870 for the three and nine months ended July 31, 2012, respectively (2011 - $246 and $2,917).
(3) Net of income tax of $206 and $30 for the three and nine months ended July 31, 2012, respectively (2011 - nil).
(4) Net of income tax of $161 and $57 for the three and nine months ended July 31, 2012, respectively (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 nine months ended July 31 2012	 July 31 2011
Retained Earnings			
Balance at beginning of period		**$ 608,848**	$ 586,933
Net income attributable to shareholders of the Bank		**140,557**	125,023
Dividends – Preferred shares		**(11,405)**	(11,405)
– Common shares		**(35,201)**	(28,624)
Warrants purchased and cancelled		**-**	(15,985)
Balance at end of period		**702,799**	655,942
Other Reserves			
Balance at beginning of period		**7,849**	24,692
Changes in available-for-sale securities		**1,009**	(10,487)
Changes in derivatives designated as cash flow hedges		**78**	-
Balance at end of period		**8,936**	14,205
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 on settlement of contingent consideration		**63,399**	-
Issued under dividend reinvestment plan		**8,400**	4,221
Transferred from share-based payment reserve on the exercise or exchange of options		**2,207**	3,675
Issued on exercise of options		**978**	2,871
Issued on exercise of warrants		**-**	113,569
Balance at end of period		**483,266**	403,956
Share-based Payment Reserve			
Balance at beginning of period		**21,884**	21,291
Amortization of fair value of options		**3,662**	3,474
Transferred to common shares on the exercise or exchange of options		**(2,207)**	(3,675)
Balance at end of period		**23,339**	21,090
Total Shareholders' Equity		**1,428,090**	1,304,943
Non-Controlling Interests			
Balance at beginning of period		**105,225**	105,179
Net income attributable to non-controlling interests		**5,284**	5,224
Dividends to non-controlling interests		**(5,272)**	(5,165)
Balance at end of period		**105,237**	105,238
Total Equity		**$ 1,533,327**	$ 1,410,181

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

Consolidated Statements of Cash Flow

(unaudited) ($ thousands)		For the nine months ended July 31 2012	July 31 2011
Cash Flows from Operating Activities			
Net income		**$ 145,841**	$ 130,247
Adjustments to determine net cash flows:			
Provision for credit losses		**19,144**	16,600
Depreciation and amortization		**12,975**	13,476
Current income taxes receivable and payable		**7,793**	3,800
Amortization of fair value of employee stock options		**3,662**	3,474
Accrued interest receivable and payable, net		**1,455**	3,379
Deferred income taxes, net		**(1,631)**	(8,608)
Gain on securities, net		**(7,016)**	(10,386)
Other items, net		**3,206**	40,453
		185,429	192,435
Cash Flows from Financing Activities			
Deposits, net		**1,060,709**	835,347
Common shares issued	(Note 9)	**9,277**	120,661
Debt securities issued		**170,237**	-
Debt securities repaid		**(81,183)**	(86,419)
Dividends		**(46,606)**	(40,029)
Distributions to non-controlling interests		**(5,272)**	(5,165)
Debentures redeemed		**(120,000)**	(70,000)
Debentures issued		**-**	300,000
Securities sold under repurchase agreements, net		**-**	41,894
Warrants purchased and cancelled		**-**	(15,985)
		987,162	1,080,304
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		**16,736**	(21,914)
Securities, purchased		**(3,234,525)**	(3,641,010)
Securities, sale proceeds		**1,967,368**	1,856,812
Securities, matured		**1,407,463**	1,749,522
Loans, net		**(1,368,276)**	(1,384,950)
Property and equipment		**(12,886)**	(12,741)
Securities purchased under resale agreements, net		**-**	177,954
		(1,224,120)	(1,276,327)
Change in Cash and Cash Equivalents		**(51,529)**	(3,588)
Cash and Cash Equivalents at Beginning of Period		**32,385**	(20,683)
Cash and Cash Equivalents at End of Period *		**$ (19,144)**	$ (24,271)
* Represented by:			
Cash and non-interest bearing deposits with financial institutions		**$ 59,470**	$ 5,100
Cheques and other items in transit (included in Cash Resources)		**112**	8,442
Cheques and other items in transit (included in Other Liabilities)		**(78,726)**	(37,813)
Cash and Cash Equivalents at End of Period		**$ (19,144)**	$ (24,271)
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		**$ 555,521**	$ 509,924
Interest paid		**217,487**	196,048
Income taxes paid		**37,728**	47,595

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

These unaudited condensed interim consolidated financial statements of Canadian Western Bank (CWB or the Bank) have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). These 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 interim consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2012.

