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THIRD QUARTER RESULTS CONFERENCE CALL  
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REFERENCE: CNW GROUP  
LENGTH: APPROXIMATELY 46 MINUTES  
DATE: SEPTEMBER 4, 2008

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OPERATOR: Good afternoon, ladies and gentlemen. Welcome to the Canadian Western Bank third quarter results conference call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a 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 star, zero for operator assistance at any time. I would like to remind everyone that this conference is being recorded today, Thursday, September 4th, 2008 at 3:30 p.m. Eastern Time.

I would now like to turn the conference over to Tracey Ball, Chief Financial Officer, please go ahead.

TRACEY BALL (Chief Financial Officer, Canadian Western Bank): Thank you, Luke, and good afternoon and welcome everyone to our 2008 third 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. The conference call graphs are also available under Webcast Events.

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

I'd now like to direct your attention to slide three, and ask Larry to begin our presentation with an overview of our third quarter results.

LARRY POLLOCK (President and Chief Executive Officer, Canadian Western Bank): Thanks, Tracey. The Bank recorded solid quarterly results with earnings growth of 10 percent. We also continued our trend of 19 consecutive years of double-digit loan growth by achieving year-to-date loan growth of 10 percent. Record quarterly revenues were achieved in spite of the impact of a significantly lower net interest margin, which continued to be compressed by spin-off effects from ongoing disruptions in financial and credit markets. While this year has proven challenging for the entire financial sector, we believe our results underscore CWB's strong risk profile and good market position. Clearly persistent financial market turmoil has had a more significant and prolonged impact than we expected when these disruptions started one year ago. As recent as last quarter, we were still optimistic that some relief on deposit costs would be realized,

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however fierce competition persists. The Banking and Trust and Insurance segments both performed well and we're in line with expectations.

Economic fundamentals in Western Canada remain sound, although some sectors have slowed compared to levels observed over the previous two years. Systemic problems remain apparent in the forest industry, although our exposure to this sector remains immaterial (phon) compared to the total portfolio. We are cautiously optimistic about natural gas services as we head into the winter, but activity in this area is highly correlated with resource prices, which have declined since early summer. Moderated residential sales activity is also apparent, but this compares to unsustainable levels in prior periods. We are basically seeing a return to more normal historic sales in price levels. We continue to see a strong flow of new high quality lending opportunities with some improved pricing, which should provide support for strong margins in the future. Ensuring loans are priced at more realistic levels remains a priority. We're also making progress on our initiatives to further expand the Bank's market presence, particularly, as many competitors continue dealing with multiple market challenges. Reduced competition is apparent in some areas of our business and we will continue to promote the Bank's service advantage to increase market share within our geographic focus.

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Gross impaired loans increased slightly since last quarter but remained well below our 10 year average, and within our expectations when measured against total loan growth. Specific provisions for credit losses were unchanged from last quarter and reflect the benefits of our disciplined blending practices. Overall, credit quality remains strong and we are well positioned to manage future credit events. Loan growth in the quarter was mainly funded with liquidity initially built up at the onset of market disruptions in August 2007. However, we will continue to monitor liquidity conditions with particular attention until market disruptions subside.

As stated in prior periods, the Bank has no direct exposure to troubled asset backed commercial paper, CDOs, US sub prime lending or mono-line insurers.

Yesterday, our board declared a quarterly dividend of \$0.11 per share. This quarterly dividend is unchanged compared to the previous quarter and was 22 percent higher than the dividend declared one year ago.

I'll now turn things over to Tracey who will provide a summary of the financial highlights, beginning with slide five.

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TRACEY BALL: Thanks, Larry. Third quarter net income of 26.3 million or \$0.41 per diluted share, were up 10 percent and 11 percent respectively compared to the same quarter last year, and marks our 81st consecutive profitable quarter. Performance reflects solid net income from Banking and Trust operations driven by strong growth in both loans and other income

Canadian Direct Insurance also recorded solid results with an earnings contribution of 2.5 million. We achieved record total revenues on a taxable equivalent basis of 76.4 million, up 8 percent, and achieved despite the significant impact of ongoing margin pressures. Return on equity of 16 percent, was 110 basis points lower than the same quarter last year, while return on assets was down 11 basis points to 1.03 percent. Lower profitability ratios reflect the earnings impact of a significantly constrained net interest margin. Net income was up 4 percent compared to the previous quarter, reflecting two additional revenue earning days, strong loan growth of 3 percent and strong fee income, partially offset by higher non-interest expenses and a 3 basis points decline in margin. Total revenues increased 4 percent from last quarter, reflecting the factors already noted.

