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OPERATOR: Good afternoon, my name is Sarah, and I will be your conference Operator today. At this time, I'd like to welcome everyone to the Canadian Western Bank First Quarter 2010 Financial Results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you'd like to withdraw your question, press the pound key. Thank you.

I would now like to turn the call over to Ms. Tracey Ball, Executive Vice President and Chief Financial Officer. Ms. Ball, please go ahead.

TRACEY BALL (Chief Financial Officer, Executive Vice President, Canadian Western Bank): Thank you, Sarah, and good afternoon and welcome to our 2010 First Quarter Results Conference Call for Canadian Western Bank. Sorry for the slight delay, but we have a few elevator challenges in our building at this time. Before we begin, please note that the conference call graphs, quarterly results press release and supplemental financial information are available on the Bank's website at cwbankgroup.com in the Investor Relations section. The conference call graphs are under Webcast Events in the same section. I also draw your attention to the forward-looking advisory on slide 10l.

The agenda for today's call is on slide two. Joining me today is Larry Pollock, President and Chief Executive Officer. Also in attendance are Executive Vice Presidents, Bill Addington, Chris Fowler, Randy Garvey and Brian Young. As in prior quarters, the intent is to keep our discussion very brief and leave as much time as necessary for Q&A at the end of the call.

I will start by providing a brief summary of our first quarter financial highlights, and then I'll turn things over to Larry for an overview of our outlook and strategy.

Looking at slide 3 -- The Bank recorded exceptional first quarter results, highlighted by record earnings and total revenues and our 87th consecutive profitable quarter. First quarter net income of $40 million represented a 56 percent increase over the first quarter last year, while our revenues increased 31 percent to surpass the 100 million milestone. Diluted earnings per common share were a record $0.52, up from $0.40 a year earlier and include the net impact of the preferred units that were issued in March 2009. The results reflect a combination of positive circumstances, including a recovery of net interest margin from a low of 1.93 percent in the second quarter last year, to a more normal historical level of 2.56 percent this quarter. Net interest margin recovered more quickly in the year than we expected, reflecting the combined benefit of lower deposit cost and improved deposit and securities mix and lending spreads were more typical of those earned before the onset of the global financial crisis. Now that margin has moved closer to more normal levels, we believe meaningful increases from this point are unlikely, without a material increase in the prime lending rate. Other income was also very strong and included a record contribution from Canadian Direct Insurance and a continued high level of gains on sale of securities due to our investment strategies and favourable conditions in capital markets.

Slide 4 -- perhaps the most exciting highlight for us this quarter was our announced acquisition of National Leasing, which we completed on February 1st. Based out of Winnipeg, National Leasing currently has more than 50,000 customers across the country, and we believe is the premier small ticket commercial leasing company in Canada. National's performance will be reported within our banking and trust segments beginning in the second quarter. We were very well capitalized at quarter end with a tier one ratio of 11.6 percent and a total capital ratio of 15.1. The combination of very strong financial performance and a higher earnings retention ratio led to a 30 basis point increase in the tier one ratio compared to last quarter. With respect to our acquisition of National Leasing, it's expected to have a modest negative impact on regulatory capital ratios. Total loans were up slightly in the quarter and grew 3 percent over the past 12 months. Moderated lending activity continue to reflect the challenging economic environment, as well as both expected and unexpected pay-back on existing lending accounts, particularly in our real estate construction and equipment financing portfolios. Yesterday, our Board of Directors declared quarterly cash dividend of $0.11 per common share. This quarterly dividend is unchanged compared to both the previous quarter and the dividend that occurred one year ago. The quarterly cash dividend on our Series 3 preferred shares was also declared.

