CANADIAN WESTERN BANK GROUP
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NEWS RELEASE

CWB reports record quarterly revenues based on very strong loan growth
Quarterly dividend increased to $0.16 per CWB common share, up 7% over the prior quarter
Quarterly dividend declared on CWB preferred shares

Second Quarter 2012 Highlights[(1)] (compared to the same period in the prior year)

- Record total revenues, on a taxable equivalent basis (teb)[(2)], of $127.9 million, up 7% ($8.1 million).
- Total loans surpassed the $13 billion milestone based on very strong growth of 4% in the quarter, 8% year-to-date and 17% over the past twelve months.
- Net income available to common shareholders of $39.7 million, up 7% ($2.7 million).
- Diluted earnings per common share of $0.52, up 8%.
- Adjusted cash earnings per common share[(2)] of $0.55, unchanged.
- Solid Basel II regulatory capital position supported by a tangible common equity to risk-weighted assets ratio[(2)] of 8.0%, Tier 1 capital ratio of 9.9% and total capital ratio of 13.2%.
- On May 29, settled the contingent consideration associated with the 2010 acquisition of National Leasing Group Inc. for $63.5 million paid with 2,256,868 CWB common shares.
- On June 6, declared a quarterly dividend of $0.16 per CWB common share, an increase of 7% over the prior quarter and 14% over the quarterly dividend declared a year earlier.

(1) Effective in the first quarter of 2012, CWB's unaudited interim consolidated financial statements and the accompanying notes, along with all comparative information, are prepared in accordance with International Financial Reporting Standards (IFRS).
(2) Non-GAAP measure – refer to definitions following the table of *Selected Financial Highlights* on page 4.

Edmonton, June 7, 2012 – Canadian Western Bank (TSX: CWB) (CWB or the Bank) today announced strong financial performance marking the Bank's 96th consecutive profitable quarter, a period spanning 24 years. Net income available to common shareholders of $39.7 million increased 7% compared to the same quarter last year while adjusted cash earnings per common share was unchanged at $0.55. Record total revenues (teb) of $127.9 million represented a 7% increase over the same quarter last year as the positive impact of very strong loan growth was partially offset by a 21 basis point reduction in net interest margin (teb).

Compared to last quarter, net income available to common shareholders decreased 4% ($1.8 million) as positive contributions from very strong loan growth, a four basis point improvement in net interest margin (teb) and increased other income were more than offset by the impact of higher non-interest expenses and two fewer revenue earning days. Adjusted cash earnings per common share also decreased 4% compared to the prior quarter.

Year-to-date net income available to common shareholders of $81.1 million increased 8% compared to the same period last year as the positive impact of very strong loan growth was partially offset by a 25 basis point reduction in net interest margin (teb). Adjusted cash earnings per common share of $1.12 compares to $1.10 earned through the same year-to-date period in 2011.

"Our tremendous loan growth over the past year demonstrates the ongoing potential of our core business banking focus in Western Canada," said Larry Pollock, President and CEO of CWB. "We also benefit from increased diversification and strong earnings contributions from our complementary financial services businesses. Our strategic theme to 'make the whole worth more than the sum of the parts' is paying off, as evidenced by our success in generating more client referrals across all business units. We also believe there are many opportunities for us to 'do what we do, only better', which includes initiatives to continuously improve our existing businesses, expand our market presence and build on our competitive advantages to increase market share. Our confidence in executing these initiatives underpins our optimism about continued profitable growth opportunities."

"Economic activity remains relatively strong throughout our core geographic markets. That being said, we recognize Canada is not immune to macroeconomic events that are outside of our control. We will continue to closely monitor potential impacts from global economic headwinds, including the ongoing turmoil in the euro zone."

"Net interest margin stabilized this quarter, as expected, but very low interest rates coupled with ongoing competitive pressures will likely continue to constrain profitability and earnings growth until we have a more normal interest rate environment."

"Subsequent to quarter end, we were very pleased to acquire the preferred shares of National Leasing," continued Mr. Pollock. "This business continues to demonstrate excellent potential and completing the ownership transition will allow CWB shareholders to recognize the full benefit of National Leasing's growing contributions. It will also assist in capitalizing on additional synergies through cross-partnering initiatives. The payment in CWB common shares further solidifies the Bank's regulatory capital position as we look toward the transition to the Basel III capital framework in 2013."

On June 6, 2012, CWB's Board of Directors declared a cash dividend of $0.16 per common share, payable on July 5, 2012 to shareholders of record on June 21, 2012. This quarterly dividend represents a 7% increase over the previous quarter and is 14% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.453125 per Series 3 Preferred Share payable on July 31, 2012 to shareholders of record on July 20, 2012.

Fiscal 2012 Minimum Performance Targets and Outlook

The minimum performance targets established for the 2012 fiscal year, calculated under IFRS, together with CWB's actual year-to-date performance are presented in the table below:

	2012 Minimum Targets	**2012 Year-to-date Performance**
Net income available to common shareholders growth[(1)]	10%	**8%**
Total revenue (teb) growth[(1)]	7%	**5%**
Loan growth[(2)]	10%	**17%**
Provision for credit losses as a percentage of average loans[(3)]	0.20% - 0.25%	**0.20%**
Efficiency ratio (teb)[(4)]	46%	**44.9%**
Return on common shareholders' equity[(5)]	15%	**15.0%**
Return on assets[(6)]	1.05%	**1.05%**

(1) Year-to-date performance for earnings and revenue growth is the current year results over the same period in the prior year.
(2) Loan growth is the increase over the past twelve months.
(3) Year-to-date provision for credit losses, annualized, divided by average total loans.
(4) Efficiency ratio (teb) calculated as non-interest expenses divided by total revenues (teb), excluding the non-tax deductible change in fair value of contingent consideration.
(5) Return on common shareholders' equity calculated as annualized net income available to common shareholders divided by average common shareholders' equity.
(6) Return on assets calculated as annualized net income available to common shareholders divided by average total assets.

Strong results through the first six months have CWB well positioned in relation to all fiscal 2012 performance targets. Higher than expected loan growth reflects ongoing strong activity across all key lending areas and each geographic market. The Bank's focus on and expertise in servicing small to mid-sized commercial clients has further contributed to new lending opportunities. This circumstance, coupled with our expectation for continued strong performance, will benefit revenue and earnings for the remainder of the year. Near-term improvement in net interest margin will likely be constrained by very low interest rates, a relatively flat yield curve and ongoing competitive pressures; however, ongoing loan growth and eventual increases in Canadian interest rates will have a positive impact on future growth in net interest income. Expectations for continued strong growth in higher yielding lending portfolios such as equipment financing and leasing should also help to mitigate margin pressure. The 2012 target for the efficiency ratio is expected to be achieved. Overall credit quality remains satisfactory and continues to show improvement, as evidenced by the eighth consecutive quarterly reduction in the dollar level of gross impaired loans. Based on our current view of credit quality, we believe the annual provision for credit losses will remain at the low end of the 2012 target range.

We remain optimistic about Canada's economic outlook, largely led by expectations for a relatively strong level of activity across the four western provinces. Ongoing indications of a slowdown in Canadian residential real estate markets reduce the likelihood of a rapid and sustained deterioration in real estate prices, but could moderate growth opportunities within certain lending sectors. Economic recovery in the United States continues to show some resiliency and ongoing positive trends should further benefit Canada's overall position. Although CWB has no direct exposure to turmoil in the euro zone, Canada is not immune to global economic spillover effects. Potential macroeconomic impacts from further adverse developments in the euro region and other major economies will continue to be closely monitored. Despite an increased level of caution related to elevated global uncertainties, our overall outlook for 2012 and beyond remains positive.

Fiscal 2012 Second Quarter Results Conference Call

CWB's second quarter results conference call is scheduled for Thursday, June 7, 2012 at **2:00 p.m. ET (12:00 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 21, 2012 by dialing 416-849-0833 (Toronto) or 1-855-859-2056 (toll-free) and entering passcode 81206238.

About Canadian Western Bank Group

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

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Selected Financial Highlights

(unaudited) ($ thousands, except per share amounts)	For the three months ended April 30 2012	 January 31 2012	 April 30 2011	Change from April 30 2011	For the six months ended April 30 2012	 April 30 2011	Change from April 30 2011
Results of Operations							
Net interest income (teb – see below)	**$ 107,600**	$ 107,509	$ 99,165	9 %	**$ 215,109**	$ 200,382	7 %
Less teb adjustment	**2,458**	2,620	2,385	3	**5,078**	5,129	(1)
Net interest income per financial statements	**105,142**	104,889	96,780	9	**210,031**	195,253	8
Other income	**20,254**	18,791	20,601	(2)	**39,045**	40,747	(4)
Total revenues (teb)	**127,854**	126,300	119,766	7	**254,154**	241,129	5
Total revenues	**125,396**	123,680	117,381	7	**249,076**	236,000	6
Net income available to common shareholders	**39,669**	41,478	36,941	7	**81,147**	74,793	8
Earnings per common share							
Basic[(1)]	**0.52**	0.55	0.52	-	**1.07**	1.08	(1)
Diluted[(2)]	**0.52**	0.54	0.48	8	**1.06**	0.99	7
Adjusted cash[(3)]	**0.55**	0.57	0.55	-	**1.12**	1.10	2
Return on common shareholders' equity[(4)]	**14.6 %**	15.5 %	15.2 %	(60) bp	**15.0 %**	15.6 %	(60) bp[(5)]
Return on assets[(6)]	**1.03**	1.07	1.12	(9)	**1.05**	1.14	(9)
Efficiency ratio (teb)[(7)]	**46.2**	43.7	44.9	130	**44.9**	44.7	20
Efficiency ratio	**47.1**	44.6	45.7	140	**45.8**	45.6	20
Net interest margin (teb)[(8)]	**2.81**	2.77	3.02	(21)	**2.79**	3.04	(25)
Net interest margin	**2.74**	2.70	2.95	(21)	**2.72**	2.97	(25)
Provision for credit losses as a percentage of average loans	**0.19**	0.20	0.19	-	**0.20**	0.21	(1)
Per Common Share							
Cash dividends	**$ 0.15**	$ 0.15	$ 0.13	15 %	**$ 0.30**	$ 0.26	15 %
Book value	**14.73**	14.36	14.24	3	**14.73**	14.24	3
Closing market value	**28.69**	26.47	30.31	(5)	**28.69**	30.31	(5)
Common shares outstanding (thousands)	**75,909**	75,694	74,191	2	**75,909**	74,191	2
Balance Sheet and Off-Balance Sheet Summary							
Assets	**$ 15,713,443**	$ 15,484,048	$ 13,725,585	14 %			
Loans	**13,281,729**	12,744,891	11,360,286	17			
Deposits	**13,219,077**	12,960,929	11,256,466	17			
Debt	**602,675**	685,049	688,265	(12)			
Shareholders' equity	**1,327,783**	1,296,634	1,265,948	5			
Assets under administration	**6,843,070**	6,912,244	9,596,537	(29)			
Assets under management	**826,299**	843,648	827,486	-			
Capital Adequacy[(9)]							
Tangible common equity to risk-weighted assets[(10)]	**8.0 %**	8.2 %	9.2 %	(120) bp			
Tier 1 ratio	**9.9**	10.2	11.8	(190)			
Total ratio	**13.2**	14.6	16.6	(340)			

(1) Basic earnings per common share (EPS) is calculated as net income available to common shareholders divided by the average number of common shares outstanding.
(2) Diluted EPS is calculated as net income available to common shareholders divided by the average number of common shares outstanding adjusted for the dilutive effects of stock options and warrants.
(3) Adjusted cash EPS is diluted EPS excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges mainly related to the acquisition of National Leasing Group Inc. and are not considered indicative of ongoing business performance. The Bank believes the adjusted results provide the reader with a better understanding about how management views CWB's performance.
(4) Return on common shareholders' equity is calculated as annualized net income available to common shareholders divided by average common shareholders' equity.
(5) bp – basis point change.
(6) Return on assets is calculated as annualized net income available to common shareholders divided by average total assets.
(7) Efficiency ratio is calculated as non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration.
(8) Net interest margin is calculated as annualized net interest income divided by average total assets.
(9) Capital adequacy is calculated in accordance with Basel II guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI). The 2011 ratio reflects the returns filed and has not been restated to International Financial Reporting Standards (IFRS).
(10) Tangible common equity to risk-weighted assets is calculated as shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by OSFI. The 2011 ratio has not been restated to IFRS.

