2018
ANNUAL REPORT

FAI MURRAY, AVP Commercial Banking, Park Place Branch, Vancouver, BC
QUENTIN SMITH, President, Pacific Coastal Airlines

CWB FINANCIAL GROUP

PERFORMANCE DASHBOARD[1]

CWB Financial Group (CWB) operates with a clear focus to meet the unique financial needs of business owners. Clients recognize CWB for our in-depth knowledge of targeted segments within Canada's commercial banking industry, our uncommon brand of personal service and our full suite of relevant financial solutions. Shareholders value CWB's strong track record of high-quality balance sheet and dividend growth, conservative approach to risk management and consistent profitability.

2018
10YR CAGR[2]

TOTAL LOANS*
$ 26.3B
12%

TOTAL ASSETS
$ 29.0B
11%

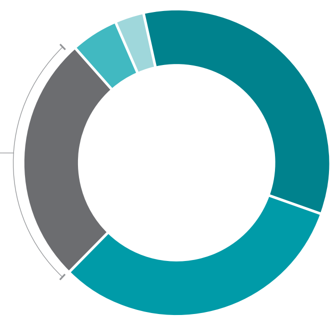
TOTAL DEPOSITS
$ 23.7B
10%

ASSETS UNDER MANAGEMENT
$2.1B

ASSETS UNDER ADMINISTRATION
$8.4B

* EXCLUDING THE ALLOWANCE FOR CREDIT LOSSES

DIVERSIFYING LOANS BY PROVINCE (%)



Growing a more balanced geographic footprint through targeted growth in Ontario

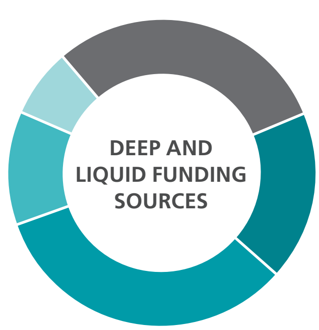
	2018	2008
British Columbia	34	36
Alberta	32	53
Ontario and other	26	5
Saskatchewan	5	4
Manitoba	3	2

DIVERSIFYING LOANS BY LENDING SECTOR (%)

Growing a more balanced industry mix through targeted growth of full-service relationships with business owners

	2018	2008
General commercial loans	28	27
Personal loans and mortgages	20	15
Commercial mortgages	19	21
Equipment financing and leasing	18	14
Real estate project loans	15	21
Oil and gas production loans	-	2

GROWTH AND DIVERSIFICATION OF FUNDING SOURCES - COMPOSITION OF TOTAL FUNDING (%)



Increased demand and notice, and two additional sources of funding.

	2018	2008
Branch demand and notice	30	26
Branch term	18	39
Broker term	33	34
Capital markets term	12	1
Securitization	7	0

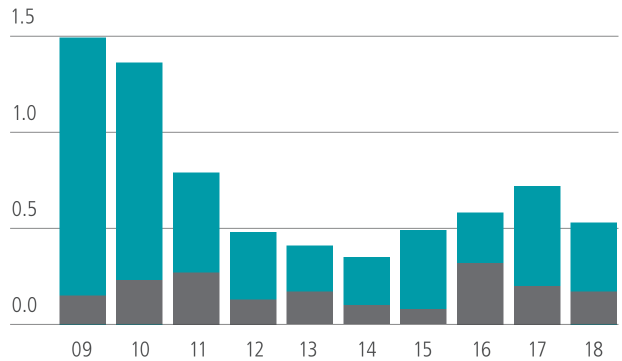
STRONG CREDIT QUALITY

5YR AVERAGE AS A % OF TOTAL LOANS

0.53% $ GROSS IMPAIRED LOANS

0.18% $ WRITE-OFFS

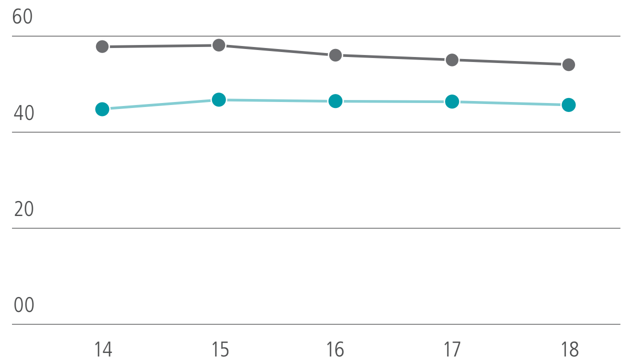
GROSS IMPAIRED LOANS AND WRITE-OFFS AS A % OF TOTAL LOANS



STRONG EFFICIENCY RATIO[3]

45.7% CWB

54.1% CANADIAN BANK AVERAGE[4]



LOW PROVISION FOR CREDIT LOSSES

5YR AVERAGE AS A % OF AVERAGE LOANS

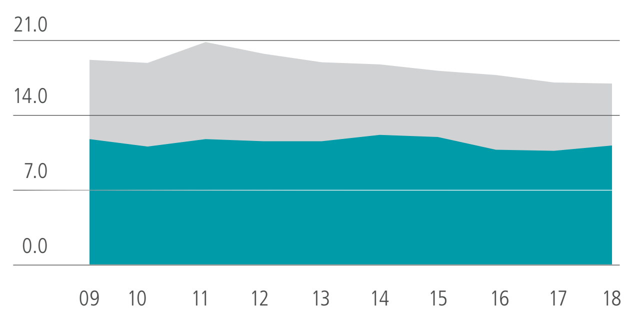
0.23%

LOW LEVERAGE

TOTAL ASSETS-TO-EQUITY

11.2x CWB

17.0x CANADIAN BANK AVERAGE[4]



STRONG REGULATORY CAPITAL RATIOS BASED ON THE *STANDARDIZED* APPROACH

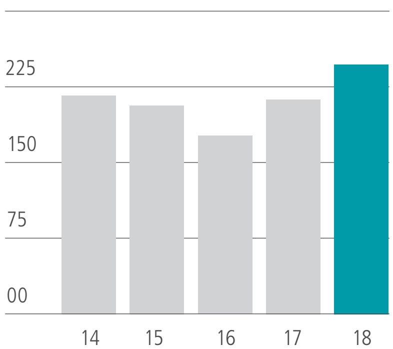
CWB | CWB'S REGULATORY MINIMUM

9.2% | 7.0%	**10.3%** | 8.5%	**11.9%** | 10.5%	**8.0%** | 3.0%
COMMON EQUITY TIER 1 CAPITAL (CET1)	**TIER 1 CAPITAL**	**TOTAL CAPITAL**	**BASEL III LEVERAGE RATIO**

(1) Financial results presented include certain metrics which do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions; see page 20 for definitions and discussions of non-IFRS measures.
(2) CAGR - compound annual growth rate.
(3) Efficiency ratio is calculated as non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, divided by total revenues.
(4) "Canadian Bank Average" is calculated based on information contained in the publicly available company reports of Canada's six largest banks (TSX trading symbols: BMO, CM, NA, RY, BNS, TD).

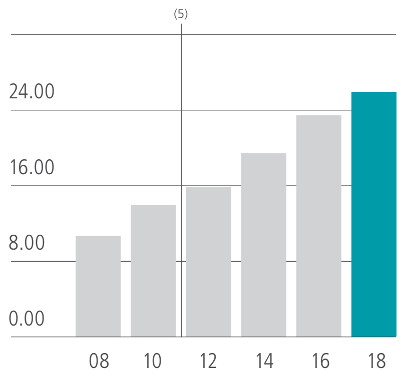
COMMON SHAREHOLDERS' NET INCOME ($ MILLIONS)

$249



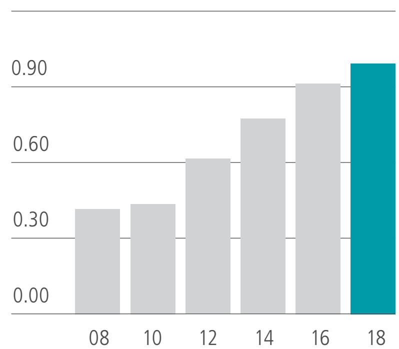
CONSISTENT GROWTH OF BOOK VALUE / SHARE

$26.09 9% 10YR CAGR



CONSISTENT GROWTH OF DIVIDENDS PAID / COMMON SHARE

$1.00 9% 10YR CAGR



MEDIUM-TERM PERFORMANCE TARGET RANGES

KEY METRICS	MEDIUM-TERM PERFORMANCE TARGET RANGES[6]	FISCAL 2018 PERFORMANCE
Adjusted cash earnings per common share growth	7 - 12%	Delivered 14%.
Adjusted return on common shareholders' equity	12 - 15%	Delivered 11.9%, up 90 basis points from fiscal 2017.
Operating leverage	Positive	Delivered positive 1.9%.
Common equity Tier 1 capital ratio under the *Standardized* approach	Strong	Delivered a very strong ratio of 9.2%.
Common share dividend payout ratio	~30%	Delivered 36%, with an 8% increase to the annual common share dividend, and a higher annual dividend for the 26th consecutive year.

INVESTMENT GRADE CREDIT RATINGS (DBRS) - STABLE TREND (CONFIRMED NOVEMBER 29, 2018)

A (low)	R-1 (low)	BBB (high)	Pfd-3
LONG-TERM DEPOSITS / LONG-TERM SENIOR DEBT	**SHORT-TERM INSTRUMENTS**	**SUBORDINATED DEBT**	**PREFERRED SHARES**

(5) As of 2011, financial results are reported under International Financial Reporting Standards (IFRS), as opposed to Generally Accepted Accounting Principles (GAAP), and are not directly comparable.
(6) See page 20 for definitions and discussion of non-IFRS measures.

QUENTIN SMITH, President, Pacific Coastal Airlines

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CWB FINANCIAL GROUP AND OUR BALANCED GROWTH STRATEGY

CWB Financial Group (TSX: CWB) is a conservative, growth-oriented full-service financial institution serving businesses and individuals across Canada. Our clients recognize CWB for our in-depth knowledge of targeted segments within Canada's commercial banking industry, our uncommon brand of personal service and our full suite of relevant financial solutions. Through disciplined execution of our Balanced Growth strategy, CWB has grown to become the seventh largest publicly traded Schedule 1 bank in Canada in terms of market capitalization.

Balanced Growth has been the cornerstone of our strategic direction for a number of years. We've been clear that it means growth of full-service client relationships, with a focus on delivering a unique combination of business banking, personal banking and wealth management offerings tailored for business owners, their employees and their families. It also means delivering further geographic and industry diversification; growth and diversification of funding sources; and optimized capital and risk management through our transition to the model-enabled methodology for calculating and managing regulatory capital.

For our people, we drive a collaborative, performance-based culture within a well-defined performance management framework. We aim to provide strong long-term returns for shareholders and give back in the communities where we live and work.

Our teams focus on key activities that contribute the greatest impact toward the achievement of our goal to create the best full-service bank for business owners in Canada. We track both financial and non-financial measures to monitor progress toward achievement of our strategic objectives to become the best choice for our clients, for our people and for our investors.

