

EVENT: CANADIAN WESTERN BANK FIRST QUARTER  
RESULTS CONFERENCE CALL

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OPERATOR: Good afternoon ladies and gentlemen, thank you for standing by. Welcome to the Canadian Western Bank First Quarter Results Conference Call. At this time all participants are in a listen-only mode. Following the presentation we will conduct the question and answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press the star followed by the zero for operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Thursday, March 6th, 2008, at 2:30 p.m. Eastern Time.

I will now turn the conference over to Ms. Tracey Ball, Chief Financial Officer. Please go ahead.

TRACEY BALL (Chief Financial Officer): Thank you, Maria (phon). And good afternoon and welcome to the 2008 First Quarter Results Conference Call for Canadian Western Bank. Before we begin I want to quickly note that the conference call graph, quarterly press release and supplemental financial information are available on the Bank's website at [cwbankgroup.com](http://cwbankgroup.com) in the Investor Relations section under Financial Reports. Conference call graphs are also available under the Webcast Events section on our website.

I would also like to draw your attention to our forward-looking statement advisory on Slide 12 before we commence rest of the agenda for today. And that agenda is on Slide 2 and joining me for the presentation is Larry Pollock, President and Chief Executive Officer. Also in attendance are Bill Addington, Executive Vice-President whose responsibilities include credit risk management; Brian Young, President and Chief Executive Officer of Canadian Direct Insurance and Executive Vice-President of Canadian Western Bank whose responsibilities include our insurance and trust operations. We have Randy Garvey, Executive Vice-President whose responsibilities include Treasuring (phon) and Systems and Chris Fowler, Senior Vice-President of Credit Risk Management.

I would now like to direct your attention to Slide 3 and ask Larry to begin our presentation with an overview of our first quarter results.

LARRY POLLOCK (President and Chief Executive Officer): Thanks, Tracey. We are very pleased to report continued strong financial performance in our first quarter, which provided to be – proved to be challenging for the overall financial sector. We maintained very solid

earnings growth on record total revenues, making our – marking our 79th consecutive profitable quarter.

Both of our segments continued to perform well. Net income from banking and trust operations was up 21% over the same time last year on strong loan growth of 4% in the quarter and 25% over the past year. Insurance net income of 1.5% was up \$1.2 million over the difficult first quarter last year that was impacted by severe storms in British Columbia. Overall results were in line with our expectations despite continued pressure on net interest margin.

We are well positioned to meet all of our annual performance targets and expect to achieve another solid year of double digit growth. Economic fundamentals in our market remain quite healthy although we are seeing slowness in certain areas. Ongoing softness in the forestry and natural gas sectors continue to pose increased challenges for some of our clients. We also see moderated residential sales activity in some key markets. Overall Western Canada's economic environment combined with the Bank's expanding market presence continues to support a solid flow of new high quality lending opportunities.

Gross impaired loans have increased compared to the exceptionally low levels seen in the recent past, but remain well below historical norms

and with our – within our expectations, particularly measured against the growth of our portfolio the Bank's loans are well structured and reflect our maintenance of strong credit discipline. Overall credit quality remains strong and we are well positioned to manage the credit cycle as it moves from the trough previously observed.

Slide 4: Given ongoing uncertainty and related volatility in the financial markets it's worth restating that we have no direct exposure to troubled asset-backed commercial paper, collateralized debt obligations or US sub-prime lending. Recent financial difficulties experienced by monoline insurers have direct impact on the Bank's financial position or our business strategies. We are maintaining high liquidity in response to market disruptions. While this strategy continues to have a negative impact on net interest margin, it augments the Bank's strong position in times of increased uncertainties. It also provides flexibility to cover accretive growth opportunities or to consider accretive growth opportunities that may become available. We continue to closely monitor market conditions and will adjust liquidity levels as appropriate within our risk parameters.

A highlight this quarter was CWB's second consecutive year of being recognized as one of Canada's 50 Best Employers. Our improved

placement in this year's survey was particularly gratifying as results are based on direct feedback from our employees. It also confirms our people's strategy and provides new ideas to further enhance our position as an employer of choice.

Yesterday our Board of Directors declared a dividend of \$1.10 per share. The dividend was unchanged from the previous quarter and 25% higher than the same quarter last year. We continue to target 20% to 25% payout ratio and we'll review our dividends each quarter.

I will now turn things back to Tracey who will provide a summary of our financial highlights beginning with Slide 5.