Taxable Equivalent Basis (teb)

Most banks analyze 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 IFRS and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-GAAP Measures

Taxable equivalent basis, adjusted cash EPS , 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 IFRS and therefore may not be comparable to similar measures presented by other financial institutions.

This management's discussion and analysis (MD&A), dated June 6, 2012, 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, 2012, and the audited consolidated financial statements and MD&A for the year ended October 31, 2011, available on SEDAR at www.sedar.com and the Bank's website at www.cwbankgroup.com. Commencing in 2012, CWB's financial results and quarterly financial statements, including comparative information, are prepared under International Financial Reporting Standards (IFRS). Except where indicated below, the factors discussed and referred to in the MD&A for fiscal 2011 remain substantially unchanged. Commencing in the first quarter of 2012, operating results are presented as one segment – *Banking and Financial Services*.

Overview

CWB is pleased to report strong financial performance for its 96th consecutive profitable quarter, a period spanning 24 years. Total loans surpassed the $13 billion milestone on very strong growth of 4% in the quarter, 8% year-to-date and 17% over the past twelve months. The achievement of record total revenues was also a highlight.

Subsequent to quarter end, the Bank settled the contingent consideration associated with the acquisition of National Leasing Group Inc. (National Leasing) for $63.5 million paid with 2,256,868 CWB common shares. Completing this transition earlier than originally anticipated supports management's strategy to realize additional business synergies across all business units. It will also simplify financial reporting with the elimination of future accounting volatility related to changes in fair value of the contingent consideration. The full payment in CWB common shares will support future growth by augmenting the Bank's already solid regulatory capital position.

Net income available to common shareholders of $39.7 million increased 7% ($2.7 million) compared to the same quarter last year while diluted earnings per common share was up 8% to $0.52. Adjusted cash earnings per common share of $0.55 (which excludes the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration) was unchanged as the benefit of higher core earnings was offset by the dilutive impact of CWB common shares issued in 2011 upon the exercise of warrants.

Compared to the previous quarter, net income available to common shareholders and adjusted cash earnings per share were both down 4% ($1.8 million and $0.02, respectively) as the positive revenue impact of very strong loan growth and a slightly improved net interest margin was more than offset by higher non-interest expenses and two fewer revenue earning days.

On a year-to-date basis, net income available to common shareholders of $81.1 million was up 8% compared to the same period last year while adjusted cash earnings per common share increased 2% to $1.12. The difference in the rate of growth of adjusted cash earnings per share compared with net income reflects the exclusion of the change in fair value of contingent consideration in the calculation of adjusted cash earnings per share and the dilutive impact of CWB common shares issued in 2011 upon the exercise of warrants.

The quarterly return on common shareholders' equity of 14.6% decreased 60 basis points from the same quarter in 2011 as the increase in common shareholders' equity more than offset the impact of higher net income. The retention of profits to support ongoing growth and the issuance of CWB common shares in 2011 upon the exercise of warrants were the main factors contributing to the increase in common shareholders' equity, partially offset by the impact of warrants purchased for cancellation in August of last year. Compared to the previous quarter, return on common shareholders' equity was down 90 basis points reflecting the combined impact of an increase in common shareholders' equity mainly attributed to the retention of earnings and slightly lower net income. Year-to-date return on common shareholders' equity of 15.0% compares to 15.6% in the same period last year reflecting the factors already noted. Second quarter return on assets of 1.03% was down nine basis points from a year earlier and four basis points compared to the previous quarter. Year-to-date return on assets was down nine basis points to 1.05%.

Total Revenues (teb)

Total revenues, comprising both net interest income and other income, reached a record $127.9 million for the quarter, up 7% ($8.1 million) compared to a year earlier. Growth in net interest income from very strong loan growth and one additional revenue earning day in 2012 was constrained by a 21 basis point reduction in net interest margin, while other income was down 2% ($0.3 million). Compared to the previous quarter, total revenues were up 1% ($1.6 million) as the positive contribution of very strong quarterly loan growth, a $1.5 million increase in other income and a slight improvement in quarterly net interest margin more than offset the impact of two fewer revenue earning days. On a year-to-date basis, total revenues of $254.2 million increased 5% ($13.0 million) over the same period last year as very strong loan growth and one additional revenue earning day more than offset a reduction in net interest margin and slightly lower other income.

Net Interest Income (teb)

Net interest income of $107.6 million grew 9% ($8.4 million) over the same quarter last year reflecting the combined influence of very strong 17% loan growth and one additional revenue earning day, largely offset by the impact of a 21 basis point reduction in net interest margin to 2.81%. The deterioration in net interest margin compared to the same quarter in 2011 was mainly attributed to lower yields on loans and preferred share securities, partially offset by a lower cost of funds attributed to more favourable fixed term deposit costs and reduced debenture expense. Lower asset yields reflect the combined impact of the sustained very low interest rate environment, a flat interest rate curve as well as ongoing competitive pressures.

Compared to the previous quarter, net interest income was marginally higher as the benefit of very strong 4% loan growth and a four basis point improvement in net interest margin was largely offset by two fewer revenue earning days. Margin improvement compared to the prior quarter mainly resulted from lower liquidity levels and the redemption of $125 million of subordinated debentures in March 2012, which more than offset the impact of lower yields on loans.

On a year-to-date basis, net interest income of $215.1 million increased 7% ($14.7 million) as the benefit of very strong loan growth was offset by a 25 basis point reduction in net interest margin. The lower year-to-date net interest margin reflects lower yields on loans and securities, as well as slightly higher average liquidity, partially offset by more favourable fixed term deposit costs.

The competitive environment and other factors suggest further improvement in net interest margin over that achieved in the current quarter is unlikely in the absence of increases in the prime lending interest rate and/or a significant steepening of the interest rate curve.

Note 13 to the unaudited interim consolidated financial statements summarizes the Bank's exposure to interest rate risk as at April 30, 2012. The estimated sensitivity of net interest income to a change in interest rates is presented in the table below. The amounts represent the estimated change in net interest income that would result over the following twelve months from a one-percentage point change in interest rates. The April 30, 2012 estimates are based on a number of assumptions and factors, which include:

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

($ thousands)	**April 30 2012**	January 31 2012	April 30 2011
Estimated impact on net interest income of a 1% increase in interest rates			
1 year	**$ 12,418**	$ 13,519	$ 12,311
1 year percentage change	**3.2 %**	3.7 %	3.7 %
Estimated impact on net interest income of a 1% decrease in interest rates			
1 year	**$ (17,239)**	$ (16,549)	$ (16,111)
1 year percentage change	**(4.4) %**	(4.5) %	(4.8) %

It is estimated that a one-percentage point increase in all interest rates at April 30, 2012 would decrease unrealized gains related to available-for-sale securities and the fair value of interest rates swaps designated as hedges, and result in a reduction in other comprehensive income of approximately $10.8 million, net of tax (April 30, 2011 – $8.1 million); it is estimated that a one-percentage point decrease in all interest rates at April 30, 2012 would result in a higher level of unrealized gains related to available-for-sale securities and increase the fair value of interest rate swaps designated as hedges, which would increase other comprehensive income by approximately $10.8 million, net of tax (April 30, 2011 – $8.1 million).

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

Other Income

Second quarter other income of $20.3 million was down 2% ($0.3 million) from a year earlier as the net benefit of a $2.5 million lower fair value charge for contingent consideration, $0.8 million growth in net insurance revenues and one additional revenue earning day was offset by $2.1 million lower net gains on securities, a $1.1 million reduction in the 'other' component of other income and $0.2 million lower credit related fees. Higher net insurance revenues reflect the positive impact of 6% growth in net earned premiums, partially offset by increased net claims expense. The second quarter last year included an unusually high level of net gains on securities primarily realized due to a repositioning of investments in common equities and preferred shares, while net gains in the current quarter were mainly attributed to a reduction in the Bank's investments in preferred shares of other financial institutions. The decision to reposition a portion of certain preferred shares reflects forthcoming changes under the Basel III regulatory capital framework which requires a deduction from regulatory capital for investments in other financial institutions over a certain threshold. The reduction in the 'other' category of other income compared to the same period last year mainly reflects lower revenue contributions resulting from the termination of a lease servicing contract in the first quarter of 2012. The combined amount of quarterly income from credit-related fees, trust and wealth management services, retail banking services and foreign exchange activities was down $0.3 million compared to the same period a year earlier.

Compared to the previous quarter, other income was up 8% ($1.5 million) reflecting $1.4 million higher net insurance revenues and a $1.2 million positive change in net gains on securities, largely offset by a $0.8 million lower contribution from the 'other' category of other income, a $0.5 million reduction in credit related fee income and the impact of two fewer revenue earning days. Growth in net insurance revenues was mainly driven by improved claims expense attributed to more favourable weather. Based on the current composition of the securities portfolio and ongoing volatility in financial markets, management expects the level of quarterly net gains on securities for the remainder of the current year will be below $2 million.

Year-to-date other income of $39.0 million was down $1.7 million (4%) as a $3.8 million lower fair value charge for contingent consideration and positive growth in CWB's core banking, trust, insurance and wealth management operations was more than offset by a $4.4 million decline in net gains on securities and a $1.7 million lower contribution from the 'other' category of other income. The charge for contingent consideration will be eliminated in future quarters given the Bank's May 2012 purchase of the preferred shares of National Leasing.

Credit Quality

Overall credit quality remained satisfactory and within expectations in view of favourable economic activity and a relatively positive outlook in Western Canada despite ongoing global uncertainties and very low prices for natural gas. Gross impaired loans at April 30, 2012 were $87.9 million, compared to $90.9 million last quarter and $128.9 million a year earlier. This represented the eighth consecutive quarterly decrease in the dollar level of gross impaired loans. Compared to both the previous quarter and a year earlier, the total number of accounts classified as impaired was also down. New formations of impaired loans totaled $29.6 million, compared to $18.9 million last quarter and $29.6 million a year earlier.

	For the three months ended			Change from
(unaudited) ($ thousands)	**April 30 2012**	January 31 2012	April 30 2011	April 30 2011
Gross impaired loans, beginning of period	**$ 90,857**	$ 97,258	$ 132,931	(32) %
New formations	**29,589**	18,928	29,569	-
Reductions, impaired accounts paid down or returned to performing status	**(26,840)**	(20,805)	(31,167)	(14)
Write-offs	**(5,733)**	(4,524)	(2,423)	137
Total[1]	**$ 87,873**	$ 90,857	$ 128,910	(32) %
Balance of the ten largest impaired accounts	**$ 50,859**	$ 44,252	$ 62,287	(18) %
Total number of accounts classified as impaired	**124**	139	191	(35)
Gross impaired loans as a percentage of total loans[3]	**0.66 %**	0.71 %	1.14 %	(48) bp[2]

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $877 (January 31, 2012 – $4,683 and April 30, 2011 – $867).
(2) bp – basis point change.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.

The dollar level of gross impaired loans represented 0.66% of total loans at quarter end, compared to 0.71% last quarter and 1.14% one year ago. Net impaired loans after adjusting for the collective allowance for credit losses represented 0.09% of total loans, compared to 0.13% last quarter and 0.42% a year earlier. While the trends are positive, management expects the dollar level of gross impaired loans will continue to fluctuate. The dollar level of gross impaired loans goes up and down as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given the tangible security held against the Bank's lending positions. The Bank establishes its current estimates of expected write-offs through detailed analyses of both the overall quality and ultimate marketability of the security held against impaired accounts. Actual credit losses are expected to remain within the Bank's historical range of acceptable levels.

The second quarter provision for credit losses of 19 basis points measured against average loans was slightly below the low end of the Bank's 2012 target range of 20 to 25 basis points. This result reflects ongoing positive credit trends in the equipment leasing portfolio and consistent expectations for credit quality in other areas. On a year-to-date basis, the provision for credit losses represented 20 basis points of average loans. Based on the current environment and outlook, management believes the annual provision for credit losses will remain at the low end of the 2012 target range.