The Bank's significant International Financial Reporting Standards (IFRS) accounting policies and IFRS transition details were disclosed in Notes 1 and 15, respectively, of the Bank's unaudited interim consolidated financial statements for the three months ended January 31, 2012, and 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. These documents are all available on SEDAR and the Bank's website.

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 Management's Discussion and Analysis for the period ended July 31, 2012.

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			For the nine months ended	
	July 31 2012	April 30 2012	July 31 2011	**July 31 2012**	July 31 2011
Net earned premiums	**$ 31,476**	$ 30,035	$ 30,098	**$ 91,965**	$ 87,380
Commissions and processing fees	**490**	478	466	**1,422**	1,410
Net claims and adjustment expenses	**(19,330)**	(18,662)	(18,332)	**(58,319)**	(55,031)
Policy acquisition costs	**(6,385)**	(6,097)	(6,506)	**(18,662)**	(18,452)
Total, net	**$ 6,251**	$ 5,754	$ 5,726	**$ 16,406**	$ 15,307

4. Securities

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

	As at July 31 2012	As at April 30 2012	As at October 31 2011
Interest bearing deposits with regulated financial institutions	**$ 353**	$ 311	$ 815
Securities issued or guaranteed by			
Canada	**170**	(175)	(645)
A province or municipality	**(96)**	(253)	(479)
Other debt securities	**1,220**	997	1,827
Equity securities			
Preferred shares	**8,240**	9,443	9,312
Common shares	**2,186**	5,665	28
Unrealized gains, net	**$ 12,073**	$ 15,988	$ 10,858

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. For the three and nine months ended July 31, 2012, the Bank has assessed the securities with unrealized losses and, based on available objective evidence, nil (2011 – nil) impairment charges were included in gains on securities, net.

5. Loans

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

($ millions)	BC	AB	ON	SK	MB	Other	Total	Composition Percentage July 31 2012	April 30 2012	October 31 2011
Loans to Individuals										
Residential mortgages(1)	$ 1,440	$ 1,210	$ 383	$ 201	$ 77	$ -	$ 3,311	24 %	24 %	24 %
Other loans	69	107	2	11	3	1	193	2	2	2
	1,509	1,317	385	212	80	1	3,504	26	26	26
Loans to Businesses										
Commercial	1,100	1,798	394	179	106	83	3,660	26	26	25
Construction and real estate(2)	1,485	1,808	145	242	81	17	3,778	28	28	29
Equipment financing(3)	459	978	470	186	86	273	2,452	18	17	17
Energy	-	328	-	-	-	-	328	2	3	3
	3,044	4,912	1,009	607	273	373	10,218	74	74	74
Total Loans(4)	$ 4,553	$ 6,229	$ 1,394	$ 819	$ 353	$ 374	$ 13,722	100 %	100 %	100 %
Composition Percentage										
July 31, 2012	33 %	45 %	10 %	6 %	3 %	3 %	100 %			
April 30, 2012	33 %	46 %	9 %	6 %	3 %	3 %	100 %			
October 31, 2011	33 %	46 %	10 %	6 %	3 %	2 %	100 %			

(1) Includes single- and multi-unit residential mortgages and project (interim) mortgages on residential property.
(2) Includes commercial term mortgages and project (interim) mortgages for non-residential property.
(3) Includes securitized leases reported on-balance sheet of $201 (April 30, 2012 – $196; October 31, 2011 – $91).
(4) This table does not include an allocation for credit losses.