LOCATIONS

BC 16

ABBOTSFORD
COQUITLAM
COURTENAY
KAMLOOPS
KELOWNA
LANGLEY
NANAIMO
PRINCE GEORGE
RICHMOND
SURREY (2)
VANCOUVER (4)
VICTORIA

AB 18

CALGARY (6)
EDMONTON (5)
GRANDE PRAIRIE
LEDUC
LETHBRIDGE
MEDICINE HAT
RED DEER
SHERWOOD PARK
ST. ALBERT

SK 5

LLOYDMINSTER
REGINA
SASKATOON (2)
YORKTON

MB 2

WINNIPEG (2)

ON 10

BARRIE
LONDON
MISSISSAUGA
ORILLIA
OSHAWA
OTTAWA
RICHMOND HILL
TORONTO (2)
WOODBRIDGE

QC 3

MONTREAL
QUEBEC CITY (2)

NB 3

FREDERICTON
MONCTON
SAINT JOHN

NS 1

HALIFAX

PEI 1

CHARLOTTETOWN

NL 1

ST. JOHN'S

STRATEGIC OBJECTIVES AND HIGHLIGHTS

BALANCED GROWTH OBJECTIVES	STRATEGIC EXECUTION DURING FISCAL 2018
FULL-SERVICE CLIENT GROWTH WITH A FOCUS ON BUSINESS OWNERS, INCLUDING FURTHER GEOGRAPHIC AND INDUSTRY DIVERSIFICATION	• Very strong 13% annual loan growth, including 9% growth in both BC and Alberta, and 27% growth in Central and Eastern Canada. • Increased the proportion of CWB's loan portfolio in Central and Eastern Canada to 26%, with Ontario up to 21% from 19% in 2017. • Increased business diversification with 18% overall growth of general commercial loans, and 23% growth of equipment loans and leases.
GROWTH AND DIVERSIFICATION OF FUNDING SOURCES	• Growth in debt capital markets funding with five successful senior deposit note issuances or re-openings totaling $1.1 billion over the past 12 months. • Growth in securitization funding for both equipment loans and leases and residential mortgages. • Growth of branch-raised deposits. • Decrease in broker deposits as a proportion of total funding.
OPTIMIZED CAPITAL AND RISK MANAGEMENT PROCESSES THROUGH TRANSITION TO THE *ADVANCED INTERNAL RATINGS BASED* (AIRB) APPROACH	• On track to apply in fiscal 2019 for transition to the AIRB approach.

FINANCIAL HIGHLIGHTS

STRONG FINANCIAL PERFORMANCE

- Very strong performance with common shareholders' net income of $249 million, up 16%, and pre-tax, pre-provision income of $436 million, up 12%.
- Diluted and adjusted cash earnings per common share of $2.79 and $3.01, up 15% and 14%, respectively.
- Total revenue of $803 million, up 11%, with 13% growth of net interest income.
- Positive operating leverage of 1.9%, reflecting strong business growth and efficient execution of CWB's focused business transformation initiatives.
- Very strong loan growth of 13%, including 3% from the acquisition of business lending assets on January 31, 2018.
- Continued execution of CWB's Balanced Growth strategy for funding diversification, including record issuance of senior deposit notes in capital markets, growth of securitization, and continued growth of branch-raised deposits.
- Provision for credit losses as a percentage of average loans of 20 basis points, down from 23 basis points.
- Increased CWB's annual common share dividend for the 26th consecutive year.

NON-FINANCIAL HIGHLIGHTS

CLIENT EXPERIENCE AND BUSINESS TRANSFORMATION

- Significant progress toward the upcoming transformation of CWB's capital and risk management processes through transition to the AIRB approach.
- Realigned CWB's credit support function to improve efficiency, scalability and data integrity through centralized and standardized processes, as well as effective leverage of CWB's investment in strong core technology.
- Implemented a contemporary human capital management system to streamline decision-making capabilities for strategic people-related processes and information.
- Launched the CWB Virtual Branch in a pilot phase to offer a differentiated remote banking experience for business owners, and enable growth of full-service relationships across the country.
- Improved digital capabilities with remote deposit capture and Click Switch features to automatically transfer pre-authorized debits and credits from competitors to CWB.
- Launched *Enhanced Online Banking for Business* to improve CWB's client experience for small- and medium-sized businesses.
- Enhanced foreign exchange facilitation services to better support clients who transact outside of Canada.

AWARDS AND COMMUNITY INVESTMENT

- Carolyn Graham, CWB's Executive Vice President and Chief Financial Officer, named one of WXN Canada's Most Powerful Women: Top 100.
- CWB National Leasing selected as one of Canada's Top 100 Employers and Manitoba's Top Employers, and awarded the Equipment Leasing and Finance Association's Operations and Technology Excellence Award.
- Gave back over $2 million to charitable and community organizations through CWB's Community Investment Program.
- Community Investment Program giving included $125,000 to Enactus Canada to present the Financial Education Challenge and $100,000 to YWCA locations across Canada to support girls' empowerment programming.
- Raised more than $320,000 for the United Way through special events, employee pledges and corporate matching.

“THEY’RE DOWN TO EARTH, SOLUTION FINDERS

WHO BELIEVE THAT NOT EVERYTHING HAS TO FIT IN A SINGLE BOX.”

SCOTT WARD, President and COO; **BRUCE FOX,** Executive Vice President of Business Development, Browns Restaurant Group

LINES OF BUSINESS

BANKING

At CWB Financial Group we set ourselves apart through our commitment to provide a best-in-class client experience for business owners, coupled with our deep understanding of the markets where our clients do business.

BUSINESS BANKING

We take an uncommon approach to business banking. Our full suite of accounts, lending, and cash management solutions allow business owners to streamline financial management so they can focus on what matters most: growing their business. We specialize in general commercial banking, financing for commercial real estate and real estate construction.

CWB Maxium Financial Inc. provides financing solutions to a growing and diversified base of clients in specialized areas of health care, golf, transportation, real estate, general corporate and program financing. CWB Maxium's head office is located in Richmond Hill, Ontario, and the majority of its business is in Central Canada.

CWB Franchise Finance provides financing across Canada to a diverse group of established companies in the hospitality and restaurant industries.

EQUIPMENT FINANCING AND LEASING

Branch-based equipment lenders specialize in financing standard industrial equipment for borrowers operating within our branch footprint in Western Canada.

With operations across Canada, our equipment leasing subsidiary, CWB National Leasing, is the largest Canadian lessor in small and mid-size commercial equipment transactions. Financing solutions are available in all business sectors, with a focus on general commercial, transportation, construction, forestry, agriculture, health care, and golf and turf.

Our Broker Buying Centre selectively acquires loan portfolios from select brokers and the finance divisions of original equipment manufacturers.

PERSONAL BANKING FOR BUSINESS OWNERS, THEIR FAMILIES AND EMPLOYEES

We understand that a business owner's life extends beyond their business. Our specialized approach is supported by a full complement of personal banking services delivered today through our branch network across Western Canada and CWB Virtual Branch pilot. Services include chequing and savings accounts, mortgages, home equity lines of credit, personal loans and investment products.

CWB Optimum Mortgage, our broker-sourced provider of "A" and alternative mortgages, offers personalized borrowing solutions for clients who fall within and outside of traditional lending guidelines.

Motive Financial is for savers. Motive offers services to clients across Canada seeking enhanced flexibility for their personal saving and investment needs. Round-the-clock online account access and a dedicated customer service team available by phone five days a week allow our clients to manage their finances with ease.

TRUST SERVICES

We offer a wide variety of comprehensive trustee and custodial solutions for individuals and businesses through Canadian Western Trust (CWT). CWT has a proven reputation for comprehensive delivery of fiduciary expertise, safety of assets and dedicated service. Our philosophy is centred on providing clients a rapid response, strong attention to detail and a flexible, solution-oriented approach to doing business.

WEALTH MANAGEMENT

We understand that a business owner's wealth is integrated with his or her business. CWB Wealth Management uses a 'whole person' approach to deliver sound service, helpful solutions and ongoing support to help clients achieve their vision for the future.

High net-worth individuals and institutions looking for discretionary wealth management will find value in working with the boutique portfolio management companies of CWB Wealth Management, including McLean & Partners Wealth Management. With distinct investment strategies, clients have access to various approaches that are well-suited to their risk appetite.

Financial planning and investment products are offered at CWB branches through CWB Wealth Management. Under the CWB Financial Group banner, clients have access to a range of investment products from Canada's leading mutual fund companies, including CWB's proprietary Core and Onyx Portfolio Series mutual funds.

MESSAGE FROM

CHRIS FOWLER

PRESIDENT AND CEO

CONTINUED EXECUTION OF OUR BALANCED GROWTH STRATEGY

At CWB Financial Group, our Balanced Growth strategy has created an incredible opportunity to extend our reputation for exceptional personal service from coast-to-coast. I'm proud of our continued strategic execution, and confident that further progress against our well-defined plan will build on CWB's history of consistent, profitable growth.

CWB has always been focused on business owners. We know that successful business owners have unique financial needs, and our targeted approach to meeting those needs has been the cornerstone of CWB's growth story for more than thirty years.

I want to share a couple of client stories that speak to our unique strengths. Daryl Smith founded Pacific Coastal Airlines more than fifty years ago to provide a commuting option between remote forestry camps in British Columbia. Today, the business is led by Daryl's son, Quentin Smith, and Pacific Coastal Airlines has grown to represent the sixth largest airline operating out of Vancouver International Airport. Our hands-on approach, high level of service and shared entrepreneurial values were key drivers as the Smith chose CWB to be their main bank over twenty years ago. We've been there for Daryl and Quentin every step of the way as the business has grown and thrived. Our full-service relationship now includes lending, cash management and deposit products, and we credit the effort of CWB's tremendous teams for Quentin's assertion that, "CWB has become part of the DNA of our company." We couldn't hope for a stronger endorsement.

"Proactive, personal service and specialized expertise will remain at the heart of our differentiated client experience and at the core of our competitive advantage."

CWB is built on the care we demonstrate for clients like Daryl and Quentin. Through our focus on relationship-based banking we have made notable progress toward achieving our key strategic goals. These goals include profitable, balanced growth of both loans and relationship-based funding sources, progress toward a more balanced geographic footprint with broader industry diversification, and enhanced risk and capital management.

PROACTIVE, PERSONAL SERVICE AND SPECIALIZED EXPERTISE

Success for CWB means delivering best-in-class client experiences for business owners. To deliver on this commitment we use every tool at our disposal – from the way our people dig deeper to truly understand a business owner's vision, to the way we invest in technology and process transformation to make business banking easier, and more convenient.

Increased use of technology will be a permanent feature of our business model going forward. We have fundamentally reshaped CWB's technology infrastructure over the past several years and created a powerful core technology platform that positions us well for future growth. We also continue to strengthen our competitive position and support growth initiatives through an ongoing strategic focus on business transformation and process improvement. We are working toward end-to-end alignment of processes, structure and business focus that will ensure CWB teams are equipped to continue delivering highly responsive client service in a scalable manner.

And having said all of that, we know that delivering for business owners comes down to more than technology bells and whistles, or ticking boxes on a checklist. For us, proactive, personal service and specialized expertise will remain at the heart of our differentiated client experience and at the core of our competitive advantage.

Our work with Browns Restaurant Group perfectly illustrates this commitment. Bruce Fox, Browns' Executive Vice President of Business Development, values the practical experience and dedicated resources that our team at CWB Franchise Finance provides. "They're specialists," says Bruce. "They have different teams who do different things, but they also have a dedicated team who understands the hospitality, restaurant and franchise markets across Canada." Bruce appreciates that our people are "willing to look at a lot of different ways to get something done, which is great. They're down to earth, practical solution finders who believe that not everything has to fit in a single box."