Moving to slide 5 -- This slide shows actual results compared to our fiscal 2010 minimum performance target. As shown, CWB is positioned early in the year to surpass all of the targets by a considerable margin except for loan growth. That said, these exceptional results will be a challenge to maintain for the balance of the year. Looking forward we expect actual percentage growth for earnings and revenues will come down from current levels as we start to benchmark against relatively stronger financial performance in the latter half of fiscal 2009. Planned expenditures, coupled with expectations for a declining [audio interference] from sale of securities will have a further impact on percentage growth. We do not see the 40 percent efficiency ratio as a sustainable new benchmark at this point. Although we are in an excellent position to better the 48 percent minimum annual target. We certainly remain comfortable with our targetted range for the provisions for credit losses at 15 to 20 basis points for the CWB Group, without consideration of the impact of National Leasing, which will increase provisions on a go forward basis as a result of the nature of their business. [Audio interference] loss experience and a lighter margin. On a pro forma basis, consolidated year-over-year loan growth at the end of the first quarter, including National Leasing, would have been approximately 7 percent or about 4 percent in the quarter. While we believe our target for double-digit loan growth this year is still attainable, the ultimate achievement of this will be challenging in the absence of a sustained economic recovery. We are very well positioned to exceed our minimum targets for both return on equity and return on asset. But for the reasons already noted, these ratios are not expected to be maintained at the record levels achieved in this quarter.

I'll now turn things over to Larry, who will provide comments on our outlook and strategy, beginning on slide 6.

LARRY POLLOCK: Thanks, Tracey.

This slide shows our current level of gross impaired loans, measured as a percentage of total loans. While this continued to be at the upper level of our historic range, overall credit quality remained within expectations in the context of the current operating environment. The net new specific provisions this quarter were also high compared to our historical average, but the bulk of this amount was attributed to a single account tied to the natural gas service industry in Alberta. As we've said in prior periods, the level of impaired loans will fluctuate as we progress through the bottom of the credit cycle. But from what we see today, actual losses are expected to remain at acceptable levels. We believe the existing level of our general allowance for credit losses is sufficient in consideration of our current expectations and the secured nature of the lending portfolio. The dollar amount of the general allowance decreased slightly and remains well within an acceptable range. The decline in the general allowance was entirely attributed to the account already mentioned and is not a systemic issue. Our secured lending practices continue to result in a much lower loss given default compared to the industry.

The next slide highlights our main strategic priorities for 2010, and that's slide 7. The Bank's objective is to grow across all of our lending areas. Due to macro events related to the global financial crisis, our primary mandate over the past number of quarters has been to work closely with our clients to ensure we are earning a fair and profitable return on our existing portfolio. While this is always important, for fiscal 2010 and beyond, we need to expand our focus to include more targetted business development. Despite continued uncertainty regarding the timing and strength of the economic recovery, there are still high quality lending opportunities in our markets. The purpose of our growth strategy is to further expand CWB's market presence and stimulate growth within certain segments.

Another key area of focus will be the ongoing development of our subsidiaries. Canadian Direct had a record quarter and we expect this business segment will continue to produce strong earnings and growth.

Trust services are also showing solid momentum. Wealth management is currently a small part of our business, but we believe there is considerable room for expansion through both organic growth and acquisition. We will also continue to develop our deposit base, with a focus on diversification and increasing our lower cost retail deposits.

Slide 8 includes a few additional points on National Leasing. A key strength of this company that was immediately apparent in our due diligence was its very strong management team, many of whom have been leading its success for more than 20 years. We're also very impressed by the organizational culture. National Leasing currently employs almost 300 people that are both customer oriented and growth focused, making them an ideal fit with our own brand and culture. National Leasing's products and services complement and diversity our banking operations, and provide each organization with the platform to broaden offerings and grow market share. The nature of this business produces much higher margins than our core banking business and also has lower capital requirements.

As Tracey mentioned earlier, this positive impact will be partially offset by its comparatively higher provisions for credit losses, with the net result of a potential for strong risk adjusted returns. The company was a well chosen niche and one of its primary competitive advantages comes from its position as a technology leader in its field. We believe there will also be opportunities to utilize this expertise in other parts of the Bank's business. Perhaps the most significant benefit will be the improved funding capabilities we bring to the table as a schedule one bank. National Leasing's primary funding has historically been syndicated bank debt and securitization. CWB will considerably enhance the funding capabilities of this business and we will also alleviate capital constraints that we previously dealt with as a private company. These factors, combined with expected synergies, should have a very positive impact on future growth. We are excited to welcome National Leasing and its entire team to the CWB Group.

Slide 9 highlights a couple of key points that we believe are significant strategic advantages, as we continue to grow and develop our business.

First, is our very strong capital position. Our combination of strong and consistent income, relatively high earnings retention ratio and the preferred share capital we raised in 2009 provide us significantly flexibility as we move forward. We are in an excellent position to capitalize on strategic opportunities including further acquisitions and are looking to deploy this capital for the long term benefit of all CWB shareholders. This strong equity level also has us very well positioned to manage the changing regulatory capital landscape and any other unforeseen challenges that may arise.