The total allowance for credit losses (collective and specific) represented 86% of gross impaired loans at quarter end, compared to 82% last quarter and 63% one year ago. The total allowance for credit losses was $75.5 million at April 30, 2012, compared to $74.6 million last quarter and $80.8 million a year earlier. The reduction in the total allowance for credit losses compared to the same period last year was entirely attributed to lower specific allowances. The collective allowance at April 30, 2012 was $64.8 million, compared to $62.7 million last quarter and $58.6 million a year earlier. The collective allowance as a percentage of risk-weighted loans was 56 basis points, down from 57 basis points last quarter and 60 basis points one year ago. The decline in the collective allowance as a percentage of risk-weighted loans resulted from very strong loan growth. An enhanced IFRS methodology was developed to estimate the collective allowance for credit losses. While no material change resulted from this transition, the revised methodology has the potential to increase volatility in the quarterly provision for credit losses.

Non-interest Expenses

One of management's key priorities is to maintain effective control of costs while ensuring the Bank is positioned to deliver strong growth over the long term. Effective execution of CWB's strategic plan will continue to require increased investment in certain areas. Significant anticipated expenditures relate to additional staff complement as well as expanded infrastructure and further technology upgrades. The investment in these areas is aligned with the Bank's commitment to maximize shareholder value and is expected to provide material benefits in future periods. The major program to implement a new core banking system to replace existing infrastructure is progressing as planned with the major supporting contracts at or near execution. Preliminary timelines anticipate implementation of the new core banking system in the first half of the 2015 calendar year. Canadian Western Trust successfully completed a major system conversion in the second quarter which is expected to enhance client service, increase capacity and improve efficiencies within that business. Ongoing compliance with an ever-increasing level of regulatory rules and oversight for all Canadian banks requires the investment of both time and resources, which further contributes to higher non-interest expenses. A new full-service branch is expected to open in Winnipeg, Manitoba in the fourth quarter of 2012. Other potential new branch locations are currently under consideration. Upgrades and expansion of existing branch infrastructure will continue.

Compared to the same quarter last year, non-interest expenses of $59.6 million were up $4.2 million (8%) reflecting a $2.9 million (8%) increase in salary and benefit costs, $0.6 million (6%) higher general expenses and growth in premises and equipment expenses of $0.7 million (7%). The change in salary and benefit costs was driven by a combination of increased staff complement to support ongoing growth and annual salary increments. The majority of the increase within general expenses reflects professional fees and services provided by third parties as well as higher banking charges and regulatory costs, partially offset by a reduction in the amortization of intangibles. The increase in premises and equipment expenses relates to ongoing expansion and upgrades to existing technology and infrastructure, including the addition of a new full-service branch opened in Richmond, British Columbia (BC) in the latter part of 2011.

Compared to the previous quarter, non-interest expenses were up $3.9 million (7%) mainly reflecting a $1.9 million (5%) increase in salary and benefit costs, and $1.7 million (17%) higher general expenses. Higher salary and benefit costs mainly reflect the impact of increased staff complement, but the recommencement of Employment Insurance and Canada Pension Plan premiums for many employees also contributed to the change. The change within general expenses was largely attributed to a lower level of expense recognized in the previous period due to the timing of marketing and business development initiatives to enhance awareness of the Bank's brand and product offerings.

Year-to-date non-interest expenses were $4.7 million (4%) higher than the first six months of 2011 mainly reflecting increases in salary and benefit costs, and premises expenses of $3.6 million (5%) and $1.3 million (7%), respectively. General expenses remained relatively unchanged as increases in community investment and other expenses were offset by a significant reduction in provincial capital taxes.

The second quarter efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb) excluding the non-tax deductible change in fair value of contingent consideration, was 46.2%, compared to 44.9% last year and 43.7% in the previous quarter. The year-to-date efficiency ratio (teb) was 44.9%, compared to 44.7% in the same period last year. In consideration of expected revenue growth and planned expenditures, management believes the 2012 target for the efficiency ratio of 46% or better will be achieved.

Income Taxes

The effective income tax rate (teb) was 27.1%, compared to 28.2% in the second quarter last year. The effective income tax rate (teb) for the first six months of 2012 was 26.9%, down 100 basis points from the same period one year ago, while the tax rate before the teb adjustment was 23.8%, or 80 basis points lower. The reduced tax rate compared to the same period last year mainly reflects the 150 basis point decrease in the basic federal income tax rate effective on each of January 1, 2011 and 2012, as well as the 50 basis point reduction in the provincial income tax rate in British Columbia (BC), effective January 31, 2011.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes, and totaled $43.5 million for the second quarter, compared to $42.4 million in the same period last year. The increase in quarterly comprehensive income was driven by 7% ($2.8 million) higher net income, largely offset by a change in OCI related to unfavourable market value fluctuations in available-for-sale securities.

Comprehensive income on a year-to-date basis was $96.4 million, compared to $80.9 million in the same period of 2011. The increase in year-to-date comprehensive income reflects 7% ($6.4 million) higher net income, a $5.8 million positive change in fair value of available-for-sale securities and a lower level of amounts reclassified to net income on the disposition of 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 1% ($229 million) in the quarter, 6% ($864 million) year-to-date and 14% ($1,988 million) in the past year to reach $15,713 million at April 30, 2012.

Cash and Securities

Cash, securities and securities purchased under resale agreements totaled $2,110 million at April 30, 2012, compared to $2,429 million last quarter and $2,066 million one year ago (refer to the *Treasury Management* section of this MD&A for additional details). Net unrealized gains recorded on the balance sheet at April 30, 2012 were $16.0 million, compared to $18.8 million last quarter and $27.2 million a year earlier. The change in unrealized gains compared to the same period last year was mainly attributed to net gains realized through the statements of income on disposition and a lower market value of the common equity portfolio. Compared to the prior quarter, the change in net unrealized gains mainly reflects net gains realized on disposition and reduced market values within the preferred equities portfolio, partially offset by a higher value of common equities. The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares.

Net realized gains on securities in the second quarter of $3.2 million compares to $5.3 million in the same period last year and $1.9 million in the previous quarter. The majority of gains in the current quarter resulted from the sale of certain preferred shares. Based on the current composition of the securities portfolio as well as uncertainties and elevated volatility in financial markets, CWB expects the level of quarterly net gains on securities for the remainder of this year will be below $2 million. The Bank has no direct investment in any non-Canadian sovereign debt or other securities outside of Canada or the United States.

Treasury Management

Average liquidity trended lower compared to the relatively high levels maintained over the previous two quarters reflecting the strategic deployment of cash and securities to support ongoing loan growth, the funding of maturities of certain higher cost fixed term deposits and the redemption of subordinated debentures in March 2012. The reduced balance of cash and low yielding government securities has a positive influence on net interest margin, which was reflected in the current quarterly results compared to recent prior quarters. Management will continue to closely monitor macroeconomic events, including ongoing developments in the euro zone, and adjust its liquidity strategy accordingly.

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

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

Loans

Total loans of $13,282 million grew 4% ($537 million) in the quarter, 8% ($988 million) year-to-date and 17% ($1,921 million) in the past twelve months. The level of sequential quarterly growth by lending sector measured in dollar terms was led by activity in equipment financing and leasing ($143 million), commercial mortgages ($117 million), real estate project loans ($82 million) and general commercial loans ($74 million). On a year-to-date basis, very strong loan growth is apparent across all lending sectors with the exception of oil and gas production lending. Year-to-date growth was led by general commercial loans ($262 million) and equipment financing and leasing ($198 million). Measured by geographic concentration, lending activity in Alberta showed the highest growth in both the quarter and year-to-date, while performance in BC and Saskatchewan was also very strong. Over the past twelve months, strong double-digit growth is apparent across all lending sectors and each geographic market, with the only exception being general lending activity in Manitoba.

(unaudited) ($ millions)	**April 30 2012**	January 31 2012	October 31 2011	April 30 2011
General commercial loans	**$ 2,860**	$ 2,786	$ 2,598	$ 2,500
Commercial mortgages	**2,819**	2,702	2,691	2,507
Equipment financing and leasing	**2,295**	2,152	2,097	1,868
Personal loans and mortgages	**2,155**	2,095	2,020	1,933
Real estate project loans	**2,044**	1,962	1,888	1,715
Corporate loans	**824**	761	709	609
Oil and gas production loans	**360**	361	362	309
Total loans outstanding[1]	**$ 13,357**	$ 12,819	$ 12,365	$ 11,441

[1] Loans by lending sector exclude the allowance for credit losses

While there is increased competition in certain areas, management believes market share will be gained from the combined positive influences of an expanded market presence, increased brand awareness in core geographic markets due in part to targeted marketing initiatives, and the effective execution of CWB's strategic plan focused on further enhancing existing competitive advantages in business banking.

Canada's domestic economy is expected to grow modestly in 2012 despite impacts from ongoing uncertainties. The Bank's key markets in Western Canada are generally expected to perform well relative to the rest of Canada. While strong competition from domestic banks and other financial services firms is expected to persist, the current overall outlook for generating new business loans continues to be encouraging.

Affordability in most Canadian residential real estate markets remains within historical ranges largely reflecting very low interest rates; however, the combination of elevated prices in specific geographical areas, relatively high levels of Canadian consumer debt and the potential for increasing interest rates in the near future could slow construction and other related lending activity. Very low natural gas prices have adversely impacted the financial flexibility and available cash flows of many exploration and production companies, but the Bank's direct exposure to this sector remains low. While fallout from sustained downward pressure on natural gas prices is not expected to materially impact overall portfolio quality, related growth opportunities will be constrained. Potential risks that could have a material adverse impact on management's current expectations include a global economic recession spurred by unfavourable developments in the euro zone, a recession in the United States, a meaningful slowdown in China's economic growth, or a significant and sustained deterioration in Canadian residential real estate prices. Based on the current view and stronger than expected year-to-date performance, CWB is well positioned to exceed its fiscal 2012 loan growth target of 10%.

Loans in the broker-sourced residential mortgage business, Optimum Mortgage (Optimum), increased 3% ($33 million) in the quarter, 10% ($93 million) year-to-date and 17% ($146 million) over the past twelve months to reach $1,028 million. Quarterly growth was mainly driven by alternative mortgages secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 70%. The book value of alternative mortgages represented approximately 64% of Optimum's total portfolio at quarter end. Uncertainty about the future impact of proposed regulatory changes, including more stringent residential mortgage underwriting criteria and other factors, has resulted in a more favourable competitive environment for Optimum in the short term, but the long-term impacts of these changes remain unknown. Notwithstanding less competition for alternative mortgages, the overall level of demand could moderate as a result of new regulations. At the current time, Optimum continues to produce solid returns while maintaining an acceptable risk profile. Management continues to evaluate the possible benefits of using whole loan sales as an additional form of cost-effective funding for this business.

Securitized leases are reported on-balance sheet as part of total loans. The gross amount of securitized leases at April 30, 2012 totaled $196 million, compared to $150 million last quarter and $142 million one year ago. The total amount of leases securitized in the second quarter and year-to-date was $59 million and $145 million, respectively.

Deposits

Total deposits at quarter end were $13,219 million, up 2% ($258 million) from the previous quarter, 7% ($824 million) year-to-date and 17% ($1,963 million) over the past year. Total branch deposits represented 58% of total deposits at April 30, 2012, compared to 57% in the previous quarter and 61% one year earlier. Demand and notice deposits were 33% of total deposits, up from 32% in the previous quarter, but down from 36% a year earlier. Other deposits are mainly comprised of retail term deposits raised through the deposit broker network and $650 million of fixed term deposits raised through debt capital markets.

Total branch deposits, including trust services deposits, of $7,647 million increased 4% ($268 million) in the quarter, 6% ($436 million) year-to-date and 10% ($705 million) over the past twelve months. The demand and notice component within branch deposits, which includes lower cost deposits, was up 4% ($148 million) from last quarter, 9% ($360 million) year-to-date and 9% ($354 million) compared to the same time last year to reach $4,351 million. Reflecting CWB's business banking focus, a material portion of total branch deposits are attributed to larger commercial balances that are subject to greater fluctuation compared to smaller personal deposits. A strategic focus on increasing branch-raised deposits will continue in 2012 with specific emphasis on the demand and notice component. Certain types of demand and notice deposits are lower cost, provide associated transactional fee income, and also receive more favourable treatment under the proposed Basel III LCR and NSFR liquidity requirements. CWB's expanding market presence, which includes the opening of three new full-service branches since September 2010, also supports objectives to generate branch-raised deposits.

Management remains committed to further enhance and diversify all funding sources to support ongoing growth while maintaining acceptable net interest margins. The deposit broker network remains a valued source for raising insured fixed term retail deposits and has proven to be an extremely effective and efficient way to access funding and liquidity over a wide geographic base. Selectively utilizing the debt capital markets is also part of management's strategy to further diversify the funding base over time. Provided costs remain satisfactory, management plans to continue utilizing securitization channels for a portion of its equipment leasing funding requirements in 2012. Management is also evaluating the potential benefits of securitizing other types of loans.

