CANADIAN WESTERN BANK GROUP
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NEWS RELEASE

CWB reports strong second quarter and year-to-date financial performance
Quarterly dividend increased to $0.14 per CWB common share, up 8% over the prior quarter
Quarterly dividend declared on CWB preferred shares

Second Quarter 2011 Highlights (compared to the same period in the prior year)

- Total loans surpassed the $11 billion milestone driven by strong loan growth of 3% in the quarter, 7% year-to-date and 14% over the past twelve months.
- Net income of $44.4 million, up 17% ($6.6 million), marked CWB's 92nd consecutive profitable quarter. Diluted earnings per common share of $0.53, an increase of 13%, included the year-to-date impact of 7.2 million CWB common shares issued upon the exercise of warrants. Approximately 5.3 million of the 15.0 million warrants originally issued as part of the Bank's preferred unit offering in March 2009 remained outstanding at quarter end.
- Total revenues (teb)[1] of $121.8 million, up 10% ($10.8 million).
- Tangible common equity to risk-weighted assets ratio[2] of 9.2%, Tier 1 capital ratio of 11.8% and a total capital ratio of 16.6%.
- On June 1, declared a quarterly dividend of $0.14 per CWB common share, an increase of 8% over the prior quarter and 27% over the quarterly dividend declared a year earlier.
- On April 26, completed a $250 million offering of senior deposit notes representing the Bank's first issue of floating rate senior debt in the capital markets.
- Significantly expanded CWB's existing branch in Medicine Hat, Alberta to offer full-service business and retail banking.

(1) teb – taxable equivalent basis (see definition following the Financial Highlights table).
(2) Tangible common equity to risk-weighted assets ratio (see definition following the Financial Highlights table).

Edmonton, June 2, 2011 – Canadian Western Bank (TSX: CWB) today announced strong financial performance marking the Bank's 92nd consecutive profitable quarter, a period spanning 23 years. Second quarter net income of $44.4 million increased 17% compared to the same quarter last year while diluted earnings per common share increased 13% to $0.53. Quarterly total revenues (teb) of $121.8 million grew 10% as the positive impact of strong 14% year-over-year loan growth and an improved net interest margin offset lower other income. On a year-to-date basis, net earnings of $88.4 million, or $1.07 per diluted common share, increased 13% and 8% respectively, reflecting the combined positive impact of strong loan growth and a 21 basis point improvement in net interest margin (teb).

Second quarter net income for the banking and trust segment of $41.0 million was up 19% over a year earlier mainly driven by strong loan growth and an improved net interest margin. Banking and trust segment total revenues (teb) were up 10% to $114.2 million. Quarterly net income from the insurance segment was $3.5 million, up $0.1 million compared to a year earlier, as the positive impact of 6% growth in net earned premiums and higher interest income offset increased net claims expense.

"Our core focus on business banking with complementary diversification in other financial services continues to payoff for CWB shareholders, as demonstrated by our strong results through the second quarter and year-to-date," said Larry Pollock, President and CEO. "Solid economic activity coupled with our ongoing commitment to offer customers a best-in-class service experience underpins our optimism about new growth opportunities. We will continue to deploy resources in sectors we believe will grow faster than the economy as a whole; areas where we have demonstrated expertise and can build on our competitive advantages. Overall credit quality continued to improve and we expect this positive trend will be maintained as the economy strengthens further. In addition, our very strong position relative to both existing capital requirements and the new Basel III capital rules provide the Bank significant flexibility to utilize available capital for accretive opportunities that may arise."

Financial Highlights

(unaudited) ($ thousands, except per share amounts)	For the three months ended April 30 2011	 January 31 2011	 April 30 2010	Change from April 30 2010	For the six months ended April 30 2011	 April 30 2010	Change from April 30 2010
Results of Operations							
Net interest income (teb - see below)	**$ 93,282**	$ 93,426	$ 80,132	16 %	**$ 186,708**	$ 154,438	21 %
Less teb adjustment	**2,385**	2,744	2,662	(10)	**5,129**	5,225	(2)
Net interest income per financial statements	**90,897**	90,682	77,470	17	**181,579**	149,213	22
Other income	**28,506**	28,421	30,840	(8)	**56,927**	57,206	-
Total revenues (teb)	**121,788**	121,847	110,972	10	**243,635**	211,644	15
Total revenues	**119,403**	119,103	108,310	10	**238,506**	206,419	16
Net income	**44,440**	43,952	37,884	17	**88,392**	77,919	13
Earnings per common share							
Basic(1)	**0.58**	0.59	0.52	12	**1.17**	1.08	8
Diluted(2)	**0.53**	0.54	0.47	13	**1.07**	0.99	8
Diluted cash(3)	**0.54**	0.55	0.48	13	**1.09**	1.00	9
Return on common shareholders' equity(4)	**16.3 %**	16.4 %	16.3 %	- bp	**16.3 %**	17.1 %	(80) bp(5)
Return on assets(6)	**1.25**	1.24	1.17	8	**1.24**	1.21	3
Efficiency ratio (teb)(7)	**45.5**	45.2	45.0	50	**45.4**	42.6	280
Efficiency ratio	**46.4**	46.3	46.1	30	**46.3**	43.7	260
Net interest margin (teb)(8)	**2.87**	2.88	2.76	11	**2.87**	2.66	21
Net interest margin	**2.80**	2.79	2.67	13	**2.79**	2.57	22
Provision for credit losses as a percentage of average loans	**0.19**	0.23	0.23	(4)	**0.21**	0.19	2
Per Common Share							
Cash dividends	**$ 0.13**	$ 0.13	$ 0.11	18 %	**$ 0.26**	$ 0.22	18 %
Book value	**14.66**	14.35	13.08	12	**14.66**	13.08	12
Closing market value	**30.31**	29.64	23.99	26	**30.31**	23.99	26
Common shares outstanding (thousands)	**74,191**	69,703	66,309	12	**74,191**	66,309	12
Balance Sheet and Off-Balance Sheet Summary							
Assets	**$ 13,600,180**	$ 12,946,217	$ 12,004,281	13 %			
Loans	**11,238,552**	10,886,889	9,866,669	14			
Deposits	**11,361,466**	10,786,341	10,185,043	12			
Subordinated debentures	**545,000**	545,000	315,000	73			
Shareholders' equity	**1,297,700**	1,210,224	1,077,111	20			
Assets under administration	**9,596,537**	9,013,307	8,223,274	17			
Assets under management	**827,486**	804,486	779,721	6			
Capital Adequacy(9)							
Tangible common equity to risk-weighted assets(10)	**9.2 %**	8.9 %	8.4 %	80 bp			
Tier 1 ratio	**11.8**	11.6	11.4	40			
Total ratio	**16.6**	16.5	14.5	210			

(1) Basic earnings per share is calculated as net income less preferred share dividends divided by the average number of common shares outstanding.
(2) Diluted earnings per share is calculated as net income less preferred share dividends divided by the average number of common shares outstanding adjusted for the dilutive effects of stock options and warrants.
(3) Diluted cash earnings per share is diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets.
(4) Return on common shareholders' equity is calculated as annualized net income after preferred share dividends divided by average common shareholders' equity.
(5) bp – basis point change.
(6) Return on assets is calculated as annualized net income after preferred share dividends divided by average total assets.
(7) Efficiency ratio is calculated as non-interest expenses divided by total revenues.
(8) Net interest margin is calculated as annualized net interest income divided by average total assets.
(9) Capital adequacy is calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).
(10) Tangible common equity to risk-weighted assets is calculated as shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by OSFI.

Taxable Equivalent Basis (teb)
Most banks analyze revenues on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures
Taxable equivalent basis, diluted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, provision for credit losses as a percentage of average loans and tangible common equity to risk-weighted assets do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures presented by other financial institutions.

Message to Shareholders

Canadian Western Bank (CWB or the Bank) is pleased to report strong financial performance for its 92nd consecutive profitable quarter, a period spanning 23 years. Highlights in the quarter included surpassing $11 billion of total loans and $13 billion of total assets, as well as the successful completion of CWB's first issue of floating rate senior deposit notes in the capital markets.

Net income of $44.4 million was up 17% ($6.6 million) compared to the same quarter last year while diluted earnings per common share increased 13% ($0.06) to $0.53. Higher growth in net income compared to diluted earnings per share mainly reflects the impact on diluted earnings per share of 7.2 million additional CWB common shares issued upon the exercise of warrants and an increase in CWB's average share price. A higher average CWB share price negatively affects reported diluted earnings per common share due to required accounting treatment for warrants and outstanding stock options. Total revenues (teb) of $121.8 million increased 10% ($10.8 million) over a year earlier on the combined positive impact of strong 14% year-over-year loan growth and an 11 basis point improvement in net interest margin (teb) to 2.87%.

Compared to last quarter, net income increased 1% ($0.5 million) as the positive contribution from loan growth, increased investment income and a lower provision for credit losses offset the impact of three fewer revenue earning days. Diluted earnings per common share decreased 2% reflecting the issuance of common shares upon the exercise of warrants. On a year-to-date basis, net income of $88.4 million was up 13% compared to the same period last year while diluted earnings per common share increased 8% to $1.07.

The quarterly return on common shareholders' equity of 16.3% was unchanged from the same quarter last year as the benefit of higher net income was offset by an increase in the average balance of common shareholders' equity. Compared to the prior quarter, return on common shareholders' equity was down 10 basis points. Year-to-date return on common shareholders' equity of 16.3% was down 80 basis points compared to the same period last year reflecting the factors already noted, including the impact of additional CWB common shares issued upon the exercise of warrants. Second quarter return on assets of 1.25% was up eight basis points from a year earlier and one basis point compared to last quarter. Year-to-date return on assets increased three basis points to 1.24%.

Regulatory Capital

The Bank's Tier 1 and total capital ratios at April 30, 2011 remained very strong at 11.8% and 16.6%, respectively, compared to 11.4% and 14.5% a year earlier. The tangible common equity ratio, which represents the highest quality form of capital, was also very strong at 9.2%, up from 8.4% twelve months ago. The exercise of a significant number of warrants in the current fiscal year further augmented capital and provides additional flexibility to pursue opportunities that are accretive for CWB shareholders.

We have now completed our preliminary impact assessment regarding the transition to the new capital framework known as Basel III, which will begin in 2013 with transition allowances to 2019. Application of the expected 2019 Basel III rules against the Bank's financial position at April 30, 2011 confirms our previous view that CWB is already in compliance with the new minimum capital ratio requirements. The Bank's Basel III common equity Tier 1 ratio at the end of the second quarter is 8.6%, while the Tier 1 ratio is 9.5%; this compares to expected future regulatory minimums for these metrics of 7.0% and 8.5%, respectively (further details regarding Basel III are included in the Capital Management section of the management's discussion and analysis for the second quarter).

Dividends

On June 1, 2011, CWB's Board of Directors declared a cash dividend of $0.14 per common share, payable on June 30, 2011 to shareholders of record on June 16, 2011. This quarterly dividend represents an 8% increase over the previous quarter and is 27% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.453125 per Series 3 Preferred Share payable on July 31, 2011 to shareholders of record on July 21, 2011.

Loan Growth

Total loans of $11,239 million grew 3% ($352 million) in the quarter, 7% ($742 million) year-to-date and 14% ($1,372 million) over the last twelve months. Each lending sector showed positive growth in the quarter with the largest dollar contributions coming from real estate lending, general commercial, and personal loans and mortgages. Oil and gas production loans, which represent a comparatively smaller proportion of the total portfolio, showed the strongest quarterly growth measured in percentage terms. The level of loan growth compared to the same period last year reflects strong performance across all lending sectors, led by general commercial lending. Strong year-to-date loan growth combined with an overall positive outlook for economic growth in Western Canada positions the Bank well to surpass our fiscal 2011 growth target of 10%.

Credit Quality

Overall credit quality remained satisfactory and continued to show improvement. Gross impaired loans totaled $128.5 million at quarter end, compared to $132.4 million last quarter and $167.2 million a year earlier. While we expect that the dollar level of gross impaired loans will continue to fluctuate, this represents the fourth consecutive quarter of reductions since the peak level was reached in the second quarter of 2010. Although there was an increase of $3.0 million in the net new specific provision for credit losses compared to last quarter, the difference was entirely attributed to a single loan in the hospitality sector and is not reflective of the overall quality of the loan portfolio. Based on our assessment of the current environment, actual losses for fiscal 2011 are expected to remain at acceptable levels and should be within our 2011 target range for the provision for credit losses of 20 to 25 basis points of average loans.

Branch Deposit Growth

Deposits raised through our branch network and trust companies were up 3% in the quarter, 5% year-to-date and 12% over the past twelve months. The demand and notice component within branch-raised deposits, which include lower cost deposits, was up 8% from last quarter, 13% year-to-date and 14% compared to a year earlier. Growth compared to the prior year period reflects both business growth and the ongoing success of Canadian Western Trust Company in generating deposits through its fiduciary business. The achievement of further diversification and growth of our internal funding sources remains a priority to enhance our competitive position and support net interest margin. While they are not classified as branch deposits, the second quarter issuance of floating rate senior deposit notes to a group of institutional investors also diversifies the deposit base and provides an efficient source of funds to support the Bank’s continued growth and development.

Net Interest Margin

Net interest margin (teb) of 2.87% improved from 2.76% in the second quarter last year mainly reflecting changes in interest rates and an improved liquidity mix, partially offset by increased interest expense from subordinated debentures issued in November 2010. Compared to the prior quarter, net interest margin (teb) decreased one basis point but remained above our 10-year average of approximately 2.55%. The main factor supporting net interest margin above the Bank’s average historical level is the considerably higher yield earned on National Leasing’s fixed rate assets. Ongoing competitive influences and other factors support our expectation that a meaningful improvement in margin over that achieved in the current period is unlikely. Based on our current interest rate sensitivity analysis, increases in the prime rate are expected to positively impact net interest income.

Outlook

CWB is reporting excellent second quarter and year-to-date results and we look forward to strong performance continuing for the balance of the year. We are on track to meet or surpass all of our 2011 minimum performance targets, which include objectives related to growth, profitability, credit quality and efficiency. Strong year-to-date loan growth was apparent across all lending sectors and we continue to see positive trends in both credit quality and the volume in our pipeline for new loans. One of our key objectives is to further improve the return on common shareholders’ equity and initiatives are underway that we believe will positively impact this measure in the future. Another management priority is to maintain effective cost control while ensuring the Bank can deliver continued strong growth over the long term. We are very well positioned for the transition to the new Basel III capital standards beginning in 2013. This strong capital base both enhances our ability to manage through any unforeseen challenges that may arise and provides us with significant flexibility to capitalize on opportunities that add further value for CWB shareholders. Looking forward, we plan to continue to deliver on our 2011 strategic goal to “*do what we do, only better*”.