A second strategy advantage is our relatively low leverage. As shown on graph -- on this graph, CWB currently maintains a much lower assets to equity ratio compared to the industry. While lower leverage is consistent with our commercial focus and conservative risk tolerance, it is also favourable from the standpoint of potential returns. Through the Bank and our subsidiaries we have an opportunity to increase the proportion of assets that carry a lower risk weighting, increasing the rate of growth in personal mortgages and small and medium sized equipment loans supports this strategy, which we believe has potential to enhance our ROE over time. Our ability to grow the equipment financing portfolio including National Leasing along with the opportunity to further strengthen the funding relationship between trust services and optimum mortgage, has excellent potential to enhance our profitability and growth. This is also consistent with our objective to further improve diversification from both an industry and geographic standpoint.

Overall, our first quarter results represent an exceptional start for fiscal 2010 and position us well for the rest of the year. Notwithstanding our expectations for continued challenges in certain areas, we look forward to extending our long history of strong financial performance.

I'll now turn things back to Tracey.

TRACEY BALL: Thanks, Larry. And that concludes our formal presentation on today's call. At this time, I'll ask Sarah to begin the question-and-answer session.

OPERATOR: At this time, I would like to remind everyone, in order to ask a question, press star then the number on your telephone keypad.

Your first question comes from the line of Gabriel Dechaine from Genuity Capital Markets. Your line is open.

GABRIEL DECHAINE: Hi, good afternoon. I just want to talk about the composition of the impaired loans balance. About half of it is in real estate, can you just, you know, give a bit more clarity on what that compromise -- the real estate specifically is comprised of? How much of that would be condo projects and how much would be offices or strip malls or things of that nature?

LARRY POLLOCK: Yes. Do you handle that, Chris?

CHRIS FOWLER (Executive Vice President, Canadian Western Bank): Sure. Looking, we've got about 40 percent of the gross impaired loans are in the construction component. We have 4.17 percent of that amount has specifics on it, so there's not a lot of -- we're not seeing a lot of losses in that number. Our largest couple of loans in there: one is a commercial land development loan, it's well underway to completion and for sale; and our second largest one is a string of apartment buildings that are being refinanced. So we've got a range of different properties in here. We have no strip malls in here that are in the impaired loans. So it's a range from multi-family to land development and to apartment buildings. So it's quite a mix. There's no particular concentration in any one particular type of a loan.

GABRIEL DECHAINE: Well, I guess the one area I'd like to hear you have a lot of is in the residential, maybe it's too simple of an assumption, but if you've got a lot of condo projects, maybe the chance of being made whole on them is a lot better because of the real estate market of having improved so much from the bottom.

CHRIS FOWLER: Definitely the focus of our entire construction portfolio is on the condo side of the equation.

GABRIEL DECHAINE: Okay.

LARRY POLLOCK: Given the subdivisions, Gabriel, are at the retail -- residential, I should say.

GABRIEL DECHAINE: Right. So the other area, I guess, but seen a bit of an increase in the recent quarter is the other loans. I guess that's mostly commercial. What typically would you have in terms of security on these loans? Because I can get my head around the real estate and your ability to be made whole there, but if these commercial loans are secured by, you know, what kind of assets, I guess, there's no general rule I'm imagining here but could you provide some context there?

CHRIS FOWLER: Certainly. A lot of those would be either owner occupied real estate but also includes equipment, so the loan where we have the loss on, the oil and gas service loan, it was primarily equipment and as the account resolves, the resale value of the equipment was very low given the poor state of that industry right now.

GABRIEL DECHAINE: Okay. Now, in terms of the PCLs (phon) in the MD&A, you talk about National Leasing. Well National Leasing, first of all, is going to have I guess a moderately beneficial impact on the margin but on the credit it's going to increase your range, does that mean you're going to be increasing your guidance for credit provisions in 2010 or can you explain that one a little bit more?

LARRY POLLOCK: In that business, the provisions are preset. What we do is we take a percent of the margin and retain that for losses, and I believe right now the amount is about 1.25 percent of the margin is allocated towards losses. So in good periods of time you won't use it and with periods in the economy you will use that up.