Other Assets and Other Liabilities

Other assets at April 30, 2012 totaled $322 million, compared to $310 million last quarter and $300 million one year ago. Other liabilities at quarter end were $459 million, compared to $436 million the previous quarter and $410 million a year earlier.

Off-Balance Sheet

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets under administration and third-party leases under service agreements totaled $6,843 million at April 30, 2012, compared to $6,912 million last quarter and $9,597 million one year ago. The significant reduction in assets under administration compared to the same time last year reflects a reduced level of leases under servicing agreements resulting from the termination of a lease servicing contract. Assets under management were $826 million at quarter end, compared to $844 million last quarter and $827 million one year ago.

Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit). CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Notes 12 and 21 of the audited consolidated financial statements on pages 97 and 106, respectively, in the Bank's 2011 Annual Report.

Capital Management

Minimums for the total and Tier 1 capital adequacy ratios of Canadian banks as set by the Office of the Superintendent of Financial Institutions Canada (OSFI) under Basel II capital requirements are 10% and 7%, respectively, effective until December 31, 2012. At April 30, 2012, CWB's Basel II total capital adequacy ratio, which measures regulatory capital as a percentage of risk-weighted assets, was 13.2%, compared to 14.6% last quarter and 16.6% one year ago. The Tier 1 ratio at April 30, 2012 was 9.9%, down from 10.2% last quarter and 11.8% a year earlier.

Compared to one year ago, the Bank's Tier 1 regulatory capital increased with the retention of earnings, net of common and preferred share dividends, and the issuance of CWB common shares at $14 per share upon the exercise of warrants (refer to the audited consolidated financial statements and MD&A for the year ended October 31, 2011 for further details), largely offset by the purchase of warrants for cancellation and the full transition impact of IFRS. The full IFRS transition was reflected in the first quarter of 2012 and reduced Tier 1 capital by $50 million compared to the fourth quarter of 2011 (an impact of approximately 40 basis points on the Tier 1 and total ratios). The expiration of a Basel II transition provision that permitted the capital deduction related to CWB's insurance subsidiary ($84 million at April 30, 2012) to be deducted from Tier 2 capital also negatively affected the level of Tier 1 regulatory capital compared to the previous year. Beginning in the first quarter of 2012, the deduction for the insurance subsidiary is recorded 50% against Tier 1 capital and 50% against Tier 2 capital. A second quarter adjustment requiring the reclassification of certain types of investments to higher risk weighting category decreased regulatory capital ratios by approximately 20 basis points compared to prior periods. The 2011 capital structure and regulatory ratios reflect the returns filed and have not been restated to IFRS.

In addition to the combined impact of factors discussed above, lower regulatory capital ratios compared to prior periods reflect an increase in risk-weighted assets largely owing to very strong loan growth. The lower total capital adequacy ratio compared to both the previous quarter and a year earlier also includes the

March 2012 redemption of $125 million of subordinated debentures. Further details regarding changes in CWB's regulatory capital and capital adequacy ratios compared to prior periods are included in the following table:

(unaudited) ($ millions)	As at April 30 2012	As at January 31 2012	As at April 30 2011	Change from April 30 2011
Regulatory Capital				
Tier 1 Capital before deductions	$ 1,421	$ 1,388	$ 1,385	$ 36
Less: Goodwill	(46)	(46)	(38)	(8)
Investment in insurance subsidiary	(42)	(41)	-	(42)
Securitization	(14)	(11)	(7)	(7)
Tier 1 Capital	1,319	1,290	1,340	(21)
Tier 2 Capital before deductions	498	618	615	(117)
Less: Investment in insurance subsidiary	(42)	(42)	(75)	33
Securitization	(14)	(11)	(7)	(7)
Total Tier 2 Capital	442	565	533	(91)
Total Regulatory Capital	$ 1,761	$ 1,855	$ 1,873	$ (112)
Risk-Weighted Assets	$ 13,318	$ 12,667	$ 11,313	$ 2,005
Tier 1 capital adequacy ratio	9.9 %	10.2 %	11.8 %	(190) bp[1]
Total capital adequacy ratio	13.2	14.6	16.6	(340)

[1] bp – basis point change.

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

The pro forma impact of $63.5 million of CWB common shares issued in the third quarter as consideration for the preferred shares of National Leasing increases the regulatory capital adequacy ratios by approximately 45 basis points.

Further information relating to the Bank's capital position is provided in Note 14 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2011.

Book value per common share at April 30, 2012 was $14.73, compared to $14.36 last quarter and $14.24 one year ago.

Common shareholders received a quarterly cash dividend of $0.15 per common share on April 5, 2012. On June 6, 2012, CWB's Board of Directors declared a cash dividend of $0.16 per common share, payable on July 5, 2012 to shareholders of record on June 21, 2012. This quarterly dividend represents a 7% increase over the previous quarter and is 14% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.453125 per Series 3 Preferred Share payable on July 31, 2012 to shareholders of record on July 20, 2012.

Basel III Capital Framework

The Basel Committee on Banking Supervision of the BIS (the Committee) has published the Basel III rules text supporting more stringent global standards on capital adequacy and liquidity, and OSFI has confirmed its intent to implement the Basel III rules for Canadian banks. OSFI also issued guidance and advisories on its capital implementation plan for all Canadian financial institutions, including proposed transition allowances and details about the treatment of non-viability contingent capital (NVCC).

Significant capital changes most relevant to CWB include:

- increased focus on tangible common equity;
- all forms of non-common equity, such as conventional subordinated debentures and preferred shares, must be NVCC. Compliant NVCC instruments include a clause requiring conversion to common equity in the event that OSFI deems the institution to be insolvent or a government has decided to inject "bail out" funding;
- innovative Tier 1 instruments, such as CWB's WesTS, will no longer qualify;
- investment in an insurance subsidiary is no longer deducted from capital except for any amount that exceeds 15% of tangible common equity; and
- changes in the capital treatment for investments in the regulatory capital of other financial institutions.

OSFI has publicly stated that all Canadian banks must comply with the Basel III capital standards effective January 1, 2013. Required minimum regulatory capital ratios, including a 250 basis point capital conservation buffer, will be 7.0% tangible common equity Tier 1 (CET1), 8.5% Tier 1 and 10.5% total capital. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules will be phased in between 2013 and 2019. The only available transition adjustment in the Basel III capital standards permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments. Pro forma application of the proposed 2019 Basel III standards to the Bank's financial position at April 30, 2012, including the $63.5 million of CWB common shares issued for the preferred shares of National Leasing in May 2012, results in an estimated 8.0% CET1 ratio, 9.0% Tier 1 ratio and 11.8% total capital ratio. The foregoing estimates are based on the Bank's current capital structure and composition of risk-weighted assets, and will change depending on strategic initiatives, the composition of regulatory capital, the Bank's financial performance in the future and modifications, if any, to the standards and available transitional adjustments implemented by the regulatory authorities.

In conjunction with a commitment to prudent capital planning, which includes a comprehensive ICAAP, CWB expects to maintain Basel III capital ratios above the minimum regulatory requirements through the transition date. At the same time, management will also continue to evaluate alternatives to deploy capital for the long-term benefit of CWB shareholders. Required resources, costs and potential timelines related to the Bank's possible transition to an Advanced Internal Rating Based (AIRB) methodology for managing credit risk and calculating risk-weighted assets are still being evaluated. Preliminary analysis confirms a multi-year timeframe would be required. CWB's new core banking system, expected to be implemented in 2015, is a critical component for a number of requirements necessary for future AIRB compliance, including the collection and management of certain types of data.

Changes in Accounting Policies

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

Future Accounting Changes

A number of standards and amendments have been issued by the International Accounting Standards Board (IASB), and the following changes may have an impact on the Bank's future financial statements. CWB is currently reviewing these standards to determine the impact on the financial statements.

IFRS 9 – Financial Instruments

The IASB deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015. The new standard specifies that financial assets be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. Gains or losses on remeasurement of financial assets measured at fair value will generally be recognized in profit or loss.

IFRS 10 – Consolidated Financial Statements and *IFRS 12 – Disclosure of Interests in Other Entities*

The IASB has issued IFRS 10 and 12, which establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, and new disclosure requirements for all forms of interests in other entities. IFRS 10 and 12 are effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

The IASB has issued new guidance on fair value measurement and disclosure requirements for IFRS. The amendments are effective for annual periods beginning on or after January 1, 2013.

CWB continues to monitor IASB ongoing activity and proposed changes to IFRS. Several accounting standards that are in the process of being amended by the IASB (i.e. loan impairment, leases and insurance) may have a significant impact on the Bank's future consolidated financial statements.

Controls and Procedures

There were no changes in the Bank's internal controls over financial reporting that occurred during the quarter ended April 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Bank's internal controls over financial reporting.

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

Updated Share Information

As at June 1, 2012, there were 78,167,710 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 3,638,988 common shares for maximum proceeds of $82.9 million.

Normal Course Issuer Bid

CWB received approval from the Toronto Stock Exchange for a Normal Course Issuer Bid (NCIB) to purchase, for cancellation, up to 2,261,434 of its common shares. The NCIB commenced November 2, 2011 and will end no later than November 1, 2012. To date, no common shares have been purchased and cancelled under the NCIB. Security holders may contact the Bank to obtain, without charge, a copy of the notice filed with the TSX. Additionally, a copy of the NCIB news release is available on the Bank's website and on SEDAR at www.sedar.com.

Dividend Reinvestment Plan

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

Summary of Quarterly Financial Information

	IFRS						Canadian GAAP	
	2012		2011				2010	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenues (teb)	**$ 127,854**	$ 126,300	$ 119,673	$ 122,753	$ 119,766	$ 121,363	$ 111,570	$ 111,045
Total revenues	**125,396**	123,680	116,540	119,956	117,381	118,619	108,391	108,263
Net income	**45,212**	47,051	41,474	44,393	42,440	43,414	39,107	46,595
Net income available to common shareholders	**39,669**	41,478	35,921	38,824	36,941	37,852	35,305	42,793
Earnings per common share								
Basic	**0.52**	0.55	0.48	0.52	0.52	0.56	0.53	0.64
Diluted	**0.52**	0.54	0.47	0.50	0.48	0.50	0.48	0.59
Adjusted cash	**0.55**	0.57	0.53	0.54	0.55	0.55	0.49	0.60
Total assets ($ millions)	**15,713**	15,484	14,849	14,097	13,726	13,099	12,702	12,110

The financial results for each of the last eight quarters are summarized above. Note that 2010 results are presented under Canadian GAAP and have not been restated to IFRS. In general, CWB's performance reflects a relatively consistent trend although the second quarter contains three fewer revenue earning days, or two fewer days in a leap year such as 2012.

The Bank's quarterly financial results are subject to some fluctuation due to its exposure to property and casualty insurance. Insurance operations, which are primarily reflected in other income, are subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes. Mandatory participation in the Alberta auto risk sharing pools can also result in unpredictable quarterly fluctuations.

Quarterly results can also fluctuate from the recognition of periodic income tax items, as was the case in the third quarter of 2010 when an income tax recovery from certain prior period transactions increased net income available to common shareholders by approximately $7.5 million.

For additional details on variations between the prior quarters, refer to the summary of quarterly results section of the Bank's MD&A for the year ended October 31, 2011 and the individual quarterly reports to shareholders which are available on SEDAR at www.sedar.com and on CWB's website at www.cwbankgroup.com.

Taxable Equivalent Basis (teb)

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

Non-GAAP Measures

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

- taxable equivalent basis – described above;
- adjusted cash earnings per common share – diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges mainly related to the acquisition of National Leasing Group Inc. and are not considered to be indicative of ongoing business performance;
- return on common shareholders' equity – annualized net income attributable to shareholders of the Bank after preferred share dividends divided by average common shareholders' equity;
- return on assets – annualized net income attributable to shareholders of the Bank after preferred share dividends divided by average total assets;
- efficiency ratio – non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration;
- net interest margin – net interest income divided by average total assets;
- tangible common equity to risk-weighted assets – shareholders' equity less subsidiary goodwill divided by risk-weighted assets, calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI);
- Basel II Tier 1 and total capital adequacy ratios – in accordance with guidelines issued by OSFI;
- Basel III common equity Tier 1, Tier 1 and total capital ratios – in accordance with CWB's interpretation of the Basel III capital requirements and OSFI proposed guidance; and
- average balances – average daily balances.