We look forward to reporting our fiscal 2011 third quarter results on September 2, 2011.

Fiscal 2011 Second Quarter and Year-to-Date Results Conference Call

CWB's second quarter and year-to-date results conference call is scheduled for Thursday, June 2, 2011 at **3:00 p.m. ET (1:00 p.m. MT**). The Bank's executives will comment on financial results and respond to questions from analysts and institutional investors.

The conference call may be accessed on a listen-only basis by dialing 647-427-7450 or toll-free 1-888-231-8191. The call will also be webcast live on the Bank's website, www.cwbankgroup.com.

A replay of the conference call will be available until June 16, 2011 by dialing 416-849-0833 (Toronto) or 1-800-642-1687 (toll-free) and entering passcode 65703491.

About Canadian Western Bank Group

Canadian Western Bank offers a full range of business and personal banking services across the four western provinces and is the largest publicly traded Canadian bank headquartered in Western Canada. The Bank, along with its operating affiliates, National Leasing Group Inc., Canadian Western Trust Company, Valiant Trust Company, Canadian Direct Insurance Incorporated, Adroit Investment Management Ltd. and Canadian Western Financial Ltd., collectively offer a diversified range of financial services across Canada and are together known as the Canadian Western Bank Group. The common shares of Canadian Western Bank are listed on the Toronto Stock Exchange under the trading symbol "CWB". The Bank's Series 3 Preferred Shares and common share purchase warrants trade on the Toronto Stock Exchange under the trading symbols "CWB.PR.A" and "CWB.WT", respectively. Refer to www.cwbankgroup.com for additional information.

FOR FURTHER INFORMATION CONTACT:

Larry M. Pollock
President and Chief Executive Officer
Canadian Western Bank
Phone: (780) 423-8888

Kirby Hill, CFA
Director, Investor and Public Relations
Canadian Western Bank
Phone: (780) 441-3770
E-mail: kirby.hill@cwbank.com

Management's Discussion and Analysis

This management's discussion and analysis (MD&A) should be read in conjunction with Canadian Western Bank's (CWB or the Bank) unaudited interim consolidated financial statements for the period ended April 30, 2011, as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2010, available on SEDAR at www.sedar.com and the Bank's website at www.cwbankgroup.com. Except where indicated below, the factors discussed and referred to in the MD&A for fiscal 2010 remain substantially unchanged.

Overview

CWB recorded strong second quarter results reflecting good financial performance from both business segments. Consolidated net income increased 17% ($6.6 million) over the same quarter last year to $44.4 million, while diluted earnings per common share of $0.53 ($0.58 basic) was up 13%. Lower percentage growth for diluted earnings per common share compared to net income mainly reflects the impact on diluted earnings per share of 7.2 million CWB common shares issued since December 2010 upon the exercise of warrants and a higher average CWB share price, partially offset by 2.5 million warrants purchased and canceled to date through the Bank's Normal Course Issuer Bids. A higher average CWB share price increases the reported dilution of outstanding warrants and stock options due to required accounting treatment. Warrants converted to date have added $101 million of tangible common equity, further augmenting the Bank's already strong capital base. The Bank is very well positioned for the transition to the new Basel III capital rules, which will begin in 2013, and management continues to evaluate strategies to deploy available capital for the benefit of CWB shareholders.

Banking and trust segment net income of $41.0 million increased 19% ($6.5 million) compared to the second quarter last year on 10% ($10.8 million) growth in total revenues to $114.2 million, on a taxable equivalent basis (teb – see definition following Financial Highlights table). This performance mainly reflects the positive impact from strong 14% loan growth, a 10 basis point improvement in net interest margin (teb) and a lower effective tax rate, partially offset by higher non-interest expenses and $1.8 million lower other income. The insurance segment, which includes the operations of Canadian Direct Insurance Incorporated (Canadian Direct or CDI), posted quarterly net income of $3.5 million, up $0.1 million from a year ago as the benefit of a 6% increase in net earned premiums and higher interest income was offset by an increase in net claims expense.

Compared to the previous quarter, consolidated net income was up $0.5 million as the positive contribution from loan growth, investment income and a lower provision for credit losses more than offset the impact of three fewer revenue earning days. Quarterly diluted earnings per common share decreased 2% ($0.01) reflecting additional CWB common shares issued upon the exercise of warrants. Consolidated year-to-date net income of $88.4 million increased 13% ($10.5 million) compared to the same period in 2010, while diluted earnings per common share was up 8% ($0.08) to $1.07 ($1.17 basic). Growth in year-to-date earnings compared to the same period last year reflects very strong growth in net interest income and includes the positive impact on performance metrics from the acquisition of National Leasing Group Inc. (National Leasing), effective February 1, 2010.

Second quarter return on common shareholders' equity of 16.3% was unchanged compared to a year earlier and down 10 basis points from the prior quarter as the benefit of net income growth was offset by an increase in the average balance of common shareholders' equity due to the exercise of warrants and net profits retained to support ongoing growth. On a year-to-date basis, return on common shareholders' equity was 16.3%, down from 17.1% in 2010. Quarterly return on assets was 1.25%, up from 1.17% last year and 1.24% in the previous quarter. Return on assets through the first six months was 1.24%, compared to 1.21% in the same period last year.

Total Revenues (teb)

Total revenues (teb), comprising both net interest income and other income, were $121.8 million for the quarter, up 10% ($10.8 million) compared to a year earlier as very strong growth in net interest income due to loan growth and margin improvement more than offset $2.3 million lower other income. Total revenues compared to last quarter were relatively unchanged despite three fewer revenue earning days. On a year-to-date basis, total revenues of $243.6 million increased 15% ($32.0 million) over the same period last year with a portion of the difference attributed to the second quarter 2010 acquisition of National Leasing. Loan growth and margin improvement contributed to a 21% ($32.3 million) increase in year-to-date net interest income while other income was $0.3 million lower.

Net Interest Income (teb)

Quarterly net interest income (teb) of $93.3 million grew 16% ($13.2 million) driven by 14% loan growth and an 11 basis point improvement in net interest margin to 2.87%. The improvement in net interest margin compared to the same quarter in 2010 mainly reflects changes in interest rates and an improved liquidity mix, partially offset by increased interest expense related to subordinated debentures issued in November 2010. Net interest income was down $0.1 million compared to the prior quarter as a higher return on interest-earning assets was offset by the impact of three fewer revenue earning days. On a year-to-date basis, net interest income of $186.7 million increased 21% ($32.3 million) reflecting loan growth and a 21 basis point improvement in net interest margin. The improvement in the year-to-date net interest margin reflects the factors already noted, in addition to the positive impact of National Leasing due to its much higher yields relative to the Bank's core lending business. Ongoing competitive influences and other factors suggest that a meaningful improvement in net interest margin over that achieved in the current period is unlikely. Based on the current asset and liability composition, increases in the prime lending interest rate would have a positive impact on net interest margin. However, management believes ongoing uncertainty about the strength and breadth of economic recovery in Canada and globally has reduced the likelihood of upward movements in the Canadian prime lending interest rate before the latter part of calendar 2011.

Note 12 to the unaudited interim consolidated financial statements summarizes the Bank's exposure to interest rate risk as at April 30, 2011. The estimated sensitivity of net interest income to a change in interest rates is presented in the table below. The amounts represent the estimated change in net interest income over the time periods shown resulting from a one-percentage point change in interest rates. The April 30, 2011 estimates are based on a number of assumptions and factors, which include:

- a constant structure in the interest sensitive asset and liability portfolios;
- floor levels for various deposit liabilities;
- interest rate changes affecting interest sensitive assets and liabilities by proportionally the same amount and applied at the appropriate re-pricing dates; and
- no early redemptions.

($ thousands)	**April 30 2011**	January 31 2011	April 30 2010
Impact of 1% increase in interest rates			
1 year	**$ 12,311**	$ 8,894	$ 1,132
1 year percentage change	**3.7 %**	2.7 %	0.4 %
Impact of 1% decrease in interest rates			
1 year	**$ (16,111)**	$ (11,938)	$ 5,364
1 year percentage change	**(4.8)%**	(3.7)%	1.9 %

As at April 30, 2011, it is estimated that a one-percentage point increase in interest rates would increase net interest income by approximately 3.7% over the following twelve months; this compares to January 31, 2011 when it was estimated that a one-percentage point increase in interest rates would have increased net interest income by approximately 2.7% over the following twelve months.

It is estimated that a one-percentage point decrease in interest rates as at April 30, 2011, would decrease net interest income by approximately 4.8% over the following twelve months; this compares to January 31, 2011 when it was estimated that a one-percentage point decrease in interest rates would have decreased net interest income by approximately 3.7% over the following twelve months.

It is estimated that a one-percentage point increase in interest rates would decrease unrealized gains related to available-for-sale securities and reduce other comprehensive income by $8.1 million, net of tax (January 31, 2011 – $8.2 million); it is estimated that a one-percentage point decrease in all interest rates at April 30, 2011 would increase unrealized gains related to available-for-sale securities and increase other comprehensive income by a similar amount.

Management intends to continue to manage the asset liability structure and interest rate sensitivity within the Bank's established policies through pricing and product initiatives, as well as the use of interest rate swaps and other appropriate strategies.

Other Income

Second quarter other income of $28.5 million was down 8% ($2.3 million) from a year earlier as the positive impact of $1.2 million higher gains on sale of securities, combined with growth in trust and wealth management services, foreign exchange gains and retail services income, was more than offset by lower contributions in other areas. The level of gains on sale of securities this year were realized due to a repositioning of investments in common equities and preferred shares. Management's decision to sell certain preferred shares issued by financial institutions reflects forthcoming changes under the new regulatory capital framework known as Basel III which requires a deduction from regulatory capital of amounts over a certain threshold for this type of investment. Based on management's general expectations and the current level of unrealized gains in the securities portfolio ($24.8 million, unchanged from last quarter), it is possible that further gains will be realized through the remainder of the current fiscal year. The 'other' category within other income was down $1.9 million compared to the same quarter last year which included a $2.4 million positive change in fair value on National Leasing's interest rate swaps. A $0.9 million decline in securitization revenue reflects National Leasing's current strategy to maintain all new leases on balance sheet. Credit related fee income and net insurance revenues decreased by $1.0 million and $0.5 million, respectively. The decrease in net insurance revenues mainly reflects comparatively higher net claims expense in the current year.

Other income was relatively unchanged compared to the previous quarter as $1.1 million higher gains on sale of securities and growth in net insurance revenues, and trust and wealth management services was offset by a $1.3 million decline in credit related fee income, $0.5 million lower securitization revenue and the impact of three fewer revenue earning days. Other income year-to-date of $56.9 million was down $0.3 million as strong results across CWB's core banking and trust operations, including National Leasing's revenue contributions which commenced in the second quarter of 2010, was more than offset by a 14% ($1.6 million) decline in net insurance revenues and $1.0 million lower gains on sale of securities. Net insurance revenues were down as the positive impact of 6% growth in net earned premiums was more than offset by increased claims expense and a $1.2 million lower before tax profit from Canadian Direct's share of the Alberta auto risk sharing pools.

Credit Quality

Overall credit quality remained satisfactory and within expectations given increased economic activity and a generally positive outlook in key western Canadian markets. The dollar level of gross impaired loans decreased for the fourth consecutive quarter but remains above the Bank's historical average, reflecting the post-recessionary environment. Compared to both the previous quarter and a year earlier, the total number of accounts classified as impaired was also down.

(unaudited) ($ thousands)	For the three months ended **April 30 2011**	 January 31 2011	 April 30 2010	Change from April 30 2010
Gross impaired loans, beginning of period	**$ 132,420**	$ 143,207	$ 146,402	(10)%
New formations	**29,569**	32,888	55,586	(47)
Reductions, impaired accounts paid down or returned to performing status	**(31,512)**	(33,628)	(26,229)	20
Write-offs	**(1,940)**	(10,047)	(8,530)	(77)
Total[1]	**$ 128,537**	$ 132,420	$ 167,229	(23)%
Balance of the ten largest impaired accounts	**$ 62,287**	$ 63,909	$ 97,307	(36)%
Total number of accounts classified as impaired[3]	**191**	195	211	(9)
Total number of accounts classified as impaired under $1 million[3]	**162**	169	182	(11)
Gross impaired loans as a percentage of total loans[4]	**1.14 %**	1.21 %	1.68 %	(54) bp[2]

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $992 (January 31, 2010 – $1,591 and April 30, 2010 – $695).
(2) bp – basis point change.
(3) Total number of accounts excludes National Leasing accounts.
(4) Total loans do not include an allocation for credit losses or deferred revenue and premiums.

Gross impaired loans at April 30, 2011 were $128.5 million, compared to $132.4 million last quarter and $167.2 million a year earlier. The ten largest accounts classified as impaired, measured by dollars outstanding, represented approximately 48% of total gross impaired loans at quarter end, unchanged from the prior quarter and down from 58% a year earlier. New formations of impaired loans totaled $29.6 million, compared to $55.6 million in the second quarter last year.

The dollar level of gross impaired loans represented 1.14% of total loans at quarter end, compared to 1.21% last quarter and 1.68% one year ago. While there are positive signs, the current credit cycle continues to run its course and management expects the dollar level of gross impaired loans will fluctuate until the economic recovery strengthens further. The dollar level of gross impaired loans goes up and down as loans become impaired and are subsequently resolved and does not directly reflect the dollar value of expected write-offs given the tangible security held against the Bank's lending positions. The Bank establishes its current estimates of expected write-offs through detailed analyses of both the overall quality and ultimate marketability of the security held against impaired accounts. Actual credit losses are expected to remain within the Bank's historical range of acceptable levels.

The second quarter provision for credit losses measured against average loans of 19 basis points was slightly better than the Bank's fiscal 2011 target range of 20 to 25 basis points reflecting positive credit trends in National Leasing's portfolio and consistent expectations for credit quality in other areas. Compared to the Bank's lending portfolio, the nature of National Leasing's business leads to a higher provision for credit losses measured as a percentage of loans, particularly in less favourable credit environments. On a year-to-date basis, the provision for credit losses measured against average loans was 21 basis points. Based on the current environment and outlook, management believes the provision for credit losses will remain in the lower to mid-level of the fiscal 2011 target range.