TRACEY BALL (Chief Financial Officer): Thanks, Larry. The first quarter earnings of \$25.9 million or \$0.40 per diluted share were up 27% and 25% respectively compared to the same quarter last year. Earnings include \$1 million of additional tax expense or over \$0.01 per diluted share related to the write-down of future tax assets to reflect lower future Federal corporate income tax rate. Excluding the tax expense, net income on diluted earnings per share increased 31% and 28% respectively.

First quarter performance reflects solid net income from banking and trust operations driven by excellent loan growth and strong other income.

Compared to a year earlier, Canadian Direct Insurance posted much improved results with an earnings contribution of \$1.5 million. Total revenues on a taxable equivalent basis were a record \$74.7 million, an increase of 21%. Our return on equity of 16.9% was 150 basis points better than the first quarter last year, while return on assets was down obviously 3 basis points to 1.07%.

Compared to the previous quarter, net income was down 12% reflecting the combined impact of the previously noted first quarter tax expense of \$1 million and the tax benefit that increased net income of the prior period by \$2.9 million. Before taxes, earnings were up 3% over the fourth quarter to a record \$38.7 million. Total revenues were up modestly over the previous quarter reflecting continued strong loan growth, largely offset by a lower net interest margin and a \$1.7 million decrease in net insurance revenues.

Slide 6 shows first quarter results in comparison to our fiscal 2008 performance targets. Larry mentioned for the three months we are in a good position to meet all of our annual targets and expect continued strong financial performance. Net income growth of 27% is well ahead of our 15% target. First quarter total revenues were driven by continued strong loan growth that was on par with our expectations. Loan growth in the

quarter was almost evenly split between and British Columbia although activity in Saskatchewan and Manitoba was also favorable. Commercial real estate was the primary source of quarterly growth while the general commercial and personal lending sectors also showed good results.

Credit quality remains strong and within our expectations. The dollar provision for credit losses increased slightly to \$2.8 million representing 15 basis points of average loans consistent with our target. While the revenue growth continued to outpace growth in non-interest expenses leading to an efficiency ratio of 42.6%. This is a 310 basis point improvement compared to the same quarter last year and 240 basis points better than our 45% target.

Return on equity reflects solid operating performance from both business segments as well as the Bank's more efficient capital structure. Quarterly return on equity was 10 basis points below our 17% target to the impact of the additional first quarter tax expense. Return on assets was also impacted by the first quarter tax expense coming on 3 basis points below (phon) our target.

The next two slides summarize the highlights for our banking and trust operations beginning with Slide 7. Net income of \$24.4 million was up 21% over the same quarter last year on 18% growth in total revenues.

Compared to a year earlier, total revenues reflect 16% growth of net interest income due to the strong loan growth, offset by a lower net interest margin. Growth in non-interest income of 29% reflects strong growth across all areas led by a 1.6% increase in credit related fee income and a \$900,000 increase on gains on the sales securities, foreign exchange and other.

Banking and trust net income also includes the negative earnings impact from the previously noted first quarter tax expense. The first quarter net interest margin of 2.34% was 31 basis lower than last year, mainly due to increased deposit costs and liquidity levels related to ongoing uncertainties in financial market. Higher debenture interest costs and consecutive reductions in the prime lending interest rate also contributed to lower net interest margin.

Net income was down 9% compared to the previous quarter through the combined impact of the tax items previously discussed. Before taxes, banking and trust earnings increased 7% reflecting continued strong loan growth, lower non-interest expenses and higher other income, partially offset by an 8 (phon) basis point decline in net interest margin and a modest increase in the quarterly provision for credit losses. Very strong growth in credit related fee income more than offset lower trust services

fees which were positively impacted last quarter through unusually large trust transactions. Lower net interest margin was due to the reasons already noted except for higher debenture costs.

Slide 8 details the progress we have made in generating additional deposits to our branch network and Canadian Western Trust. Growth in total branch generated deposits kept pace with strong loan growth increasing 4% in the quarter and 25% in the past year. With interest deposits the demand in notice component was up 6% in the quarter and 33% in the past year. Quarterly growth in demand of notice deposits reflects the ongoing success of our Summit Savings account, which pretty well encompasses (phon) \$440 million of total deposits.

Growth in this product continues to support the Bank's strategy to further diversify funding and is also proving an excellent cross-marketing tool to increase awareness of the Bank's other products and services. Mainly notice deposits comprised 27% of total deposits at quarter end consistent with both the previous quarter and one year ago, and branch generated deposits measured as a percentage of total deposits was 64%, unchanged from the previous quarter and down from 67% last year with a decrease reflecting the increased liquidity raised (phon) to our deposit broker network.