A CULTURE TO SUPPORT THE FUTURE WE ENVISION

Bruce's recognition of our unique team approach speaks to CWB's greatest competitive advantage. The strength of our people is an essential part of CWB's success. It's thanks to their commitment and dedication that we continue to deliver on our strategic goals. And as our ongoing transformation efforts create an immense amount of change, we are committed to ensure that our culture evolves to support our people, and matches the future we envision.

"The strength of our people is an essential part of CWB's success."

We want top talent to continue to choose CWB because they know they can thrive in a collaborative, performance-based environment that is progressive, fair, diverse, inclusive and opportunity rich.

We are taking purposeful steps to ensure that our culture is fully aligned with our Balanced Growth strategy, and that we live our values every day. We expect our continued evolution toward CWB's target culture will create value for shareholders by helping us to attract and retain the right talent to support our future growth and attract clients who want to work with people who remind them of themselves.

STRONG GROWTH AND EXCELLENT FINANCIAL PERFORMANCE

Strong growth and excellent financial performance through a number of business cycles has resulted from our teams consistently going the extra mile for our clients. Our strong results in fiscal 2018 demonstrate the benefits of this determined approach, as more and more business owners choose CWB to meet their financial needs. Performance highlights included strong, double-digit growth for both total revenue and pre-tax, pre-provision income, positive operating leverage, strong credit quality and the 26th consecutive annual increase to our common share dividend. This resulted in very strong performance against our medium-term financial performance targets, with growth of adjusted cash earnings per common share of 14% and adjusted return on common shareholders' equity of 11.9%, all while maintaining a very strong common equity Tier 1 capital ratio of 9.2%.

At the same time, our double-digit loan growth delivered further industry and geographic diversification. Strong performance from our western Canadian branches and our cross-Canada business lines was complemented by an immediately accretive and strategic acquisition of business lending assets concentrated in Central and Eastern Canada. More than 25% of our overall portfolio is now represented in Central and Eastern Canada up significantly from 5% ten years ago.

This year we also balanced strong and well-diversified loan growth with growth and diversification of funding sources amidst a challenging and very competitive market for core deposits. We branch-raised deposits compared to last year, while our funding diversification strategy supported profitable growth through record funding from capital markets and increased use of securitization funding.

It's important to note that further balance sheet diversification ties directly to our strategic objective to optimize capital and risk management. A more diversified business is better suited to create maximum value from our planned transition to the advanced approach for managing regulatory capital. This important transformation will benefit shareholders by increasing our addressable market and putting us on more equal footing with our competition. It will equip us to target business that generates the most attractive risk-adjusted returns, which will support further increases in return on common shareholders' equity. I'm pleased to report that progress toward our transition is on schedule.

CWB IS A FULL-SERVICE BANK COMMITTED TO DELIVER FOR BUSINESS OWNERS IN CANADA

Our goal to create the best full-service bank for business owners in Canada is ambitious, and it will take time. But I believe we can get there through continued disciplined execution of our Balanced Growth strategy.

I want to thank our clients and my fellow shareholders for your continued trust in us. I also want to thank our people for the passion and commitment they bring to CWB Financial Group. It is their dedication and caring that drives our continued success. Today we have an incredible opportunity to create exceptional experiences for CWB clients across the country. There is no doubt in my mind that our future looks more exciting than ever before. I know that our teams will continue to work together to grow our businesses, nurture our culture, and take care of our clients and each other.

EXECUTIVE COMMITTEE

Front row | **DARRELL JONES,** Executive Vice President and Chief Information Officer; **KELLY BLACKETT,** Executive Vice President, Human Resources and Corporate Communications; **CAROLYN GRAHAM,** Executive Vice President and Chief Financial Officer; **GLEN EASTWOOD,** Executive Vice President, Business Transformation.

Back row | **STEPHEN MURPHY,** Executive Vice President, Banking; **CHRIS FOWLER,** President and Chief Executive Officer; **H. BOGIE OZDEMIR,** Executive Vice President and Chief Risk Officer.

MESSAGE FROM

ROBERT PHILLIPS

CHAIR OF THE BOARD

Your Board of Directors oversees development and implementation of the strategic direction for CWB Financial Group and maintains an effective governance framework. Our focus is to ensure CWB continues to deliver strong, profitable growth for investors, exceptional client experiences and a positive, rewarding and collaborative environment for CWB's people.

EXECUTING OUR FOCUSED TRANSFORMATION

CWB accomplished much to be proud of over the past year. I'm pleased to report that our performance in 2018 was outstanding as we continue to deliver on our Balanced Growth strategy. Through our focus on relationship-based banking, we made notable progress to deliver profitable growth of both loans and funding sources, a more balanced geographic footprint with broader industry diversification, and enhanced risk and capital management. We also made key investments in technology and business process improvement to enhance our product and service offering, and to drive operational excellence. We are committed to creating the best full-service bank for business owners in Canada by becoming the best choice for our clients, for our people, and for our investors.

A strong risk culture and a sound enterprise risk management framework are also critical components to delivering long-term value for CWB's stakeholders. Your Board is committed to providing diligent oversight of these areas. Our focus is to ensure risk management priorities are embedded in CWB's strategic agenda, and that CWB's plan to execute an ambitious transformation, deliver strong growth and create long-term value for shareholders is consistent with our risk appetite.

We continue to be pleased with CWB's progress toward our transition to the advanced approach for managing regulatory capital. We anticipate submitting our final application to the regulator in fiscal 2019. This transformation will provide CWB with critical insight to achieve profitable, balanced growth, and risk measurement under the advanced approach will support effective capital deployment to maximize shareholder return. Your Board is highly engaged to provide diligent oversight of this important transformation as we seek to balance the value derived from 30 years of highly successful common-sense decision-making with the benefits of quantitative sophistication.

DEMONSTRATING THE POWER OF DIVERSITY AND INCLUSION IN LEADERSHIP

We are dedicated to good corporate governance and we continually monitor evolving trends and assess ways to improve the effectiveness of CWB's Board of Directors. We believe having a diversity of experience, perspectives, and skills is critical to the Board's effective oversight. As part of this commitment to diversity and inclusion, women now comprise 27% of the Board, which exceeds our gender diversity target of 25% for independent directors. I am confident that the women of CWB are among the most formidable leaders in the country. In fact, for the second year in a row, one of Canada's Most Powerful Women is proudly our own. Sarah Morgan-Silvester, a CWB Financial Group director since 2014, was recognized this year among WXN Canada's Most Powerful Women: Top 100. Sarah joins fellow CWB directors Peggy Mulligan, a two-time recipient, and Linda Hohol as past winners of the award. Sarah's achievement makes it back-to-back wins for a CWB leader, after Carolyn Graham, CWB's Executive Vice President and Chief Financial Officer, was recognized last year.

Sarah, Peggy, Linda and Carolyn are exceptional leaders, inspiring role models and tremendous contributors to CWB's ongoing success. Along with their fellow directors and the rest of CWB's exceptional management team, we are fully aligned to invest in developing and recruiting a diverse, inclusive complement of talented leaders that will continue to meet the evolving needs of our customer base and fully reflect the markets we serve.

WELL-POSITIONED FOR FUTURE GROWTH

Within an operating environment characterized by large and aggressive competitors, your Board is confident that our focus on business owners and our Balanced Growth strategy are right for CWB. At the core of our strategy is an enduring commitment to compete effectively by making our smaller size and entrepreneurial spirit an advantage. We believe that business owners understand the value of trusted, personal relationships. They know what it means to create value, and we believe they prefer to deal with a bank that understands the same things. CWB is determined to be nimbler and more relevant to our targeted clients. Where competitors seek to use technology to simulate a high-touch client experience, our teams compete by remaining personal and authentic as we invest to make dealing with CWB smoother and more efficient.

Achieving these outcomes at scale requires rapid transformation of many parts of our business model. In fact, with the pace of technology-driven change apparent all around us, it's fair to say that transformation is set to be a permanent feature of our business. We know it will take the right culture to support our transformation efforts. This is why the board's priorities for the coming year include oversight and support for management in their work to ensure CWB's target culture is aligned with our strategy, and that effective change management capabilities remain in place.

On behalf of the Board, I would like to thank CWB's team members. Against a rapidly changing and volatile backdrop over the past several years, our teams have consistently executed on CWB's strategy to create new opportunities and a much larger addressable market. I would also like to thank my fellow directors for their ongoing commitment to CWB's continued success. In particular, I would like to recognize Mr. Albrecht Bellstedt. Al has served on your board since 1995, and his roots with CWB go back to the formation of our predecessor organization, the Bank of Alberta. Al has been an exceptional director and has significantly influenced CWB's evolution from a small, regional bank to the full-service financial services institution we are today. Al's contributions will be missed when he retires from the board this year. To my fellow shareholders, be assured that your board and management are working diligently to position CWB for significant future growth. We are confident that CWB will prosper from the changes to come.

BOARD OF DIRECTORS

FRONT ROW (LEFT TO RIGHT)

RAYMOND J. PROTTI	Corporate Director
LINDA M.O. HOHOL	Corporate Director
ALBRECHT W. A. BELLSTEDT	President, A.W.A. Bellstedt Professional Corporation
ROBERT L. PHILLIPS (CHAIR)	President and CEO, R.L. Phillips Investments Inc.
SARAH A. MORGAN-SILVESTER	Corporate Director
MARGARET J. MULLIGAN	Corporate Director
ANDREW J. BIBBY	CEO and Director, Grosvenor Americas Partners

BACK ROW (LEFT TO RIGHT)

IAN M. REID	Corporate Director
H. SANFORD RILEY	President and CEO, Richardson Financial Group Limited
CHRIS H. FOWLER	President and CEO, Canadian Western Bank
ALAN M. ROWE	Partner, Crown Realty Partners
ROBERT A. MANNING	President, Cathton Investments Ltd.

CORPORATE GOVERNANCE

CWB Financial Group strives to earn and maintain the trust of our stakeholders through high standards of corporate governance. Active oversight of our leadership team and operations and a robust governance framework are core to our business processes and key to our success. We work continuously to enhance our governance practices to ensure the sound functioning of CWB Financial Group and provide value to our fellow shareholders.

Detailed information about CWB Financial Group's corporate governance practices are available in CWB's Management Proxy Circular and in the Corporate Governance section at cwb.com. Shareholders are encouraged to review CWB's management proxy circular for information on how they can attend and participate in the annual shareholder meeting on April 4, 2019 in Edmonton.

Left to right | **ERIN GOBOLOS,** Sr AVP, Client Experience; **KELLY COLEY,** AVP, Finance; **JENNIFER YUEN,** Sr Manager, Retail Banking; **DEBBIE PLATO,** AVP, Treasury Cash Management; **JOELLE RITTER,** Sr AVP, Client Experience and Solutions, CWB Wealth Management.

DIVERSITY | The strength of our people is an essential part of CWB’s success. We want top talent to continue to choose CWB because they know they can thrive in a collaborative, performance-based environment that is progressive, fair, diverse, inclusive and opportunity rich. That is why CWB supports initiatives like *CWB Women* to help us make strides toward further diversity and inclusion, particularly in leadership positions. We also support diversity and inclusion in our communities. This year we partnered with the YWCA through a gift of $100,000 to support girls’ empowerment programs, to ensure girls in our communities have ample opportunities to build the skills and confidence they need to create and achieve their life goals.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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BUSINESS PROFILE

Canadian Western Bank is the only Schedule 1 chartered bank in Canada with a clear focus to meet the unique financial needs of business owners. Together, Canadian Western Bank and its operating subsidiaries are known as CWB Financial Group (CWB). Operating from corporate headquarters in Edmonton, Alberta, with capabilities to deliver for clients across Canada, CWB delivers full-service business banking, personal banking, trust services and wealth management offerings specifically tailored for business owners, their employees and their families.