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Slide six shows our financial results for the first nine months. These include net income of 77.5 million, up 16 percent, and diluted earnings per share of \$1.20, up 15 percent. Total revenues on a taxable equivalent basis were 224.8 million, up 13 percent. Net interest income was up 10 percent, reflecting strong loan growth that was offset by the impact of our marked margin compression. Other income increased 23 percent. Return on equity was 16.3 percent, 20 basis points less than last year, and return on assets was 1.05 percent, down 8 basis points.

Next few slides summarize the highlight for our Banking and Trust operations, beginning with slide seven. Net income of 23.8 million was up 9 percent over the same quarter last year, on 8 percent growth in total revenues. Compared to a year earlier, total revenues reflect 4 percent growth in net interest income due to strong loan growth offset by the significantly lower margin, and also 23 percent growth in other income. Third (phon) growth net interest margin of 2.23 percent was 35 basis points lower than last year, mainly due to increased deposit costs related to disruptions in financial markets and lower prime lending interest rates and higher liquidity levels. In addition, it takes time for the reality of higher demand for liquidity to be priced into the loan book. Non-interest expenses increased 12 percent compared to last year, mainly reflecting costs

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associated with increased staff complement, annual salary increments and other expenses related to business growth. Strong other income reflects growth across all business streams, led by a \$2.5 million increase in credit related fee income.

Similar to last quarter, gains on the sale of securities were realized due to transactions related to favorable pricing observed on certain short term government debt investments. Net income was up 3 percent compared to the previous quarter, with strong fee based income, two additional days and continued loan growth, more than offsetting a reduction of 1.2 million in gains on security sales, a \$900,000 increase in non-interest expenses and a slightly lower margin.

Slide eight details the progress we have made in generating additional deposits for a branch (phon) network in Canadian Western Trust. Growth in total branch generated deposits was 5 percent in the quarter and 16 percent over the prior year. Within branch deposits the demand and notice component while down 1 percent in the quarter had increased 22 percent over the prior year. Total growth in demand and notice deposits over the prior year partially reflects the success of our high interest Summit savings account, which has grown to encompass over 500 million of total deposits. Demand and notice deposits as a percentage of

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total deposits was unchanged from the previous quarter at 29 percent, up from 27 percent a year earlier. Branch generated deposits measured as a percentage of total deposits was 68 percent at quarter end, up from 64 percent in the previous quarter and 67 percent a year ago. Strong growth in branch raised deposits remain a key strategic priority and we are focused on further diversifying, enhancing and understanding our internal funding sources.

Slide nine shows the financial highlights for our Insurance segment. Canadian Direct recorded solid third quarter results with earnings of 2.5 million, a 13 percent increase from the same period last year. Improved claims experience was the main factor contributing to earnings growth. Absent the impact of the Alberta Auto Risk sharing pools, quarterly net earned premiums increased 2 percent over last year. Competitive pricing continued in the BC Auto product line, as the Insurance Corporation of British Columbia implemented a 3 percent reduction in its optional product effective July 1st. Canadian Direct has responded by offering further discounts on its BC Auto product focus on policy purchase made over the Internet. Combined, the ratio for the quarter of 91 percent was a hundred basis points lower than the same quarter last year, mainly reflecting better claims experience, partially offset by increased expenses. Net income

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increased \$300,000 over the second quarter due to improved claims experience. Year-to-date net income of 6.2 million represented a 20 percent increase over the same period last year, reflecting continued business growth, improved loss experience and higher net interest income, partially offset by a \$600,000 lower before tax contribution from the Alberta Auto Risk sharing pools.

Slide 10 shows results in comparison to our fiscal 2008 performance target. While we are in close range of all of our annual targets through the first nine months, the significant impact of ongoing margin pressures combined with exceptional results recorded in the fourth quarter last year, which included a \$2.9 million income tax benefit make the achievement of certain targets doubtful. Most notably total revenue growth and net income growth. As Larry mentioned, ongoing market disruptions have had a much more pronounced and long term impact on net interest margin, particularly through the cost of deposits that we had expected when targets were established at the end of fiscal 2007.