The total allowance for credit losses (general and specific) represented 61% of gross impaired loans at quarter end, compared to 57% last quarter and 46% one year ago. The total allowance for credit losses was $78.8 million at April 30, 2011, compared to $75.0 million last quarter and $76.4 million a year earlier. The general allowance at April 30, 2011 was $56.9 million, down from $60.2 million last quarter and $58.0 million a year earlier. The general allowance as a percentage of risk-weighted loans was 58 basis points, down from 64 basis points last quarter and 66 basis points one year ago. The Bank's long-standing strategy with respect to managing the allowance for credit losses has been to maintain a relatively consistent provision to cover both identified and unidentified losses. The general allowance for credit losses represents an estimate of losses inherent in the portfolio that are not presently identifiable on an account-by-account basis and management expects that the level of the general allowance will fluctuate, as was the case in the current quarter, as specific losses are recognized and subsequently written-off. Results from ongoing stress testing of the portfolio substantiate the adequacy of the general allowance. Based on management's current assessment of credit quality and the secured nature of the loan portfolio, the 2011 provision for credit losses should be relatively consistent with expected losses for the year and result in an increase in the dollar level of the general allowance over the next two quarters.

Non-interest Expenses

Effective execution of CWB's strategic plan, which is focused on profitable growth over the long term, will continue to require increased investment in certain areas. Significant expenditures relate to additional staff complement as well as expanded premises and technology upgrades. Investment in these areas is an integral part of the Bank's commitment to maximize shareholder value and is expected to provide material benefits in future periods. In support of management's objective to enhance market presence, the Bank's existing branch in Medicine Hat, Alberta was significantly expanded to offer full-service business and retail banking. A new full-service banking branch is scheduled to open in Richmond, British Columbia (BC) in late 2011. Other new branch locations, including a second full-service branch in Winnipeg, Manitoba, are currently under consideration. Management's objective is to offer business and personal banking services through 50 CWB branches by 2015, which compares to the current branch count of 39. A key technology highlight is the ongoing roll-out of the Bank's new loan origination system, which management expects will be fully implemented across all CWB branches in the fourth quarter. Once implemented, the new system will provide considerable efficiencies as well as enhanced statistical tracking and portfolio management capabilities.

Second quarter non-interest expenses of $55.4 million were up 11% ($5.4 million) compared to last year. Total salary and benefit costs increased $2.7 million, other expenses were $1.8 million higher and premises and equipment expenses were up $1.2 million. The change in salary and benefit costs was driven by a combination of increased staff complement to support ongoing growth, annual salary increments and expense related to restricted share units. Premises and equipment expense includes the addition of two new full-service branches opened in the latter part of 2010 as well as ongoing expansion and upgrades to existing infrastructure and technology. The increase in other expenses was largely driven by marketing and business development costs related to enhancing brand awareness and higher community investment expense, partially offset by lower capital taxes.

Compared to the prior quarter, non-interest expenses increased $0.3 million as lower capital taxes largely offset the impact of higher expenses in marketing, business development, premises and other areas. Year-to-date non-interest expenses were 23% ($20.3 million) higher than the first six months of 2010; the comparative year-to-date period last year included only three months of expense for National Leasing, acquired February 1, 2010. Excluding National Leasing, year-to-date non-interest expenses increased 15%

($12.6 million) mainly reflecting increased staff complement, additional stock-based compensation charges, annual salary increases and a special bonus of $250 paid to every CWB Group employee for recognition of exceptional achievements in 2010. Year-to-date provincial capital taxes were higher compared to 2010 as the Bank's capital position surpassed the threshold to qualify for the lower rate in BC before the 2010 fiscal year end. Capital taxes for CWB were eliminated in BC effective April 2010 and in Manitoba beginning in fiscal 2011. Other changes are relatively consistent with the factors already discussed.

The second quarter efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb), was 45.5%, compared to 45.0% last year and 45.2% in the previous quarter. The year-to-date efficiency ratio (teb) was 45.4%, compared to 42.6% in the prior year period as percentage growth in non-interest expenses exceeded growth in total revenues. One of management's key priorities is to maintain effective control of costs while ensuring the Bank is positioned to deliver continued strong growth over the long term. In consideration of expected revenue growth and planned expenditures, management believes the efficiency ratio will meet the 2011 target of 46% or better.

Income Taxes

The income tax rate (teb) for the first six months of 2011 was 27.2%, down 330 basis points from the same period one year ago, while the tax rate before the teb adjustment was 24.0%, or 310 basis points lower. The lower tax rate compared to the same period last year mainly reflects the 150 basis point decrease in the basic federal income tax rate and the 50 basis point reduction in the provincial income tax rate in BC, both effective January 1, 2011. Deemed dividends realized on the redemption of certain preferred shares held in the securities portfolio had a further positive impact on the tax rate in the second quarter and year-to-date.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes, and totaled $44.4 million for the second quarter, compared to $39.1 million in the previous quarter and $21.6 million in the same period last year. The significant increase in comprehensive income compared to the same quarter last year was driven by a 17% ($6.6 million) improvement in net income and a $16.2 million positive change in OCI related to favourable market value fluctuations in available-for-sale securities, partially offset by an increase in the amount of gains reclassified to other income when certain securities were sold. Year-to-date comprehensive income totaled $83.5 million, compared to $64.3 million last year. The increase reflects a 13% ($10.5 million) improvement in net income and $6.6 million increase in unrealized gains on available-for-sale securities.

While the combined dollar investment in preferred shares and common equities is relatively small in relation to total liquid assets, it increases the potential for comparatively larger fluctuations in OCI.

Balance Sheet

Total assets increased 5% ($654 million) in the quarter, 7% ($898 million) year-to-date and 13% ($1,596 million) in the past year to reach $13,600 million at April 30, 2011.

Cash and Securities

Cash, securities and securities purchased under resale agreements totaled $2,066 million at April 30, 2011, compared to $1,754 million last quarter and $1,827 million one year ago (refer to the *Treasury Management* section of this MD&A for additional details). Unrealized gains recorded on the balance sheet at April 30, 2011 were $24.8 million, unchanged from last quarter and up from $7.6 million a year earlier. The change in unrealized gains compared to 2010 was mainly attributed to increases in the market value of the Bank's investment in preferred shares and common equities. At April 30, 2011, unrealized gains in these investment portfolios totaled $21.8 million, up from $3.9 million a year earlier. The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common equities that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve.

Realized gains on sale of securities in the second quarter were $5.3 million, compared to $4.2 million in the previous quarter and $4.1 million a year earlier. Year-to-date gains on sale of securities were $9.5 million, compared to $10.6 million in the same period of 2010. The majority of gains on sale of securities in the current year were attributed to the repositioning of common equities and preferred shares within the investment portfolio. Under Basel III, the Bank's investments in preferred shares of other financial institutions will require a deduction from regulatory capital for amounts over a certain threshold. Gains on sale of securities in prior periods mainly resulted from a steep interest rate curve and wide credit spreads that allowed the Bank to capitalize on specific investment strategies. Based on the level of unrealized gains and management's current intention to further reposition the securities portfolio, it is possible additional gains could be realized through the remainder of the current fiscal year.

Treasury Management

As the economic recovery has continued, the Bank's average liquidity has been reduced compared to the high levels maintained at the peak of the global financial crisis. Additionally, the Bank continues to refine its methodologies for measuring and monitoring liquidity risk. Use of dynamic scenario analysis has allowed for a reduction in the average level of liquid asset coverage while continuing to maintain prudent liquidity standards. Lower average liquidity has a positive impact on net interest margin. The higher level of liquidity held at the end of the second quarter compared to recent prior periods was mainly attributed to proceeds collected in the latter part of April from the $250 million issue of floating rate senior deposit notes and the exercise of a large number of warrants.

DBRS Limited maintains published credit ratings on the Bank's senior debt (deposits) and subordinated debentures of "A (low)" and "BBB (high)", respectively, both with a stable outlook. Credit ratings do not comment on market price or suitability of any financial instrument for a particular investor and are not recommendations to purchase, sell or hold securities. Ratings are subject to revision or withdrawal at any time by the rating organization. Management believes the ratings widen the base of clients and investors who can participate in CWB's deposit and debt offerings while also lowering the Bank's overall cost of capital. This benefit was further demonstrated in the second quarter with the Bank's successful issuance of floating rate senior deposit notes.

In addition to the Basel III rules text described in the Capital Management section of this MD&A, the Bank for International Settlements (BIS) finalized liquidity proposals initially described in its document entitled *International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The results remain subject to significant transition and monitoring activities, and revisions are expected. It is still too early to tell how this transition will impact CWB. An observation period is currently underway and the BIS is expected to introduce a *Liquidity Coverage Ratio* (LCR) effective January 1, 2015. A *Net Stable Funding Ratio* (NSFR) is expected to be transitioned to a minimum standard by January 1, 2018.

Loans

Total loans of $11,239 million grew 3% ($352 million) in the quarter, 7% ($742 million) year-to-date and 14% ($1,372 million) in the past twelve months. Measured by geographic concentration, all provinces except Manitoba showed strong quarterly loan growth. Each lending sector also showed positive growth with the largest dollar contributions coming from real estate lending, general commercial, and personal loans and mortgages. Oil and gas production loans, which represent a comparatively smaller proportion of the total portfolio, showed the strongest quarterly performance measured in percentage terms. In the past six and twelve months, strong growth is apparent across all lending sectors, led by general commercial lending. Lending activity in each of the Bank's key western markets contributed to the strong year-to-date loan growth. National Leasing also continued to post strong double-digit growth. Looking forward, management remains optimistic about increased lending opportunities in the Bank's heavy equipment financing business, a lending portfolio that was significantly affected by the recessionary environment. Management also continues to believe Western Canada's resource-based economies are poised for a comparatively stronger recovery than the rest of Canada. While uncertainties remain regarding the strength of the economic recovery, as well as expectations for continued competitive pressures, CWB is well positioned to exceed its fiscal 2011 loan growth target of 10%.

Loans in the Bank's residential mortgage business, Optimum Mortgage (Optimum), increased 5% ($41 million) in the quarter, 11% ($86 million) year-to-date and 32% ($210 million) over the past twelve months to reach $882 million. Results in the quarter reflected growth in both uninsured mortgages and higher ratio insured mortgages. Uninsured mortgages continue to be secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 70%, and represented about 59% of Optimum's total portfolio at quarter end. Management remains committed to further developing this mortgage business as it continues to produce strong returns while maintaining an acceptable risk profile. While Optimum's portfolio is expected to provide an ongoing source of new business, the level of lending opportunities will likely moderate relative to the last twelve months reflecting overall slower growth in demand for residential mortgages.

Deposits

Total branch deposits, including those raised by trust services, were up 3% ($181 million) in the quarter, 5% ($333 million) year-to-date and 12% ($737 million) compared to a year earlier. The demand and notice component within branch deposits, which include lower cost deposits, was up 8% ($302 million) over last quarter, 13% ($466 million) year-to-date and 14% ($502 million) compared to the same time last year. Growth in demand and notice deposits supports management's objective to further enhance and diversify the Bank's funding sources and can also improve net interest margin.

Total deposits at quarter end were $11,361 million, up 5% ($575 million) from the previous quarter, 5% ($549 million) year-to-date and 12% ($1,176 million) over the past year. Total branch deposits represented 61% of total deposits at April 30, 2011, compared to 63% in the previous quarter and unchanged from one year earlier. Demand and notice deposits were 35% of total deposits, compared to 34% in both the previous quarter and a year earlier. Near the end of the second quarter, the Bank issued $250 million of floating rate senior deposit notes to institutional investors. Adding this source of new deposits, facilitated through the capital markets, further diversifies the deposit base and is an efficient source of funds to support CWB's ongoing growth and development.

Other Assets and Other Liabilities

Other assets at April 30, 2011 totaled $296 million, compared to $306 million last quarter and $311 million one year ago. Other liabilities at quarter end were $396 million, compared to $405 million the previous quarter and $427 million last year.

Off-Balance Sheet

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, including both trust assets under administration and third-party leases under service agreements, totaled $9,597 million at April 30, 2011, compared to $9,013 million last quarter and $8,223 million one year ago. Assets under management held within Adroit Investment Management Ltd. were $827 million at quarter end, compared to $804 million last quarter and $780 million one year ago. The gross amount of securitized assets at quarter end attributed to National Leasing was $142 million, compared to $170 million last quarter and $276 million one year ago. Management expects to retain future leases underwritten by National Leasing on-balance sheet and the level of securitized assets will decrease as existing portfolios reach maturity. Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit), and deposit instruments issued by the non-consolidated variable interest entity. CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Notes 8, 15 and 21 of the audited consolidated financial statements on pages 87, 93 and 98 respectively in the Bank's 2010 Annual Report.

Capital Management

At April 30, 2011, CWB's total capital adequacy ratio, which measures regulatory capital as a percentage of risk-weighted assets, was 16.6%, up from 16.5% last quarter and 14.5% one year ago. The Tier 1 ratio was 11.8% at April 30, 2011, up from 11.6% last quarter and 11.4% a year earlier. Current minimums for the total and Tier 1 capital adequacy ratios of Canadian banks as set by the Office of the Superintendent of Financial Institutions Canada (OSFI) are 10% and 7%, respectively.

Compared to one year ago, the Bank's Tier 1 regulatory capital increased with the retention of earnings, net of dividends, and the issuance of 7.2 million additional CWB common shares at $14 per share upon the exercise of warrants (refer to Note 8 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2010 for further details), partially offset by warrant purchases under the Bank's Normal Course Issuer Bids. Total regulatory capital was impacted by the foregoing factors, as well as the November 2010 redemption of $70 million and issuance of $300 million of subordinated debentures and an increased deduction for the investment in CWB's insurance subsidiary. Further details regarding changes in CWB's regulatory capital and capital adequacy ratios compared to prior periods are included in the following table:

(unaudited) ($ millions)	As at April 30 2011	As at January 31 2011	As at April 30 2010	Change from April 30 2010
Regulatory Capital				
Tier 1 Capital before deductions	**$ 1,385**	$ 1,297	$ 1,177	$ 208
Less: Goodwill	**(38)**	(38)	(37)	(1)
Securitization (National Leasing)	**(7)**	(9)	(11)	4
Tier 1 Capital	**1,340**	1,250	1,129	211
Tier 2 Capital before deductions	**615**	618	380	235
Less: Investment in insurance subsidiary	**(75)**	(71)	(64)	(11)
Securitization (National Leasing)	**(7)**	(9)	(11)	4
Total Tier 2 Capital	**533**	538	305	228
Total Regulatory Capital	**$ 1,873**	$ 1,788	$ 1,434	$ 439
Risk Weighted Assets	**$ 11,313**	$ 10,818	$ 9,883	$ 1,430
Tier 1 capital adequacy ratio	**11.8 %**	11.6 %	11.4 %	40 bp[1]
Total capital adequacy ratio	**16.6**	16.5	14.5	210

[1] bp – basis point change.