GABRIEL DECHAINE: So can you -- when you take a slice of the margin, what's the margin typically? Like, 3 or 4 percent? Maybe it's higher because it's a lease all (phon).

LARRY POLLOCK: No, it will be much higher than that.

GABRIEL DECHAINE: Okay.

LARRY POLLOCK: Yes.

GABRIEL DECHAINE: All right.

LARRY POLLOCK: Much higher. So at the end of the day though your net retention or spread is going to be much higher than we get in our traditional forms of business.

GABRIEL DECHAINE: Okay. And just I guess on the loan growth, there's not really much to add. We're not going to see any organic loan growth really beyond what you're kind of guiding for until... What would be the impact of residential construction, is that as important or less important than that natural gas price rebounding? How would that affect your -- if construction loans, I guess, are they as important as the natural gas price?

LARRY POLLOCK: Yes, the natural gas price is low and it's likely to stay down there for a sustained period of time because of the amount of shale gas being developed. But the interesting thing about equipment that works primarily in the oil patch is it wears out and when we went into this downturn, the royalty scheme was changed in Alberta and reduced a lot of the activity and companies that are still active in the business would take half their equipment and sell it and a lot of this equipment was disposed of and were paid down and we continue to book a lot of business but it was a point where we couldn't book it fast enough to stay even. You will get to the end of that string and start to see growth and really what you have to do is watch the major equipment dealers and see what their volumes look like, and I know they've been improving, and that will reflect on our business going forward. And activity is picking up. We're seeing it now, we're seeing it in real estate sales are significantly higher than they had been and so we're more optimistic now and we love the challenge of people that say you can't grow. That motivates us. Thank you for that.

GABRIEL DECHAINE: Mm-hmm. I don't think they'd phrase it exactly like that but... Yes, you're backing off, hey. Use it as you wish, I guess. Okay, thank you.

LARRY POLLOCK: Thanks, Gabriel.

OPERATOR: Again, if you would like to ask a question, press star then the number on your telephone keypad.

And your next question comes from the line of Michael Goldberg from Desjardins Securities. Your line is open.

MICHAEL GOLDBERG: Good afternoon.

LARRY POLLOCK: Hi, Michael.

MICHAEL GOLDBERG: In insurance, you had a big contribution from Alberta risk sharing, is this an anomaly? Is it -- does it have anything to do with the recent Supreme Court ruling? Can you just give us some colour?

LARRY POLLOCK: Yes. Do you want to do that, Brian, or do you want...

BRIAN YOUNG (Executive Vice President, Canadian Western Bank): Yes, sure. No, I can handle it, Larry. Yes, a lot of it was -- you can see an anomaly, it's a one-off, a recovery of funds that we had previously set up that were relative to that Supreme Court decision. So a year and a bit ago there was a bunch of IBNR (phon) that was put up when the MIR regulation was overturned and then -- sorry, when it was -- when the government's regulation was overturned, and then when the -- on appeal, that was running through the Supreme Court, they reversed that and when the Supreme Court refused to hear the case, they were -- immediately all that money was given back. And we'd just received our prorata share based on the size of the market that we have. That amount was about 1.5 million pretax out of the 1.9 that came to us from the facility.

MICHAEL GOLDBERG: Okay. Thank you. And you had a high level of realized gains and you've cautioned us not to expect that this is going to necessarily be sustainable, but your unrealized gains have also been increasing significantly, particularly on your preferred share investment, so what are your plans regarding possibly monetizing any of these gains?

LARRY POLLOCK: Well, we bought these mostly reset prefs (phon) for a yield (phon), and what's happened in the industry and the marketplace, as you know, is everybody's chasing yield these days, so it keeps driving the value of the prefs up. It's not our intention to monetize those because we originally -- our original intention was to buy them and hold them and that remains. What we've been rolling mostly is we have a view that rates will move up and I think that's pretty common in the industry, and so, as a result, we've been shortening our book up a little bit and when you do that you might sell a little bit longer bond and take some short term pain and carrying those funds at lower yields while you wait for increased rates. That's what we've been doing is just repositioning ourselves on a go forward basis, but it seems to be the type of market that just never ceases to give gains. At least in the short run. We don't think that's a sustainable event though, and we wouldn't have even anticipated it continuing as long as it has. But it's still there, Michael, you're right. I mean we still do have very large unrealized gains.