I'll now turn things back to Larry, who will provide comments on outlook and strategy beginning with slide 11.

LARRY POLLOCK: Thanks, Tracey. Our outlook for this year remains positive, notwithstanding the significant margin impact primarily

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from the increased cost of liquidity which has affected the entire financial sector. The graph on slide 11 shows third quarter pro forma net income and EPS under different net interest margin assumptions which we thought would be illustrative to understand the effect of margin compression. For example, if we had achieved a net interest margin equivalent to the same quarter last year of 2.59 percent, all else equal, it would have added almost \$0.09 per diluted share and net income would have been over \$30 million. We do expect net interest margin will return to more normal historic levels from both loan pricing that better reflects risk differentials and from deposit costs reverting back to historical relationships. However, this time span is uncertain. In the meantime, we will price loans appropriately and are implementing strategies to further enhance our ability to generate deposits. A recovery in net interest margins will provide very strong momentum for earnings growth in future periods.

While economic growth has moderated in response to increased uncertainties and economic slowdown in the US, we expect Western Canada will continue to outperform the rest of Canada. New deal flow is still relatively robust despite softness in certain sectors. Credit quality also remains strong and within our expectations, particularly in terms of both historical results and overall industry conditions. Moderated residential

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sales activity has impacted the real estate lending sector to some extent, but impaired loans in this area mainly reflect isolated circumstances related to a few specific accounts.

As shown on the graph, our historical non-performing loan measured against average loans have averaged about 90 basis points over the past 10 years, and we are currently at 58 basis points of average loans. Specific provisions were unchanged from the previous period and our entire, entire quarterly provision was added to the general allowance. Loan losses, even during higher levels of non-performing loans have not produced specific provisions much in excess of our 13 basis point average. Economic conditions in our markets remain good, and low interest rates support ongoing development, even though inflation is a reality. We also have high employment and relatively strong commodity prices, which is not the environment that produces high loan losses when strong credit discipline is maintained.

Looking at slide 13, Trust Services continue to provide solid contributions and are a valued source of growth and diversification from both a business and geographic perspective. Canadian Direct Insurance is also performing well, and we will continue to promote its technology advantage to further enhance sales of policies over the Internet. Our

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Optimum Mortgage platform is another source of growth potential. We recently confirmed a pilot geographic expansion for Optimum into the Ontario marketplace. Initially we will be working with a single broker and expect to underwrite residential mortgages in targeted areas of Ontario before year-end. Mortgage development officers are already in place and underwriting will be centralized from our offices in Edmonton. Achieving further revenue diversification remains a key strategic priority and remains a business enhancement and supports the business enhancement pillar of our strategic plan. If the right opportunity arises, we will look to further expand sources of fee based income and fill product gaps via acquisition.

Canadian Western Bank's strategic priorities remain centred on people, infrastructure, process and business enhancement. We continue to make marked progress on all of these priorities, which has required increased spending in some areas as evidenced by our higher non-interest expenses. These expenditures are necessary to support future growth and development. Maintaining our reputation for efficiency also remains top of mind and forward thinking fiscal responsibility will not be compromised. Our outlook is positive in spite of a significant earnings impact of a constrained net interest margin. As Tracey mentioned, it is unlikely we will achieve many of our performance targets this year, but this

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is entirely due to ongoing market disruptions that have impacted the entire financial sector. These impacts have also lasted much longer and been more far-reaching than initially anticipated a year ago.

Economic conditions in Western Canada remain good and we still see significant untapped growth in all of our markets, especially as it relates to increased market share. In response to this opportunity, we just confirmed plans for a new full service branches in Surrey, British Columbia, Kamloops, and Saskatoon, Saskatchewan, which are in addition to three previously confirmed new branches in Alberta. Our new branch in Leduke, Alberta will open in October 2008. Our excellent staff, established market positions and disciplined growth strategies have us well positioned for continued success. Notwithstanding increased challenges this is still an exciting time for CWB and we look forward to extending our history of strong financial performance.