6. Allowance for Credit Losses

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

	For the three months ended July 31, 2012			For the three months ended April 30, 2012		
	Specific Allowance	**Collective Allowance for Credit Losses**	**Total**	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	**$ 10,718**	**$ 64,771**	**$ 75,489**	$ 11,885	$ 62,671	$ 74,556
Provision for credit losses	**4,191**	**2,262**	**6,453**	4,163	2,100	6,263
Write-offs	**(2,833)**	**-**	**(2,833)**	(5,733)	-	(5,733)
Recoveries	**686**	**-**	**686**	403	-	403
Balance at end of period	**$ 12,762**	**$ 67,033**	**$ 79,795**	$ 10,718	$ 64,771	$ 75,489

	For the three months ended July 31, 2011		
	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	$ 22,282	$ 58,563	$ 80,845
Provision for credit losses	4,655	417	5,072
Write-offs	(14,043)	-	(14,043)
Recoveries	524	-	524
Balance at end of period	$ 13,418	$ 58,980	$ 72,398

	For the nine months ended July 31, 2012			For the nine months ended July 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**	$ 19,531	$ 61,992	$ 81,523
Provision for credit losses	**13,441**	**5,703**	**19,144**	19,612	(3,012)	16,600
Write-offs	**(13,090)**	**-**	**(13,090)**	(26,883)	-	(26,883)
Recoveries	**1,761**	**-**	**1,761**	1,158	-	1,158
Balance at end of period	**$ 12,762**	**$ 67,033**	**$ 79,795**	$ 13,418	$ 58,980	$ 72,398

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 July 31, 2012				As at April 30, 2012			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	$ 2,210,127	$ 12,421	$ 2,319	$ 10,102	$ 2,155,032	$ 17,161	$ 968	$ 16,193
Real estate[1]	5,036,335	28,717	1,812	26,905	5,011,713	43,209	1,485	41,724
Equipment financing and energy	2,779,514	8,511	3,781	4,730	2,693,333	9,412	4,292	5,120
Commercial	3,696,233	20,592	4,850	15,742	3,497,140	18,091	3,973	14,118
Total[2]	$ 13,722,209	$ 70,241	$ 12,762	57,479	$ 13,357,218	$ 87,873	$ 10,718	77,155
Collective allowance[3]				(67,033)				(64,771)
Net impaired loans after collective allowance				$ (9,554)				$ 12,384

	As at October 31, 2011			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	$ 2,018,627	$ 24,983	$ 1,173	$ 23,810
Real estate[1]	4,722,018	46,638	2,516	44,122
Equipment financing and energy	2,502,620	15,596	5,592	10,004
Commercial	3,121,997	10,041	1,369	8,672
Total[2]	$ 12,365,262	$ 97,258	$ 10,650	86,608
Collective allowance[3]				(61,330)
Net impaired loans after collective allowance				$ 25,278

(1) Multi-family residential mortgages are included in real estate loans.
(2) Gross impaired loans include foreclosed assets with a carrying value of $11,721 (April 30, 2012 – $877 and October 31, 2011 – $3,241) 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.

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

	As at July 31, 2012			As at April 30, 2012		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 36,467	$ 8,050	$ 28,417	$ 44,466	$ 5,905	$ 38,561
British Columbia	28,022	2,545	25,477	38,164	2,230	35,934
Ontario	2,760	1,015	1,745	2,426	1,193	1,233
Saskatchewan	1,531	387	1,144	1,109	461	648
Manitoba	304	186	118	694	264	430
Other	1,157	579	578	1,014	665	349
Total	$ 70,241	$ 12,762	57,479	$ 87,873	$ 10,718	77,155
Collective allowance[1]			(67,033)			(64,771)
Net impaired loans after collective allowance			$ (9,554)			$ 12,384

	As at October 31, 2011		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 53,725	$ 5,208	$ 48,517
British Columbia	35,762	1,441	34,321
Ontario	2,170	1,549	621
Saskatchewan	2,809	823	1,986
Manitoba	953	328	625
Other	1,839	1,301	538
Total	$ 97,258	$ 10,650	86,608
Collective allowance[1]			(61,330)
Net impaired loans after collective allowance			$ 25,278

(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 July 31, 2012				
	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Total
Residential mortgages	$ 10,724	$ 12,876	$ 450	$ -	$ 24,050
Other loans	15,674	9,511	1,357	-	26,542
	$ 26,398	$ 22,387	$ 1,807	$ -	$ 50,592
Total as at April 30, 2012	$ 62,356	$ 5,348	$ 2,246	$ 502	$ 70,452
Total as at October 31, 2011	$ 23,971	$ 16,688	$ 1,873	$ 352	$ 42,884

8. Derivative Financial Instruments

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.