	Business Line	Client Offering	Geographic Footprint
CWB Financial Group	CWB Bank	Full-service banking for business owners, their employees and their families	Branch locations from Vancouver Island to Winnipeg, with growing digital capabilities to offer full-service banking beyond CWB's branch footprint; full-service online personal banking provided through Motive Financial in all provinces except Quebec
	CWB Real Estate and Specialized Lending	Commercial real estate activities, corporate lending (including syndicated loans led by major Canadian banks), and loans and leases to franchised hotels and restaurants	Real estate activity primarily in Western Canada with targeted participation in Ontario; corporate lending activity in all provinces with a head office in Edmonton, Alberta; CWB Franchise Finance activity in all provinces, with a head office in Montreal, Quebec
	CWB National Leasing Inc. (CWB National Leasing)	Small- and mid-sized commercial equipment leases	All provinces with a head office in Winnipeg, Manitoba
	CWB Equipment Finance	Larger-ticket standard industrial equipment loans and leases	Primarily in Western Canada with a growing presence in Ontario
	CWB Maxium Financial Inc. (CWB Maxium)	Commercial loans, leases and structured financing	Primarily concentrated in Ontario, with a head office in Richmond Hill, Ontario
	CWB Optimum Mortgage (CWB Optimum)	Residential mortgages sourced through an extensive network of mortgage brokers	Ontario, Western Canada and Atlantic Canada, with a head office in Edmonton, Alberta
	Canadian Western Trust Company (CWT)	Personalized pension, trustee and custodial solutions for businesses and individuals	All provinces except Quebec, with a head office in Vancouver (BC)
	CWB Wealth Management Ltd. including McLean & Partners Wealth Management Ltd. (McLean & Partners) and Canadian Western Financial Ltd. (CWF)	Comprehensive wealth advisory services, including discretionary wealth management primarily for high net-worth individuals, as well as third-party and proprietary funds offered with financial and investment planning advice	Primarily in Western Canada with offices in Vancouver, Edmonton and Calgary

BALANCED GROWTH STRATEGY

Key strategic objectives defined within CWB's Balanced Growth strategy include profitable full-service client growth with a focus on business owners, including further geographic and industry diversification; ongoing growth and diversification of funding sources; and, optimized capital management through transition to the *Advanced Internal Ratings Based* (AIRB) approach for capital and risk management. Management is confident that continued execution of CWB's Balanced Growth strategy will create the best full-service bank for business owners in Canada.

In support of this long-term objective, strategic execution is focused to ensure CWB is the best choice for clients, for people and for investors.

Clients recognize CWB for in-depth knowledge of targeted segments within Canada's commercial banking industry, a unique brand of personal service, and CWB's relationship-based approach.

CWB invests in a supportive environment for staff within a results-oriented culture. CWB empowers people to deliver exceptional client experiences and accelerate growth of full-service client relationships.

Shareholders value CWB's strong track record of high-quality balance sheet and dividend growth, conservative approach to risk management and consistent profitability.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars.

The following pages contain management's discussion of the financial performance of CWB and a summary of quarterly results. Additional information relating to CWB, including the Annual Information Form, is available on SEDAR at sedar.com and on CWB's website at cwb.com.

FISCAL 2018 STRATEGIC HIGHLIGHTS

Table 1 - Execution of CWB's Balanced Growth Strategy

Balanced Growth objective	Strategic execution during fiscal 2018
Full-service client growth with a focus on business owners, including further geographic and industry diversification	• Very strong 13% annual loan growth, including 9% growth in both BC and Alberta, and 27% growth in Central and Eastern Canada. • Increased the proportion of loan portfolio in Central and Eastern Canada to 26%, with Ontario up to 21% from 19% in 2017. • Increased business diversification with 18% overall growth of general commercial loans, and 23% growth of equipment loans and leases.
Growth and diversification of funding sources	• Growth in debt capital markets funding with five successful senior deposit note issuances or re-openings totaling $1.1 billion over the past 12 months. • Growth in securitization funding for both equipment loans and leases and residential mortgages. • Growth of branch-raised deposits. • Decrease in broker deposits as a proportion of total funding.
Optimized capital and risk management processes through transition to the *Advanced Internal Ratings Based* (AIRB) approach	• On track to apply in fiscal 2019 for transition to the AIRB approach.

Strategic Transactions

On October 30, 2017, CWB entered into a definitive asset purchase agreement to acquire for cash approximately $900 million of equipment loans and leases, and general commercial lending assets. The transaction closed on January 31, 2018, and totaled approximately $850 million (referred to as the acquired "business lending assets"). The business lending assets acquired are fully aligned with CWB's Balanced Growth strategy, including strategic objectives for industry and geographic diversification. The portfolio is primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with approximately three quarters of the exposures distributed across Central and Eastern Canada. As expected, the transaction was immediately accretive, contributing approximately $0.10 of adjusted cash earnings per common share in fiscal 2018, with positive impacts to return on common shareholders' equity, net interest margin and operating leverage, and a negative impact within the provision for credit losses as a percentage of average loans. CWB's common equity Tier 1 capital (CET1) ratio remained in a very strong position, with approximately 25 basis points of existing CET1 capital deployed as part of the purchase. Management funded the portfolio primarily through its securitization facilities. In view of the portfolio's relatively short weighted average duration, some degree of run-off was expected. The balance of acquired assets as at October 31, 2018, including associated renewals and new lending, was approximately $684 million.

On August 16, 2017, CWB announced that Canadian Western Trust (CWT) will focus its activities within business lines that are most aligned with the strategic objectives of CWB Financial Group, and will no longer offer self-directed account services to holders of certain securities. CWT initiated a process to appoint successor trustees for these accounts (referred to as the "CWT strategic transactions"). As a result of this process, CWB realized pre-tax gains on sale of approximately $4 million, or $0.04 of adjusted cash earnings per common share in fiscal 2018, and approximately $6 million, or $0.06 of adjusted cash earnings per common share, in fiscal 2017. CWB's annual revenue associated with the transferred accounts was less than $1 million in fiscal 2018, compared to approximately $3 million in fiscal 2017. Approximately $30 million of CWT branch-raised deposits (2017 – $71 million) and $2.0 billion (2017 - $1.3 billion) of assets under administration have transferred to the successor trustees this year. The CWT strategic transactions are now complete. No further transfers of deposits or assets under administration to successor trustees will occur under the agreements.

FORWARD-LOOKING STATEMENTS

From time to time, CWB 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 CWB's objectives and strategies, targeted and expected financial results and the outlook for CWB'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", "goal", "focus", "potential", "proposed" 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 and are subject to inherent risks and uncertainties, which give rise to the possibility that management's predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that its assumptions may not be correct and that its strategic goals will not be achieved.

A variety of factors, many of which are beyond CWB'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 housing market conditions, the volatility and level of liquidity in financial markets, fluctuations in interest rates and currency values, the volatility and level of various commodity prices, changes in monetary policy, changes in economic and political conditions, material changes to standing free trade agreements, legislative and regulatory developments, legal developments, the level of competition, the occurrence of natural catastrophes, changes in accounting standards and policies, information technology and cyber risk, the accuracy and completeness of information CWB 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 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.

Additional information about these factors can be found in the Risk Management section of this Management's Discussion and Analysis (MD&A). 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 CWB's actual results to differ materially from the expectations expressed in such forward-looking statements. Unless required by securities law, CWB 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 over the forecast horizon and how it will affect CWB's businesses are material factors considered when setting organizational objectives and targets. In determining expectations for economic growth, CWB primarily considers economic data and forecasts provided by the Canadian government and its agencies, as well as certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the Outlook sections of this MD&A.

NON-IFRS MEASURES

CWB uses a number of financial measures to assess its performance. These measures provide readers with an enhanced understanding of how management views the results. Non-IFRS measures may also provide the ability to analyze trends and provide comparisons with competitors. These non-IFRS measures do not have standardized meanings prescribed by IFRS, and therefore may not be comparable to similar measures presented by other financial institutions. The non-IFRS measures used in this MD&A are calculated as follows:

- Pre-tax, pre-provision income – total revenue less non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets (see Table 3).
- Adjusted cash earnings per common share – diluted earnings per common share calculated with adjusted common shareholders' net income (see Table 2), which excludes the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax. Excluded items are not considered indicative of ongoing business performance.
- Return on common shareholders' equity – common shareholders' net income divided by average common shareholders' equity.
- Adjusted return on common shareholders' equity – common shareholders' net income excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax (see Table 2), divided by average common shareholders' equity.
- Return on assets – common shareholders' net income divided by average total assets.
- Efficiency ratio – non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets (see Table 2), divided by total revenue.
- Net interest margin – net interest income divided by average total assets.
- Provision for credit losses as a percentage of average loans – provision for credit losses divided by average total loans.
- Operating leverage – growth rate of total revenue less growth rate of non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets.
- Common share dividend payout ratio – common share dividends declared during the year divided by common shareholders' net income.
- Basel III common equity Tier 1, Tier 1, Total capital, and leverage ratios under the *Standardized* approach for calculating risk-weighted assets – in accordance with guidelines issued by Office of the Superintendent of Financial Institutions Canada (OSFI).
- Average balances – average daily balances.

Of note, commencing in 2018, CWB discontinued the use of the taxable equivalent basis (teb) non-IFRS measure as it is no longer of material significance to results. Previously, teb increased interest income and the provision for income taxes to what they would have been had certain tax-exempt securities been taxed at the statutory rate. Comparative figures have been restated to conform to the current period presentation.

Table 2 - Adjusted Financial Measures
($ thousands)

	2018	2017
Non-interest expenses	$ 373,483	$ 345,466
Adjustments (pre-tax):		
Amortization of acquisition-related intangible assets	(6,313)	(7,560)
Adjusted non-interest expenses	$ 367,170	$ 337,906
Common shareholders' net income	$ 249,256	$ 214,277
Adjustments (after-tax):		
Acquisition-related fair value changes	14,769	13,402
Amortization of acquisition-related intangible assets	4,695	5,572
Adjusted common shareholders' net income	$ 268,720	$ 233,251

Table 3 - Pre-tax, Pre-provision (PPTP) Income
($ thousands)

	2018	2017
Total revenue	$ 803,358	$ 726,635
Less:		
Adjusted non-interest expenses (Table 2)	367,170	337,906
Pre-tax, pre-provision income	$ 436,188	$ 388,729

CWB FINANCIAL GROUP PERFORMANCE

OVERVIEW

Highlights of 2018 (compared to 2017)

- Very strong performance with common shareholders' net income of $249 million, up 16%, and pre-tax, pre-provision income of $436 million, up 12%.
- Diluted and adjusted cash earnings per common share of $2.79 and $3.01, up 15% and 14%, respectively.
- The acquisition of strategically aligned business lending assets on January 31, 2018 contributed approximately $0.10 to adjusted cash earnings per common share and the gains on sale related to the CWT strategic transactions contributed adjusted cash earnings per share of approximately $0.04 (2017 – $0.06).
- Total revenue of $803 million, up 11%, with 13% growth of net interest income and 7% lower non-interest income. Net interest margin of 2.60%, up four basis points.
- Positive operating leverage of 1.9%.
- Continued execution of CWB's Balanced Growth strategy with 13% loan growth, including 3% from the acquisition of business lending assets on January 31, 2018. Loan growth included expansion in every province, with the strategically targeted general commercial and equipment financing and leasing categories accounting for 68% of the growth.
- Continued execution of CWB's funding diversification strategy, including record issuance of capital market senior deposit notes, increased use of securitization, and continued growth of branch-raised deposits.
- Provision for credit losses as a percentage of average loans of 20 basis points, down from 23 basis points.
- Gross impaired loans represented 0.53% of total loans, down from 0.72%. Gross impaired loans in Alberta accounted for 56% of total impairments at year end, compared to 63% last year.
- Strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 9.2% common equity Tier 1 (CET1), 10.3% Tier 1 and 11.9% Total capital.
- Significant progress toward transition to the *Advanced Internal Ratings Based* (AIRB) approach for capital and risk management, with final application for transition anticipated in fiscal 2019.
- Delivered an 8% increase to CWB's annual common share dividend, and a higher annual dividend for the 26th consecutive year.