I'll now turn things back to Tracey.

TRACEY BALL: Thank you, Larry. And just a reminder of our forward-looking advisory on slide 15. We are now prepared to take questions and answers. Luke, please queue them up.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you do have a question,

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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 speaker phone before pressing any keys.

Your first question today comes from John Aiken of Dundee Capital Markets. Please go ahead.

JOHN AIKEN: Good afternoon. Just wanted to delve into the increase in gross impaired loans that we saw in the quarter. I mean it essentially, the bulk of it came from personal and real estate, yet you didn't record any dramatic specific provisions, is this to assume that we can expect relatively full recovery on resolution of these impairments?

LARRY POLLOCK: Yes, John. If you're not familiar, the foreclosure process, our collection process is very prolonged in Western Canada compared to what you experience in Ontario, so it just takes more time to resolve these issues. What we're not seeing are impaired situations on these loans so people will actually default. It takes most of the year to foreclose, not have to make payments and then sell the property at the end of the cycle, and all the payments get made at that point. So we're really not exposed to losses on these deals.

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JOHN AIKEN: But these impaired loans could be on the balance sheet for a while?

LARRY POLLOCK: Yes, they can sit around for up to a year.

JOHN AIKEN: Okay. And Larry, how much of these formations actually came from the Optimum stream versus your other lending?

LARRY POLLOCK: Well most of the, well the residential would be mostly Optimum because that comprises most of our mortgage book, or a big part of it.

JOHN AIKEN: And Larry, in terms of non-interest expenses, can I assume that based on your prepared speech, that you are prepared to carry on with your strategic spending even though it is beginning to hamper your efficiency ratio?

LARRY POLLOCK: Yes, not a lot. It isn't hampering it a lot. The expenditures are primarily focused on new branches and if we count them up, I think, there's six in that grouping. That's a 15 to 20 percent increase in our branch network and it's quite high so we have the three in Alberta and one in Saskatchewan too, and British Columbia. And these are large revenue producing units and we tend to make them profitable almost immediately by seeding them with business from the next nearest branches that are usually at capacity, and what tends to happen is when

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you bring one branch down or two that are nearby below capacity and add that business to the new one, you will now have three branches that are able to grow as opposed to just the one new one. So you really generate a lot of stimulus to grow and develop your institution and that's the plan and we've been able to execute that for many years.

TRACEY BALL: And John, it's Tracey. Just to comment on the efficiency ratio. Really what's hampering it more is the compressed margin.

JOHN AIKEN: Yes, sorry, it was under the assumption that net interest margins would stay compressed but that's... I guess that's a function of the market and not necessarily what you guys are doing. No, that's great, guys. Thank you very much.

TRACEY BALL: Thanks, John.

OPERATOR: Your next question comes from Michael Goldberg of Desjardins Securities. Please go ahead.

MICHAEL GOLDBERG: Thanks very much. First, a question about the margin. Even though interest rates during the quarter were pretty flat the margins still narrowed and, you know, I guess it might have otherwise been expected that it would improve a little bit, so I guess with your cost of

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deposits going up, can you give us some idea to what extent the higher cost of deposits was due to mix versus actual margin on the deposits?

LARRY POLLOCK: Do you want to try that one, Tracey? That's a tough one...

TRACEY BALL: That's a long question, yes. Well I think that we did have prime reductions in the third quarter, which affects our asset liability book, right, because we're more asset sensitive. So that was definitely there compared to the last quarter. I'm not sure what else. In terms of mix, our fixed deposits were a little bit higher component in our demand and notice. We had a little bit of run off in notice accounts.

LARRY POLLOCK: We're seeing fierce competition for liquidity in the marketplace that I'm sure you're quite aware of, but I checked today and our posted rate on five year GICs was 142 points over Canada's. That's not normal. That's quite a bit higher than what you'd expect in the market. But that's where everybody is pricing and if you want to be in the game you've got to price up there too, Michael. We're seeing even the big banks extremely aggressive in competing for liquidity. The other issue is also on the competition side. The credit unions have had real challenges with liquidity and have really been bidding deposits up in the marketplace, and some of those larger credit unions are located in Western Canada,

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primarily British Columbia. So we're feeling the impact of that as well. So that's tending to compress our margins a little bit.