CWB expects to remain very well capitalized. Existing capital coupled with the retention of earnings and subordinated debentures issued in the first quarter should more than support capital requirements associated with expected organic asset growth. The Bank's strong capital ratios provide considerable flexibility and management continues to evaluate strategies to both optimize the existing capital structure and deploy capital for the long-term benefit of CWB shareholders.

Further information relating to the Bank's capital position is provided in Note 14 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2010.

Book value per common share at April 30, 2011 was $14.66 compared to $14.35 last quarter and $13.08 one year ago.

Common shareholders received a quarterly cash dividend of $0.13 per common share on March 31, 2011. On June 1, 2011, CWB's Board of Directors declared a cash dividend of $0.14 per common share, payable on June 30, 2011 to shareholders of record on June 16, 2011. This quarterly dividend represents an 8% increase over the previous quarter and is 27% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.453125 per Series 3 Preferred Share payable on July 31, 2011 to shareholders of record on July 21, 2011.

Basel III Capital Adequacy

In December 2010, the Basel Committee on Banking Supervision of the BIS (the Committee) published the Basel III rules text supporting more stringent global standards on capital adequacy and liquidity. In February 2011, OSFI confirmed its intent to implement the Basel III rules for Canadian banks and also issued guidance and advisories on its implementation plan for all Canadian financial institutions, including a draft advisory regarding the treatment of non-viability contingent capital (NVCC). OSFI's minimum requirements are expected to follow the Basel III transition plan outlined by the Committee, which include changes in the type of instruments that will qualify as regulatory capital in the future, as well as new minimum capital ratio requirements. Certain transitional rules will be implemented starting January 1, 2013 through January 1, 2019 to better enable banks to meet the new requirements while continuing to support economic growth by lending. The proposed transition rules provide flexibility to manage capital and further enhance the Bank's overall position relative to Basel III requirements. The relevant minimum capital ratio requirements expected to be implemented for Canadian banks effective in the first quarter of 2013 include a 7.0% common equity Tier 1 ratio, an 8.5% Tier 1 ratio and a 10.5% total capital ratio. Pro forma Basel III calculations for CWB confirm that the Bank already complies with the proposed new ratios owing to its very strong base of tangible common equity, as well as its relatively straightforward operations and composition of capital. Application of the 2019 Basel III standards to the Bank's financial position at April 30, 2011 results in an 8.6% common equity Tier 1 ratio, a 9.5% Tier 1 ratio and a 14.3% total capital ratio, all well above the minimum regulatory standards. The foregoing estimates are based on the Bank's current capital structure and composition of risk-weighted assets, and will change dependant upon management strategies, the composition of regulatory capital and financial performance in the future. Management will maintain its practice of prudent capital planning, which includes a comprehensive internal capital adequacy assessment process (ICAAP). The Bank expects to meet forthcoming regulatory capital requirements without a need to change business operations or raise additional common equity.

Changes in Accounting Policies

There were no new significant accounting policies adopted during the quarter for purposes of presenting the Bank's financial statements under Canadian Generally Accepted Accounting Principles (GAAP).

Future Accounting Changes

International Financial Reporting Standards

The CICA is transitioning Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). The Bank's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing November 1, 2011 and will include comparative information for the prior year, including an opening balance sheet as at November 1, 2010.

The Bank has a four phase project underway to identify and evaluate the impact of the transition to IFRS on the consolidated financial statements and develop a plan to complete the transition. The project plan includes the following phases – diagnostic, design and planning, solution development, and implementation. The Bank is currently working on the final implementation phase. Further information on the Bank's transition plan is provided on pages 65 to 67 of the 2010 Annual Report.

Based on the analysis completed to date, the most significant accounting policy differences on initial transition for the Bank due to adopting IFRS have been identified as follows:

- Derecognition – The Bank expects that National Leasing's securitized assets (totaling $142 million at April 30, 2011 and $199 million at October 31, 2010) will be reported on the balance sheet, which would increase loans and debt.

- Consolidation – Under IFRS, a variable interest entity (VIE) is consolidated by an entity if the entity is deemed to control it, as determined under the criteria within IFRS standards for *Consolidated and Separate Financial Statements* and *Consolidation – Special Purpose Entities*. As a result, Canadian Western Bank Capital Trust will be consolidated under IFRS, which will decrease deposits and increase debt by $105 million. For more information about this special purpose entity see Note 15 to the 2010 audited consolidated financial statements.

- Business Combinations – Under IFRS, contingent consideration related to a business combination is accounted for as a financial liability and fair valued at the time of the acquisition. An adjustment of the liability to current fair value is recorded through net income every period thereafter until settlement. Under Canadian GAAP, when the amount of contingent consideration cannot be reasonably estimated or the outcome of the contingency cannot be determined without reasonable doubt, the liability is not recognized until the contingency is resolved and consideration is issued or becomes issuable and, at such time, the consideration is recorded as an adjustment of goodwill. The Bank expects the contingent consideration related to the 2010 National Leasing acquisition will be fair valued and the initial adjustment is expected to increase liabilities and goodwill. Subsequent changes in estimated fair value from the acquisition date will be recognized in retained earnings at transition and net income thereafter. A draft methodology to calculate the fair value of the National Leasing contingent consideration is currently under review.

- Loan Loss Accounting – Although both existing Canadian GAAP and IFRS calculate loan losses using the incurred loss model, IFRS is more specific as to what qualifies as an "incurred event". Under IFRS, incurred losses require objective evidence of impairment, must have a reliably measurable effect on the present value of estimated cash flows and be supported by currently observable data. This difference is not expected to impact the calculation of the specific allowance for credit losses, but may impact the estimation of the general (or collective) allowance, which totaled $56.9 million at April 30, 2011 and $59.6 million at October 31, 2010. The Bank continues to develop its methodology but has not yet concluded whether any adjustments will be required.

- IFRS 1 – *IFRS 1: First Time Adoption of IFRS* provides a framework for the transition to IFRS. Generally, retroactive application will be applied to the November 1, 2010 opening balance sheet for the comparative financial statements as though the Bank had always applied IFRS. However, IFRS 1 permits both mandatory exceptions to retroactive application and optional exemptions from other IFRS standards. The Bank has evaluated all optional exemptions under IFRS 1 with the most significant potential exemption relating to business combinations. The Bank expects to elect to apply *IFRS 3 –*

Business Combinations retrospectively with the restatement of the February 2010 National Leasing acquisition. The most significant expected impact of restating the National Leasing acquisition relates to the contingent consideration as described above.

The International Accounting Standards Board continues to propose IFRS changes. The standards in effect at the transition date, the composition of CWB's consolidated balance sheet, future operating and economic environments, and various accounting policy choices yet to be finalized are some of the factors that could have significant impacts on the Bank's future financial statements. The impacts of transitioning to IFRS on the Bank's consolidated financial statements will be disclosed as they are finalized.

Controls and Procedures

There were no changes in the Bank's internal controls over financial reporting that occurred during the quarter ended April 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Prior to its release, this quarterly report to shareholders was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of Canadian Western Bank.

Updated Share Information

As at May 27, 2011, there were 74,202,649 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 3,458,687 common shares for maximum proceeds of $71.0 million. There were 5,257,228 warrants outstanding that are each exercisable until March 3, 2014 to purchase one common share of the Bank at a price of $14.00.

Dividend Reinvestment Plan

CWB common shares (TSX: CWB) and preferred shares (TSX: CWB.PR.A) are deemed eligible to participate in the Bank's dividend reinvestment plan (the "Plan"). The Plan provides holders of eligible shares of CWB the opportunity to direct cash dividends toward the purchase of CWB common shares. Further details for the Plan are available on the Bank's website at http://www.cwbankgroup.com/investor_relations/drip.htm. At the current time, for the purposes of the Plan, the Bank has elected to issue common shares from treasury at a 2% discount from the average market price (as defined in the Plan).

Normal Course Issuer Bid

On January 18, 2011, CWB received approval from the Toronto Stock Exchange for a Normal Course Issuer Bid (NCIB) to purchase, for cancellation, up to 1,029,108 of its warrants. The NCIB commenced January 20, 2011 and will expire January 19, 2012. From January 20 to April 30, 2011, the Bank purchased and cancelled 1,000,000 warrants at an average purchase price per warrant of $15.99. The aggregate amount required for the warrant purchases of $16.0 million was charged to retained earnings. Security holders may contact the Bank to obtain, without charge, a copy of the notice filed with the TSX. Additionally, a copy of the NCIB news release is available on the Bank's website and on SEDAR at www.sedar.com.

Summary of Quarterly Financial Information

	2011		2010				2009	
($ thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenues (teb)	**$ 121,788**	$ 121,847	$ 111,570	$ 111,045	$ 110,972	$ 100,672	$ 90,099	$ 85,538
Total revenues	**119,403**	119,103	108,391	108,263	108,310	98,109	87,702	83,349
Net income	**44,440**	43,952	39,107	46,595	37,884	40,035	30,357	28,729
Earnings per common share								
Basic	**0.58**	0.59	0.53	0.64	0.52	0.57	0.42	0.39
Diluted	**0.53**	0.54	0.48	0.59	0.47	0.52	0.39	0.38
Diluted cash	**0.54**	0.55	0.49	0.60	0.48	0.52	0.39	0.38
Total assets ($ millions)	**13,600**	12,946	12,702	12,110	12,004	11,642	11,636	11,331

The financial results for each of the last eight quarters are summarized above. In general, CWB's performance reflects a relatively consistent trend although the second quarter contains three fewer revenue earning days.

The Bank's quarterly financial results are subject to some fluctuation due to its exposure to property and casualty insurance. Insurance operations, which are primarily reflected in other income (refer to Results by Business Segment – *Insurance*), are subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes. Mandatory participation in the Alberta auto risk sharing pools can also result in unpredictable quarterly fluctuations. Quarterly results can also fluctuate due to the recognition of periodic income tax items, as was the case in the third quarter of 2010 when an income tax recovery and related interest receipt from certain prior period transactions increased net income by approximately $8.3 million.

Throughout fiscal 2009 the Bank's quarterly net interest income, reflected in total revenues (teb), was negatively impacted by compression of the net interest margin that mainly resulted from consecutive reductions in the prime lending interest rate, coupled with significantly higher deposit costs and other spin-off effects of the global financial crisis. In the first quarter of 2010, net interest margin recovered to more typical levels achieved before the onset of the global financial crisis.

The acquisition of National Leasing was effective February 1, 2010 and the results of its operations and financial position are consolidated as part of the Bank's overall financial performance beginning with the second quarter of 2010 (refer to Results by Business Segment – *Banking and trust*). The acquisition had a positive impact on all categories in the table above.

For additional details on variations between the prior quarters, refer to the summary of quarterly results section of the Bank's MD&A for the year ended October 31, 2010 and the individual quarterly reports to shareholders which are available on SEDAR at www.sedar.com and on CWB's website at www.cwbankgroup.com.

Results by Business Segment

CWB operates in two business segments: 1) banking and trust, and 2) insurance. Segmented information is also provided in Note 13 of the unaudited interim consolidated financial statements.

Banking and trust

Operations of the banking and trust segment comprise all business and retail banking services, including equipment leasing offered by National Leasing. The banking and trust segment also includes trust, wealth management and other financial services provided through Canadian Western Trust Company, Valiant Trust Company and Adroit Investment Management Ltd.

Net income of $41.0 million increased 19% ($6.5 million) compared to the same quarter last year based on 10% ($10.8 million) growth in total revenues (teb) to $114.2 million. Strong earnings were driven by 16% ($12.6 million) growth in net interest income, a lower effective tax rate (teb) and a $0.2 million reduction in the provision for credit losses, which more than offset 11% ($5.3 million) higher non-interest expenses and a 7% ($1.8 million) decline in other income. Higher net interest income was attributed to strong 14% loan growth and 10 basis point improvement in net interest margin mainly attributed to changes in interest rates and an improved liquidity mix, partially offset by increased interest expense related to subordinated debentures issued in November 2010. The lower provision for credit losses reflects improved credit performance within National Leasing's portfolio and consistent expectations for credit quality in other lending portfolios. Within other income, gains on the sale of securities realized through repositioning the Bank's investment in common equities and preferred shares partially offset declines in credit related fee income and certain other categories within other income that were unusually high in the second quarter last year due to the acquisition of National Leasing. Higher non-interest expense mainly resulted from increased salary and benefit costs and other expenses to support business growth. The efficiency ratio (teb), which measures non-interest expense as a percentage of total revenues (teb), was 45.9%, compared to 45.6% in the same quarter last year.

Net income was down 1% ($0.5 million) compared to the previous quarter as the combined impact of three fewer revenue earning days, lower other income and slightly higher non-interest expenses was offset by a reduction in the provision for credit losses attributed to National Leasing and a lower effective tax rate (teb). On a year-to-date basis, net income was up 16% ($11.1 million) mainly driven by loan growth, a 21 basis point improvement in net interest margin (teb) and the performance impact of National Leasing, effective February 1, 2010. Net interest income (teb) was up 21% ($31.6 million) over the same period in 2010 while other income increased 3% ($1.4 million). Increased non-interest expenses and the provision for credit losses partially offset the positive earnings impact of record total revenues. The year-to-date efficiency ratio (teb) was 45.5%, compared to 43.1% a year earlier.

($ thousands)	For the three months ended April 30 2011	January 31 2011	April 30 2010	Change from April 30 2010	For the six months ended April 30 2011	April 30 2010	Change from April 30 2010
Net interest income (teb)	**$ 91,017**	$ 91,596	$ 78,436	16 %	**$ 182,613**	$ 151,055	21 %
Other income	**23,188**	23,802	24,951	(7)	**46,990**	45,567	3
Total revenues (teb)	**114,205**	115,398	103,387	10	**229,603**	196,622	17
Provision for credit losses	**5,267**	6,216	5,487	(4)	**11,483**	9,200	25
Non-interest expenses	**52,427**	51,984	47,129	11	**104,411**	84,756	23
Provision for income taxes (teb)	**15,509**	15,719	16,245	(5)	**31,228**	31,374	-
Non-controlling interest in subsidiary	**50**	60	41	22	**110**	117	(6)
Net income	**$ 40,952**	$ 41,419	$ 34,485	19 %	**$ 82,371**	$ 71,175	16 %
Efficiency ratio (teb)	**45.9 %**	45.0 %	45.6 %	30 bp	**45.5 %**	43.1 %	240 bp
Efficiency ratio	**46.8**	46.0	46.7	10	**46.4**	44.2	220
Net interest margin (teb)	**2.85**	2.87	2.75	10	**2.86**	2.65	21
Net interest margin	**2.79**	2.79	2.67	12	**2.79**	2.56	23
Average loans ($ millions)(1)	**$ 11,103**	$ 10,620	$ 9,714	14 %	**$ 10,862**	$ 9,484	15 %
Average assets ($ millions)(1)	**13,084**	12,655	11,688	12	**12,869**	11,502	12

bp – basis point change.

teb – taxable equivalent basis, see definition following Financial Highlights table.