For the three and nine months ended July 31, 2012, $657 and $84 net unrealized after tax losses (2011 – nil) were recorded in other comprehensive income for changes in fair value of the effective portion of equity and interest rate 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. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged items affects income. For the three and nine months ended July 31, 2012, $461 and $162 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 July 31, 2012			As at April 30, 2012		
	Notional Amount	**Positive Fair Value**	**Negative Fair Value**	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps designated as hedges[1]	**$ 100,000**	**$ 88**	**$ -**	$ 75,000	$ 24	$ 24
Equity swaps designated as hedges[2]	**15,445**	**33**	**235**	14,214	685	-
Foreign exchange contracts[3]	**1,384**	**9**	**3**	7,157	31	15
Other forecasted transactions	**-**	**-**	**-**	-	-	-
Derivative related amounts		**$ 130**	**$ 238**		$ 740	$ 39

	As at October 31, 2011		
	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps not designated as hedges	$ 19,400	$ -	$ 420
Foreign exchange contracts	6,834	-	16
Other forecasted transactions	-	-	-
Derivative related amounts		$ -	$ 436

(1) Interest rate swaps designated as hedges outstanding at July 31, 2012 mature between January and April 2013.
(2) Equity swaps designated as hedges outstanding at July 31, 2012 mature between June 2013 and June 2015. Equity swaps are used to reduce the earnings volatility from restricted share units linked to the Bank's common share price.
(3) Foreign exchange contracts outstanding at July 31, 2012 mature between August 2012 and January 2013.

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

9. Capital Stock

Share Capital

	For the nine months ended			
	July 31, 2012		July 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 settlement of contingent consideration	**2,256,868**	**63,399**	-	-
Issued under dividend reinvestment plan[2]	**316,862**	**8,400**	143,172	4,221
Issued on exercise or exchange of options	**283,664**	**978**	327,317	2,871
Transferred from contributed surplus on exercise or exchange of options	**-**	**2,207**	-	3,675
Issued on exercise of warrants	**-**	**-**	8,112,066	113,569
Outstanding at end of period	**78,319,375**	**483,266**	75,223,917	403,956
Share Capital		**$ 693,016**		$ 613,706

(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.

During the third quarter, the Bank settled the contingent consideration related to a 2010 subsidiary acquisition with the issuance of 2,256,868 CWB common shares valued at $63,399, net of issuance costs.

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 nine months ended	
Number of Warrants	**July 31 2012**	July 31 2011
Outstanding at beginning of period	**-**	13,471,611
Purchased and cancelled under Normal Course Issuer Bid	**-**	(1,000,000)
Exercised	**-**	(8,112,066)
Outstanding at end of period	**-**	4,359,545

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.

10. Stock-Based Compensation

Stock Options

	For the three months ended					
	July 31, 2012			July 31, 2011		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options						
Balance at beginning of period	**3,650,376**	**$**	**22.79**	3,472,987	$	20.54
Granted	**531,548**		**26.40**	370,449		30.76
Exercised or exchanged	**(75,534)**		**15.83**	(188,150)		22.69
Forfeited	**(48,875)**		**26.81**	(18,044)		19.06
Balance at end of period	**4,057,515**	**$**	**23.35**	3,637,242	$	21.48

	For the nine months ended					
	July 31, 2012			July 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	**1,261,378**		**25.86**	729,314		30.10
Exercised or exchanged	**(655,275)**		**17.14**	(868,399)		21.89
Forfeited	**(90,660)**		**25.62**	(58,106)		21.44
Balance at end of period	**4,057,515**	**$**	**23.35**	3,637,242	$	21.48

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 655,275 (2011 – 868,399) options exercised or exchanged in the nine months ended July 31, 2012, option holders exchanged the rights to 584,525 (2011 – 740,899) options and received 212,914 (2011 – 199,817) shares in return under the cashless settlement alternative.

For the nine months ended July 31, 2012, salary expense of $3,662 (2011 - $3,474) 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 – 2.1%), (ii) expected option life of 4.0 (2011 – 4.0) years, (iii) expected annual volatility of 31% (2011 – 36%), and (iv) expected annual dividends of 2.4% (2011 – 1.8%). The weighted average fair value of options granted was estimated at $4.92 (2011 – $7.69) per share.