MICHAEL GOLDBERG: Okay. I wonder if you could give me an update on some issues from the first quarter when you had a few big loans that got classified, what progress has been made in curing (phon) them and when can we expect that they'll be declassified?

LARRY POLLOCK: First of all, maybe I'll let Chris weigh in here, Chris Fowler. But we tend to keep them in the impaired category until they're fixed. We don't like them bouncing back and forth so when they get in there their get of out jail card is, it's hard to get. So do you want to add some colour to that, Chris?

CHRIS FOWLER (Executive Vice President, Canadian Western Bank): Sure. Yes, our larger impaired loans are in the real estate side and these loans are not caused by lack of sales, it causes builder issues in the specific projects that we're into. We have set what our allowances are, there was no change this quarter so it's really a matter of working through the process of getting all the approvals in place and issues resolved to move these developments either into the sell position or off the books entirely.

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MICHAEL GOLDBERG: So on the first loan that I think was in Kelowna, have you -- actually, you know, has the development been completed and is it in the process of being sold now?

CHRIS FOWLER: Well that loan that you're speaking of, that is still in the process of -- the development has stopped and we're in the process of -- it's the receivers in control of the project and we're looking for the, moving forward in either a foreclosure on that or building it out. So we're just getting all of the process in place to resolve the loan. It all just takes a lot of time.

MICHAEL GOLDBERG: Okay. And can you give me also a little bit more colour on what you expect to achieve with Canadian Direct Financial? What do you expect the cost will be to roll that out and the time to break even?

LARRY POLLOCK: We'll let Randy Garvey speak to that, Michael.

RANDY GARVEY (Executive Vice President, Canadian Western Bank): Michael, our strategy with Canadian Direct Financial is to have a very soft roll out so we're not planning on basically advertising in a significant way, at least initially. The actual cost of the software and staffing are pretty minimal. And so we're hoping to probably generate, within a couple of months, 100 million of deposits without an act (phon)

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being aggressive in trying to raise those deposits as we test systems and get comfortable with the approach.

LARRY POLLOCK: The strategic advantage of that is we can geographically focus deposit raising and have some difference from the bank, we separate it somewhat from the bank. There has, as you know, been tremendous success in the market gathering deposits over the Internet, and this is our launch into that market.

MICHAEL GOLDBERG: How do you geographically focus?

LARRY POLLOCK: Well if we advertised only in Ontario and Quebec or the Maritimes, you would get the money there, and if we didn't advertise in the West, you would have to find us on the Internet, so we could advertise in Ontario, not dissimilar to what we do with Canadian Direct Insurance, where we can really drive that market. If we turn the advertising up the call centres get busy, the Internet gets busy, and if you turn it down, the volumes subside somewhat. So you can control it.

MICHAEL GOLDBERG: Okay, thanks. I have a couple of other questions, but I think I'll re-queue.

LARRY POLLOCK: Okay.

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

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SUMIT MALHOTRA: Good afternoon. First question on the Insurance business. There was the comment in the press release talking about the fact that a large proportion of sales as part of what we're doing through the Internet channel but it looked like the expense ratio was one of the higher ones we've seen in the last little while. Am I thinking about this the right way? Do you expect this expense ratio in the Insurance business to start to migrate lower as you push more business through the Internet channel?

BRIAN YOUNG (Executive Vice President, Canadian Western Bank): Sumit, it's Brian. I'll take that. It takes some time for that to happen because really what you're doing is you're building out your Internet structure and you still have your, the same costs attached with your call centre infrastructure, and so what you will see is over time as more and more of our policies migrate to the Internet channel that will be able to first of all control growth in costs and then secondly hit some cost reductions. And we'll be looking for a slight reduction as we go forward into 2009 on that expense ratio.

SUMIT MALHOTRA: Moving over to the lending book. I think you mentioned that the best performance in terms of loan growth this quarter came in the real estate sector, and you talked about it on the credit quality

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side, but when we read in here about housing prices across the country and in Western Canada specifically, along with some of the adverse developments in the commercial space, it may have been the best this quarter but how bullish are you on the pipeline when it comes to real estate related to lending which especially in the commercial side has been a big part of the book?