Forward-looking Statements

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

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

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

Assumptions about the performance of the Canadian economy in 2012 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting minimum performance targets for fiscal 2012, management's assumptions included: modest economic growth in Canada aided by positive relative performance in the four western provinces; relatively stable energy and other commodity prices; sound credit quality with actual losses remaining within the Bank's historical range of acceptable levels; and, a lower net interest margin attributed to expectations for a prolonged period of very low interest rates due to uncertainties about the strength of global economic recovery and potential adverse effects from ongoing developments in the euro zone. Management's assumptions at the end of the second quarter remained relatively unchanged compared to those at the 2011 fiscal year end. Potential risks that would have a material adverse impact on the Bank's economic expectations and forecasts include a global economic recession spurred by unfavourable developments in the euro zone, a recession in the United States, a meaningful slowdown in China's economic growth, or a significant and sustained deterioration in Canadian residential real estate prices.

Consolidated Balance Sheets

(unaudited) ($ thousands)		As at April 30 2012	As at January 31 2012	As at October 31 2011	As at April 30 2011	Change from April 30 2011
Assets						
Cash Resources						
Cash and non-interest bearing deposits with financial institutions		**$ 55,037**	$ 44,745	$ 73,318	$ 5,729	nm %
Interest bearing deposits with regulated financial institutions	(Note 4)	**158,518**	182,427	233,964	252,081	(37)
Cheques and other items in transit		**4,054**	1,792	5,053	11,018	(63)
		217,609	228,964	312,335	268,828	(19)
Securities	(Note 4)					
Issued or guaranteed by Canada		**546,803**	680,933	644,356	506,575	8
Issued or guaranteed by a province or municipality		**360,465**	415,166	380,031	289,638	24
Other securities		**915,150**	983,692	901,317	781,128	17
		1,822,418	2,079,791	1,925,704	1,577,341	16
Securities Purchased Under Resale Agreements		**69,808**	119,999	-	219,385	(68)
Loans	(Notes 5 and 7)					
Residential mortgages		**3,232,976**	3,082,924	3,008,545	2,833,163	14
Other loans		**10,124,242**	9,736,523	9,356,717	8,607,968	18
		13,357,218	12,819,447	12,365,262	11,441,131	17
Allowance for credit losses	(Note 6)	**(75,489)**	(74,556)	(71,980)	(80,845)	(7)
		13,281,729	12,744,891	12,293,282	11,360,286	17
Other						
Property and equipment		**73,955**	71,439	72,674	67,282	10
Goodwill		**45,536**	45,691	45,691	45,691	-
Other intangible assets		**34,535**	36,131	37,420	40,553	(15)
Insurance related		**55,171**	56,058	56,734	56,846	(3)
Derivative related	(Note 8)	**740**	-	-	459	61
Other assets		**111,942**	101,084	105,301	88,914	26
		321,879	310,403	317,820	299,745	7
Total Assets		**$ 15,713,443**	$ 15,484,048	$ 14,849,141	$ 13,725,585	14 %
Liabilities and Shareholders' Equity						
Deposits						
Payable on demand		**$ 629,637**	$ 592,566	$ 583,267	$ 618,728	2 %
Payable after notice		**3,721,542**	3,610,670	3,407,590	3,377,816	10
Payable on a fixed date		**8,867,898**	8,757,693	8,403,832	7,259,922	22
		13,219,077	12,960,929	12,394,689	11,256,466	17
Other						
Cheques and other items in transit		**41,891**	32,874	45,986	38,352	9
Insurance related		**144,935**	144,468	149,130	140,739	3
Derivative related	(Note 8)	**39**	539	436	971	(96)
Other liabilities		**271,800**	258,330	262,185	229,626	18
		458,665	436,211	457,737	409,688	12
Debt						
Debt securities		**177,675**	140,049	89,877	143,265	24
Subordinated debentures		**425,000**	545,000	545,000	545,000	(22)
		602,675	685,049	634,877	688,265	(12)
Equity						
Preferred shares	(Note 9)	**209,750**	209,750	209,750	209,750	-
Common shares	(Note 9)	**416,421**	412,120	408,282	388,008	7
Retained earnings		**667,305**	639,004	608,848	627,622	6
Share-based payment reserve		**22,322**	22,079	21,884	20,795	7
Other reserves		**11,985**	13,681	7,849	19,773	(39)
Total Shareholders' Equity		**1,327,783**	1,296,634	1,256,613	1,265,948	5
Non-controlling interests		**105,243**	105,225	105,225	105,218	-
Total Equity		**1,433,026**	1,401,859	1,361,838	1,371,166	5
Total Liabilities and Shareholders' Equity		**$ 15,713,443**	$ 15,484,048	$ 14,849,141	$ 13,725,585	14 %

nm – not meaningful

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

Consolidated Statements of Income

(unaudited) ($ thousands, except per share amounts)	For the three months ended April 30 2012	January 31 2012	April 30 2011	Change from April 30 2011	For the six months ended April 30 2012	April 30 2011	Change from April 30 2011
Interest Income							
Loans	**$ 166,066**	$ 166,300	$ 149,949	11 %	**$ 332,366**	$ 302,631	10 %
Securities	**11,014**	11,821	11,498	(4)	**22,835**	21,460	6
Deposits with regulated financial institutions	**297**	1,025	1,063	(72)	**1,322**	2,442	(46)
	177,377	179,146	162,510	9	**356,523**	326,533	9
Interest Expense							
Deposits	**65,108**	66,255	56,940	14	**131,363**	114,083	15
Debt	**7,127**	8,002	8,790	(19)	**15,129**	17,197	(12)
	72,235	74,257	65,730	10	**146,492**	131,280	12
Net Interest Income	**105,142**	104,889	96,780	9	**210,031**	195,253	8
Provision for Credit Losses (Note 6)	**6,263**	6,429	5,278	19	**12,692**	11,528	10
Net Interest Income after Provision for Credit Losses	**98,879**	98,460	91,502	8	**197,339**	183,725	7
Other Income							
Insurance, net (Note 3)	**5,754**	4,402	4,991	15	**10,156**	9,581	6
Credit related	**4,428**	4,967	4,635	(4)	**9,395**	9,161	3
Trust and wealth management services	**4,984**	4,769	4,930	1	**9,753**	9,463	3
Retail services	**2,312**	2,356	2,392	(3)	**4,668**	4,854	(4)
Gains on securities, net	**3,182**	1,938	5,297	(40)	**5,120**	9,534	(46)
Foreign exchange gains	**809**	669	919	(12)	**1,478**	1,755	(16)
Contingent consideration fair value change	**(1,289)**	(1,200)	(3,742)	66	**(2,489)**	(6,258)	60
Other	**74**	890	1,179	(94)	**964**	2,657	(64)
	20,254	18,791	20,601	(2)	**39,045**	40,747	(4)
Net Interest and Other Income	**119,133**	117,251	112,103	6	**236,384**	224,472	5
Non-Interest Expenses							
Salaries and employee benefits	**38,261**	36,407	35,394	8	**74,668**	71,035	5
Premises and equipment	**9,826**	9,433	9,153	7	**19,259**	18,000	7
Other expenses	**11,448**	9,702	10,701	7	**21,150**	20,310	4
Provincial capital taxes	**70**	125	160	(56)	**195**	1,191	(84)
	59,605	55,667	55,408	8	**115,272**	110,536	4
Net Income before Income Taxes	**59,528**	61,584	56,695	5	**121,112**	113,936	6
Income Taxes	**14,316**	14,533	14,255	-	**28,849**	28,082	3
Net Income	**$ 45,212**	$ 47,051	$ 42,440	7 %	**$ 92,263**	$ 85,854	7 %
Net Income Attributable to Non-Controlling Interests	**1,741**	1,771	1,697	3	**3,512**	3,457	2
Net Income Attributable to Shareholders of the Bank	**$ 43,471**	$ 45,280	$ 40,743	7 %	**$ 88,751**	$ 82,397	8 %
Preferred share dividends (Note 9)	**3,802**	3,802	3,802	-	**7,604**	7,604	-
Net Income Available to Common Shareholders	**$ 39,669**	$ 41,478	$ 36,941	7 %	**$ 81,147**	$ 74,793	8 %
Average number of common shares (in thousands)	**75,779**	75,528	70,527	7	**75,652**	69,320	9
Average number of diluted common shares (in thousands)	**76,511**	76,288	76,514	-	**76,398**	75,717	1
Earnings Per Common Share							
Basic	**$ 0.52**	$ 0.55	$ 0.52	- %	**$ 1.07**	$ 1.08	(1) %
Diluted	**0.52**	0.54	0.48	8	**1.06**	0.99	7

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

Consolidated Statements of Comprehensive Income

(unaudited) ($ thousands)	For the three months ended April 30 2012	April 30 2011	For the six months ended April 30 2012	April 30 2011
Net Income	**$ 45,212**	$ 42,440	**$ 92,263**	$ 85,854
Other Comprehensive Income (Loss), net of tax				
Available-for-sale securities:				
Gains from change in fair value(1)	**342**	3,796	**7,697**	1,944
Reclassification to net income(2)	**(2,346)**	(3,813)	**(3,770)**	(6,863)
	(2,004)	(17)	**3,927**	(4,919)
Derivatives designated as cash flow hedges:				
Gains from change in fair value(3)	**903**	-	**508**	-
Reclassification to net income(4)	**(595)**	-	**(299)**	-
	308	-	**209**	-
	(1,696)	(17)	**4,136**	(4,919)
Comprehensive Income for the Period	**$ 43,516**	$ 42,423	**$ 96,399**	$ 80,935
Comprehensive income for the period attributable to:				
Shareholders of the Bank	**$ 41,775**	$ 40,726	**$ 92,887**	$ 77,478
Non-controlling interests	**1,741**	1,697	**3,512**	3,457
Comprehensive Income for the Period	**$ 43,516**	$ 42,423	**$ 96,399**	$ 80,935

(1) Net of income tax of $122 and $2,703 for the three and six months ended April 30, 2012, respectively (2011 - $1,477 and $756).
(2) Net of income tax of $840 and $1,350 for the three and six months ended April 30, 2012, respectively (2011 - $1,484 and $2,671).
(3) Net of income tax of $315 and $177 for the three and six months ended April 30, 2012, respectively (2011 - nil and nil).
(4) Net of income tax of $208 and $103 for the three and six months ended April 30, 2012, respectively (2011 - nil and nil).