MICHAEL GOLDBERG: Okay. And you had 45 million of gross formations in the quarter, how much of this was that natural gas service loan?

LARRY POLLOCK: The gross number was around five...

UNIDIENTIFIED SPEAKER: 6 million.

LARRY POLLOCK: 6 million. And there was another large account in there.

CHRIS FOWLER: Yes, there's a -- of the formations, there was seven -- 83 loans were added, of which eight were greater than a million dollars, so there's a lot of smaller loans included in there.

MICHAEL GOLDBERG: Mm-hmm.

LARRY POLLOCK: What you're probably looking for is some sort of systemic problem, and we don't see that, frankly. These seem to be one-off things and we expense them and that's why we carry a general reserve, is to handle them when they do occur. And the general reserve is for the unknown problems that you have in your portfolio, in your existing portfolio, and we knew we had some. But looking forward, we're, as we see the economy improving, more optimistic looking forward. So we haven't adjusted our reserving. I mean we put a lot of reserves up when the industry wasn't through the years when nobody took any losses. We were continuing to build our general reserve up. But our coverage ratio maybe isn't much higher than the others, Michael, but it's certainly adequate for the type of lending that we do. It's all secured.

MICHAEL GOLDBERG: Right. So looking at the pipeline, do you see that level of gross formations coming down, just from what you can see right now?

LARRY POLLOCK: Yes, the pipeline actually is indicating that, and it has for, what, two quarters, Chris? About two quarters now, and we don't know whether two quarters is a long enough period for a trend, but certainly looking over the horizon we're seeing an improving environment rather than deteriorating.

MICHAEL GOLDBERG: Thank you very much.

LARRY POLLOCK: Thank you.

OPERATOR: Your next question comes from the line of Stephen Boland from GMP Securities. Your line is open.

STEPHEN BOLAND: Hi, good afternoon.

LARRY POLLOCK: Hi, Stephen.

STEPHEN BOLAND: Just on the 45 million of new formations, what's the, I guess, duration or where are they in the duration of that loan? Are they sort of well seasoned in terms of longevity or are they sort of newer loans that you've put in your books?

LARRY POLLOCK: No, these have been on the books for a while. The one that created the loss was -- it was related to the oil -- the gas industry primarily, and that business has been depressed and well known for quite some time and it will get resolved quite quickly so it won't linger. We'd got an offer almost immediately and then we were able to put the pinion (phon) on what the loss was and it'll be resolved quite quickly. So that's really what we endeavoured to do is when we do get them move them off fast. The ones that tend to linger a little bit are some of the real estate ones where you've got to build out a project or it takes a while to sell it out.

STEPHEN BOLAND: I guess, I'm not sure if this is disclosed, but I mean what's the -- I guess your general allowance went down a couple of million dollars, what's -- how the rationale between taking I guess a higher provision this quarter as opposed to sort of releasing a general? How does that rationale work?

LARRY POLLOCK: Well, I think, you know, the nature of a general is it should be (inaudible) during good times and if you look back historically, we have done that. We have built it up during the good times rather than taking it back into income or not putting it through your income statement in the first place. And when you have softer periods in the economy, like we're experiencing now, and have, to a greater degree, last year, you should draw it down. If you never draw it down, if it becomes a static number, you would question why you even have it. And it is -- a portion of it is used as capital as it is, so really your reserve is the amount of regulatory capital that you need is not a reserve, but your surplus capital plus your general reserve is, in my mind, all reserve.

STEPHEN BOLAND: What's -- has there been change in OSPIs (phon), you know, when they look at a bank's general reserve? Maybe not -- you know, I know you don't want to speak for the industry, but when you make that decision is the OSPI more reluctant, less reluctant or are they...

LARRY POLLOCK: No, they fully understand why you carry -- that's why they have you carry reserves, general reserves, so that you're not shocking the organization. When you take losses, you build a reserve during the good times, as I'd said, and you drop down during the weak times, and they certainly expect that to happen. There's been certainly no alarm from us on a draw down in reserve during weak economic time. They expect that.

STEPHEN BOLAND: Okay. Thank you very much.

LARRY POLLOCK: Okay.

OPERATOR: Your next question comes from John Reucassel from BMO Capital Markets. Your line is open.