LARRY POLLOCK: Well actually there is a report today where the real estate numbers, residential real estate numbers for Edmonton came out. The sales, the listings ratio has improved significantly. I believe sales were up 18 point some odd percent over last year. Prices have stabilized if not increased slightly and the message from the numbers that we're seeing in the drop of listings is that it should stimulate buying, in that people think this is sort of the bottom of that market. And Edmonton would be reflective of all of Alberta. British Columbia really hasn't slowed down a lot and it is off a little bit. On the commercial side, the non-performings that you're seeing are sort of, as Chris explained, one-off situations where, you know, you've got more or less an in experienced developer or you didn't have quite enough capital in or they had problems with trades and the project's got liens (phon), so we have to get into this legal process of sorting all of this out. But we try to maintain the pre-sales and we're not

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really concerned about the valuations. We think we're -- we go into these deals with a lot of equity, 85 percent or less of cost, and we would be in a sort of 60-70 percent of the retail value of these properties. So they've got to come down a long way before we get into trouble...

SUMIT MALHOTRA: Just to be clear, Larry, I was more -- I'm not that concerned with the credit quality for the Bank, just looking more at the opportunity for loan growth going forward if the real estate market is a bit softer.

LARRY POLLOCK: Yes, it will slow but where our growth will come is from our competition who are backing away from the market for various reasons. And also, a lot of foreign banks and foreign institutions were in this market trying to capitalize on the new boom, I guess, if you want to call it that, in Western Canada, and they're licking their wounds and going home. So we're seeing a lot less competition and a lot less aggression in taking size in deals, so you will see \$100 million deals sliced and diced four or five ways, where a number of years ago, two or three years ago, one bank would take the whole deal and not share it. So everybody is spreading risk out and that's actually a very good thing for us because we get to participate. The pricing's much better too.

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SUMIT MALHOTRA: On deposits for Tracey or Randy, it was talked about on the expense side with Canadian Direct Financial, but if I go back to margin I think of Canadian Direct Financial along with Summit savings, how did these compare in terms of deposit costs to the Bank relative to your usage of the broker channel, which I think is roughly 30 percent of your funding? Focusing on these two, is it looking to reduce that reliance on the broker channel? What would the difference be on a basis point basis for the Bank in deposit costs?

BRIAN YOUNG: Well I guess the principle reason for going there is the diversification piece and getting us another channel for deposit gathering. If you look at it on a cost per deposits they're roughly the same and part of this strategy will be how aggressive we are in pricing to try and grow the business. So it has some potential once it's established to come in at lower costs and we'd see on the brokerage side because we don't have the commissions.

SUMIT MALHOTRA: Okay, last one for me. Tracey, in Q4 '07 the Bank had very high trust revenue. I think it was referenced at that time that it was a few one-off very large deals. Is there anything like that that we should expect in Q4 or is it -- was that just really not a seasonal blip but just a one-time deal?

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TRACEY BALL: I would say that was a one-time deal and all sorts of events or unpredictable, at best. The other thing that would, as we've got a much more prime rate, which has affected the depository income that Valiant earns over the course of the year, plus, we've had reduced capital market activity.

SUMIT MALHOTRA: Yes, if I remember correctly, that was a large M&A transaction that...

TRACEY BALL: That's right.

SUMIT MALHOTRA: Okay. So that's really just...

TRACEY BALL: So if you start to see the M&A perk up again then we'll start to see some more depository income. But it won't -- at this point we don't see it for the fourth quarter.

SUMIT MALHOTRA: Okay, thank you very much.

TRACEY BALL: You're welcome.

OPERATOR: Your next question comes from Rob Sedran of National Bank Financial. Please go ahead.

ROBERT SEDRAN: Hi there, good afternoon. Just actually one quick question following up on the issue of loan growth. It does to have been slowing a touch. I'm just wondering how much of that is related to it just being harder to grow on the larger asset base and how much relates

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to, say, supply and demand issues in the current environment? In other words, you know, have you changed your lending practices at all in what appears to be a slowing environment, at least, you know, across the country?