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

	Options Outstanding				Options Exercisable		
	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	558,325	1.4	$	11.74	558,325	$	11.74
$16.89 to $21.46	591,165	1.5		18.49	591,165		18.49
$22.09 to $26.38	2,023,793	3.9		24.92	164,750		26.05
$28.11 to $31.18	884,232	2.6		30.31	171,075		31.16
Total	4,057,515	2.9	$	23.35	1,485,315	$	18.25

10. Stock-Based Compensation – Continued

Restricted Share Units

For the nine months ended July 31, 2012, salary expense of $5,274 (2011 – $6,843) was recognized related to the Restricted Share Units (RSUs). As at July 31, 2012, the liability for the RSUs held under this plan was $7,012 (2011 – $7,414). 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 July 31, 2012, 595,707 RSUs were outstanding (2011 – 536,747).

Deferred Share Units

For the nine months ended July 31, 2012, non-interest expenses "other expenses" included $404 (2011 – $778) related to the Deferred Share Units (DSUs). As at July 31, 2012, the liability for DSUs held under this plan was $2,058 (2011 – $1,596). At the end of each period, the liability and expense are adjusted to reflect changes in the fair value of the DSUs. As at July 31, 2012, 78,347 DSUs were outstanding (2011 – 51,189).

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 July 31 2012	As at April 30 2012	As at October 31 2011
Guarantees and standby letters of credit			
Balance outstanding	**$ 266,666**	$ 280,276	$ 276,323
Business credit cards[1]			
Total approved limit	**-**	-	12,996
Balance outstanding	**-**	-	2,933

[1] The amounts reported reflect business credit card approved limits and balances issued through a third party issuer. Beginning January 1, 2012, CWB has entered into a business credit card agreement with another third party issuer and outstanding balances are now reported on the balance sheet in "other loans".

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:

		Valuation Technique		
As at July 31, 2012	Fair Value	Level 1	Level 2	Level 3
Financial assets				
Cash resources	**$ 276,872**	**$ 274,700**	**$ 2,172**	**$ -**
Securities	**1,800,509**	**1,800,509**	**-**	**-**
Securities purchased under resale agreements				
Derivative related	**130**	**-**	**130**	**-**
	$ 2,077,511	**$ 2,075,209**	**$ 2,302**	**$ -**
Financial liabilities				
Derivative related	**$ 238**	**$ -**	**$ 238**	**$ -**

		Valuation Technique		
As at April 30, 2012	Fair Value	Level 1	Level 2	Level 3
Financial assets				
Cash resources	$ 217,609	$ 183,828	$ 33,781	$ -
Securities	1,822,418	1,822,418	-	-
Securities purchased under resale agreements	69,808	-	69,808	-
Derivative related	740	-	740	-
	$ 2,110,575	$ 2,006,346	$ 104,329	$ -
Financial liabilities				
Other liability	$ 63,500	$ -	$ -	$ 63,500
Derivative related	39	-	39	-
	$ 63,539	$ -	$ 39	$ 63,500

		Valuation Technique		
As at October 31, 2011	Fair Value	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

Level 3 Financial Instruments

Level 3 financial instruments were comprised of the contingent consideration related to a 2010 subsidiary acquisition (see Note 9). The following table shows a reconciliation of the fair value measurements related to the Level 3 valued instrument:

		For the three months ended July 31		For the nine months ended July 31	
		2012	2011	**2012**	2011
Balance at beginning of period		**$ 63,500**	$ 54,963	**$ 61,011**	$ 48,705
Change in fair value charged to other income		**-**	2,508	**2,489**	8,766
Settlement	(Note 9)	**(63,500)**	-	**(63,500)**	-
Balance at end of period		**$ -**	$ 57,471	**$ -**	$ 57,471

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.