Slide 9 shows the financial highlights for our insurance segment. Canadian Direct recorded earnings of \$1.5 million, up \$1.2 million over the difficult first quarter last year that was impacted by high claims experienced due to severe wind and rainstorms in BC. Insurance earnings benefited from 5% growth in net earned premiums reflecting modest growth in policies outstanding and good customer retention, partially offset by lower average premiums per policy.

Both policy growth and premiums per policy in the BC auto product continued to be negatively impacted by the pricing strategy of the Insurance Corporation of British Columbia. The combined ratio for the quarter of 96% improved 700 basis points from the same quarter last year, reflecting better claims experienced partially offset by a 200 basis point increase in the expense ratio. Net income was down \$1.2 million from the fourth quarter due to a \$1 million lower before tax allocation from the Alberta auto risk sharing tool and increased claims experienced attributable to winter weather.

Subsequent to quarter end the Court of Queen's Bench of Alberta rendered a decision to stop (phon) down the cap on the amount a claimant may receive in respect of minor injuries suffered in an auto accident. While the Alberta Government has appealed this ruling, the judgment has

resulted in considerable uncertainty for companies offering auto insurance in Alberta. Provision has been made for the costs of settling these claims and management will continue to monitor the situation to assess all potential impacts. We believe that if the appeal is unsuccessful, insurance companies operating in Alberta will likely require auto rates to cover increased costs.

I'll now turn things back to Larry who will provide comments on outlook, strategy beginning on Slide 10.

LARRY POLLOCK (President and Chief Executive Officer): Thanks, Tracey. Our outlook for this positive notwithstanding the impact of increased uncertainties related to disruptions in financial markets as well as marked economic slowdown in the US. Fed (phon) lending remains the Bank's key earnings driver and continued strong loan growth will benefit revenues and earnings for the remainder of the year. Net interest margin will continue to be constrained by events in the financial markets, which should return to more normal historical levels over time as these issues are resolved.

Our strategies to further diversify funding sources and grow branch raised deposits should have an additional positive impact. We continue to

monitor market conditions closely, and will fine tune our strategies consistent with our conservative risk tolerance. We will also remain flexible to capitalize on accretive growth opportunities that become available. We expect Western Canada's economic growth will moderate in response to increased uncertainties in the economic slowdown in the US but will continue to outperform the rest of the country.

Due deal flow remains healthy despite ongoing softness in certain areas. Credit quality also remains strong and within our expectations. As I mentioned earlier, gross impaired loans remain at low levels compared to historical norms, particularly in light of portfolio growth over the past three years. Our prudent underwriting practices and strong reserves has – have us well positioned to manage the credit cycle. Trust services are showing strong momentum and we are very optimistic about opportunities for future growth and diversification. Our targeted trust marketing strategies are showing excellent progress.

Valiant Trust Company obtained its Federal trust license in the quarter and is now registered to do business in Ontario. We plan to open a new Valiant office in Toronto later this year. Canadian Direct insurance continues to provide solid contributions and supports our goal to generate additional income from non-interest sources.

We have made significant strides with our technology based internet platform and remain focused on increasing both efficiencies and long-term growth prospects for this business. Overall we are maintaining our expectations in line with all of the Bank's fiscal 2008 performance targets. Canadian Western Bank's strategic priorities will remain centered on people, infrastructure, process and business enhancement. Expecting our strategies will build upon the Bank's platform for sustained -- executing our strategies will build upon the Bank's platform for sustained high quality growth while supporting objectives to maintain our strong operating leverage.

Taking care of our people and ensuring they have the experience and tools necessary to build on our service advantage also remains a key for Canadian Western Bank's ongoing success. As I mentioned, the overall outlook is positive despite disruptions in the financial markets, and softness in some sectors. We still have seen significant untapped growth potential in all of our markets and looking forward to continued strong financial performance both this year and beyond.

I'll now turn things back to Tracey.

TRACEY BALL (Chief Financial Officer): Thank you, Larry. And that concludes our formal presentation for today's call. At this time I will ask Maria to begin the question and answer period.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star followed by the one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment please, for your first question.

Your first question comes from Robert Sedran from National Bank Financial. Please go ahead.

ROBERT SEDRAN: Hello, good afternoon. Brian, how significant is this decision in Alberta with respect to, you know, the operating environment. I assume that until the appeal is heard, there is no change?

BRIAN YOUNG: Yes, on the second part. And first part it's significant and has a potential to be quite significant for the industry...

ROBERT SEDRAN: How long would you suggest it would take for the inevitable disruption in the market with pricing and everyone is sort of figures (phon) out what they wanted to, how long would you expect that process to take; a couple of years?