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) ($ thousands)		For the six months ended April 30 2012	April 30 2011
Retained Earnings			
Balance at beginning of period		**$ 608,848**	$ 586,933
Net income attributable to shareholders of the Bank		**88,751**	82,397
Dividends – Preferred shares		**(7,604)**	(7,604)
– Common shares		**(22,690)**	(18,119)
Warrants purchased and cancelled		**-**	(15,985)
Balance at end of period		**667,305**	627,622
Other Reserves			
Balance at beginning of period		**7,849**	24,692
Changes in available-for-sale securities		**3,927**	(4,919)
Changes in derivatives designated as cash flow hedges		**209**	-
Balance at end of period		**11,985**	19,773
Preferred Shares	(Note 9)		
Balance at beginning and end of period		**209,750**	209,750
Common Shares	(Note 9)		
Balance at beginning of period		**408,282**	279,620
Issued under dividend reinvestment plan		**5,336**	2,000
Transferred from share-based payment reserve on the exercise or exchange of options		**1,924**	2,851
Issued on exercise of options		**879**	2,550
Issued on exercise of warrants		**-**	100,987
Balance at end of period		**416,421**	388,008
Share-based Payment Reserve			
Balance at beginning of period		**21,884**	21,291
Amortization of fair value of options		**2,362**	2,355
Transferred to common shares on the exercise or exchange of options		**(1,924)**	(2,851)
Balance at end of period		**22,322**	20,795
Total Shareholders' Equity		**1,327,783**	1,265,948
Non-Controlling Interests			
Balance at beginning of period		**105,225**	105,179
Net income attributable to non-controlling interests		**3,512**	3,457
Distributions to non-controlling interests		**(3,494)**	(3,418)
Balance at end of period		**105,243**	105,218
Total Equity		**$ 1,433,026**	$ 1,371,166

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

Consolidated Statements of Cash Flow

(unaudited) ($ thousands)		For the six months ended April 30 2012	April 30 2011
Cash Flows from Operating Activities			
Net income		$ 92,263	$ 85,854
Adjustments to determine net cash flows:			
Provision for credit losses		12,692	11,528
Depreciation and amortization		10,320	8,854
Current income taxes receivable and payable		764	(144)
Amortization of fair value of employee stock options		2,362	2,355
Accrued interest receivable and payable, net		2,226	(9,457)
Deferred income taxes, net		(1,280)	(8,162)
Gain on securities, net		(5,120)	(9,534)
Other items, net		(7,739)	41,592
		106,488	122,886
Cash Flows from Financing Activities			
Deposits, net		824,388	548,699
Common shares issued	(Note 9)	6,215	105,537
Debt securities issued		145,403	-
Debt securities redeemed		(57,606)	(58,741)
Dividends		(30,294)	(25,723)
Distributions to non-controlling interests		(3,494)	(3,418)
Debentures redeemed		(120,000)	(70,000)
Debentures issued		-	300,000
Warrants purchased and cancelled		-	(15,985)
		764,612	780,369
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		75,405	(84,106)
Securities, purchased		(1,864,186)	(2,630,598)
Securities, sale proceeds		924,038	1,369,928
Securities, matured		1,057,113	1,186,439
Securities purchased under resale agreements, net		(69,808)	(41,431)
Loans, net		(1,001,139)	(697,117)
Property and equipment		(7,708)	(7,292)
		(886,285)	(904,177)
Change in Cash and Cash Equivalents		(15,185)	(922)
Cash and Cash Equivalents at Beginning of Period		32,385	(20,683)
Cash and Cash Equivalents at End of Period *		$ 17,200	$ (21,605)
* Represented by:			
Cash and non-interest bearing deposits with financial institutions		$ 55,037	$ 5,729
Cheques and other items in transit (included in Cash Resources)		4,054	11,018
Cheques and other items in transit (included in Other Liabilities)		(41,891)	(38,252)
Cash and Cash Equivalents at End of Period		$ 17,200	$ (21,605)
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		$ 364,187	$ 334,881
Interest paid		143,331	139,861
Income taxes paid		27,427	36,500

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

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

1. Basis of Presentation and Significant Accounting Policies

These unaudited condensed interim consolidated financial statements of Canadian Western Bank (CWB or the Bank) have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These interim consolidated financial statements of CWB, domiciled in Canada, have been prepared in accordance with subsection 308 (4) of the Bank Act and the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

The interim consolidated financial statements were authorized for issue by the Board of Directors on June 6, 2012.

The Bank's significant International Financial Reporting Standards (IFRS) accounting policies and IFRS transition details were disclosed in Notes 1 and 15, respectively, of the Bank's unaudited interim consolidated financial statements for the three months ended January 31, 2012, and unless otherwise noted, the notes to the October 31, 2011 audited consolidated financial statements included in the 2011 annual report reported under Canadian generally accepted accounting principles (Canadian GAAP) are materially consistent. These documents are all available on SEDAR and the Bank's website.

2. Future Accounting Changes

CWB continues to monitor the IASB's proposed changes to accounting standards. Although not expected to materially impact the Bank's 2012 consolidated financial statements, these proposed changes may have a significant impact on future financial statements. Additional discussion on certain accounting standards that may impact the Bank was included in the Management's Discussion and Analysis for the period ended April 30, 2012.

3. Insurance Revenues, Net

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

	For the three months ended			For the six months ended	
	April 30 2012	January 31 2012	April 30 2011	**April 30 2012**	April 30 2011
Net earned premiums	**$ 30,035**	$ 30,454	$ 28,286	**$ 60,489**	$ 57,282
Commissions and processing fees	**478**	455	479	**933**	944
Net claims and adjustment expenses	**(18,662)**	(20,327)	(17,542)	**(38,989)**	(36,699)
Policy acquisition costs	**(6,097)**	(6,180)	(6,232)	**(12,277)**	(11,946)
Total, net	**$ 5,754**	$ 4,402	$ 4,991	**$ 10,156**	$ 9,581

4. Securities

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

	As at April 30 2012	As at January 31 2012	As at October 31 2011
Interest bearing deposits with regulated financial institutions	**$ 311**	$ 477	$ 815
Securities issued or guaranteed by			
Canada	**(175)**	(210)	(645)
A province or municipality	**(253)**	(82)	(479)
Other debt securities	**997**	1,588	1,827
Equity securities			
Preferred shares	**9,443**	16,091	9,312
Common shares	**5,665**	892	28
Unrealized gains, net	**$ 15,988**	$ 18,756	$ 10,858

The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares. For the three and six months ended April 30, 2012, the Bank has assessed the securities with unrealized losses and, based on available objective evidence, nil (2011 – nil) impairment charges were included in gains on securities, net.

5. Loans

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

($ millions)	BC	AB	SK	MB	Other	Total	April 30 2012 Composition Percentage	January 31 2012 Composition Percentage	October 31 2011 Composition Percentage
Loans to Individuals									
Residential mortgages[1]	$ 1,417	$ 1,210	$ 217	$ 77	$ 312	$ 3,233	24 %	24 %	24 %
Other loans	68	109	11	3	1	192	2	2	2
	1,485	1,319	228	80	313	3,425	26	26	26
Loans to Businesses									
Commercial	994	1,759	162	96	450	3,461	26	26	25
Construction and real estate[2]	1,518	1,826	237	71	125	3,777	28	28	29
Equipment financing [3]	424	907	177	86	740	2,334	17	17	17
Energy	-	360	-	-	-	360	3	3	3
	2,936	4,852	576	253	1,315	9,932	74	74	74
Total Loans[4]	$ 4,421	$ 6,171	$ 804	$ 333	$ 1,628	$ 13,357	100 %	100 %	100 %
Composition Percentage									
April 30, 2012	33 %	46 %	6 %	3 %	12 %	100 %			
January 31, 2012	33 %	46 %	6 %	3 %	12 %	100 %			
October 31, 2011	33 %	46 %	6 %	3 %	12 %	100 %			

(1) Includes single- and multi-unit residential mortgages and project (interim) mortgages on residential property.
(2) Includes commercial term mortgages and project (interim) mortgages on non-residential property.
(3) Includes securitized leases reported on-balance sheet of $196 (January 31, 2012 - $150; October 31, 2011 - $91).
(4) This table does not include an allocation of the allowance for credit losses.

6. Allowance for Credit Losses

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

	For the three months ended April 30, 2012			For the three months ended January 31, 2012		
	Specific Allowance	**Collective Allowance for Credit Losses**	**Total**	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	**$ 11,885**	**$ 62,671**	**$ 74,556**	$ 10,650	$ 61,330	$ 71,980
Provision for credit losses	**4,163**	**2,100**	**6,263**	5,088	1,341	6,429
Write-offs	**(5,733)**	**-**	**(5,733)**	(4,524)	-	(4,524)
Recoveries	**403**	**-**	**403**	671	-	671
Balance at end of period	**$ 10,718**	**$ 64,771**	**$ 75,489**	$ 11,885	$ 62,671	$ 74,556

	For the three months ended April 30, 2011		
	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	$ 15,373	$ 62,220	$ 77,593
Provision for credit losses	8,935	(3,657)	5,278
Write-offs	(2,423)	-	(2,423)
Recoveries	397	-	397
Balance at end of period	$ 22,282	$ 58,563	$ 80,845

	For the six months ended April 30, 2012			For the six months ended April 30, 2011		
	Specific Allowance	**Collective Allowance for Credit Losses**	**Total**	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	**$ 10,650**	**$ 61,330**	**$ 71,980**	$ 19,531	$ 61,992	$ 81,523
Provision for credit losses	**9,251**	**3,441**	**12,692**	14,957	(3,429)	11,528
Write-offs	**(10,257)**	**-**	**(10,257)**	(12,840)	-	(12,840)
Recoveries	**1,074**	**-**	**1,074**	634	-	634
Balance at end of period	**$ 10,718**	**$ 64,771**	**$ 75,489**	$ 22,282	$ 58,563	$ 80,845

7. Impaired and Past Due Loans

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

	As at April 30, 2012				As at January 31, 2012			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Consumer and personal	$ 2,155,032	$ 17,161	$ 968	$ 16,193	$ 2,095,429	$ 19,924	$ 1,206	$ 18,718
Real estate[1]	5,011,713	43,209	1,485	41,724	4,809,796	44,221	3,130	41,091
Equipment financing	2,693,333	9,412	4,292	5,120	2,549,898	10,851	4,551	6,300
Commercial	3,497,140	18,091	3,973	14,118	3,364,324	15,861	2,998	12,863
Total [2]	$ 13,357,218	$ 87,873	$ 10,718	77,155	$ 12,819,447	$ 90,857	$ 11,885	78,972
Collective allowance[3]				(64,771)				(62,671)
Net impaired loans after collective allowance				$ 12,384				$ 16,301

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

(1) Multi-family residential mortgages are included in real estate loans.
(2) Gross impaired loans include foreclosed assets with a carrying value of $877 (January 31, 2012 – $4,683 and October 31, 2011 – $3,241) which are held for sale. The Bank pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit risk is not allocated by loan type.

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

	As at April 30, 2012			As at January 31, 2012		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 44,466	$ 5,905	$ 38,561	$ 45,362	$ 6,150	$ 39,212
British Columbia	38,164	2,230	35,934	38,434	2,199	36,235
Saskatchewan	1,109	461	648	2,545	760	1,785
Manitoba	694	264	430	845	265	580
Other	3,440	1,858	1,582	3,671	2,511	1,160
Total	$ 87,873	$ 10,718	77,155	$ 90,857	$ 11,885	78,972
Collective allowance[1]			(64,771)			(62,671)
Net impaired loans after collective allowance			$ 12,384			$ 16,301

	As at October 31, 2011		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 53,725	$ 5,208	$ 48,517
British Columbia	35,762	1,441	34,321
Saskatchewan	2,809	823	1,986
Manitoba	953	328	625
Other	4,009	2,850	1,159
Total	$ 97,258	$ 10,650	86,608
Collective allowance[1]			(61,330)
Net impaired loans after collective allowance			$ 25,278

(1) The collective allowance for credit risk is not allocated by province.

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

	As at April 30, 2012				
	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Total
Residential mortgages	$ 18,242	$ 1,606	$ 346	$ 502	$ 20,696
Other loans	44,114	3,742	1,900	-	49,756
	$ 62,356	$ 5,348	$ 2,246	$ 502	$ 70,452
Total as at January 31, 2012	$ 30,069	$ 34,320	$ 4,301	$ 620	$ 69,310
Total as at October 31, 2011	$ 23,971	$ 16,688	$ 1,873	$ 352	$ 42,884

8. Derivative Financial Instruments

The Bank designates certain derivative financial instruments as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges). On an ongoing basis, the derivatives used in hedging transactions are assessed to determine whether they are effective in offsetting changes in fair values or cash flows of the hedged items. If a hedging transaction becomes ineffective or if the derivative is not designated as a cash flow hedge, any subsequent change in the fair value of the hedging instrument is recognized in net income.

For the three and six months ended April 30, 2012, $903 and $508 net unrealized after tax gains (2011 – nil) were recorded in other comprehensive income for changes in fair value of the effective portion of equity and interest rate swap derivatives designated as cash flow hedges, and no amounts (2011 – nil) were recorded in other income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged items affects income. For the three and six months ended April 30, 2012, $595 and $299 net gains after tax amounts (2011 – nil) were reclassified to net income.

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

	As at April 30, 2012			As at January 31, 2012		
	Notional Amount	Positive Fair Value	Negative Fair Value	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps designated as hedges(1)	$ 75,000	$ 24	$ 24	$ -	$ -	$ -
Equity swaps designated as hedges(2)	14,214	685	-	14,214	-	533
Foreign exchange contracts(3)	7,157	31	15	3,517	-	6
Other forecasted transactions	-	-	-	-	-	-
Derivative related amounts		$ 740	$ 39		$ -	$ 539

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

(1) Interest rate swaps designated as hedges outstanding at April 30, 2012 mature between January and April 2013.
(2) Equity swaps designated as hedges outstanding at April 30, 2012 mature between June 2012 and June 2014. Equity swaps are used to reduce the earnings volatility from restricted share units linked the Bank's common share price.
(3) Foreign exchange contracts outstanding at April 30, 2012 mature between May 2012 and January 2013.