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
July 31, 2012								
Assets								
Cash resources and securities	**$ 173**	**$ 421**	**$ 668**	**$ 1,262**	**$ 564**	**$ 135**	**$ 116**	**$ 2,077**
Loans	**6,566**	**529**	**1,670**	**8,765**	**4,872**	**51**	**(46)**	**13,642**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**313**	**313**
Derivative financial instruments[1]	**-**	**-**	**108**	**108**	**8**	**-**	**1**	**117**
Total	**6,739**	**950**	**2,446**	**10,135**	**5,444**	**186**	**384**	**16,149**
Liabilities and Equity								
Deposits	**5,110**	**1,218**	**3,175**	**9,503**	**3,965**	**-**	**(13)**	**13,455**
Other liabilities	**3**	**6**	**27**	**36**	**36**	**9**	**359**	**440**
Debt	**7**	**15**	**102**	**124**	**481**	**-**	**(1)**	**604**
Equity	**-**	**-**	**-**	**-**	**105**	**-**	**1,428**	**1,533**
Derivative financial instruments[1]	**116**	**-**	**-**	**116**	**-**	**-**	**1**	**117**
Total	**5,236**	**1,239**	**3,304**	**9,779**	**4,587**	**9**	**1,774**	**16,149**
Interest Rate Sensitive Gap	**$ 1,503**	**$ (289)**	**$ (858)**	**$ 356**	**$ 857**	**$ 177**	**$ (1,390)**	**$ -**
Cumulative Gap	**$ 1,503**	**$ 1,214**	**$ 356**	**$ 356**	**$ 1,213**	**$ 1,390**	**$ -**	**$ -**
Cumulative Gap as a Percentage of Total Assets	**9.3 %**	**7.5 %**	**2.2 %**	**2.2 %**	**7.5 %**	**8.6 %**	**- %**	**- %**
April 30, 2012								
Cumulative Gap	$ 1,605	$ 1,398	$ 129	$ 129	$ 1,100	$ 1,333	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	10.2 %	8.8 %	0.8 %	0.8 %	7.0 %	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 %	- %	- %

(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:

July 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 %**	**3.0 %**	**4.0 %**	**3.9 %**	**5.1 %**	**5.2 %**	**4.3 %**
Total liabilities	**1.2**	**2.2**	**2.3**	**1.7**	**2.6**	**-**	**2.0**
Interest rate sensitive gap	**2.7 %**	**0.8 %**	**1.7 %**	**2.2 %**	**2.5 %**	**5.2 %**	**2.3 %**
April 30, 2012							
Total assets	3.8 %	3.2 %	4.2 %	3.8 %	5.2 %	5.1 %	4.3 %
Total liabilities	1.2	2.2	2.4	1.7	2.7	-	2.0
Interest rate sensitive gap	2.6 %	1.0 %	1.8 %	2.1 %	2.5 %	5.1 %	2.3 %
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 %

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 3.2% or $12,943 (April 30, 2012 – 3.2% or $12,418) and decrease other comprehensive income $9,699 (April 30, 2012 – $10,762) 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 4.7% or $19,267 (April 30, 2012 – 4.4% or $17,239) and increase other comprehensive income $9,699 (April 30, 2012 – $10,762) net of tax.

14. Capital Management

Capital for Canadian financial institutions is managed and reported until the fourth quarter of 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 in the first quarter of 2013. Further details are available in the Capital Management section in the Q3 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 2011 capital structure and regulatory ratios reflect the returns filed and have not been restated to IFRS.

Basel II Capital Structure and Regulatory Ratios

	As at July 31 2012		As at April 30 2012		As at July 31 2011	
Capital						
Tier 1	**$ 1,417,660**		$ 1,318,999		$ 1,385,737	
Total	**1,854,224**		1,760,892		1,910,776	
Capital ratios						
Tier 1	**10.5**	**%**	9.9	%	11.8	%
Total	**13.7**		13.2		16.3	
Assets to capital multiple	**8.6**	**x**	9.0	x	7.3	x

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

The increase in Tier 1 capital in the third quarter of 2012 reflects the issuance of $63,399 of common shares on settlement of contingent consideration (Note 9).

15. Transition to IFRS

CWB adopted IFRS effective November 1, 2010 as a replacement of previous Canadian GAAP. The Bank's opening consolidated balance sheet was prepared as at November 1, 2010 in accordance with IFRS 1 – *First time Adoption of IFRS* as issued by the IASB. This note explains the adjustments made by the Bank in preparing the required adjustments between IFRS and Canadian GAAP for the comparative period ended July 31, 2011. No material adjustments to the consolidated statement of cash flows were required.

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 was recorded only when it was 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 (non-tax deductible);
- Under Canadian GAAP, acquisition-related costs were 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 was based on a reasonable time frame before and after the acquisition date. Under IFRS, the valuation is completed on the acquisition date.

15. Transition to IFRS – Continued

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 were 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".

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 was assessed in the context of whether it was 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".