JOHN REUCASSEL: Thank you. Larry, just a quick question. The prefs, can you get them to convert or is the conversion feature all at the holder's option?

LARRY POLLOCK: Yes, the prefs aren't convertible in and of themselves. We sold them as a unit and then split, so the warrants actually trade separately now and we do have a normal course issuer bid in place for the warrants themselves.

JOHN REUCASSEL: Okay. So you're out there trying to actively purchase the warrants?

LARRY POLLOCK: Yes, although the trading volumes are very, very low. So.

JOHN REUCASSEL: Yes. Then when you buy them, do you just offset them against -- you just cancel them, is that what you do?

LARRY POLLOCK: Yes, we just cancel them.

JOHN REUCASSEL: And then on your unrealized gains, if I'm reading the table right, it looks like you have a 21 million of securities, and is that the one mainly made up of these trust (phon) shares that you expect to hold?

LARRY POLLOCK: Yes.

JOHN REUCASSEL: And then I guess if we're trying to look at, you know, gauge realized gains and losses going forward, what portion of that 21 million is subject to, you know, you might be trading in other things as opposed to prefs booked (phon), which you're not.

LARRY POLLOCK: We don't really trade. We actually set up -- take a position and we look forward and our view now is that the market is -- we're going to experience higher rates, so we're shortening our duration and -- so we'll just move assets around. So half of that gain is, I think, at least of that gain is in prefs that we probably wouldn't look to do anything with them.

JOHN REUCASSEL: Half the gain in this quarter was from the prefs?

LARRY POLLOCK: No, none.

JOHN REUCASSEL: None? Okay.

LARRY POLLOCK: But half the unrealized gains, sorry, is in the prefs and the rest would be in various bonds and commercial paper.

JOHN REUCASSEL: Okay. And then, Larry, just last, on general, and I apologize if you've answered it. What was the trigger event that you thought this quarter was the right decision to reverse the 2 million of the general, was it the -- I think you mentioned, if I'd heard you right in your commentary that the reversal was kind of related to, was it the single account, this natural gas supplier?

LARRY POLLOCK: Yes. What we do is we charge -- we're quite disciplined in what we charge-off, so you will look back historically and see that it's very consistently between 15 and 20 basis points. In most quarters we don't -- well in recent times, we have been using it, but historically we haven't. It would just build the general. This quarter, this particular quarter, we used all of what we had charged to the income statement and we were short a little bit on the loss on this one account, so we took it out of the general. That caused the draw down, was just the one account.

JOHN REUCASSEL: Okay. Thank you.

LARRY POLLOCK: Yes.

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

SUMIT MALHOTRA: Good afternoon.

LARRY POLLOCK: Hi, Sumit.

SUMIT MALHOTRA: First question is for Tracey, on the efficiency ratio. Your comment on the 40 percent likely being unsustainable, certainly there was -- it was a very good revenue quarter, a lot of stars seemed to have aligned in terms of everything moving in the right direction, so I'm guessing some of that has to do with revenue. When I look at the bottom line expenses though, first time in a while we've seen a quarter over quarter decline from Canadian Western when it comes to the overall expense base, so your comment on mix, how much of that was related to revenue and is there something special in this quarter's expenses that leads you to believe they were abnormally low?

TRACEY BALL: Two things; one is it's the revenue because of the -- we don't anticipate the same level of gains on security sales. We also had an additional contribution from Canadian Direct Insurance from their release of the reserves because of the Supreme Court decision not to hear that case. That would be 1.5 million in revenue. In addition, in the first quarter, our restricted stock unit compensation went down because the price of our shares went down, and so that would be why we had a decline. So hopefully we'll have an increase in second quarter in our RSU (phon) expense.

SUMIT MALHOTRA: Okay, so that means that's -- and I don't think your decline would have been that much, so that -- there's a couple of the other line items, but nothing artificially low in expenses this quarter?

TRACEY BALL: Yes. And in the fourth quarter we also had a fairly large campaign, an awareness campaign going on that's not -- that wasn't repeated in the first quarter.

SUMIT MALHOTRA: Yes, I see that in your marketing and business development.

TRACEY BALL: Yes, that was our working bank campaign, that you probably didn't see back east.

SUMIT MALHOTRA: No, unfortunately I missed it.

TRACEY BALL: Yes.