Table 4 - Select Annual Financial Information(1)

($ thousands, except per share amounts)

	2018	2017	2016	Change from 2017 $	Change from 2017 %
Key Performance Indicators					
Total revenue	**$ 803,358**	$ 726,635	$ 657,896	$ 76,723	11%
Pre-tax, pre-provision income	**436,188**	388,729	350,603	47,459	12
Common shareholders' net income	**249,256**	214,277	177,761	34,979	16
Earnings per share					
Basic	**2.81**	2.43	2.13	0.38	16
Diluted	**2.79**	2.42	2.13	0.37	15
Adjusted cash	**3.01**	2.63	2.26	0.38	14
Return on common shareholders' equity	**11.0%**	10.1%	9.3%		90bp(2)
Adjusted return on common shareholders' equity	**11.9**	11.0	9.9		90
Return on assets	**0.89**	0.85	0.73		4
Efficiency ratio(3)	**45.7**	46.5	46.7		(80)
Net interest margin	**2.60**	2.56	2.41		4
Operating leverage	**1.9**	0.3	0.8		160
Provision for credit losses as a percentage of average loans	**0.20**	0.23	0.38		(3)
Other Financial Information					
Total assets	**$ 29,021,463**	$ 26,447,453	$ 25,222,549	$ 2,574,010	10%
Dividends per common share	**1.00**	0.93	0.92	0.07	8

(1) See page 20 for a discussion of non-IFRS measures.
(2) bp – basis points.
(3) A decrease in the ratio reflects improved efficiency, while an increase reflects deterioration.

Summary of Operations

Fiscal 2018 was a very strong year for CWB, both in terms of strategic execution and financial performance. CWB expanded its geographic footprint, delivered increased industry and funding diversification with a continued focus on business owners, and made significant progress toward the upcoming transition to the AIRB approach for risk and capital management. Highlights of financial performance included double digit growth of both total revenues and pre-tax, pre-provision income, higher net interest margin, positive operating leverage, strong credit quality, and the 26th consecutive annual increase to CWB's common share dividend. Early in the fiscal year, CWB closed a strategic and highly accretive acquisition of business lending assets, while maintaining a very strong CET1 capital ratio. This acquisition contributed approximately 3% to annual loan growth and approximately $0.10 to 2018 adjusted cash earnings per common share.

CWB recorded double-digit percentage growth in several key financial metrics: total revenue of $803 million increased 11%; pre-tax, pre-provision income of $436 million was up 12%; and, common shareholders' net income of $249 million was 16% higher. Very strong earnings growth resulted from the increase in total revenue, strong credit quality and disciplined expense control.

Net interest income of $725 million was up 13% from 2017, reflecting the combined positive impact of 13% loan growth and a four basis point increase in net interest margin to 2.60%. As expected at the start of fiscal 2018, the combined positive impact of successful execution of CWB's Balanced Growth strategy and the higher interest rate environment supported incrementally higher net interest margin compared to last year. CWB delivered very strong, targeted growth in higher-yielding loan portfolios, including the contributions of business lending assets acquired at the end of the first quarter, along with increased funding diversification. Acceleration of loan growth was supported through planned growth of CWB's debt capital markets and securitization funding channels, as well as continued growth of branch-raised and broker deposits. A further increase in full-year net interest margin was constrained as competitive pressure on loan yields remained apparent, and deposit costs moved incrementally higher, reflecting both intense competition for branch-raised deposits and the impact of Bank of Canada rate increases. An ongoing shift in depositor preference toward longer duration fixed term deposits has also become apparent with the rising interest rate environment.

Non-interest income of $78 million decreased 7% ($6 million), as 7% ($1 million) growth in wealth management income was more than offset by the impact of the CWT strategic transactions, lower credit-related fee income and decreases in other categories.

The annual provision for credit losses as a percentage of average loans improved to 20 basis points from 23 basis points in the prior year. The level of the provision in each of the last six quarters was consistent with CWB's traditional range of 18 – 23 basis points.

Non-interest expenses increased 8% ($28 million), including 8% ($17 million) higher salaries and benefits, a 14% ($9 million) increase in 'other' expenses, and a 4% ($2 million) increase in costs related to premises and equipment. The acquisition-related fair value changes reflecting continued strong performance within CWB Maxium was $2 million higher.

Diluted earnings per common share of $2.79 and adjusted cash earnings per common share of $3.01 were up 15% and 14%, respectively. Gains on sale related to the CWT strategic transactions contributed $0.04 (2017 – $0.06) to adjusted cash earnings per common share.

Adjusted return on common shareholders' equity (ROE) of 11.9% increased 90 basis points from last year. This was primarily driven by very strong growth in common shareholders' net income, reflecting strong performance across CWB Financial Group from effective execution of CWB's Balanced Growth strategy. Total cash dividends paid to common shareholders of $1.00 per share increased 8% ($0.07), resulting in CWB's 26th consecutive year of dividend increases. The dividend payout ratio was 36% of total common shareholders' net income in fiscal 2018, down from 38% last year.

Total assets increased 10% to reach $29.0 billion. Total loans, including the allowance for credit losses, of $26.2 billion increased 13%. Loan growth was consistent with CWB's Balanced Growth strategy, including strategic objectives to achieve a more balanced geographic footprint and further industry diversification with a continued focus on business owners. Ontario led growth by province for the third consecutive year and now accounts for 21% of CWB's total loan portfolio, up from 19% last year. This result was underpinned by the acquisition of business lending assets on January 31, 2018, with approximately three quarters of the portfolio exposures distributed across Central and Eastern Canada. Geographic diversification was further supported by strong performance from CWB's businesses with a national footprint, including CWB Maxium, CWB Franchise Finance, CWB Optimum, and CWB National Leasing. Annual growth within the strategically targeted general commercial category was 18% overall, and this portfolio now represents 28% of CWB's overall portfolio, compared to 27% in 2017.

CWB delivered strong execution against its Balanced Growth strategy for funding diversification in fiscal 2018. Total deposits of $23.7 billion were up 8%, including a new record for annual issuance or re-openings of senior deposit notes in capital markets, with $1.1 billion raised across five successful transactions. As a result, the proportion of deposits raised through debt capital markets increased to 13% of total deposits at year end, compared to 10% in the prior year. CWB also increased the use of securitization to fund originations of equipment leases and residential mortgages.

Relationship-based branch-raised funding increased 4% ($510 million) from last year, primarily driven by strong, 13% ($557 million) growth of branch-raised term deposits. The balance of lower-cost demand and notice deposits was relatively stable. Changes within this category partly reflect strong growth within CWT's notice deposit franchise, partially offset by the impact of $30 million transferred out as part of the CWT strategic transactions in 2018 (2017 – $71 million). Branch-raised deposits represented 52% of total deposits at October 31, 2018, compared to 54% last year. Demand and notice deposits comprised 32% of total deposits, compared to 35% in 2017.

The maintenance of solid capital levels is fundamental to CWB's objectives to effectively manage risks and support strong growth. CWB's 9.2% Basel III common equity Tier 1 (CET1) capital ratio at October 31, 2018 was very strong. Including CWB's Tier 1 and total capital ratios of 10.3%, and 11.9%, respectively, all capital ratios were above both internal and regulatory minimums. CWB's minimum Basel III regulatory capital ratios, which include a 250-basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1, and 10.5% total capital. CWB's CET1 capital ratio decreased 30 basis points from last year, mainly reflecting the acquisition of business lending assets at the end of the first quarter. At 8.0%, the Basel III leverage ratio remains very conservative.

Ongoing business transformation initiatives to enhance CWB's client experience and support development of full-service client relationships

CWB's focused business transformation and ongoing investment in strong core technology has enabled progress toward enhanced client experiences and growth of full-service relationships through further development of targeted services and more efficient processes. During 2018, CWB implemented remote deposit capture technology, which enables clients to make deposits anywhere, any time. CWB also launched a third online banking platform; Enhanced Online Banking for Business offers new functionality and tools specific to small- and medium-sized businesses. In addition, improved foreign exchange services were introduced to facilitate forward contracts, swaps, spot sales, hedging, options, and other foreign currency services for clients who transact outside of Canada. Further improvements to CWB's competitive position and digital capabilities also included features to easily transfer online services from competitors to CWB.

Ongoing business transformation efforts will improve key business processes to enhance CWB's overall client experience and established sources of competitive advantage. Initiatives undertaken over the past two fiscal years have realigned CWB's credit support function to improve focus and scalability through centralized and standardized processes, as well as to effectively leverage CWB's investment in strong core technology. Related initiatives continuing into 2019 will realign client-facing operations within CWB's banking branches, beginning with commercial banking teams, followed by cash management and personal banking. The new operational design is expected to enhance capacity to deliver on CWB's reputation for service excellence in a highly scalable manner, improve CWB's client experience within targeted market segments and enable more effective development of full-service client relationships. Management also expects these initiatives to increase operational efficiency and drive strong data integrity in support of capital and risk management.

CWB is pleased to report that the rate of full-service client on-boarding within the CWB Virtual Branch, launched in a pilot phase early this year, exceeded expectations. The CWB Virtual Branch offers a differentiated remote banking experience for business owners, with access to high-touch, personal client service from experienced commercial banking relationship managers and cash management specialists. This unique approach to service delivery is complemented by convenient on-line banking options, including remote deposit capture for business, electronic signature capabilities for easy account opening, enhanced on-line wire transfer services, and next-generation online banking tools for businesses, which allow small business clients to house their business and personal banking on a common platform.

Ongoing growth and development of CWB's wealth management offering is also a key area of focus. To be seen as a trusted source of specialized wealth management expertise for business owners and their families is a primary goal of CWB Wealth Management. Looking forward, CWB will continue with efforts to enhance its proprietary wealth management solutions, and increase the effectiveness of related business development activities across business lines.

Management expects these product enhancements, service realignments and process improvements to position teams to more effectively demonstrate CWB's unique brand of personal service and relationship-based approach. Together, these are key steps to enhance CWB's full-service banking experience for business owners, and are expected to support ongoing loan growth and accelerated growth of branch-raised deposits.

Ongoing enhancements to CWB's employee experience to be seen as the best choice for top talent

CWB's continued success is built on strong collaboration between engaged, well-trained and empowered teams. The above-mentioned realignment of credit processes and forthcoming redesign of client-facing teams within CWB's banking branches is expected to enhance the employee experience through increased career path opportunities and differentiated compensation models. CWB also completed the second phase of a multi-stage non-executive compensation review this year. The focus of the previously completed phase was to benchmark CWB's base compensation levels against market competitors. Phase two included a detailed review of CWB's job level and grading structure, with a corresponding review of total compensation. In combination, management expects these changes to improve CWB's ability to attract and retain top talent to drive higher business growth, increased market share, improved profitability and positive operating leverage.