15. Transition to IFRS – Continued

Reconciliation of Condensed Consolidated Balance Sheets

As at July 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Assets							
Cash resources, securities and securities under resale agreements	$ 1,734,806	$ -	$ -	$ -	$ -	$ -	$ 1,734,806
Loans	11,946,932	-	114,097	-	-	(17,982)	12,043,047
Other assets	315,069	7,839	(8,776)	-	-	4,532	318,664
Total Assets	$ 13,996,807	$ 7,839	$ 105,321	$ -	$ -	$ (13,450)	$ 14,096,517
Liabilities							
Deposits	$ 11,648,114	$ -	$ -	$ (105,000)	$ -	$ -	$ 11,543,114
Other liabilities	464,913	26,601	(8,641)	-	-	(238)	482,635
Debt	545,000	-	115,587	-	-	-	660,587
Total Liabilities	12,658,027	26,601	106,946	(105,000)	-	(238)	12,686,336
Equity							
Preferred shares	209,750	-	-	-	-	-	209,750
Common shares	403,688	268	-	-	-	-	403,956
Retained earnings	691,799	(19,030)	(1,625)	-	(1,752)	(13,450)	655,942
Share-based payment reserve	21,090	-	-	-	-	-	21,090
Other reserves	12,453	-	-	-	1,752	-	14,205
Total Shareholders' Equity	1,338,780	(18,762)	(1,625)	-	-	(13,450)	1,304,943
Non-controlling interest	-	-	-	105,000	-	238	105,238
Total Equity	1,338,780	(18,762)	(1,625)	105,000	-	(13,212)	1,410,181
Total Liabilities and Equity	$ 13,996,807	$ 7,839	$ 105,321	$ -	$ -	$ (13,450)	$ 14,096,517

Reconciliation of Condensed Consolidated Income Statements

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

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 95,336	$ -	$ 1,361	$ 1,700	$ -	$ 3,692	$ 102,089
Provision for credit losses	5,175	-	(103)	-	-	-	5,072
Other income	24,952	(2,508)	(885)	-	-	(3,692)	17,867
Non-interest expenses	55,805	-	-	-	-	-	55,805
Income taxes	14,530	-	156	-	-	-	14,686
Non-controlling interest in subsidiary	67	-	-	-	-	(67)	-
Net Income	$ 44,711	$ (2,508)	$ 423	$ 1,700	$ -	$ 67	$ 44,393
Net income attributable to non-controlling interests	-	-	-	1,700	-	67	1,767
Net income attributable to shareholders of the Bank	$ 44,711	$ (2,508)	$ 423	$ -	$ -	$ -	$ 42,626
Preferred share dividends	3,802	-	-	-	-	-	3,802
Net Income Available to Common Shareholders	$ 40,909	$ (2,508)	$ 423	$ -	$ -	$ -	$ 38,824

For the nine months ended July 31, 2011 *(Unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 276,915	$ -	$ 4,502	$ 5,047	$ -	$ 10,878	$ 297,342
Provision for credit losses	16,658	-	(58)	-	-	-	16,600
Other income	81,879	(8,766)	(3,621)	-	-	(10,878)	58,614
Non-interest expenses	166,341	-	-	-	-	-	166,341
Income taxes	42,515	-	253	-	-	-	42,768
Non-controlling interest in subsidiary	177	-	-	-	-	(177)	-
Net Income	$ 133,103	$ (8,766)	$ 686	$ 5,047	$ -	$ 177	$ 130,247
Net income attributable to non-controlling interests	-	-	-	5,047	-	177	5,224
Net income attributable to shareholders of the Bank	$ 133,103	$ (8,766)	$ 686	$ -	$ -	$ -	$ 125,023
Preferred share dividends	11,405	-	-	-	-	-	11,405
Net Income Available to Common Shareholders	$ 121,698	$ (8,766)	$ 686	$ -	$ -	$ -	$ 113,618

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

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

Shareholder Information

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Toll-free fax: 1-866-408-0729
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Canadian Western Trust Company
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Valiant Trust Company
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Stock Exchange Listings

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

Transfer Agent and Registrar

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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

Investor & Public Relations
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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 August 30, 2012 at 1:30 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 September 13, 2012 by dialing (416) 849-0833 or toll-free (855) 859-2056 and entering passcode 15462805.