SUMIT MALHOTRA: Back to that interest margin for a second. You'd touched on this a couple of times. So it certainly seems like you got back to that level that you talked about in the 2.5 to 2.6 range pretty quickly, so leaving aside the benefit from National Leasing coming on board next quarter, your view here is that the bulk of the repricing efforts in both the loan and the deposit book have run their course and we would likely bump along until if and when the Bank of Canada decides to move rates. Is that a fair characterization?

TRACEY BALL: I would say that's a fair characterization, and I'll just remind everybody that when we were negotiating with some of our customers in 2009, we established floors on those loans for that draw down, so they may be prime based but they won't reprice beyond the -- like if prime goes up 50 basis points they may not reprice because they're at an minimum rate already. So we have to wait for prime to get, you know, over 100 basis points basically to see all the loans in that portfolio recover. I don't know if that's clear.

SUMIT MALHOTRA: No, that's something to think about as we -- starts moving in that direction.

LARRY POLLOCK: There may be some margin increases yet though because we do still have some higher cost deposits to roll and they're spread out, but not as concentrated as they were. And we also were carrying through the last quarter liquidity to close National Leasing, and we were effectively not earning anything on that or, you know, a quarter point here and there, and that has since been deployed on February 1st. So that could kick the margin up a little bit as well.

SUMIT MALHOTRA: If I look at -- I mean I know when we look at liquidity on the balance sheet, it's really an end of the quarter number, doesn't look -- no, I guess Q4 and Q1 were somewhat elevated. You're saying it's probably -- we'll probably see that decline now that the deal's closed in Q2.

LARRY POLLOCK: Yes.

SUMIT MALHOTRA: And last one for me. In fee income relates to the line item that we call, if I can find it here, the credit related revenue that you book. Not huge, but up about a million dollars quarter over quarter, just want to make sure I'm thinking about this clearly. Is this the upfront fee you book on new commercial loans that are originated? Is it a proportion of loans outstanding? It just seems like with commercial loan growth essentially unchanged quarter over quarter, this was a decent sized move. So anything you could help me with on how that -- the mechanics of that line?

TRACEY BALL: Yes, I haven't looked at that specifically, Sumit, but we did have strong commercial loan growth in that sector, but you can't see it because it's been masked over by industrial -- decline in industrial portfolio and a flattening in the real estate portfolio. So there are -- there is activity going on in commercial lending, and I would think that is what those fees represent, but I haven't analyzed them. The larger fees that we get all would go into interest income.

SUMIT MALHOTRA: So, I mean, what you call other loans, or your non-residential mortgage loans are essentially flat, I guess there's some, I think you've talked about in the past, mostly natural gas, that there's been paydowns -- or in other sectors there's been some paydowns, so this basically booked on new commercial loans that you originate in any given quarter?

TRACEY BALL: Yes.

UNIDIENTIFIED SPEAKER: Some of it could be standby fees too on undrawn portions of credits.

SUMIT MALHOTRA: Thanks for your time.

LARRY POLLOCK: Thank you, Sumit.

OPERATOR: Again, if you would like to ask a question, press star then the number on your telephone keypad.

And your next question comes from Mark Sharbin (phon) from Jennings (phon) Capital. Your line is open.

MARK SHARBIN: It sounds like growing the optimum portfolio is a pretty good use of capital for you now. Can you talk about, you know, details regarding your growth plans there on new products, new markets, increases in headcount?

LARRY POLLOCK: Yes, we have a full complement in place now, I think, for the first time ever, and we have put mortgage officers in Ontario and that is a recent event, so we're starting to generate some product in Ontario. So, yes, it is a great place to deploy capital, absolutely, and we will be looking to grow that book significantly.

MARK SHARBIN: You know, so let's say your 10 percent quarter over quarter increase, do you plan to do that quarter over quarter throughout the year? Is that realistic?

LARRY POLLOCK: I would hope so, I can't confirm it for you. That's certainly the objective.

MARK SHARBIN: All right. Great. Thank you.

OPERATOR: There are no further questions at this time.

TRACEY BALL: Okay, thank you, Sarah, and thank you very much, everyone, for your continued interest in Canadian Western Bank. We look forward to reporting our second quarter 2010 results on June 2nd. And as usual, please call or email us with any follow-up questions or comments. Thank you very much and have a good day.

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

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