(1) Assets and loans are disclosed on an average daily balance basis.

Insurance

The insurance segment is comprised of the operations of Canadian Direct Insurance Incorporated (Canadian Direct or CDI), which provides auto, home and travel insurance to individuals in British Columbia and Alberta.

Canadian Direct reported quarterly net income of $3.5 million, up $0.1 million from a year ago as the positive impact of 6% growth in net earned premiums and higher net interest income was largely offset by an increase in net claims expense. Growth in net earned premiums reflected a 4% increase in policies outstanding and a higher average premium per policy in the home lines of business. The increase in claims expense from a year ago primarily reflected higher severity in the Alberta home product line and higher frequency in Alberta auto.

Net income was up $1.0 million compared to the prior quarter with the difference attributed to improved claims experience, increased net interest income and gains on sale of securities, partially offset by lower net earned premiums due to three fewer revenue earning days. The improved claims experience compared to the prior quarter was most notable in Alberta auto where net claims expense decreased due to lower frequency and severity.

Year-to-date net income of $6.0 million represented an 11% ($0.7 million) decrease from the same period in 2010. Absent the impact of Canadian Direct's share of the Alberta auto risk sharing pools (the Pools), net income increased by 1% ($0.1 million) reflecting a 7% increase in net earned premiums, partially offset by an unfavourable variance in claims expense. In the first quarter last year, the Pools' results were positively impacted by a $1.5 million decrease in unpaid claims reserves related to the Supreme Court's decision on Minor Injury Regulation.

The occurrence of extreme weather or catastrophic events could affect results going forward, but reinsurance protection and continued growth in net earned premiums should mitigate the potential financial impact.

($ thousands)	For the three months ended April 30 2011	January 31 2011	April 30 2010	Change from April 30 2010	For the six months ended April 30 2011	April 30 2010	Change from April 30 2010
Net interest income (teb)	**$ 2,265**	$ 1,830	$ 1,696	34 %	**$ 4,095**	$ 3,383	21 %
Other income (net)							
Net earned premiums	**28,286**	28,996	26,627	6	**57,282**	53,958	6
Commissions and processing fees	**479**	465	546	(12)	**944**	1,164	(19)
Net claims and adjustment expenses	**(17,542)**	(19,157)	(15,784)	11	**(36,699)**	(32,774)	12
Policy acquisition costs	**(6,232)**	(5,714)	(5,868)	6	**(11,946)**	(11,157)	7
Insurance revenues (net)	**4,991**	4,590	5,521	(10)	**9,581**	11,191	(14)
Gains on sale of securities	**327**	29	368	(11)	**356**	448	(21)
Total revenues (net) (teb)	**7,583**	6,449	7,585	-	**14,032**	15,022	(7)
Non-interest expenses	**2,981**	3,144	2,831	5	**6,125**	5,452	12
Provision for income taxes (teb)	**1,114**	772	1,355	(18)	**1,886**	2,826	(33)
Net income	**$ 3,488**	$ 2,533	$ 3,399	3 %	**$ 6,021**	$ 6,744	(11)%
Policies outstanding (#)	**187,744**	185,926	180,289	4	**187,744**	180,289	4
Gross written premiums	**$ 31,903**	$ 25,810	$ 30,531	4	**$ 57,713**	$ 54,863	5
Claims loss ratio(1)	**62 %**	66 %	59 %	300 bp	**64 %**	60 %	400 bp
Expense ratio(2)	**31**	29	31	-	**30**	29	100
Combined ratio(3)	**93**	95	90	300	**94**	89	500
Alberta auto risk sharing pools impact on net income before tax	**$ 513**	$ 397	$ 221	132 %	**$ 910**	$ 2,134	(57)%
Average total assets (millions)(4)	**230**	233	210	10	**232**	212	9

bp – basis point change.
teb – taxable equivalent basis, see definition following Financial Highlights table.

(1) Net claims and adjustment expenses as a percentage of net earned premiums.
(2) Policy acquisition costs and non-interest expenses net of commissions and processing fees as a percentage of net earned premiums.
(3) Sum of the claims loss and expense ratios.
(4) Average total assets are disclosed on an average daily balance basis.

Fiscal 2011 Minimum Targets and Outlook

The minimum performance targets established for the 2011 fiscal year together with CWB's actual year-to-date performance are presented in the table below:

	2011 Minimum Targets	**2011 Year-to-date Performance[1]**
Net income growth [2]	6%	**13%**
Net income growth, before taxes (teb)[3]	10%	**8%**
Total revenue (teb) growth	12%	**15%**
Loan growth	10%	**14%**
Provision for credit losses as a percentage of average loans	0.20% - 0.25%	**0.21%**
Efficiency ratio (teb)	46%	**45.4%**
Return on common equity [4]	15%	**16.3%**
Return on assets [5]	1.20%	**1.24%**

(1) 2011 year-to-date performance for earnings and revenue growth is the current year results over the same period in the prior year, loan growth is the increase over the past twelve months, and performance for ratio targets is the current year-to-date results annualized.
(2) Net income, before preferred share dividends.
(3) Net income before income taxes (teb), non-controlling interest in subsidiary and preferred share dividends.
(4) Return on common equity calculated as annualized net income after preferred share dividends divided by average common shareholders' equity.
(5) Return on assets calculated as annualized net income after preferred share dividends divided by average total assets.

Strong performance through the first six months has CWB positioned to surpass all of its fiscal 2011 minimum targets. Year-to-date loan growth compares favourably with management's initial expectations at the onset of the year and reflects stronger than expected economic activity. The Bank's focus on and expertise in servicing small to mid-sized commercial clients has further contributed to new lending opportunities. Economic fundamentals in Western Canada are expected to remain favourable relative to the rest of Canada and the volume in the pipeline for new loans is strong. Management's strategic focus will remain centered on "*doing what we do, only better*", and includes objectives to deploy available capital and enhance the return on common shareholders' equity. Each of the Bank's affiliates has excellent growth potential and will also benefit from an improved economic environment. The overall outlook for 2011 and beyond is positive.

This management's discussion and analysis is dated June 2, 2011.

Taxable Equivalent Basis (teb)
Most banks analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures
Taxable equivalent basis, diluted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, tangible common equity to risk-weighted assets, Tier 1 and total capital adequacy ratios, average balances, claims loss ratio, expense ratio and combined ratio do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures presented by other financial institutions. The non-GAAP measures used in this MD&A are calculated as follows:

- taxable equivalent basis – described above;
- diluted cash earnings per common share – diluted earnings per common share excluding the amortization of acquisition-related intangible assets;
- return on common shareholders' equity – net income less preferred share dividends divided by average shareholder's equity;
- return on assets – net income less preferred share dividends divided by average total assets;
- efficiency ratio – non-interest expenses divided by total revenues (net interest income plus other income);
- net interest margin – net interest income divided by average total assets;
- tangible common equity to risk-weighted assets – shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI);
- Tier 1 and total capital adequacy ratios – in accordance with guidelines issued by OSFI;
- Basel III common equity Tier 1, Tier 1 and total capital ratios – in accordance with CWB's interpretation of the Basel III capital requirements and OSFI proposed guidance;
- average balances – average daily balances;
- claims loss ratio – net insurance claims and adjustment expenses as a percentage of net earned premiums;
- expense ratio – policy acquisition costs and non-interest expenses net of commissions and processing fees as a percentage of net earned premiums; and
- combined ratio – sum of the claims loss and expense ratios.

Forward-looking Statements
From time to time, Canadian Western Bank (the Bank) makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about the Bank's objectives and strategies, targeted and expected financial results and the outlook for the Bank's businesses or for the Canadian economy. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could."

By their very nature, forward-looking statements involve numerous assumptions. A variety of factors, many of which are beyond the Bank's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general business and economic conditions in Canada including the volatility and lack of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, regulatory and legal developments, the level of competition in the Bank's markets, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, the accuracy of and completeness of information the Bank receives about customers and counterparties, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, reliance on third parties to provide components of the Bank's business infrastructure, changes in tax laws, technological developments, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, and management's ability to anticipate and manage the risks associated with these factors. It is important to note that the preceding list is not exhaustive of possible factors.

These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause the Bank's actual results to differ materially from the expectations expressed in such forward looking statements. Unless required by securities law, the Bank does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

Assumptions about the performance of the Canadian economy in 2011 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting minimum performance targets for fiscal 2011, management's assumptions included: moderate economic growth in Canada aided by positive relative performance in the four western provinces; relatively stable energy and other commodity prices; sound credit quality with actual losses remaining within the Bank's historical range of acceptable levels, including consideration for National Leasing; modest inflationary pressures and gradual increases in the prime lending interest rate beginning in early-to-mid calendar year 2011; and, a relatively stable net interest margin supported by a low deposit cost environment, favourable yields on both new lending facilities and renewed accounts, and relatively stable investment returns reflecting high quality assets held in the securities portfolio. At the end of the second quarter, management believes increased commodity prices and related inflationary pressures could negatively impact the global economic recovery. Ongoing economic uncertainties have also reduced the likelihood of upward movements in the Canadian prime lending interest rate before the latter part of calendar 2011.

Consolidated Statements of Income

(unaudited) ($ thousands, except per share amounts)	For the three months ended April 30 2011	January 31 2011	April 30 2010	Change from April 30 2010	For the six months ended April 30 2011	April 30 2010	Change from April 30 2010
Interest Income							
Loans	**$ 143,562**	$ 144,163	$ 123,830	16 %	**$ 287,725**	$ 240,671	20 %
Securities	**11,498**	9,962	9,426	22	**21,460**	20,364	5
Deposits with regulated financial institutions	**1,063**	1,379	1,443	(26)	**2,442**	3,547	(31)
	156,123	155,504	134,699	16	**311,627**	264,582	18
Interest Expense							
Deposits	**58,587**	58,843	52,858	11	**117,430**	106,428	10
Subordinated debentures	**6,639**	5,979	4,371	52	**12,618**	8,941	41
	65,226	64,822	57,229	14	**130,048**	115,369	13
Net Interest Income	**90,897**	90,682	77,470	17	**181,579**	149,213	22
Provision for Credit Losses (Note 5)	**5,267**	6,216	5,487	(4)	**11,483**	9,200	25
Net Interest Income after Provision for Credit Losses	**85,630**	84,466	71,983	19	**170,096**	140,013	21
Other Income							
Credit related	**7,534**	8,813	8,496	(11)	**16,347**	15,774	4
Insurance, net (Note 2)	**4,991**	4,590	5,521	(10)	**9,581**	11,191	(14)
Trust and wealth management services	**4,930**	4,533	4,499	10	**9,463**	8,969	6
Retail services	**2,392**	2,462	2,332	3	**4,854**	4,348	12
Gains on sale of securities	**5,297**	4,237	4,072	30	**9,534**	10,569	(10)
Securitization revenue	**1,022**	1,514	1,911	(47)	**2,536**	1,911	33
Foreign exchange gains	**919**	836	676	36	**1,755**	1,111	58
Other	**1,421**	1,436	3,333	(57)	**2,857**	3,333	(14)
	28,506	28,421	30,840	(8)	**56,927**	57,206	-
Net Interest and Other Income	**114,136**	112,887	102,823	11	**227,023**	197,219	15
Non-Interest Expenses							
Salaries and employee benefits	**35,394**	35,641	32,681	8	**71,035**	59,071	20
Premises and equipment	**9,153**	8,847	7,983	15	**18,000**	15,011	20
Other expenses	**10,701**	9,609	8,901	20	**20,310**	15,421	32
Provincial capital taxes	**160**	1,031	395	(59)	**1,191**	705	69
	55,408	55,128	49,960	11	**110,536**	90,208	23
Net Income before Income Taxes and Non-Controlling Interest in Subsidiary	**58,728**	57,759	52,863	11	**116,487**	107,011	9
Income Taxes	**14,238**	13,747	14,938	(5)	**27,985**	28,975	(3)
	44,490	44,012	37,925	17	**88,502**	78,036	13
Non-Controlling Interest in Subsidiary	**50**	60	41	22	**110**	117	(6)
Net Income	**$ 44,440**	$ 43,952	$ 37,884	17 %	**$ 88,392**	$ 77,919	13 %
Preferred share dividends (Note 8)	**$ 3,802**	$ 3,802	$ 3,802	- %	**$ 7,604**	$ 7,604	- %
Net income available to common shareholders	**40,638**	40,150	34,082	19	**80,788**	70,315	15
Average number of common shares (in thousands)	**70,527**	68,151	66,144	7	**69,320**	65,016	7
Average number of diluted common shares (in thousands)	**76,514**	75,032	72,670	5	**75,717**	71,362	6
Earnings Per Common Share							
Basic	**$ 0.58**	$ 0.59	$ 0.52	12 %	**$ 1.17**	$ 1.08	8 %
Diluted	**0.53**	0.54	0.47	13	**1.07**	0.99	8