CWB also implemented a contemporary human capital management system this year to streamline decision-making capabilities for strategic people-related processes and information. In 2019, CWB will further integrate operations across the enterprise through implementation of the new system within CWB National Leasing and CWB Maxium. Management will continue to invest in improved people-related infrastructure, processes and initiatives to support CWB's objective to be seen as the best choice for top talent, and to support a collaborative, performance-based environment that is fair, fun, progressive, diverse, inclusive and opportunity-rich.

Medium-Term Performance Target Ranges

CWB's medium-term performance target ranges reflect key areas of shareholder value, the objectives embedded within CWB's Balanced Growth strategy and a time horizon consistent with the longer-term interests of CWB shareholders. Target ranges for key financial metrics over a three- to five-year time horizon are presented in the following table, and are unchanged for fiscal 2019:

Table 5 – Medium-term Performance Target Ranges

Key Metrics(1)	Medium-term Performance Target Ranges	Fiscal 2018 Performance
Adjusted cash earnings per common share growth	**7 - 12%**	Delivered 14%.
Adjusted return on common shareholders' equity	**12 - 15%**	Delivered 11.9%, up 90 basis points from fiscal 2017.
Operating leverage	**Positive**	Delivered positive 1.9%.
Common equity Tier 1 capital ratio under the *Standardized* approach	**Strong**	Delivered a very strong ratio of 9.2%.
Common share dividend payout ratio	**~30%**	Delivered 36%, with an 8% increase to the annual common share dividend, and a higher annual dividend for the 26th consecutive year.

(1) See page 20 for definitions and discussion of non-IFRS measures.

Medium-term target ranges are based on expectations for performance under the more conservative *Standardized* approach for risk and capital management, moderate economic growth and a relatively stable interest rate environment in Canada over the three- to five-year forecast horizon. Achievement of overall financial results within these target ranges will be largely driven by CWB's commitment to continue to deliver ongoing profitable client relationship growth with further geographic and industry diversification, further optimization of CWB's funding mix, strong credit quality, effective expense management in consideration of revenue growth opportunities, and prudent capital management.

Outlook

Over a three- to five-year time frame, management expects financial performance to reflect ongoing strong execution of CWB's Balanced Growth strategy and to be relatively consistent with its medium-term targets. Results are expected to benefit from an expanding geographic footprint with increased business diversification; success in key strategic initiatives to enhance client experiences, building core funding sources, and leveraging current and future investment in technology. While CWB's planned transition to the AIRB methodology for capital and risk management is expected to be effective within the medium-term timeframe, benefits to financial performance from this capital management transition are not incorporated within the medium-term targets presented above.

Profitable loan growth with continued strategic diversification and ongoing growth and diversification of funding sources

CWB will continue to support high-quality borrowers with a focus on business owners operating within targeted industry segments across Canada. Continued strategic execution has positioned CWB to capture increased market share within a larger addressable market, and management remains committed to deliver double-digit annual loan growth whenever prudent. This includes a continued focus on secured loans that offer an appropriate return and acceptable risk profile. CWB's pipeline of new organic growth opportunities across all provinces continues to expand and loan growth in fiscal 2019 is expected to be strong across CWB's national geographic footprint.

Notwithstanding the impact of a slowing housing market, which could disproportionately affect BC, and lower oil prices with challenges related to constrained energy transportation infrastructure, which could disproportionately affect Alberta, the outlook for continued growth in both provinces is positive. Within Ontario, growth is expected to continue to benefit from the ongoing contributions of CWB Maxium, CWB Franchise Finance, CWB National Leasing and CWB Optimum Mortgage, as well as the planned opening of a CWB Bank branch in calendar 2019.

Overall growth of residential mortgages is expected to continue to resemble the growth rate across the rest of CWB's loan portfolio in fiscal 2019. With increased securitization capabilities, management expects CWB's residential mortgage growth to include an increased proportion of "A" mortgages sourced both through the CWB Optimum broker channel and CWB's branch network. "A" mortgages are residential mortgages eligible for bulk portfolio insurance.

Management continues to assess the ongoing impacts of macroprudential measures on housing market conditions and future construction-related opportunities within targeted markets. In general, CWB expects to continue to identify opportunities to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels.

CWB's strategic focus to grow and diversify funding sources will continue. This includes ongoing investment in capabilities to compete for relationship-based, branch-raised deposits, with particular emphasis on demand and notice deposits. This funding segment is typically lower cost and provides associated transactional fee income. Future growth in branch-raised funding is also expected to reflect success in acquiring more clients and developing broader, full-service client relationships across the country.

Continued development of new and more effective products, along with an ongoing strategic focus on business transformation and process improvement, will enhance the client experience, strengthen CWB's competitive position and support various growth initiatives related to branch-raised funding over the medium term. CWB's growing market presence to support strong performance against these goals will include further investment in digital banking capabilities, including the CWB Virtual Branch offering, and targeted development of CWB's full-service branch network.

Continued diversification of funding sources is also expected to include growth of both debt capital markets and securitization funding channels.

Strong revenue growth

CWB expects to deliver double-digit percentage growth of net interest income in fiscal 2019 through the combined positive impact of strong loan growth and higher net interest margin. CWB's Balanced Growth strategy includes support for net interest margin through delivery of new capabilities to accelerate growth of branch-raised deposits, along with a sustained focus to drive strong growth in higher yielding loan portfolios with an acceptable risk profile. Coupled with the benefit of rising interest rates, including current expectations for one additional Bank of Canada rate increase in early calendar 2019, management expects continued strategic execution to support net interest margin improvement in 2019 similar to the level achieved in 2018. Further improvement is possible in 2019 if competitive factors currently affecting both deposit costs and asset yields within certain portfolios begin to subside, or if additional Bank of Canada rate increases occur.

CWB also expects to restore positive growth of non-interest income in fiscal 2019. Increases are expected across most categories, reflecting CWB's strategy to extend and deepen relationships with both new and existing business and personal clients. 'Other' non-interest income is expected to be lower, reflecting the impact of gains on sale related to the CWT strategic transactions realized in 2018.

Strong credit quality

Overall credit quality is expected to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management. Management expects impaired loans as a percentage of the loan portfolio to remain within CWB's risk appetite. A higher relative concentration of impaired loans in Alberta may persist, both due to the lagging impacts of the 2015 – 2016 regional recession and the potential impact of persistent regional commodity price weakness and economic challenges related to constrained energy transportation infrastructure. Gross impaired loans within CWB Optimum may increase in the event of a material correction of residential home prices. Actual loss rates on current and future impaired loans are expected to be low, reflecting the combined positive impact of CWB's disciplined underwriting, secured lending practices, and proactive account management. This expectation is consistent with CWB's prior experience, where write-offs have typically been low as a percentage of impairments. Management remains confident in the strength, diversity and underwriting structure of the overall loan portfolio and lending exposures continue to be closely monitored for signs of weakness.

Provisions related to performing loans are expected to be more volatile due to the implementation of a forward-looking expected credit loss model upon transition to IFRS 9 *Financial Instruments* (IFRS 9) beginning November 1, 2018. Further detail is provided under Future Changes in Accounting Policies within this MD&A.

Efficient operations and operating leverage

A key priority for CWB is to deliver consistent increases in adjusted cash earnings per share through business growth and strategic investment while maintaining effective control of costs. Realignment of CWB's credit support structure, and the complementary forthcoming realignment of client-facing teams within CWB banking branches, is expected to improve efficiency over the medium term through increasingly scalable operations and effective leverage of CWB's investment in strong core technology. CWB's ongoing targeted investment in people, technology and infrastructure is expected to contribute to long-term shareholder value through improved financial performance in future periods.

In view of the level of necessary future investment to facilitate ongoing business transformation in support of CWB's Balanced Growth strategy, management expects CWB's efficiency ratio to fluctuate within a relatively narrow range around 46% over the near term, and expects to deliver a moderate level of positive operating leverage on a full-year basis in 2019. Quarterly volatility of operating leverage may occur based on the timing of expenditures.

Prudent capital management and dividends

With a very strong CET1 capital ratio under the more conservative *Standardized* approach for calculating risk-weighted assets, CWB is well positioned to create value for shareholders through a range of capital deployment options consistent with management's Balanced Growth strategy. Ongoing support and development of each of CWB's businesses will remain a key priority, and management will continue to evaluate potential strategic acquisitions.

A Normal Course Issuer Bid (NCIB) authorizing CWB to purchase for cancellation prior to September 30, 2019, up to 1,767,000 common shares is in place. Management may choose to activate the NCIB in fiscal 2019 should appropriate circumstances become apparent.

Common share dividend increases are evaluated every quarter against capital requirements under the *Standardized* approach and opportunities to create value for shareholders through various forms of capital deployment, including support for ongoing strong and balanced asset growth.

Further guidance related to management's expectations for specific measures of financial performance, as well as related risk factors, is provided within the Outlook sections of this MD&A.

NET INTEREST INCOME

Net interest income is the difference between interest and dividends earned on assets, and interest paid on deposits and other liabilities, including debt.

Net interest margin is net interest income as a percentage of average total assets.

Highlights of 2018

- Strong 13% growth of net interest income to a record $725 million, reflecting 13% loan growth and a four basis point increase in net interest margin to 2.60%.
- The improvement in net interest margin was consistent with management's expectations and primarily reflects increased asset yields from the higher interest rate environment, partially offset by changes in funding costs and funding mix.
- Higher asset yields reflect both the impact on floating rate loan yields from an increase in the average prime rate of 67 basis points, as well as repricing of fixed rate loans and deposits at maturity.
- Changes in funding mix primarily reflect continued execution of CWB's Balanced Growth strategy for funding diversification, including growth in debt capital markets and securitization funding channels, continued increases in branch-raised deposits and decreased reliance on broker deposits as a proportion of total funding.
- An ongoing shift in depositor preference toward longer duration fixed-term deposits has also become apparent with the rising interest rate environment.

Table 6 - Net Interest Income[(1)(2)]

($ thousands)

	2018				2017			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	$ 2,731,904	10%	$ 39,574	1.45%	$ 2,443,633	10%	$ 33,196	1.36%
Securities purchased under resale agreements	13,915	-	191	1.37	25,300	-	138	0.54
Loans								
Personal	4,951,222	18	190,802	3.85	4,373,295	17	164,816	3.77
Business	19,653,260	70	994,728	5.06	17,803,589	71	829,134	4.66
	24,604,482	88	1,185,530	4.82	22,176,884	88	993,950	4.48
Total interest bearing assets	27,350,301	98	1,225,295	4.48	24,645,817	98	1,027,284	4.17
Other assets	550,806	2	-	0.00	479,376	2	-	0.00
Total Assets	$ 27,901,107	100%	$ 1,225,295	4.39%	$ 25,125,193	100%	$ 1,027,284	4.09%
Liabilities								
Deposits								
Personal	$ 13,911,075	50%	$ 287,519	2.07%	$ 13,006,738	52%	$ 236,274	1.82%
Business and government	8,906,830	32	164,244	1.84	7,949,443	31	119,002	1.50
	22,817,905	82	451,763	1.98	20,956,181	83	355,276	1.70
Securities sold under repurchase agreements	52,406	-	763	1.46	42,775	-	245	0.57
Other liabilities	608,108	2	-	0.00	456,136	2	-	0.00
Debt	1,894,203	7	47,779	2.52	1,279,283	5	29,373	2.30
Shareholders' equity	2,525,934	9	-	0.00	2,389,701	10	-	0.00
Non-controlling interests	2,551	-	-	0.00	1,117	-	-	0.00
Total Liabilities and Equity	$ 27,901,107	100%	$ 500,305	1.79%	$ 25,125,193	100%	$ 384,894	1.53%
Total Assets/Net Interest Income	$ 27,901,107		$ 724,990	2.60%	$ 25,125,193		$ 642,390	2.56%

(1) See page 20 for a discussion of non-IFRS measures.
(2) Commencing in 2018, CWB discontinued the use of the taxable equivalent basis (teb) non-IFRS measure as the teb adjustment is no longer of material significance to CWB's results. Previously, teb increased interest income and the provision for income taxes to what they would have been had certain tax-exempt securities been taxed at the statutory rate. All prior period comparatives have been restated to conform to the current presentation.