BRIAN YOUNG: 15 (phon) months to two years. And each company is going to have to assess their own situation as to how they're going to go about doing that, but ultimately if the decision stands the way it is, it's going to bring some pricing back into the market as being very important to achieving rate adequacy. At the moment most companies are, I think, fairly reserved, and certainly Canadian Direct is appropriately reserved for this environment, but it's the pricing uncertainty and rate adequacy in the future that we need to bring some clarity to.

ROBERT SEDRAN: Okay. Tracey, I assume the provision is coming through in the Q2 results?

BRIAN YOUNG: No.

TRACEY BALL: No. We're – we already are provided. We – Canadian Direct has always been quite conservative and maintained their established provisioning practices knowing that the cap was going to be challenged, so this continued on with the same practice they always had.

BRIAN YOUNG: So we use the same reserving philosophy pre-cap as – or we kept post-cap as we did pre-cap problem.

ROBERT SEDRAN: Okay. Okay. And just turning – switching gears briefly to credit quality, I know we've some funds made a big deal out of, you know, 100% increase in provisions moving from 200,000 to 400,000, but it seems like the last couple of quarters the numbers have been moving a little bit faster, what – you're seeing also to however indicate the 15 basis points sounds about right. Should we assume, you know, growth in provisions that's more in line with your loan losses or is – you'd still expect loan growth to be a little better than the loan loss experience?

LARRY POLLOCK: Well, just turn the clock back a second, through '05, '06 and '07 in some of our competitors were taking the reserves back into income, we never did that even though we weren't using them to any great extent. So we continue to reserve, and we now have a reserve that is the same as our total write-offs over the last 20 years, so we feel we're pretty well reserved. Historically, 15 basis points an increase would be historical norm.

UNIDENTIFIED COMPANY SPEAKER: Yes, it would be interim (phon) actual losses.

LARRY POLLOCK: For actual losses that would be historically what we would write off, and what's happened in the last couple of years with us having virtually no non-performing loans, we're up slightly, but still well below historical norms in gross non-performing loans. So we've come through this quite nicely, and as we talk about there had been softness in the forestry sector and the oil and gas service areas.

ROBERT SEDRAN: So are you suggesting – so this is my last question and then re-queue up -- are you suggesting, Larry, then there that -- there you could see yourself perhaps taking, you know, a negative general at the specific sort of lump in any given quarter in order to keep the total provision more in line with what – where you think it should be?

LARRY POLLOCK: In taking the losses from the income statement?

ROBERT SEDRAN: Yeah.

LARRY POLLOCK: Not in the foreseeable future.

ROBERT SEDRAN: Okay. Okay. Thank you.

OPERATOR: Your next question comes from Ian de Verteuil from BMO Capital Markets. Please go ahead.

IAN DE VERTEUIL: Yeah. The first question I guess focuses just on the increase in gross impaired that I'm not sure if it's Bill or whoever, and again, we always make too much of increases when they come from such a low level, but it did seem to be broadly based that most of their loan buckets seemed to get a bit – most the gross impaired seemed to rise, is there – I guess, Bill, could you talk a little bit flavor (phon) how broadly diversified was the deterioration the real estate – the uptick in real estate without it been, you know, an individual project that you'd lent money against, just, you know, fell behind?

WILLIAM ADDINGTON: The real estate was one individual project indicative of our portfolio situation, where the project got just one year complete, and builder basically ran out of capital and some leans started to appear in the project, we're in the process of...

IAN DE VERTEUIL: Could you speak up a bit, Bill, I can't hear, too low.

WILLIAM ADDINGTON: As I said, that is one specific project and it got to a relatively high, I think 80% to 85% completion stage and the builder essentially ran out of capital and there some leans started to appear in the project, we're in the process of going in, we've got to call (phon) back, we're going to finish off the project, there are presales in

place, so we feel that that should work itself out in pretty short term orders. We had a couple of accounts as Larry mentioned, you know, we've seen some softness in oilfield servicing sector, but we had one fairly large account that basically got into trouble because one of its receivables right (inaudible) and that process – that account is in the process of (inaudible) receivership.

Forestry, we had a couple of contractors that have experienced problems, and again, you know, that's process of – then saw in some equipments are raising some new capital and despite those will come together too. After (phon) mortgages had a bit of a bump-up this quarter although we felt they're pretty robust last quarter year-end as far as non-performing that portfolio. As you're well aware, you know, the trick (phon) in that business is aggressive management arrears (phon) and handling that and it's well within the industry norms. Does that answer your question?

IAN DE VERTEUIL: Yeah. Yeah. The second question is for Larry on – did I understand -- Rob was asking if the net specifics lent above your -- you would not see a sub drawing down of general, I mean your approach has been obviously quite different, you have continued to provide us relatively static level, and the excess of well above the specifics is used to

build general which has been proved to be very prudent, why would you continue to build general here?