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

Consolidated Balance Sheets

(unaudited) ($ thousands)		As at April 30 2011	As at January 31 2011	As at October 31 2010	As at April 30 2010	Change from April 30 2010
Assets						
Cash Resources						
Cash and non-interest bearing deposits with financial institutions		**$ 5,729**	$ 59,036	$ 8,965	$ 15,343	(63) %
Interest bearing deposits with regulated financial institutions	(Note 3)	**252,081**	219,953	168,998	188,705	34
Cheques and other items in transit		**11,018**	941	9,981	633	nm
		268,828	279,930	187,944	204,681	31
Securities	(Note 3)					
Issued or guaranteed by Canada		**506,575**	478,771	564,694	508,267	-
Issued or guaranteed by a province or municipality		**289,638**	187,816	88,478	103,318	180
Other securities		**781,128**	807,088	857,015	762,760	2
		1,577,341	1,473,675	1,510,187	1,374,345	15
Securities Purchased Under Resale Agreements		**219,385**	-	177,954	247,682	(11)
Loans	(Notes 4 and 6)					
Residential mortgages		**2,833,163**	2,667,045	2,479,957	2,292,578	24
Other loans		**8,484,160**	8,294,891	8,095,148	7,650,477	11
		11,317,323	10,961,936	10,575,105	9,943,055	14
Allowance for credit losses	(Note 5)	**(78,771)**	(75,047)	(78,641)	(76,386)	3
		11,238,552	10,886,889	10,496,464	9,866,669	14
Other						
Property and equipment		**67,282**	66,830	65,978	57,859	16
Goodwill		**37,852**	37,852	37,723	37,191	2
Other intangible assets		**40,553**	42,027	43,420	45,618	(11)
Insurance related		**56,846**	57,853	59,652	55,254	3
Derivative related	(Note 7)	**459**	130	134	231	99
Other assets		**93,082**	101,031	122,235	114,751	(19)
		296,074	305,723	329,142	310,904	(5)
Total Assets		**$ 13,600,180**	$ 12,946,217	$ 12,701,691	$ 12,004,281	13 %
Liabilities and Shareholders' Equity						
Deposits						
Payable on demand		**$ 618,728**	$ 584,728	$ 530,608	$ 530,995	17 %
Payable after notice		**3,377,816**	3,110,008	2,999,599	2,963,594	14
Payable on a fixed date		**7,259,922**	6,986,605	7,177,560	6,585,454	10
Deposit from Canadian Western Bank Capital Trust		**105,000**	105,000	105,000	105,000	-
		11,361,466	10,786,341	10,812,767	10,185,043	12
Other						
Cheques and other items in transit		**38,352**	47,423	39,628	34,565	11
Insurance related		**140,739**	143,010	149,396	135,482	4
Derivative related	(Note 7)	**971**	812	992	745	30
Other liabilities		**215,952**	213,407	235,865	256,335	(16)
		396,014	404,652	425,881	427,127	(7)
Subordinated Debentures						
Conventional		**545,000**	545,000	315,000	315,000	73
Shareholders' Equity						
Preferred shares	(Note 8)	**209,750**	209,750	209,750	209,750	-
Common shares	(Note 8)	**387,740**	323,340	279,352	274,223	41
Contributed surplus		**20,795**	21,089	21,291	20,630	1
Retained earnings		**661,394**	638,007	614,710	566,989	17
Accumulated other comprehensive income		**18,021**	18,038	22,940	5,519	227
		1,297,700	1,210,224	1,148,043	1,077,111	20
Total Liabilities and Shareholders' Equity		**$ 13,600,180**	$ 12,946,217	$ 12,701,691	$ 12,004,281	13 %
Contingent Liabilities and Commitments	(Note 10)					

nm - not meaningful.

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) ($ thousands)		For the six months ended April 30 2011	 April 30 2010
Retained Earnings			
Balance at beginning of period		**$ 614,710**	$ 511,784
Net income		**88,392**	77,919
Dividends – Preferred shares		**(7,604)**	(7,604)
– Common shares		**(18,119)**	(14,307)
Warrants purchased under normal course issuer bid	(Note 8)	**(15,985)**	(698)
Issuance costs on common shares		**-**	(105)
Balance at end of period		**661,394**	566,989
Accumulated Other Comprehensive Income (Loss)			
Balance at beginning of period		**22,940**	19,119
Other comprehensive income (loss)		**(4,919)**	(13,600)
Balance at end of period		**18,021**	5,519
Total retained earnings and accumulated other comprehensive income		**679,415**	572,508
Preferred Shares	(Note 8)		
Balance at beginning and end of period		**209,750**	209,750
Common Shares	(Note 8)		
Balance at beginning of period		**279,352**	226,480
Issued on exercise of warrants		**100,987**	110
Transferred from contributed surplus on exercise or exchange of options		**2,851**	1,199
Issued on exercise of options		**2,550**	2,289
Issued under dividend reinvestment plan		**2,000**	1,563
Issued on acquisition		**-**	42,582
Balance at end of period		**387,740**	274,223
Contributed Surplus			
Balance at beginning of period		**21,291**	19,366
Amortization of fair value of options		**2,355**	2,463
Transferred to common shares on exercise or exchange of options		**(2,851)**	(1,199)
Balance at end of period		**20,795**	20,630
Total Shareholders' Equity		**$ 1,297,700**	$ 1,077,111

Consolidated Statements of Comprehensive Income

(unaudited) ($ thousands)	For the three months ended April 30 2011	 April 30 2010	For the six months ended April 30 2011	 April 30 2010
Net Income	**$ 44,440**	$ 37,884	**$ 88,392**	$ 77,919
Other Comprehensive Income (Loss), net of tax				
Available-for-sale securities:				
Gains (losses) from change in fair value[1]	**3,796**	(13,251)	**1,944**	(4,617)
Reclassification to other income[2]	**(3,813)**	(2,505)	**(6,863)**	(7,414)
	(17)	(15,756)	**(4,919)**	(12,031)
Derivatives designated as cash flow hedges:				
Gains from change in fair value[3]	**-**	10	**-**	17
Reclassification to net interest income[4]	**-**	(518)	**-**	(1,586)
	-	(508)	**-**	(1,569)
	(17)	(16,264)	**(4,919)**	(13,600)
Comprehensive Income for the Period	**$ 44,423**	$ 21,620	**$ 83,473**	$ 64,319

(1) Net of income tax expense of $1,477 and $756 for the three and six months ended April 30, 2011, respectively (2010 - tax benefit of $5,679 and $1,965).
(2) Net of income tax benefit of $1,484 and $2,671 for the three and six months ended April 30, 2011, respectively (2010 - $1,074 and $3,155).
(3) Net of income tax expense of nil for the three and six months ended April 30, 2011 (2010 - tax expense of $4 and $7).
(4) Net of income tax benefit of nil for the three and six months ended April 30, 2011 (2010 - tax benefit of $207 and $664).

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

Consolidated Statements of Cash Flow

(unaudited) ($ thousands)		For the three months ended April 30 2011	April 30 2010	For the six months ended April 30 2011	April 30 2010
Cash Flows from Operating Activities					
Net income		**$ 44,440**	$ 37,884	**$ 88,392**	$ 77,919
Adjustments to determine net cash flows:					
Provision for credit losses		**5,267**	5,487	**11,483**	9,200
Depreciation and amortization		**4,410**	3,823	**8,854**	6,202
Amortization of fair value of employee stock options		**1,066**	1,257	**2,355**	2,463
Future income taxes, net		**(426)**	1,992	**(8,162)**	2,032
Gain on sale of securities, net		**(5,297)**	(4,072)	**(9,534)**	(10,569)
Accrued interest receivable and payable, net		**(1,771)**	420	**(9,457)**	(12,305)
Current income taxes payable, net		**(2,747)**	70	**(144)**	(14,004)
Other items, net		**20,151**	47,413	**33,394**	54,637
		65,093	94,274	**117,181**	115,575
Cash Flows from Financing Activities					
Deposits, net		**575,125**	181,123	**548,699**	567,806
Common shares issued	(Note 8)	**63,040**	2,855	**105,537**	3,962
Warrants purchased under normal course issuer bid	(Note 8)	**(8,182)**	(665)	**(15,985)**	(698)
Dividends		**(12,871)**	(11,076)	**(25,723)**	(21,911)
Debentures issued		**-**	-	**300,000**	-
Debentures redeemed		**-**	-	**(70,000)**	(60,000)
Issuance costs on share capital		**-**	(105)	**-**	(105)
Long-term debt repaid		**-**	(270,630)	**-**	(270,630)
Securities sold under repurchase agreements, net		**-**	-	**-**	(300,242)
		617,112	(98,498)	**842,528**	(81,818)
Cash Flows from Investing Activities					
Interest bearing deposits with regulated financial institutions, net		**(32,539)**	76,253	**(84,106)**	76,375
Securities, purchased		**(1,525,256)**	(648,359)	**(2,630,598)**	(2,029,349)
Securities, sale proceeds		**907,770**	964,332	**1,369,928**	2,274,063
Securities, matured		**513,364**	149,923	**1,186,439**	263,191
Securities purchased under resale agreements, net		**(219,385)**	(227,682)	**(41,431)**	(247,682)
Loans, net		**(356,930)**	(266,770)	**(753,571)**	(316,470)
Property and equipment		**(3,388)**	(3,512)	**(7,292)**	(7,574)
Business acquisition		**-**	(53,060)	**-**	(53,060)
		(716,364)	(8,875)	**(960,631)**	(40,506)
Change in Cash and Cash Equivalents		**(34,159)**	(13,099)	**(922)**	(6,749)
Cash and Cash Equivalents at Beginning of Period		**12,554**	(5,490)	**(20,683)**	(11,840)
Cash and Cash Equivalents at End of Period *		**$ (21,605)**	$ (18,589)	**$ (21,605)**	$ (18,589)
* Represented by:					
Cash and non-interest bearing deposits with financial institutions		**$ 5,729**	$ 15,343	**$ 5,729**	$ 15,343
Cheques and other items in transit (included in Cash Resources)		**11,018**	633	**11,018**	633
Cheques and other items in transit (included in Other Liabilities)		**(38,352)**	(34,565)	**(38,352)**	(34,565)
Cash and Cash Equivalents at End of Period		**$ (21,605)**	$ (18,589)	**$ (21,605)**	$ (18,589)
Supplemental Disclosure of Cash Flow Information					
Amount of interest paid in the period		**$ 64,939**	$ 60,027	**$ 139,861**	$ 138,394
Amount of income taxes paid in the period		**17,419**	12,877	**36,500**	40,948

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

(unaudited)
($ thousands, except per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI), using the same accounting policies as the audited consolidated financial statements for the year ended October 31, 2010. Under Canadian GAAP, additional disclosures are required in annual financial statements and accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2010 as set out on pages 76 to 110 of the Bank's 2010 Annual Report.

2. Insurance Revenues, Net

Insurance revenues, net, as reported in other income on the consolidated statement of income are presented net of net claims and adjustment expenses and policy acquisition costs.

	For the three months ended			For the six months ended	
	April 30 2011	January 31 2011	April 30 2010	**April 30 2011**	April 30 2010
Net earned premiums	**$ 28,286**	$ 28,996	$ 26,627	**$ 57,282**	$ 53,958
Commissions and processing fees	**479**	465	546	**944**	1,164
Net claims and adjustment expenses	**(17,542)**	(19,157)	(15,784)	**(36,699)**	(32,774)
Policy acquisition costs	**(6,232)**	(5,714)	(5,868)	**(11,946)**	(11,157)
Total, net	**$ 4,991**	$ 4,590	$ 5,521	**$ 9,581**	$ 11,191

3. Securities

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

	As at April 30 2011	As at January 31 2011	As at October 31 2010
Interest bearing deposits with regulated financial institutions	**$ 813**	$ 1,227	$ 2,104
Securities issued or guaranteed by			
Canada	**179**	22	(139)
A province or municipality	**567**	535	723
Other debt securities	**1,479**	1,841	3,412
Equity securities			
Preferred shares	**9,053**	9,131	18,331
Common shares	**12,693**	12,049	7,669
Unrealized gains, net	**$ 24,784**	$ 24,805	$ 32,100

The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve. Unrealized losses are considered to be other than permanent in nature.

4. Loans

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

($ millions)	British Columbia	Alberta	Saskatchewan	Manitoba	Other	Total	April 30 2011 Composition Percentage	January 31 2011 Composition Percentage	October 31 2010 Composition Percentage
Loans to Individuals									
Residential mortgages[2]	$ 1,216	$ 1,142	$ 160	$ 73	$ 242	$ 2,833	25 %	24 %	23 %
Other loans	69	101	13	3	1	187	2	2	2
	1,285	1,243	173	76	243	3,020	27	26	25
Loans to Businesses									
Commercial	897	1,596	108	99	244	2,944	26	26	26
Construction and real estate[3]	1,258	1,526	260	72	166	3,282	29	30	31
Equipment financing	342	705	133	70	511	1,761	16	16	16
Energy	-	310	-	-	-	310	2	2	2
	2,497	4,137	501	241	921	8,297	73	74	75
Total Loans[1]	$ 3,782	$ 5,380	$ 674	$ 317	$ 1,164	$ 11,317	100 %	100 %	100 %
Composition Percentage									
April 30, 2011	33 %	48 %	6 %	3 %	10 %	100 %			
January 31, 2011	33 %	48 %	6 %	3 %	10 %	100 %			
October 31, 2010	33 %	48 %	6 %	3 %	10 %	100 %			

(1) This table does not include an allocation for credit losses.
(2) Includes single- and multi-unit residential mortgages and project (interim) mortgages on residential property.
(3) Includes commercial term mortgages and project (interim) mortgages for non-residential property.