There were no forecasted transactions that failed to occur during the three months and six months ended April 30, 2012.

9. Capital Stock

Share Capital

	For the six months ended			
	April 30, 2012		April 30, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 3				
Outstanding at beginning and end of period(1)	8,390,000	$ 209,750	8,390,000	$ 209,750
Common Shares				
Outstanding at beginning of period	75,461,981	408,282	66,641,362	279,620
Issued on exercise or exchange of options	249,324	879	268,423	2,550
Issued under dividend reinvestment plan(2)	197,771	5,336	67,494	2,000
Transferred from contributed surplus on exercise or exchange of options	-	1,924	-	2,851
Issued on exercise of warrants	-	-	7,213,383	100,987
Outstanding at end of period	75,909,076	416,421	74,190,662	388,008
Share Capital		$ 626,171		$ 597,758

(1) Holders of the Preferred Shares – Series 3 are entitled to receive non-cumulative quarterly fixed dividends for the initial five-year period ending April 30, 2014 of 7.25% per annum, payable quarterly, as and when declared. For further information on dividend rates after April 30, 2014, refer to Note 19 of the audited consolidated financial statements for the year ended October 31, 2011 (see page 103 of the 2011 Annual Report).
(2) Shares were issued at a 2% discount from the average closing price of the five trading days preceding the dividend payment date.

9. Capital Stock – continued

Warrants to Purchase Common Shares

Each warrant was exercisable at a price of $14.00 to purchase one common share in the capital of the Bank.

	For the six months ended	
Number of Warrants	**April 30 2012**	April 30 2011
Outstanding at beginning of period	-	13,471,611
Purchased and cancelled under Normal Course Issuer Bid	-	(1,000,000)
Exercised	-	(7,213,383)
Outstanding at end of period	-	5,258,228

Common Share Normal Course Issuer Bid

On October 31, 2011, the Bank received approval from the Toronto Stock Exchange to institute a Normal Course Issuer Bid (NCIB) to purchase and cancel up to 2,261,434 of its common shares. The NCIB commenced November 2, 2011 and will expire November 1, 2012. No common shares have been purchased under this NCIB as at April 30, 2012.

10. Stock-Based Compensation

Stock Options

	For the three months ended					
	April 30, 2012			April 30, 2011		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options						
Balance at beginning of period	**3,919,448**	**$**	**22.50**	3,817,005	$	20.68
Exercised or exchanged	**(252,861)**		**18.11**	(318,599)		22.07
Forfeited	**(16,211)**		**25.37**	(25,419)		22.24
Balance at end of period	**3,650,376**	**$**	**22.79**	3,472,987	$	20.54

	For the six months ended					
	April 30, 2012			April 30, 2011		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options						
Balance at beginning of period	**3,542,072**	**$**	**21.36**	3,834,433	$	19.93
Granted	**729,830**		**25.46**	358,865		29.42
Exercised or exchanged	**(579,741)**		**17.31**	(680,249)		21.67
Forfeited	**(41,785)**		**24.22**	(40,062)		22.51
Balance at end of period	**3,650,376**	**$**	**22.79**	3,472,987	$	20.54

The terms of the share incentive plan allow the holders of vested options a cashless settlement alternative whereby the option holder can either (i) elect to receive shares by delivering cash to the Bank in the amount of the option exercise price or (ii) elect to receive the number of shares equivalent to the excess of the market value of the shares under option, determined at the exercise date, over the exercise price. Of the 579,741 (2011 – 680,249) options exercised or exchanged in the six months ended April 30, 2012, option holders exchanged the rights to 516,391 (2011 – 566,299) options and received 185,974 (2011 – 154,473) shares in return under the cashless settlement alternative.

For the six months ended April 30, 2012, salary expense of $2,362 (2011 - $2,355) was recognized relating to the estimated fair value of options granted. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 1.1% (2011 – 2.2%), (ii) expected option life of 4.0 (2011 – 4.0) years, (iii) expected annual volatility of 31% (2011 – 41%), and (iv) expected annual dividends of 2.4% (2011 – 1.8%). The weighted average fair value of options granted was estimated at $4.70 (2011 – $8.69) per share.

10. Stock-Based Compensation – continued

Further details relating to stock options outstanding and exercisable at April 30, 2012 follow:

	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$ 8.58 to $11.76	594,870	1.6	$ 11.73	594,870	$ 11.73
$16.89 to $21.46	619,240	1.8	18.42	206,790	21.46
$22.09 to $26.38	1,541,918	3.5	24.45	207,600	26.11
$28.11 to $31.18	894,348	2.8	30.32	178,025	31.16
Total	3,650,376	2.8	$ 22.79	1,187,285	$ 18.85

Restricted Share Units

For the six months ended April 30, 2012, salary expense of $3,160 (2011 – $4,718) was recognized related to the Restricted Share Units (RSUs). As at April 30, 2012, the liability for the RSUs held under this plan was $12,099 (2011 – $10,926). At the end of each period, the liability and salary expense are adjusted to reflect changes in the fair value of the RSUs. As at April 30, 2012, 530,282 RSUs were outstanding (2011 – 474,387).

Deferred Share Units

For the six months ended April 30, 2012, non-interest expenses "other expenses" included $394 (2011 – $152) related to the Deferred Share Units (DSUs). As at April 30, 2012, the liability for DSUs held under this plan was $2,235 (2011 – $1,514). At the end of each period, the liability and expense are adjusted to reflect changes in the fair value of the DSUs. As at April 30, 2012, 77,912 DSUs were outstanding (2011 – 49,972).

11. Contingent Liabilities and Commitments

Significant contingent liabilities and commitments, including guarantees provided to third parties, are discussed in Note 21 of the Bank's audited consolidated financial statements for the year ended October 31, 2011 (see page 106 of the 2011 Annual Report) and include:

	As at April 30 2012	As at January 31 2012	As at October 31 2011
Guarantees and standby letters of credit			
Balance outstanding	**$ 280,276**	$ 297,572	$ 276,323
Business credit cards [1]			
Total approved limit	**-**	-	12,996
Balance outstanding	**-**	713	2,933

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

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

12. Fair Value of Financial Instruments

The Bank categorizes its fair value measurements of financial instruments recorded on the consolidated balance sheets according to a three-level hierarchy. Level 1 fair value measurements reflect published market prices quoted in active markets. Level 2 fair value measurements were estimated using a valuation technique based on observable market data. Level 3 fair value measurements were determined using a valuation technique based on unobservable market data.

Further information on how the fair value of financial instruments is determined is included in Note 30 of the October 31, 2011 consolidated audited financial statements (see page 114 of the 2011 Annual Report).

12. Fair Value of Financial Instruments – continued

The following table presents the Bank's financial assets and liabilities that are carried at fair value, categorized by level under the fair value hierarchy:

As at April 30, 2012	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Cash resources	**$ 217,609**	**$ 183,828**	**$ 33,781**	**$ -**
Securities	**1,822,418**	**1,822,418**	**-**	**-**
Securities purchased under resale agreements	**69,808**	**-**	**69,808**	**-**
Derivative related	**740**	**-**	**740**	**-**
	$ 2,110,575	**$ 2,006,246**	**$ 104,329**	**$ -**
Financial liabilities				
Other liability	**$ 63,500**	**$ -**	**$ -**	**$ 63,500**
Derivative related	**39**	**-**	**39**	**-**
	$ 63,539	**$ -**	**$ 39**	**$ 63,500**

As at January 31, 2012	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Cash resources	$ 228,964	$ 206,883	$ 22,081	$ -
Securities	2,079,791	2,079,791	-	-
Securities purchased under resale agreements	119,999	-	119,999	-
	$ 2,428,754	$ 2,286,674	$ 142,080	$ -
Financial liabilities				
Other liability	$ 62,211	$ -	$ -	$ 62,211
Derivative related	539	-	539	-
	$ 62,750	$ -	$ 539	$ 62,211

As at October 31, 2011	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial assets				
Cash resources	$ 312,335	$ 272,704	$ 39,631	$ -
Securities	1,925,704	1,925,704	-	-
	$ 2,238,039	$ 2,198,408	$ 39,631	$ -
Financial liabilities				
Other liability	$ 61,011	$ -	$ -	$ 61,011
Derivative related	436	-	436	-
	$ 61,447	$ -	$ 436	$ 61,011

Level 3 Financial Instruments

Level 3 financial instruments are comprised of the contingent consideration related to a subsidiary acquisition. The following table shows a reconciliation of the fair value measurements related to the Level 3 valued instrument:

	For the three months ended April 30		For the six months ended April 30	
	2012	2011	**2012**	2011
Balance at beginning of period	**$ 62,211**	$ 51,221	**$ 61,011**	$ 48,705
Change in fair value charged to other income	**1,289**	3,742	**2,489**	6,258
Settlements	**-**	-	**-**	-
Balance at end of period	**$ 63,500**	$ 54,963	**$ 63,500**	$ 54,963

The contingent consideration liability is valued at April 30, 2012 in accordance with the May 2012 settlement described in Note 15.

13. Interest Rate Sensitivity

The Bank's exposure to interest rate risk as a result of a difference or gap between the maturity or repricing behavior of interest sensitive assets and liabilities, including derivative financial instruments, is discussed in Note 29 of the audited consolidated financial statements for the year ended October 31, 2011 (see page 113 of the 2011 Annual Report). The following table shows the gap position for selected time intervals.

13. Interest Rate Sensitivity – continued

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, 2012								
Assets								
Cash resources and securities	**$ 265**	**$ 333**	**$ 576**	**$ 1,174**	**$ 678**	**$ 157**	**$ 101**	**$ 2,110**
Loans	**6,322**	**566**	**1,578**	**8,466**	**4,792**	**84**	**(60)**	**13,282**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**321**	**321**
Derivative financial instruments[1]	**-**	**7**	**75**	**82**	**7**	**-**	**7**	**96**
Total	**6,587**	**906**	**2,229**	**9,722**	**5,477**	**241**	**369**	**15,809**
Liabilities and Equity								
Deposits	**4,883**	**1,093**	**3,418**	**9,394**	**3,838**	**-**	**(13)**	**13,219**
Other liabilities	**3**	**6**	**26**	**35**	**35**	**8**	**380**	**458**
Debt	**7**	**14**	**54**	**75**	**528**	**-**	**-**	**603**
Equity	**-**	**-**	**-**	**-**	**105**	**-**	**1,328**	**1,433**
Derivative financial instruments[1]	**89**	**-**	**-**	**89**	**-**	**-**	**7**	**96**
Total	**4,982**	**1,113**	**3,498**	**9,593**	**4,506**	**8**	**1,702**	**15,809**
Interest Rate Sensitive Gap	**$ 1,605**	**$ (207)**	**$ (1,269)**	**$ 129**	**$ 971**	**$ 233**	**$ (1,333)**	**$ -**
Cumulative Gap	**$ 1,605**	**$ 1,398**	**$ 129**	**$ 129**	**$ 1,100**	**$ 1,333**	**$ -**	**$ -**
Cumulative Gap as a Percentage of Total Assets	**10.2 %**	**8.8 %**	**0.8 %**	**0.8 %**	**7.0 %**	**8.4 %**	**- %**	**- %**
January 31, 2012								
Cumulative Gap	$ 1,381	$ 1,717	$ 490	$ 490	$ 1,174	$ 1,300	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	8.9 %	11.1 %	3.2 %	3.2 %	7.6 %	8.4 %	- %	- %
October 31, 2011								
Cumulative Gap	$ 1,415	$ 1,251	$ (59)	$ (59)	$ 1,224	$ 1,254	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	9.5 %	8.4 %	(0.4) %	(0.4) %	8.2 %	8.4 %	- %	- %

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

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

April 30, 2012	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total assets	**3.8 %**	**3.2 %**	**4.2 %**	**3.8 %**	**5.2 %**	**5.1 %**	**4.3 %**
Total liabilities	**1.2**	**2.2**	**2.4**	**1.7**	**2.7**	**-**	**2.0**
Interest rate sensitive gap	**2.6 %**	**1.0 %**	**1.8 %**	**2.1 %**	**2.5 %**	**5.1 %**	**2.3 %**
January 31, 2012							
Total assets	3.9 %	2.4 %	4.5 %	3.8 %	5.3 %	5.3 %	4.3 %
Total liabilities	1.2	2.4	2.4	1.7	2.7	5.0	2.1
Interest rate sensitive gap	2.7 %	- %	2.1 %	2.1 %	2.6 %	0.3 %	2.2 %
October 31, 2011							
Total assets	4.0 %	2.4 %	4.6 %	3.9 %	5.2 %	5.1 %	4.4 %
Total liabilities	1.2	1.9	2.5	1.7	2.8	5.8	2.1
Interest rate sensitive gap	2.8 %	0.5 %	2.1 %	2.2 %	2.4 %	(0.7) %	2.3 %

Based on the current interest rate gap position, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately 3.2% or $12,418 (January 31, 2012 – 3.7% or $13,519) and decrease other comprehensive income $10,762 (January 31, 2012 – $10,098) 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 4.4% or $17,239 (January 31, 2012 – 4.5% or $16,549) and increase other comprehensive income $10,762 (January 31, 2012 – $10,098) net of tax.