TRACEY BALL: Ian, it's Tracey, I just – I just want to state that we anticipate just 15 basis points at this point being charged off against – off the income statement, and to the extent that there's any change in the general it shouldn't be significant; I think that's what your question is about.

IAN DE VERTEUIL: So the 15% will be the 15, the general will move up or down depending on whatever that is?

TRACEY BALL: Exactly.

LARRY POLLOCK: And we actually added to the general, Ian, in the first quarter.

IAN DE VERTEUIL: Yes.

LARRY POLLOCK: The specifics were lower than what we charged off.

IAN DE VERTEUIL: Okay. Thanks.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star followed by the one. As a reminder, if you are using a speakerphone, please lift the handset before pressing the keys.

Your next question comes from Sumit Malhotra from Merrill Lynch Canada. Please go ahead.

SUMIT MALHOTRA: Hi, good afternoon.

LARRY POLLOCK: Hi.

SUMIT MALHOTRA: I stay with credit for a moment here; sounds like, you know, we've covered the 15 basis points this is going to be the number, how comfortable are you with how the coverage ratio is trending, because your commentary on the call and the press release sounds like that you do expect impairments to be higher than we saw during most of '06 and '07, your coverage ratios given back over 300 basis points year-over-year. And I mean, just leave it there for a second, your thoughts on how comfortable you are with the coverage ratio maybe trending below 100% by the end of the year.

LARRY POLLOCK: Well, I still think that's a good number. I mean, every one of our loans is secured. So when you look at that gross impaired number, we would have security for most of non element, and the usage of the general was only to fill those gaps. I can't remember writing a total loan off in this organization, as we don't do unsecured lending any given instance, so.

SUMIT MALHOTRA: Right.

LARRY POLLOCK: You know, when you get down to zero, any increase is going to draw attention, and what we're trying to – people to look at is, you know, coverage of – I think we got as high as six times coverage, that basically was -- all that I was saying was we didn't have any non-performing loans. We have a portfolio of about \$7.8 billion, and we have \$39 million in non-performing loans, only half of 1%. And our general reserve, we paid (phon) all those non-performing loans off, we would still have an adequate general left.

So I've been through many of these cycles, and most of them were the ones that create most of the problems were high interest rate environments, people just couldn't survive or very difficult economic conditions in our portfolios positioned in Western Canada. We're seeing record commodity prices, gas prices have back so we don't expect to see gas producers continue to suffer, forestry will be difficult but forestry only – we only have about 2.5% of our portfolio in forestry, a lot of that is equipment that's adaptable to other industries, so if we take that, you know, these six caterpillar back and we just sell it into the (inaudible) truck and auction it somewhere else, so getting out of these loans is always

difficult, but we have it well under control, I don't think there's nothing alarming there that I see.

SUMIT MALHOTRA: Okay. I appreciate that comment; thanks for that. And switch over to one of the nice positives in the quarter; the operating leverage that continues to be surprisingly high, your expense growth in few of the line items, I think what you call general expenses and your premises was declining quarter-over-quarter, was this some initiatives you've put into play, given the tougher revenue environment or is there something you could talk to us about on the expense side, if that's something we should look for the Bank to manage down over the course of the year given your commentary on net interest and where liquidity might trend?

TRACEY BALL: Now, some of the – some of the expenses that you saw, first of all, in the fourth quarter last year we had about a \$900,000 extra expense related to that tax benefit.

SUMIT MALHOTRA: Okay. Yeah. Actually just a few (inaudible).

TRACEY BALL: Yeah. And in the first quarter we anticipated that we would have some more training and advertising expenses we haven't seen that, so that is still coming, that – I'm – the operating leverage number is 42.6%, so our goal is to the end at 45% we're very comfortable

with that, and I think probably the question with the efficiency ratio is going to be the top of the – the numerator since revenue will be impacted by margin and, you know, as prime goes down it's going to have a negative effect on us as well, so we are compensating that obviously with growth, but we're quite comfortable with where we are; is that helpful?

SUMIT MALHOTRA: Yeah. I will leave it there for now. Thanks for your help.

TRACEY BALL: Okay. Well, if you have specific questions, then call back.

OPERATOR: Ms. Ball, there are no further questions at this time. Please continue.

TRACEY BALL (Chief Financial Officer): Okay. Thank you, Maria. And thank you very much everyone for your continued interest in Canadian Western Bank. We look forward to reporting our 2008 second quarter results on June 5th. If you have any follow-up questions or comments, please call us or contact us by e-mail. Thank you and have a good day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, you may now disconnect your lines.