5. Allowance for Credit Losses

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

	For the three months ended April 30, 2011			For the three months ended January 31, 2011		
	Specific Allowance	**General Allowance for Credit Losses**	**Total**	Specific Allowance	General Allowance for Credit Losses	Total
Balance at beginning of period	**$ 14,862**	**$ 60,185**	**$ 75,047**	$ 19,038	$ 59,603	$ 78,641
Provision for credit losses	**8,590**	**(3,323)**	**5,267**	5,634	582	6,216
Write-offs	**(1,940)**	**-**	**(1,940)**	(10,047)	-	(10,047)
Recoveries	**397**	**-**	**397**	237	-	237
Balance at end of period	**$ 21,909**	**$ 56,862**	**$ 78,771**	$ 14,862	$ 60,185	$ 75,047

	For the three months ended April 30, 2010		
	Specific Allowance	General Allowance for Credit Losses	Total
Balance at beginning of period	$ 13,531	$ 59,039	$ 72,570
Allowance acquired	2,596	4,172	6,768
Provision for credit losses	10,693	(5,206)	5,487
Write-offs	(8,530)	-	(8,530)
Recoveries	91	-	91
Balance at end of period	$ 18,381	$ 58,005	$ 76,386

	For the six months ended April 30, 2011			For the six months ended April 30, 2010		
	Specific Allowance	**General Allowance for Credit Losses**	**Total**	Specific Allowance	General Allowance for Credit Losses	Total
Balance at beginning of period	**$ 19,038**	**$ 59,603**	**$ 78,641**	$ 14,306	$ 61,153	$ 75,459
Allowance acquired	**-**	**-**	**-**	2,596	4,172	6,768
Provision for credit losses	**14,224**	**(2,741)**	**11,483**	16,520	(7,320)	9,200
Write-offs	**(11,987)**	**-**	**(11,987)**	(15,135)	-	(15,135)
Recoveries	**634**	**-**	**634**	94	-	94
Balance at end of period	**$ 21,909**	**$ 56,862**	**$ 78,771**	$ 18,381	$ 58,005	$ 76,386

6. Impaired and Past Due Loans

Outstanding gross loans and impaired loans, net of allowances for credit losses, by loan type, are as follows:

	As at April 30, 2011				As at January 31, 2011			
	Gross Amount	**Gross Impaired Amount**	**Specific Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	**$ 1,932,737**	**$ 25,039**	**$ 1,519**	**$ 23,520**	$ 1,857,252	$ 26,919	$ 2,033	$ 24,886
Real estate[(1)]	**4,347,243**	**68,503**	**6,152**	**62,351**	4,220,509	75,153	4,179	70,974
Equipment financing	**2,069,611**	**15,393**	**6,338**	**9,055**	2,027,565	16,058	6,034	10,024
Commercial	**2,967,732**	**19,602**	**7,900**	**11,702**	2,856,610	14,290	2,616	11,674
Total [(2)]	**$ 11,317,323**	**$ 128,537**	**$ 21,909**	**106,628**	$ 10,961,936	$ 132,420	$ 14,862	117,558
General allowance[(3)]				**(56,862)**				(60,185)
Net impaired loans after general allowance				**$ 49,766**				$ 57,373

	As at October 31, 2010			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	$ 1,793,181	$ 24,534	$ 1,288	$ 23,246
Real estate[(1)]	4,124,235	82,799	4,880	77,919
Equipment financing	1,943,716	27,918	10,215	17,703
Commercial	2,713,973	7,956	2,655	5,301
Total [(2)]	$ 10,575,105	$ 143,207	$ 19,038	124,169
General allowance[(3)]				(59,603)
Net impaired loans after general allowance				$ 64,566

(1) Multi-family residential mortgages are included in real estate loans.
(2) Gross impaired loans include foreclosed assets with a carrying value of $992 (January 31, 2011 - $1,591 and October 31, 2010 - $867) which are held for sale.
(3) The general allowance for credit risk is not allocated by loan type.

6. Impaired and Past Due Loans – continued

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

	As at April 30, 2011			As at January 31, 2011		
	Gross Impaired Amount	**Specific Allowance**	**Net Impaired Loans**	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	**$ 79,532**	**$ 13,467**	**$ 66,065**	$ 79,603	$ 7,970	$ 71,633
British Columbia	**38,927**	**2,844**	**36,083**	35,052	1,099	33,953
Saskatchewan	**2,977**	**1,194**	**1,783**	2,149	760	1,389
Manitoba	**1,165**	**306**	**859**	792	328	464
Other	**5,936**	**4,098**	**1,838**	14,824	4,705	10,119
Total	**$ 128,537**	**$ 21,909**	**106,628**	$ 132,420	$ 14,862	117,558
General allowance[1]			**(56,862)**			(60,185)
Net impaired loans after general allowance			**$ 49,766**			$ 57,373

	As at October 31, 2010		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 98,973	$ 14,515	$ 84,458
British Columbia	38,543	1,259	37,284
Saskatchewan	2,109	1,114	995
Manitoba	329	233	96
Other	3,253	1,917	1,336
Total	$ 143,207	$ 19,038	124,169
General allowance[1]			(59,603)
Net impaired loans after general allowance			$ 64,566

[1] The general allowance for credit risk is not allocated by province.

During the three and six months ended April 30, 2011, interest recognized as income on impaired loans totaled $554 and $1,026, respectively (2010 - $950 and $1,604).

Gross impaired loans exclude certain past due loans where payment of interest or principal is contractually in arrears, which are not classified as impaired. Details of such past due loans that have not been included in the gross impaired amount are as follows:

	As at April 30, 2011				
	1 – 30 days	**31 – 60 days**	**61 – 90 days**	**More than 90 days**	**Total**
Residential mortgages	**$ 15,696**	**$ 1,440**	**$ 582**	**$ 365**	**$ 18,083**
Other loans	**28,488**	**8,475**	**1,317**	**-**	**38,280**
	$ 44,184	**$ 9,915**	**$ 1,899**	**$ 365**	**$ 56,363**
Total as at January 31, 2011	$ 27,493	$ 27,591	$ 2,282	$ 190	$ 57,556
Total as at October 31, 2010	$ 23,639	$ 41,871	$ 9,643	$ 4	$ 75,157

7. Derivative Financial Instruments

The Bank may designate certain derivative financial instruments as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges). On an ongoing basis, the Bank assesses whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of the hedged items. If a hedging transaction becomes ineffective or if the derivative is not designated as a cash flow hedge, any subsequent change in the fair value of the hedging instrument is recognized in earnings. As at April 30, 2011, outstanding interest rate swaps include nil (2010 – $25,000) designated as cash flow hedges and $37,100 (2010 – $60,910) not designated as hedges.

For the three and six months ended April 30, 2011, a net unrealized after tax gain of nil and nil respectively (2010 – $10 and $17) was recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges, and nil (2010 – nil) was recorded in other income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that interest on certain floating rate loans (i.e. the hedged items) affect income. For the three and six months ended April 30, 2011, no amounts (2010 – net gains of $518 and $1,586 respectively) were reclassified to net income. No amounts (2010 – net gain of $31 after tax) recorded in accumulated other comprehensive income as at April 30, 2011 are expected to be reclassified to net income in the next twelve months.

7. Derivative Financial Instruments – continued

The following table shows the notional value outstanding for derivative financial instruments and the related fair value:

	As at April 30, 2011			As at January 31, 2011		
	Notional Amount	**Positive Fair Value**	**Negative Fair Value**	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps not designated as hedges[1]	**$ 37,100**	**$ -**	**$ 579**	$ 41,400	$ -	$ 656
Foreign exchange contracts[2]	**17,851**	**459**	**392**	33,549	127	152
Equity contracts	**-**	**-**	**-**	500	3	-
Embedded derivatives in equity-linked deposits	**-**	**-**	**-**	n/a	-	4
Other forecasted transactions	**-**	**-**	**-**	-	-	-
Derivative related amounts		**$ 459**	**$ 971**		$ 130	$ 812

	As at October 31, 2010		
	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps not designated as hedges	$ 47,550	$ -	$ 930
Foreign exchange contracts	57,032	132	59
Equity contracts	500	2	-
Embedded derivatives in equity-linked deposits	n/a	-	3
Other forecasted transactions	-	-	-
Derivative related amounts		$ 134	$ 992

(1) Interest rate swaps not designated as hedges outstanding at April 30, 2011 mature between November 2012 and April 2014.
(2) Foreign exchange contracts outstanding at April 30, 2011 mature between May 2011 and November 2012.

n/a – not applicable.

There were no forecasted transactions that failed to occur during the three and six months ended April 30, 2011.

8. Capital Stock

Share Capital

	For the six months ended			
	April 30, 2011		April 30, 2010	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred Shares - Series 3				
Outstanding at beginning and end of period[1]	**8,390,000**	**$ 209,750**	8,390,000	$ 209,750
Common Shares				
Outstanding at beginning of period	**66,641,362**	**279,352**	63,903,460	226,480
Issued on exercise of warrants	**7,213,383**	**100,987**	7,868	110
Issued on exercise or exchange of options	**268,423**	**2,550**	262,801	2,289
Issued under dividend reinvestment plan[2]	**67,494**	**2,000**	69,922	1,563
Transferred from contributed surplus on exercise or exchange of options	**-**	**2,851**	-	1,199
Issued on acquisition	**-**	**-**	2,065,088	42,582
Outstanding at end of period	**74,190,662**	**387,740**	66,309,139	274,223
Share Capital		**$ 597,490**		$ 483,973

(1) Holders of the Preferred Shares – Series 3 are entitled to receive non-cumulative quarterly fixed dividends for the initial five-year period ending April 30, 2014 of 7.25% per annum, payable quarterly, as and when declared. For further information on dividend rates after April 30, 2014, refer to Note 19 of the audited consolidated financial statements for the year ended October 31, 2010 (see page 95 of the 2010 Annual Report).
(2) For the periods noted above, shares were issued at a 2% discount from the average closing price of the five trading days preceding the dividend payment date.

Warrants to Purchase Common Shares

Each warrant is exercisable until March 3, 2014 at a price of $14.00 to purchase one common share in the capital of the Bank.

	For the six months ended	
Number of Warrants	**April 30 2011**	April 30 2010
Outstanding at beginning of period	**13,471,611**	14,964,356
Purchased and cancelled	**(1,000,000)**	(72,928)
Exercised	**(7,213,383)**	(7,868)
Outstanding at end of period	**5,258,228**	14,883,560

Normal Course Issuer Bid

On January 18, 2011, the Bank received approval from the Toronto Stock Exchange for a Normal Course Issuer Bid (NCIB) to purchase and cancel up to 1,029,108 of its warrants. The NCIB commenced January 20, 2011 and will expire January 19, 2012. For the three and six months ended April 30, 2011, the Bank purchased and cancelled 500,000 and 1,000,000 warrants (2010 – 68,428 and 72,928) at an aggregate cost of $8,182 and $15,985 respectively (2010 – $665 and $698), which was charged to retained earnings.

9. Stock-Based Compensation

Stock Options

	For the three months ended			
	April 30, 2011		April 30, 2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	**3,817,005**	**$ 20.68**	4,667,731	$ 18.98
Exercised or exchanged	**(318,599)**	**22.07**	(397,800)	15.38
Forfeited	**(25,419)**	**22.24**	(26,310)	20.21
Balance at end of period	**3,472,987**	**$ 20.54**	4,243,621	$ 19.31

	For the six months ended			
	April 30, 2011		April 30, 2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	**3,834,433**	**$ 19.93**	4,394,605	$ 18.65
Granted	**358,865**	**29.42**	358,291	22.09
Exercised or exchanged	**(680,249)**	**21.67**	(453,300)	15.19
Forfeited	**(40,062)**	**22.51**	(55,975)	18.98
Balance at end of period	**3,472,987**	**$ 20.54**	4,243,621	$ 19.31

9. Stock-Based Compensation – continued

The terms of the share incentive plan allow the holders of vested options a cashless settlement alternative whereby the option holder can either (a) elect to receive shares by delivering cash to the Bank in the amount of the option exercise price or (b) elect to receive the number of shares equivalent to the excess of the market value of the shares under option over the exercise price. Of the 680,249 options (2010 – 453,300) exercised or exchanged in the six months ended April 30, 2011, option holders exchanged the rights to 566,299 options (2010 – 304,300) and received 154,473 shares (2010 – 113,801) in return under the cashless settlement alternative.

For the six months ended April 30, 2011, salary expense of $2,355 (2010 – $2,463) was recognized relating to the estimated fair value of options. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 2.2% (2010 – 2.6%), (ii) expected option life of 4.0 years (2010 – 4.0 years), (iii) expected volatility of 41% (2010 – 44%), and (iv) expected dividends of 1.8% (2010 – 2.0%). The weighted average fair value of options granted was estimated at $8.69 (2010 – $7.16) per share.

Further details relating to stock options outstanding and exercisable at April 30, 2011 follow:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$ 8.58 to $11.76	921,200	2.6	$ 11.72	-	$ -
$16.89 to $21.46	863,340	2.3	19.19	162,000	21.45
$22.09 to $26.38	1,126,265	2.7	24.05	292,900	25.49
$28.11 to $31.18	562,182	3.5	30.05	205,030	31.14
Total	3,472,987	2.7	$ 20.54	659,930	$ 26.25

Restricted Share Units

Under the Restricted Share Unit (RSU) plan, certain employees are eligible to receive an award in the form of RSUs. Each RSU entitles the holder to receive the cash equivalent of the market value of the Bank's common shares at the vesting date and an amount equivalent to the dividends paid on the common shares during the vesting period. RSUs vest on each anniversary of the grant in equal one-third installments over a vesting period of three years. Salary expense is recognized evenly over the vesting period, except where the employee is eligible to retire prior to the vesting date, in which case the expense is recognized between the grant date and the date the employee is eligible to retire.

For the six months ended April 30, 2011, salary expense of $4,718 (2010 – $1,670) was recognized related to RSUs. As at April 30, 2011, the liability for the RSUs held under this plan was $13,332 (2010 – $5,655). At the end of each period, the liability and salary expense are adjusted to reflect changes in the market value of the Bank's common shares. As at April 30, 2011, 474,387 RSUs were outstanding (2010 – 292,448).

Deferred Share Units

Under the Deferred Share Unit (DSU) plan, non-employee directors will receive at least 50% of their annual retainer in DSUs. The DSUs are not redeemable until the individual is no longer a director and must be redeemed for cash. Common share dividend equivalents accrue to the directors in the form of additional units. The expense related to the DSUs is recorded in the period the award is earned by the director.

For the six months ended April 30, 2011, non-interest expense "other expenses" included $152 (2010 – $40) related to DSUs. As at April 30, 2011, the liability for DSUs was $1,514 (2010 – $572). At the end of each period, the liability and expense are adjusted to reflect changes in the market value of the Bank's common shares. As at April 30, 2011, 49,966 DSUs were outstanding (2010 – 23,838).

10. Contingent Liabilities and Commitments

Significant contingent liabilities and commitments, including guarantees provided to third parties, are discussed in Note 21 of the Bank's audited consolidated financial statements for the year ended October 31, 2010 (see page 98 of the 2010 Annual Report) and include:

	As at April 30 2011	As at January 31 2011	As at October 31 2010
Guarantees and standby letters of credit			
Balance outstanding	**$ 260,522**	$ 266,827	$ 261,438
Business credit cards			
Total approved limit	**12,950**	13,037	13,153
Balance outstanding	**3,028**	3,018	2,927

In the ordinary course of business, the Bank and its subsidiaries are party to legal proceedings. Based on current knowledge, management does not expect the outcome of any of these proceedings to have a material effect on the consolidated financial position or results of operations.

11. Financial Instruments

As a financial institution, most of the Bank's balance sheet is comprised of financial instruments and the majority of net income results from gains, losses, income and expenses related to the same.

Financial instrument assets include cash resources, securities, securities purchased under resale agreements, loans and derivative financial instruments. Financial instrument liabilities include deposits, securities sold under repurchase agreements, derivative financial instruments and subordinated debentures.

The use of financial instruments exposes the Bank to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the 2010 consolidated annual financial statements.