Net interest income increased 13% to a record $725 million. Strong growth was primarily driven by the 11% increase in average interest-earning assets and a four basis point increase in net interest margin to 2.60%.

The yield on CWB's average interest-earning assets increased 31 basis points to 4.48% in 2018. This primarily reflects the higher interest rate environment following increases in the Bank of Canada's overnight rate in July 2017, September 2017, January 2018, July 2018 and October 2018, with the 2018 Bank of Canada changes resulting in a 67 basis point increase in the average prime rate this year. Increased contributions from the relatively higher-yielding equipment financing and general commercial loan portfolios also contributed to the increase in yield on average interest-earning assets. Growth in both categories was supported by the acquisition of business lending assets on January 31, 2018, along with ongoing contributions from CWB Maxium, CWB Franchise Finance, CWB National Leasing and the CWB branch network.

The yield on average cash, securities and deposits with regulated financial institutions was up nine basis points from last year, reflecting the higher interest rate environment. Average balances of cash and securities were lower compared to the prior year, reflecting reduced average liquidity requirements partially driven by the increase in the average duration of deposits.

Average deposit costs were up 28 basis points from last year and the overall cost of average interest bearing liabilities and equity increased 26 basis points to 1.79%. The average cost of both personal and business and government deposits were higher due to changes in the interest rate environment as well as deposit mix. The changes in deposit mix demonstrated depositors increasing preference for higher-cost fixed-term deposits compared to demand and notice deposits, and competitive factors remained apparent. Debt-related costs were 22 basis points higher with increased use of securitization funding channels.

Outlook for Net Interest Income

CWB expects to deliver double-digit percentage growth of net interest income in fiscal 2019 through the combined positive impact of strong loan growth and higher net interest margin. CWB's Balanced Growth strategy includes support for net interest margin through delivery of new capabilities to accelerate growth of branch-raised deposits, along with a sustained focus to drive strong growth in higher yielding loan portfolios with an acceptable risk profile. Coupled with the benefit of rising interest rates, including current expectations for one additional Bank of Canada rate increase in early calendar 2019, management expects continued strategic execution to support net interest margin improvement in 2019 similar to the level achieved in 2018. Further improvement is possible in 2019 if competitive factors currently affecting both deposit costs and asset yields within certain portfolios begin to subside, or if additional Bank of Canada rate increases occur.

NON-INTEREST INCOME

Highlights of 2018

- Non-interest income of $78 million was down 7%, as growth in wealth management income was more than offset by the impact of the CWT strategic transactions and decreases in other categories.
- Adjusted for the impact of the CWT strategic transactions in both years, including related gains on sale and revenues associated with transferred accounts, non-interest income in fiscal 2018 would have been relatively stable compared to the prior year.
- Non-interest income represented 10% of total revenues, down from 12% in 2017.

Table 7 - Non-interest Income

($ thousands)

	2018	2017	Change from 2017 $	Change from 2017 %
Credit related	**$ 32,165**	$ 34,012	$ (1,847)	(5)%
Wealth management services	**20,371**	19,073	1,298	7
Retail services	**10,334**	10,758	(424)	(4)
Trust services	**7,784**	11,305	(3,521)	(31)
Gains (losses) on securities, net	**(217)**	664	(881)	nm [2]
Other[1]	**7,931**	8,433	(502)	(6)
Total Non-interest Income	**$ 78,368**	$ 84,245	$ (5,877)	(7)%

(1) Includes gains on CWT strategic transactions and loan portfolio sales, lease administration services, foreign exchange gains/losses, gains/losses on land, buildings and equipment disposals, and other miscellaneous non-interest revenues.
(2) nm – not meaningful

Non-interest income of $78 million was down 7%, or $6 million, from fiscal 2017 as a $1 million increase in wealth management income, primarily reflecting the positive impact of client acquisition, was more than offset by the impact of the CWT strategic transactions and decreases in other categories. Trust services income was $4 million lower, relatively consistent with the approximately $3 million expected impact of the CWT strategic transactions. The $2 million decrease in credit related fee income partly relates to the shift in loan growth to emphasize general commercial loans, which tend to be associated with lower fees as compared to real estate project loans with more complex structures. Fiscal 2017 also included both recognition of certain loan fees when collected, along with the remaining amortization of fees collected prior to the banking system conversion. 'Other' non-interest income was $1 million lower. While foreign exchange related income within this category increased, pre-tax gains on sale related to the CWT strategic transactions were $4 million this year, compared to $6 million last year, and income related to lease administration services also declined. Nil net realized gains/losses on securities compare to a net gain of $1 million in 2017.

Outlook for Non-interest Income

CWB expects to restore positive growth of non-interest income in fiscal 2019. Increases are expected across most categories, reflecting CWB's strategy to extend and deepen relationships with both new and existing business and personal clients. Growth of credit related fee income is expected to accompany strong, high-quality loan growth. Strong performance within CWB Wealth Management is expected to reflect efforts to increase the scope and scale of discretionary investment management services and proprietary investment products. Management will also continue to consider strategically aligned wealth management acquisition opportunities. Enhanced transactional capabilities in cash management and other retail services, including CWB's relationship-based, branch-raised deposit franchise, is expected to drive increases in retail services fees. Following completion of the CWT strategic transactions in 2018, trust services income is expected to benefit from increased focus within CWT on lines of business that are aligned with CWB's Balanced Growth strategy. 'Other' non-interest income is expected to be lower, reflecting the impact of gains on sale related to the CWT strategic transactions realized in 2018.

Based on the current composition of the debt securities portfolio, net gains and losses are not expected to contribute materially to non-interest income in 2019; however, the magnitude and timing of gains and losses are dependent on market factors that are difficult to predict. Upon transition to IFRS 9 on November 1, 2018, unrealized gains and losses on preferred shares are recorded in other comprehensive income (OCI) and gains and losses, including those that arise upon the sale of preferred shares, are also recorded in OCI and are not to be subsequently recognized through earnings. Related detail is provided under Future Changes in Accounting Policies within this MD&A.

NON-INTEREST EXPENSES, EFFICIENCY AND OPERATING LEVERAGE

Highlights of 2018

- Excellent performance on measures of operational effectiveness reflects the impact of strong, double-digit revenue growth and disciplined control of discretionary expenses.
- Operating leverage was positive 1.9%.
- CWB's efficiency ratio improved to 45.7% from 46.5% in 2017.

Table 8 - Non-interest Expenses and Efficiency Ratio

($ thousands)

	2018	2017	Change from 2017 $	Change from 2017 %
Salaries and Employee Benefits				
Salaries	$ 198,203	$ 184,670	$ 13,533	7%
Employee benefits	39,025	35,746	3,279	9
	237,228	220,416	16,812	8
Premises				
Rent	20,730	20,738	(8)	-
Depreciation	5,074	5,036	38	1
Other	3,854	3,532	322	9
	29,658	29,306	352	1
Equipment and Software				
Depreciation	18,321	18,096	225	1
Other	14,775	12,946	1,829	14
	33,096	31,042	2,054	7
General				
Professional fees and services	12,241	9,439	2,802	30
Regulatory costs	10,107	8,826	1,281	15
Marketing and business development	9,081	7,691	1,390	18
Amortization of acquisition-related intangible assets	6,313	7,560	(1,247)	(16)
Banking charges	5,519	5,062	457	9
Travel	3,805	3,263	542	17
Loan-related credit reports	2,821	2,565	256	10
Postage and stationery	2,629	2,668	(39)	(1)
Employee recruitment	2,484	1,065	1,419	133
Employee training	2,360	1,407	953	68
Staff relations	2,323	1,616	707	44
Community investment	2,070	2,000	70	4
Communications	1,795	1,836	(41)	(2)
Capital and business taxes	1,453	1,399	54	4
Mutual fund administration	1,084	1,037	47	5
General insurance	1,045	1,006	39	4
Parking	963	864	99	11
Other	5,408	5,398	10	-
	73,501	64,702	8,799	14
Total Non-interest Expenses	$ 373,483	$ 345,466	$ 28,017	8%
Efficiency Ratio[(1)(2)]	45.7%	46.5%		(80)bp[(3)]

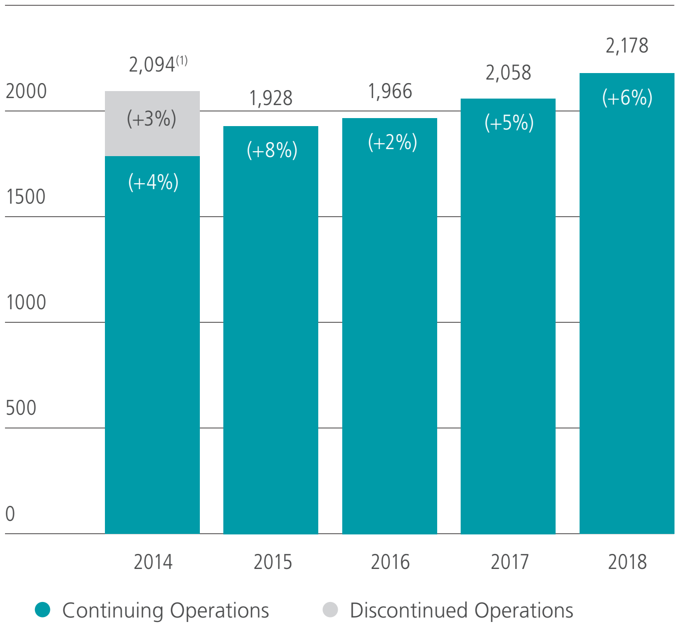
(1) See page 20 for a discussion of non-IFRS measures.
(2) A decrease in this ratio reflects improved efficiency, while an increase reflects deterioration.
(3) bp – basis points.

Total non-interest expenses of $373 million were up 8% ($28 million). Overall salaries and employee benefits increased 8% ($17 million). Higher salaries and benefits mainly reflect hiring activity to support overall business growth, as well as annual salary increments and higher incentive pay given strong results. The net increase in overall full-time equivalent employees was moderate at 6%.

Equipment and software costs were up 7% ($2 million) primarily due to ongoing investment in technology infrastructure to position CWB for future growth and improve CWB's client and employee experience. Premises expense was unchanged. General non-interest expenses were up 14% or $9 million mainly due to increases in fees for professional fees and services, regulatory costs, marketing and business development, as well as employee recruitment and training.

Operating leverage for the year was positive 1.9% and the efficiency ratio of 45.7% improved by 80 basis points from last year. Strong performance on both metrics reflects the combined positive impact of higher revenues from ongoing loan growth and higher net interest margin, as well as effective management of discretionary expense growth.