LARRY POLLOCK: Rob, good question. The market actually changed some of our lending patterns. What happened in the industrial sector is we had extremely rapid growth over the last several years and this year we've actually had negative growth, because the forestry sector and oil and gas service sectors were off materially. We've had companies actually selling off their equipment and paying their loans down and not borrowing to acquire new equipment which had been the experience we've had over the last five or six years. So that portfolio has actually declined and that's hurt us and that's mainly in those sectors that I'd described. Most of the other sectors where we've seen competition back off has grown rapidly, so we've had a difference in the balance of our portfolio where we've done a lot of real estate deals because a lot of the lenders that had entered the market leave and saw (phon) pension funds directly lending in the real estate construction business backed away. The foreign banks who are active have backed away and the big Canadian banks are now quite willing to share their larger transactions. So we've seen a real

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lift there but certainly very good quality deals, but I expect there will be less of them going forward but we may have a bigger piece of a smaller market. I hope that answers your question.

ROBERT SEDRAN: It does, thank you.

OPERATOR: Your next question comes from Jordan Hymowitz of Philadelphia Financial. Please go ahead.

JORDAN HYMOWITZ: Hey guys, a couple of questions. All the increase in MCA (phon) seems to have been almost all in the real estate side. Do you anticipate almost no losses on this side, you know, not that it's not possible, but is that the ongoing assumption, almost all the general reserves should be thought about for all the other businesses?

LARRY POLLOCK: Jordan, yes, to give you the short answer, we're very good at underwriting this product. We've been doing it for many, many years, it's a core business of ours. We tend to deal primarily with highly experienced well financed developers who have deep pockets and can hold their breath a long time and that's served us extremely well. When the new players came in, our new lenders came into this market, they were doing 95 percent of cost, 100 percent of cost, non-recourse type lending. Well those are the deals that will probably get into trouble. Not

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the traditional deals where we've had our high levels of pre-sales, solid equity position going in with experienced developers. So...

JORDAN HYMOWITZ: How much of the -- the Optimum (phon) book is not in that line, is it?

LARRY POLLOCK: No, it's residential and it's low ratio residential lending. Quite different than your market there.

JORDAN HYMOWITZ: Interesting. I mean trying to figure out what is the balance of Optimum at this point? I mean which...

LARRY POLLOCK: Around 430 million.

JORDAN HYMOWITZ: And that's in which category now?

LARRY POLLOCK: Residential mortgages.

TRACEY BALL: Personal.

LARRY POLLOCK: Personal.

JORDAN HYMOWITZ: So it's in personal and -- okay. So, okay. So, I mean just given the very big increase in impaired, shouldn't there be some specific provision or do you just think that on a loan by loan project everything is okay?

LARRY POLLOCK: Yes, they are okay. As I explained earlier, an earlier question about that product, and we explained that it is a very long duration and solving these when people decide they're not going to pay,

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but we have a lot of equity traditionally in these properties and aren't really exposed to taking losses. I think our combined losses on this whole portfolio are \$20,000, a minimal amount.

JORDAN HYMOWITZ: Okay. And with Optimum, can you say what amount of that is impaired of the 430 million?

LARRY POLLOCK: What would it be... less than \$10 million.

JORDAN HYMOWITZ: So very, very small. It's not...

LARRY POLLOCK: A small amount, very small amount, yes.

JORDAN HYMOWITZ: And that portfolio is holding up very well.

LARRY POLLOCK: Yes.

TRACEY BALL: And it does take longer to resolve though, Jordan, so that's important to know. So you'll see the impaired there for a period.

JORDAN HYMOWITZ: Final question is, you know, you said that the gross impaireds are going to trend up, you know, probably more towards the, you know, close to 1 percent level, but when that occurred your allowance was closer to 1 percent and now it's 72 basis points, so would it be reasonable to think that your general allowance is going to go towards that 1 percent as well independent of if you have charge-offs or not?

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LARRY POLLOCK: No, our actual losses are write-offs. Over the last number of years it's been less than 10 basis point, have they not, Chris?

CHRIS FOWLER: Yes.

JORDAN HYMOWITZ: No, no, your losses haven't really changed but your allowance level has come down a lot as your gross impaireds have come down a lot. If they go up again, independent of whether or not you have loss, will you pick up the allowance?