14. Capital Management

Capital for Canadian financial institutions is managed and reported until December 2012 in accordance with a capital management framework specified by OSFI commonly called Basel II. A revised capital framework (called Basel III) is effective for Canadian financial institutions beginning on January 1, 2013. Further details are available in the Capital Management section in the Q2 2012 Management's Discussion and Analysis.

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

Additional information about the Bank's capital management practices is provided in Note 32 to the fiscal 2011 audited financial statements beginning on page 116 of the 2011 Annual Report. The 2011 capital structure and regulatory ratios reflect the returns filed and have not been restated to IFRS.

Basel II Capital Structure and Regulatory Ratios

	As at April 30 2012	As at January 31 2012	As at October 31 2011
Capital			
Tier 1	**$ 1,318,999**	$ 1,289,705	$ 1,350,466
Total	**1,760,892**	1,854,871	1,869,880
Capital ratios			
Tier 1	**9.9 %**	10.2 %	11.1 %
Total	**13.2**	14.6	15.4
Assets to capital multiple	**9.0 x**	8.3 x	7.9 x

During the three and six months ended April 30, 2012, the Bank complied with all internal and external capital requirements.

The decrease in Tier 1 capital from October 31, 2011 to January 31, 2012 reflects the expiration of a Basel II transition provision that permitted the capital deduction related to CWB's insurance subsidiary ($84,503 at April 30, 2012; $83,500 at January 31, 2012; $80,942 at October 31, 2011) to be deducted from Tier 2 capital. Beginning in the first quarter of 2012, the deduction is recorded 50% against Tier 1 capital and 50% against Tier 2 capital.

In March 2012, the Bank redeemed $125,000 subordinated debentures with a fixed interest rate of 5.07%. Of the $125,000 debentures, $5,000 were held by Canadian Direct Insurance Incorporated, a wholly owned subsidiary, and were eliminated on consolidation.

15. Subsequent Event

On May 29, 2012, CWB settled the contingent consideration associated with the February 1, 2010 acquisition of National Leasing Group Inc. with the issuance of 2,256,868 CWB common shares valued at $63,500. The number of CWB common shares issued was based on the volume weighted average share price as reported by Bloomberg LP for the 20 trading days from April 18 to May 15, 2012, inclusive.

16. Transition to IFRS

CWB adopted IFRS effective November 1, 2010 as a replacement of previous Canadian GAAP. The Bank's opening consolidated balance sheet was prepared as at November 1, 2010 in accordance with IFRS 1 – *First time Adoption of IFRS* as issued by the IASB. This note explains the adjustments made by the Bank in preparing the required adjustments between IFRS and Canadian generally accepted accounting principles (Canadian GAAP) for the comparative period ended April 30, 2011. No material adjustments to the consolidated statement of cash flows were required.

(a) Business combinations - The Bank elected to apply IFRS retrospectively to business combinations that occurred on or after February 1, 2010. This election resulted in the adjustment of the February 1, 2010 acquisition of National Leasing. The following transition adjustments were required:

16. Transition to IFRS – continued

- Under Canadian GAAP, contingent consideration was recorded only when it was determinable beyond a reasonable doubt. Under IFRS, certain contingent consideration arrangements are reported at fair value as at the acquisition date, and each period thereafter, the contingent consideration fair value is re-measured and any adjustments are recorded in the other income (non-tax deductible);
- Under Canadian GAAP, acquisition-related costs were included in the cost of the acquisition, while under IFRS, acquisition-related costs are expensed; and
- Under Canadian GAAP, the valuation of the Bank's shares issued as part of the consideration for the acquisition was based on a reasonable time frame before and after the acquisition date. Under IFRS, the valuation is completed on the acquisition date.

The impact arising from the change is detailed in the following consolidated balance sheets, income statements and statements of comprehensive income under the heading "(a) Business Combinations". The increase noted in other assets relates to goodwill, and the increase noted in other liabilities relates to the acquisition contingent consideration obligation.

(b) Derecognition of securitized financial assets - The Bank participates in securitization activities. Securitization consists of the transfer of equipment leases to an independent trust or other third party, which purchases the cash flows associated with the leases and may issue securities to investors. Under Canadian GAAP, securitized assets were accounted for as sales and removed from the consolidated balance sheet as the Bank surrenders control of the transferred assets and receives consideration other than beneficial interests in the transferred assets. Under IFRS, because the Bank retains a significant portion of the credit risk relating to the leases, the derecognition criteria within IAS 39 – *Financial Instruments: Recognition and Measurement* are not met and the leases are accounted for as a secured borrowing with the underlying leases of the securitization remaining on the consolidated balance sheet and a debt security recognized for the funding received.

The impact arising from the change is detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(b) Derecognition".

(c) Consolidation - Under IFRS, a special purpose entity (SPE) is consolidated if it is deemed to be controlled by the reporting entity, as determined under specific criteria. Canadian Western Bank Capital Trust is consolidated under IFRS, which resulted in a $105 million decrease in deposits and the presentation of the CWB Capital Trust Capital Securities Series 1 (WesTS) as equity attributed to non-controlling interests. Distributions on the WesTS that were effectively reported as deposit interest expense under Canadian GAAP are now presented as an equity dividend within IFRS "net income attributable to non-controlling interests." For more information about this special purpose entity, refer to Note 15 to the consolidated financial statements beginning on page 100 of the 2011 Annual Report.

The impact arising from the change is detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(c) Consolidation".

(d) Impairment of available-for-sale securities - Under both Canadian GAAP and IFRS, available-for-sale securities are reported on the balance sheet at fair value with changes in fair value generally reported in other comprehensive income. An unrealized loss is recognized in net income when a security is considered impaired; a subsequent recovery in the value of an equity security is not reversed through net income until the security is either sold or redeemed. Under Canadian GAAP, a significant or prolonged decline in the fair value of an investment below its cost was assessed in the context of whether it was considered an "other than temporary impairment" (OTTI). Under IFRS, the concept of OTTI does not exist and either a significant or prolonged decline in fair value is considered objective evidence of impairment. The differences between Canadian GAAP and IFRS will generally result in earlier recognition of impairment losses through net income under IFRS.

The impact arising from the change is detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(d) AFS impairment".

(e) Other reclassifications - Certain other financial statement reclassifications have been made on the transition to IFRS. An example includes the presentation of the non-controlling interest in Adroit Investment Management Ltd. which has been reclassified from other liabilities under Canadian GAAP to non-controlling interests (presented in equity) under IFRS. In addition to the IFRS transition adjustments previously described, the recognition of certain credit related fees was also amended. Certain credit related fees, previously recognized in other income, are now reflected as part of the loan yield and amortized to net interest income over the expected life of the loan. Because total loans are reported net of deferred loan fees, this change resulted in a decrease in total loans of $17,982 and a reduction in retained earnings of $13,450. While the change had no impact on 2011 net income, approximately $14,514 was reclassified from other income to net interest income.

The impact arising from the changes above are detailed in the following consolidated balance sheets, consolidated income statements and consolidated statements of comprehensive income under the heading "(e) Other Adjustments".

16. Transition to IFRS – continued

Reconciliation of Condensed Consolidated Balance Sheet

As at April 30, 2011 *(unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Assets							
Cash resources, securities and securities under resale agreements	$ 2,065,554	$ -	$ -	$ -	$ -	$ -	$ 2,065,554
Loans	11,238,552	-	139,716	-	-	(17,982)	11,360,286
Other assets	296,074	7,839	(8,700)	-	-	4,532	299,745
Total Assets	$ 13,600,180	$ 7,839	$ 131,016	$ -	$ -	$ (13,450)	$ 13,725,585
Liabilities							
Deposits	$ 11,361,466	$ -	$ -	$ (105,000)	$ -	$ -	$ 11,256,466
Other liabilities	396,014	24,093	(10,201)	-	-	(218)	409,688
Debt	545,000	-	143,265	-	-	-	688,265
Total Liabilities	12,302,480	24,093	133,064	(105,000)	-	(218)	12,354,419
Equity							
Preferred shares	209,750	-	-	-	-	-	209,750
Common shares	387,740	268	-	-	-	-	388,008
Retained earnings	661,394	(16,522)	(2,048)	-	(1,752)	(13,450)	627,622
Share-based payment reserve	20,795	-	-	-	-	-	20,795
Other reserves	18,021	-	-	-	1,752	-	19,773
Total Shareholders' Equity	1,297,700	(16,254)	(2,048)	-	-	(13,450)	1,265,948
Non-controlling interest	-	-	-	105,000	-	218	105,218
Total Equity	1,297,700	(16,254)	(2,048)	105,000	-	(13,232)	1,371,166
Total Liabilities and Equity	$ 13,600,180	$ 7,839	$ 131,016	$ -	$ -	$ (13,450)	$ 13,725,585

Reconciliation of Condensed Consolidated Income Statements

For the three months ended April 30, 2011 *(unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 90,897	$ -	$ 1,337	$ 1,647	$ -	$ 2,899	$ 96,780
Provision for credit losses	5,267	-	11	-	-	-	5,278
Other income	28,506	(3,742)	(1,264)	-	-	(2,899)	20,601
Non-interest expenses	55,408	-	-	-	-	-	55,408
Income taxes	14,238	-	17	-	-	-	14,255
Non-controlling interest in subsidiary	50	-	-	-	-	(50)	-
Net income	$ 44,440	$ (3,742)	$ 45	$ 1,647	$ -	$ 50	$ 42,440
Net income attributable to non-controlling interests	-	-	-	1,647	-	50	1,697
Net income attributable to shareholders of the Bank	$ 44,440	$ (3,742)	$ 45	$ -	$ -	$ -	$ 40,743
Preferred share dividends	3,802	-	-	-	-	-	3,802
Net income available to common shareholders	$ 40,638	$ (3,742)	$ 45	$ -	$ -	$ -	$ 36,941

For the six months ended April 30, 2011 *(unaudited)*

	Canadian GAAP	IFRS Adjustments (a) Business Combinations	(b) Derecognition	(c) Consolidation	(d) AFS Impairment	(e) Other Adjustments	IFRS
Net interest income	$ 181,579	$ -	$ 3,141	$ 3,347	$ -	$ 7,186	$ 195,253
Provision for credit losses	11,483	-	45	-	-	-	11,528
Other income	56,927	(6,258)	(2,736)	-	-	(7,186)	40,747
Non-interest expenses	110,536	-	-	-	-	-	110,536
Income taxes	27,985	-	97	-	-	-	28,082
Non-controlling interest in Subsidiary	110	-	-	-	-	(110)	-
Net income	$ 88,392	$ (6,258)	$ 263	$ 3,347	$ -	$ 110	$ 85,854
Net income attributable to non-controlling interests	-	-	-	3,347	-	110	3,457
Net income attributable to shareholders of the Bank	$ 88,392	$ (6,258)	$ 263	$ -	$ -	$ -	$ 82,397
Preferred share dividends	7,604	-	-	-	-	-	7,604
Net income available to common shareholders	$ 80,788	$ (6,258)	$ 263	$ -	$ -	$ -	$ 74,793

No transition adjustments to other comprehensive income were required for the three and six months ended April 30, 2011.

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Series 3 Preferred Shares: CWB.PR.A

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

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

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

Quarterly Conference Call and Webcast
CWB's quarterly conference call and live audio webcast will take place on June 7, 2012 at 2:00 p.m. ET.
The webcast will be archived on the Bank's website at www.cwbankgroup.com for sixty days. A replay of the conference call will be available until June 21, 2012 by dialing (416) 849-0833 or toll-free (855) 859-2056 and entering passcode 81206238.