The value of financial assets recorded on the consolidated balance sheets at April 30, 2011 at fair value (cash, securities, securities purchased under resale agreements and derivatives) was determined using published market prices quoted in active markets for 87% (2010 – 81%) of the portfolio and estimated using a valuation technique based on observable market data for 13% (2010 – 19%) of the portfolio. The value of liabilities recorded on the consolidated balance sheet at fair value (derivatives and securities sold under repurchase agreements) was determined using a valuation technique based on observable market data. There were no financial instruments measured using unobservable market data. Further information on how the fair value of financial instruments is determined is included in Note 30 of the October 31, 2010 audited financial statements beginning on page 105 in the 2010 Annual Report.

12. Interest Rate Sensitivity

The Bank's exposure to interest rate risk as a result of a difference or gap between the maturity or repricing behavior of interest sensitive assets and liabilities, including derivative financial instruments, is discussed in Note 29 of the audited consolidated financial statements for the year ended October 31, 2010 (see page 104 of the 2010 Annual Report). The following table shows the gap position for selected time intervals.

Asset Liability Gap Positions

($ millions)	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Non-interest Sensitive	Total
April 30, 2011								
Assets								
Cash resources and securities	**$ 530**	**$ 403**	**$ 305**	**$ 1,238**	**$ 647**	**$ 122**	**$ 58**	**$ 2,065**
Loans	**5,118**	**620**	**1,197**	**6,935**	**4,274**	**80**	**(50)**	**11,239**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**296**	**296**
Derivative financial instruments[1]	**37**	**-**	**-**	**37**	**-**	**-**	**18**	**55**
Total	**5,685**	**1,023**	**1,502**	**8,210**	**4,921**	**202**	**322**	**13,655**
Liabilities and Equity								
Deposits	**4,506**	**681**	**2,481**	**7,668**	**3,602**	**105**	**(14)**	**11,361**
Other liabilities	**3**	**6**	**28**	**37**	**32**	**7**	**320**	**396**
Debentures	**-**	**-**	**120**	**120**	**350**	**75**	**-**	**545**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**1,298**	**1,298**
Derivative financial instruments[1]	**-**	**2**	**13**	**15**	**23**	**-**	**17**	**55**
Total	**4,509**	**689**	**2,642**	**7,840**	**4,007**	**187**	**1,621**	**13,655**
Interest Rate Sensitive Gap	**$ 1,176**	**$ 334**	**$ (1,140)**	**$ 370**	**$ 914**	**$ 15**	**$ (1,299)**	**$ -**
Cumulative Gap	**$ 1,176**	**$ 1,510**	**$ 370**	**$ 370**	**$ 1,284**	**$ 1,299**	**$ -**	**$ -**
Cumulative Gap as a percentage of total assets	**8.6 %**	**11.1 %**	**2.7 %**	**2.7 %**	**9.4 %**	**9.5 %**	**- %**	**- %**
January 31, 2011								
Cumulative gap	$ 865	$ 740	$ 240	$ 240	$ 1,119	$ 1,163	$ -	$ -
Cumulative gap as a Percentage of total assets	6.6 %	5.7 %	1.8 %	1.8 %	8.6 %	8.9 %	- %	- %
October 31, 2010								
Cumulative gap	$ 1,002	$ 809	$ 190	$ 190	$ 1,085	$ 1,130	$ -	$ -
Cumulative gap as a percentage of total assets	7.8 %	6.3 %	1.5 %	1.5 %	8.5 %	8.8 %	- %	- %

(1) Derivative financial instruments are included in this table at the notional amount.
(2) Accrued interest is excluded in calculating interest sensitive assets and liabilities.
(3) Potential prepayments of fixed rate loans and early redemption of redeemable fixed term deposits have not been estimated. Redemptions of fixed term deposits where depositors have this option are not expected to be material. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

The effective, weighted average interest rates for each class of financial assets and liabilities are shown below:

April 30, 2011	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total assets	**3.9 %**	**2.8 %**	**4.8 %**	**3.9 %**	**5.4 %**	**5.3 %**	**4.5 %**
Total liabilities	**1.1**	**1.9**	**2.6**	**1.7**	**3.1**	**5.8**	**2.2**
Interest rate sensitive gap	**2.8 %**	**0.9 %**	**2.2 %**	**2.2 %**	**2.3 %**	**(0.5)%**	**2.3 %**
January 31, 2011							
Total assets	4.0 %	2.8 %	4.7 %	4.0 %	5.4 %	5.3 %	4.6 %
Total liabilities	1.0	2.1	2.4	1.5	3.2	5.8	2.2
Interest rate sensitive gap	3.0 %	0.7 %	2.3 %	2.5 %	2.2 %	(0.5)%	2.4 %
October 31, 2010							
Total assets	3.9 %	2.8 %	4.9 %	4.0 %	5.5 %	5.2 %	4.6 %
Total liabilities	1.2	2.0	2.6	1.7	3.2	5.8	2.3
Interest rate sensitive gap	2.7 %	0.8 %	2.3 %	2.3 %	2.3 %	(0.6)%	2.3 %

Based on the current interest rate gap position, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately 3.7% or $12,311 (October 31, 2010 – 2.3% or $7,372) and decrease other comprehensive income $8,104 (October 31, 2010 – $9,796) net of tax, respectively over the following twelve months. A one-percentage point decrease in all interest rates would decrease net interest income by approximately 4.8% or $16,111 (October 31, 2010 – 1.5% or $4,703) and increase other comprehensive income $8,104 (October 31, 2010 – $9,796) net of tax.

13. Segmented Information

The Bank operates principally in two industry segments – banking and trust, and insurance. These two segments differ in products and services but are both based within Western Canada. The banking and trust segment provides comprehensive banking services, trust and wealth management services for individuals, businesses and institutional clients. The insurance segment provides home and auto insurance to individuals in British Columbia and Alberta.

	Banking and Trust			Insurance		
	Three months ended			Three months ended		
	April 30 2011	January 31 2011	April 30 2010	**April 30 2011**	January 31 2011	April 30 2010
Net interest income (teb)(1)	**$ 91,017**	$ 91,596	$ 78,436	**$ 2,265**	$ 1,830	$ 1,696
Less teb adjustment	**2,130**	2,491	2,448	**255**	253	214
Net interest income per financial statements	**88,887**	89,105	75,988	**2,010**	1,577	1,482
Other income(2)	**23,188**	23,802	24,951	**5,318**	4,619	5,889
Total revenues	**112,075**	112,907	100,939	**7,328**	6,196	7,371
Provision for credit losses	**5,267**	6,216	5,487	**-**	-	-
Non-interest expenses	**52,427**	51,984	47,129	**2,981**	3,144	2,831
Provision for income taxes	**13,379**	13,228	13,797	**859**	519	1,141
Non-controlling interest in subsidiary	**50**	60	41	**-**	-	-
Net income	**$ 40,952**	$ 41,419	$ 34,485	**$ 3,488**	$ 2,533	$ 3,399
Total average assets ($ millions)(3)	**$ 13,084**	$ 12,655	$ 11,688	**$ 230**	$ 233	$ 210

	Total		
	Three months ended		
	April 30 2011	January 31 2011	April 30 2010
Net interest income (teb)(1)	**$ 93,282**	$ 93,426	$ 80,132
Less teb adjustment	**2,385**	2,744	2,662
Net interest income per financial statements	**90,897**	90,682	77,470
Other income(2)	**28,506**	28,421	30,840
Total revenues	**119,403**	119,103	108,310
Provision for credit losses	**5,267**	6,216	5,487
Non-interest expenses	**55,408**	55,128	49,960
Provision for income taxes	**14,238**	13,747	14,938
Non-controlling interest in subsidiary	**50**	60	41
Net income	**$ 44,440**	$ 43,952	$ 37,884
Total average assets ($ millions)(3)	**$ 13,314**	$ 12,888	$ 11,898

	Banking and Trust		Insurance		Total	
	Six months ended		Six months ended		Six months ended	
	April 30 2011	April 30 2010	**April 30 2011**	April 30 2010	**April 30 2011**	April 30 2010
Net interest income (teb)(1)	**$ 182,613**	$ 151,055	**$ 4,095**	$ 3,383	**$ 186,708**	$ 154,438
Less teb adjustment	**4,621**	4,827	**508**	398	**5,129**	5,225
Net interest income per financial statements	**177,992**	146,228	**3,587**	2,985	**181,579**	149,213
Other income(2)	**46,990**	45,567	**9,937**	11,639	**56,927**	57,206
Total revenues	**224,982**	191,795	**13,524**	14,624	**238,506**	206,419
Provision for credit losses	**11,483**	9,200	**-**	-	**11,483**	9,200
Non-interest expenses	**104,411**	84,756	**6,125**	5,452	**110,536**	90,208
Provision for income taxes	**26,607**	26,547	**1,378**	2,428	**27,985**	28,975
Non-controlling interest in subsidiary	**110**	117	**-**	-	**110**	117
Net income(4)	**$ 82,371**	$ 71,175	**$ 6,021**	$ 6,744	**$ 88,392**	$ 77,919
Total average assets ($ millions)(3)	**$ 12,869**	$ 11,502	**$ 232**	$ 212	**$ 13,101**	$ 11,714

(1) Taxable Equivalent Basis (teb) – Most financial institutions analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other financial institutions.

(2) Other income for the insurance segment is presented net of net claims, adjustment expenses and policy acquisition expenses and includes gains on sale of securities.

(3) Assets are disclosed on an average daily balance basis as this measure is most relevant to a financial institution and is the measure reviewed by management.

(4) The 2010 banking and trust segment contains the results of National Leasing Group Inc. from the acquisition date, February 1, 2010 to April 30, 2010.

14. Capital Management

Capital for Canadian financial institutions is currently managed and reported in accordance with a capital management framework specified by OSFI commonly called Basel II.

Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, protect customer deposits and provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, all while providing a satisfactory return for shareholders.

Significant capital transactions in the current year include the first quarter redemption of $70,000 and issue of $300,000 of conventional subordinated debentures, which qualify as Tier 2 regulatory capital. In addition, proceeds from the 2011 exercise of warrants by the holders increased Tier 1 regulatory capital by $101,000.

Additional information about the Bank's capital management practices is provided in Note 32 to the fiscal 2010 audited financial statements beginning on page 107 of the 2010 Annual Report.

Capital Structure and Regulatory Ratios

	As at April 30 2011	As at January 31 2011	As at October 31 2010
Capital			
Tier 1	**$ 1,339,794**	$ 1,250,346	$ 1,183,680
Total	**1,872,627**	1,788,076	1,496,529
Capital ratios			
Tier 1	**11.8 %**	11.6 %	11.3 %
Total	**16.6**	16.5	14.3
Assets to capital multiple	**7.3 x**	7.3 x	8.5 x

During the three and six months ended April 30, 2011, the Bank complied with all internal and external capital requirements.

15. Future Accounting Changes

International Financial Reporting Standards

The Canadian Institute of Chartered Accountants will transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). The Bank's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing November 1, 2011 and will include IFRS comparative information for the prior year.

The Bank has a four phase project underway to identify and evaluate the impact of the transition to IFRS on the consolidated financial statements and develop a plan to complete the transition. The project plan includes the following phases – diagnostic, design and planning, solution development, and implementation. The Bank is currently working on the final implementation phase.

The quantitative impact of the transition to IFRS on the Bank's consolidated financial statements for current standards has not yet been finalized. However, the differences identified include derecognition, the consolidation of variable interest entities, contingent consideration as a result of a business combination, and loan loss accounting. CWB continues to monitor the International Accounting Standards Board's proposed changes to standards during Canada's transition to IFRS. These proposed changes may have a significant impact on the Bank's implementation plan and future financial statements.

Shareholder Information

Head Office

Canadian Western Bank & Trust
Suite 3000, Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3X6
Telephone: (780) 423-8888
Fax: (780) 423-8897
www.cwbankgroup.com

Subsidiary Offices

National Leasing Group Inc.
1525 Buffalo Place
Winnipeg, MB R3T 1L9
Toll-free: 1-800-665-1326
Toll-free fax: 1-866-408-0729
www.nationalleasing.com

Canadian Western Trust Company
Suite 600, 750 Cambie Street
Vancouver, BC V6B 0A2
Toll-free: 1-800-663-1124
Fax: (604) 669-6069
www.cwt.ca

Valiant Trust Company
Suite 310, 606 – 4th Street S.W.
Calgary, AB T2P 1T1
Toll-free: 1-866-313-1872
Fax: (403) 233-2857
www.valianttrust.com

Canadian Direct Insurance Incorporated
Suite 600, 750 Cambie Street
Vancouver, BC V6B 0A2
Telephone: (604) 699-3678
Fax: (604) 699-3851
www.canadiandirect.com

Adroit Investment Management Ltd.
Suite 1250, Canadian Western Bank Place
10303 Jasper Avenue
Edmonton, AB T5J 3N6
Telephone: (780) 429-3500
Fax: (780) 429-9680
www.adroitinvestments.ca

Stock Exchange Listings

The Toronto Stock Exchange
- Common Shares: CWB
- Series 3 Preferred Shares: CWB.PR.A
- Common Share Purchase Warrants: CWB.WT

Transfer Agent and Registrar

Valiant Trust Company
Suite 310, 606 – 4th Street S.W.
Calgary, AB T2P 1T1
Telephone: (403) 233-2801
Fax: (403) 233-2857
Website: www.valianttrust.com
E-mail: inquiries@valianttrust.com

Eligible Dividends Designation

CWB designates all dividends for both common and preferred shares paid to Canadian residents as "eligible dividends", as defined in the *Income Tax Act* (Canada), unless otherwise noted.

Dividend Reinvestment Plan

CWB's dividend reinvestment plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar or visit www.cwbankgroup.com.

Investor Relations

For further financial information contact:
Investor & Public Relations
Canadian Western Bank
Telephone: (780) 441-3770
Toll-free: 1-800-836-1886
Fax: (780) 969-8326
E-mail: InvestorRelations@cwbank.com

Online Investor Information

Additional investor information including supplemental financial information and corporate presentations are available on CWB's website at www.cwbankgroup.com.

Quarterly Conference Call and Webcast

CWB's quarterly conference call and live audio webcast will take place on June 2, 2011 at 3:00 p.m. ET (1:00 p.m. MT). The webcast will be archived on the Bank's website at www.cwbankgroup.com for sixty days. A replay of the conference call will be available until June 16, 2011 by dialing (416) 849-0833 or toll-free (800) 642-1687 and entering passcode 65703491.