LARRY POLLOCK: No, our general provision is somewhere in the area of 79 basis points on risk weighted loans or 82 basis points of risk weighted loans, which is historically around where we've been. We do provide a chart on, forget what chart number it is, in our presentation. It was slide 12 or 13, and it shows historically what the gross impaired loan numbers look like going back 10 years and where we are today, and we're still trending well below our average.

JORDAN HYMOWITZ: Right, I understand that, but when it was at that higher level in the late 90s or early 2000s, the general reserve level was about a percent for you guys, so...

LARRY POLLOCK: Yes, but I don't think it was ever that high. But the losses, the actual losses, even in high levels the gross...

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JORDAN HYMOWITZ: Right, you've never had any losses and I'm not saying you won't now, I'm just saying that your reserve level when I look at 2000 was a 1.1 percent, it was 1 percent in '01, it was 96 basis points in '02, it was 99 basis points in '03, if the impaireds go up again, will (phon) the allowance go up again independent of whether or not you have losses?

LARRY POLLOCK: Yes. What happened -- and I can't remember exactly what year. Tracey, do you remember what year it was?

TRACEY BALL: Was it 1999? 1999 and, Jordan, in 1999 our regulator basically changed or charged all the sector to increase general allowances, like, right away, and we actually took that through retained earnings, so that was where you saw the big increase. That was just their change in direction as far as regulation went. It wasn't a function of our loan book. I don't know if that helps.

LARRY POLLOCK: It was a regulatory requirement to do that.

TRACEY BALL: It wasn't specific to the Bank though, it was the whole industry.

JORDAN HYMOWITZ: So was that you reallocated equity to reserves at that point or was it a provision against you?

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TRACEY BALL: Exactly. Like we weren't allowed to have general allowances for a long time and then they decided maybe (inaudible) a bad idea. The trade off was that that general allowance could be included in tier two capital up to a certain prescribed number. So that was just a one-time bump (phon).

JORDAN HYMOWITZ: Got it. Okay, so it wasn't like you decided to provision more at that point, or is it...

TRACEY BALL: No.

JORDAN HYMOWITZ: Okay. I'm sorry, I didn't understand that. That's it. Thank you very much.

LARRY POLLOCK: Thanks, Jordan.

OPERATOR: Ladies and gentlemen, if there any additional questions at this time, please press the star, followed by the one. Your next question is a follow-up from Michael Goldberg of Desjardins Securities. Please go ahead.

MICHAEL GOLDBERG: Thanks. I'm looking for a little more detail on the Optimum pilot in Ontario. I don't suppose you'd tell us who the broker is that you're going to be working with. Also, can you tell us how are you going to do appraisals and how you'll do inspections?

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LARRY POLLOCK: Okay, good question. The broker that we're using is a broker that we have with us now and I think we'd previously announced it was a major bank in Canada, and it's an extension of the arrangement that we have in Western Canada. The inspections and appraisals will be done by the same companies that we use in Western Canada. They are national firms. So it's just an extension of all the service providers that we have in Western Canada.

MICHAEL GOLDBERG: So the broker is a bank.

LARRY POLLOCK: Yes.

MICHAEL GOLDBERG: Okay. All right. Also, for the six branches you talked about, to the extent that you've got an opening schedule, can you tell us what it is? Leduke, you'd said is in October. What about the others?

BRIAN YOUNG: The bulk of the other branches, about three of them, will open late 2009, and the others would be mid to late 2010.

MICHAEL GOLDBERG: Which are the 2009 branches?

BRIAN YOUNG: The 2009 branches would be Surrey, Kamloops and Airdrie?

CHRIS FOWLER: Nope.

TRACEY BALL: Saskatoon.

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BRIAN YOUNG: Saskatoon.

LARRY POLLOCK: Saskatoon.

MICHAEL GOLDBERG: And Sherwood and Airdrie are 2010?

BRIAN YOUNG: Sherwood potentially now could be 2010 and Airdrie as well.

LARRY POLLOCK: Certainly late '09 or early 2010.

MICHAEL GOLDBERG: Okay, thanks.

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

TRACEY BALL: Okay, thank you, Luke, and thanks everyone for your questions. Continues to be an interesting year for the financial sector. We look forward to reporting on our 2008 fourth quarter and annual results on December 4th. So if you have any follow-up questions or comments, as usual, please call us or contact us by email. Thank you and have a good day.

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

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