Figure 1 – Number of Full-time Equivalent Staff



(1) On May 1, 2015, CWB sold its property and casualty insurance subsidiary and stock transfer business. Figures associated with the businesses sold are defined as "Discontinued Operations". The remaining operations are defined as "Continuing Operations".

Outlook for Non-interest Expenses, Efficiency and Operating Leverage

CWB's medium-term targets for growth of adjusted cash earnings per share and positive operating leverage incorporate expectations for strong business growth supported through strategic investment in people, technology and infrastructure, along with effective control of expense growth. CWB's annual efficiency ratio over the past three years has been approximately 46%. Management expects CWB's efficiency ratio to fluctuate around this level over the near term, and expects to deliver a moderate level of positive operating leverage on a full-year basis in 2019. Quarterly volatility of operating leverage may occur based on the timing of expenditures.

ACQUISITION-RELATED FAIR VALUE CHANGES

The estimated change in fair value of contingent consideration related to the acquisition of CWB Maxium amounted to $20 million, compared to $18 million last year. The change in fair value reflects the expected value of the contingent consideration after evaluating actual earnings to date and the estimated probability-weighted future operating performance of CWB Maxium. CWB Maxium has delivered strong performance, consistent with management's expectations.

Outlook for Acquistion-related Fair Value Changes

The earn-out period related to the acquisition of CWB Maxium concludes on February 28, 2019, with 2019 fair value changes of approximately $8 million representing the maximum payout available through the purchase agreement. Related detail is provided in Note 26 to the consolidated financial statements.

INCOME TAXES

The 2018 effective income tax rate was 26.8%, compared to 26.4% in 2017, with the slightly higher rate this year mainly due to the tax treatment of CWT-related gains on sale in both years.

Deferred tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of assets and liabilities, and their values for tax purposes. CWB's deferred income tax assets and liabilities relate primarily to the collective allowance for credit losses and intangible assets.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates anticipated to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in deferred income taxes related to a change in tax rates are recognized as income in the period of the tax rate change.

Outlook for Income Taxes

CWB's expected income tax rate for fiscal 2019 is approximately 27%.

COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes. CWB's OCI includes changes in unrealized gains and losses on available-for-sale cash and securities, and fair value changes for derivative instruments designated as cash flow hedges. The increase in comprehensive income was primarily driven by very strong 15% ($35 million) growth of net income, partially offset by a decrease in OCI of $26 million. Changes in OCI mainly reflect the combined impact of a $24 million decrease in the change in fair value of available-for-sale securities and a $2 million decrease in the change in fair value of derivatives designated as cash flow hedges. CWB`s portfolio of available-for-sale securities is comprised of debt securities and investment grade preferred shares. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve.

Table 9 - Comprehensive Income
($ thousands)

	2018	2017	Change from 2017
Net Income	**$ 264,647**	$ 229,655	$ 34,992
Other Comprehensive Income (Loss)			
Available-for-sale securities			
Gains (losses) from change in fair value, net of tax	**(19,945)**	4,021	(23,966)
Reclassification to net income, net of tax	**158**	(485)	643
	(19,787)	3,536	(23,323)
Derivatives designated as cash flow hedges			
Losses from change in fair value, net of tax	**(26,848)**	(22,089)	(4,759)
Reclassification to net income, net of tax	**(994)**	(3,321)	2,327
	(27,842)	(25,410)	(2,432)
Other Comprehensive Income (Loss), net of tax	**(47,629)**	(21,874)	(25,755)
Total Comprehensive Income	**$ 217,018**	$ 207,781	$ 9,237

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements amounted to $2.2 billion at October 31, 2018, compared to $2.7 billion last year. The cash and securities portfolio is mainly comprised of high-quality debt instruments and investment grade preferred shares that are not held for trading purposes and, where applicable, are typically held to maturity. Fluctuations in the value of securities are generally attributed to changes in interest rates, movements in market credit spreads, shifts in the interest rate curve, as well as volatility in equity markets. Total net unrealized losses before tax recorded on the balance sheet at October 31, 2018 were $67 million, compared to $40 million last year. Net unrealized gains or losses are reflected in the following table.

Table 10 - Unrealized Gains (Losses) on Available-for-Sale Cash and Securities
($ thousands)

	As at October 31, 2018			As at October 31, 2017		
	Amortized Cost	**Net Unrealized Gains (Losses)**	**Fair Value**	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
Deposits with Regulated Financial Institutions	**$ 26,825**	**$ -**	**$ 26,825**	$ 503,913	$ (18)	$ 503,895
Securities Issued or Guaranteed by						
Canada	**1,362,647**	**(36,831)**	**1,325,816**	1,327,541	(20,243)	1,307,298
A province or municipality	**531,798**	**(9,973)**	**521,825**	443,510	(4,652)	438,858
Other Debt Securities	**146,610**	**(3,074)**	**143,536**	306,671	1,750	308,421
Preferred Shares	**110,696**	**(17,121)**	**93,575**	149,159	(16,749)	132,410
Total	**$ 2,178,576**	**$ (66,999)**	**$ 2,111,577**	$ 2,730,794	$ (39,912)	$ 2,690,882

The increase in unrealized losses on securities compared to 2017 primarily relates to lower market values of government debt securities due to increases in the Bank of Canada's overnight rate. The level of unrealized losses on securities is regularly reviewed.

Impairment charges on debt securities and preferred shares are reflected in net gains/losses on securities only in the case of an issuer credit event. CWB has no direct investment in any non-Canadian sovereign debt or other securities issued outside of Canada or the United States.

Net losses on securities were nil in 2018, compared to net gains of $1 million last year.

See Table 28 – Valuation of Financial Instruments of this MD&A for additional information on significant financial assets and liabilities reported at fair value.

The balance and mix of cash and securities are managed as part of CWB's overall liquidity management process; additional information, including management's outlook for 2019, is included in the Liquidity Management discussion of this MD&A.

LOANS

Highlights of 2018

- Strong execution of CWB's Balanced Growth strategy with 13% loan growth, including 3% from the strategic and highly accretive acquisition of business lending assets on January 31, 2018.
- Achieved further geographic diversification, with Ontario-based loans representing 21% of total loans at year end, compared to 19% last year, and loans in Central and Eastern Canada representing 26%, compared to 23% in 2017.
- Strong 9% growth in both BC and Alberta, and 28% growth in Ontario.
- Achieved further industry diversification, with very strong 18% growth in general commercial loans and 23% growth in equipment financing and leasing, including ongoing contributions from CWB's established lines of business and further support from the acquisition of business lending assets.
- Strong 11% growth in personal loans and mortgages, including the contributions of CWB Optimum.
- The outstanding balance of business lending assets acquired at the end of the first quarter was $684 million at October 31, 2018, consistent with management's expectations.

Table 11 - Outstanding Loans by Portfolio

($ millions)

			Change from 2017	
	2018	2017	$	%
General commercial loans	**$ 7,458**	$ 6,307	$ 1,151	18%
Personal loans and mortgages	**5,247**	4,726	521	11
Commercial mortgages	**4,865**	4,267	598	14
Equipment financing and leasing	**4,779**	3,892	887	23
Real estate project loans	**3,855**	4,030	(175)	(4)
Oil and gas production loans	**129**	124	5	4
Total Outstanding Loans	**$ 26,333**	$ 23,346	$ 2,987	13%

(1) Total loans outstanding by lending sector excludes allowance for credit losses.

Total loans before the allowance for credit losses increased 13% to reach $26.3 billion at year end, with the business lending assets acquired on January 31, 2018 contributing approximately 3% to annual loan growth.

Growth by lending sector was consistent with CWB's Balanced Growth strategy. In dollar terms, growth was led by the strategically targeted general commercial category ($1.2 billion), including $160 million from the acquisition of business lending assets. In percentage terms, annual growth within this category was 18% overall, including growth of 39% in Ontario, 16% in Alberta and 14% in BC General commercial lending reflects activity across a broad range of industries, such as manufacturing, construction, transportation, healthcare, professional services, hospitality, and wholesale and retail trade. Very strong performance within this category is consistent with CWB's Balanced Growth strategy, and reflects ongoing efforts to leverage development of full-service relationships with business owners to support CWB's funding diversification objectives.

Growth of equipment financing and leasing was also very strong at 23% ($887 million) overall, with $524 million contributed from the acquisition of business lending assets and ongoing contributions from CWB National Leasing and CWB's branch-based equipment financing teams.

Commercial mortgages increased 14% ($598 million), led by growth in BC, Alberta and Ontario.

Personal loans and mortgages increased 11% ($521 million). Overall growth reflects continued origination of both alternative and "A" mortgages, where "A" mortgages consist of residential mortgages eligible for bulk portfolio insurance. Alternative mortgages originated within CWB's broker-sourced residential mortgage business, CWB Optimum, represent approximately 54% of CWB's personal loans and mortgage portfolio, or approximately 11% of CWB's total loans (2017 – 11%). Lending activity in banking branches and CWB's participation in the National Housing Act Mortgage Backed Security (NHA MBS) program comprise the remainder of CWB's personal loans and mortgages exposure. The gross amount of mortgages securitized under the NHA MBS program was $609 million (2017 – $381 million).

Net of portfolio sales, total loans of $3,013 million within CWB Optimum increased 10% ($267 million) from last year. This compares to 20% ($463 million) growth in fiscal 2017. Growth within CWB Optimum in fiscal 2018 was primarily driven by alternative mortgages secured via first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 69%. At approximately 56% of the total, Ontario represents the largest geographic exposure by province within CWB Optimum's portfolio, followed by BC at 18% and Alberta at 17%. The average size of CWB Optimum mortgages originated in 2018 was approximately $342,000 and the average size of all mortgages outstanding at October 31, 2018 was approximately $298,000. As expected, changes to OSFI's Guideline B-20, Residential Mortgage Underwriting Practices and Procedures (B-20), somewhat curtailed market activity in 2018 and constrained originations within CWB Optimum compared to prior periods. The lower growth rate this year reflects a 5% annual decrease in alternative mortgage originations, partially offset by an increase in the renewal rate with existing CWB Optimum borrowers to 77%, from 70% last year.

Real estate project loans contracted $175 million, consistent with management's expectations, reflecting the successful completion of development projects along with reduced new activity within Alberta.

CWB maintained a proactive approach in managing its small portfolio of oil and gas production loans over the past year, with a 4% increase ($5 million) from last year. This portfolio remains less than 1% of CWB's total loans and the majority of assets consist of syndicated loans to large producers, which are shared with Canada's large banks. Loans to producers directly exposed to Western Canadian Select heavy oil comprise less than 0.05% of CWB's total loan portfolio.

The mix of CWB's portfolio (see Figure 2) shifted in a manner consistent with CWB's Balanced Growth strategy. Growth was strong in general commercial loans, equipment financing and leasing, and personal loans and mortgages. The growth in commercial mortgages was also strong at 14%; however, the proportion of commercial mortgages as a percentage of the total portfolio remained flat, while concentrations of real estate project loans and oil and gas production lending declined.

The change in the mix of CWB's portfolio based on the location of security (see Figure 3) was also consistent with management's Balanced Growth strategy. BC and Alberta represented 34% and 32%, respectively, of total loans at October 31, 2018, compared to 35% and 33% in 2017, respectively. Ontario represented 21% of total loans at the end of fiscal 2018, up from 19% last year. This result was underpinned by the acquisition of business lending assets, with approximately three quarters of the portfolio exposures distributed across Central and Eastern Canada. Ongoing strong performance from CWB's previously established businesses with a national footprint, including CWB Maxium, CWB Franchise Finance, CWB Optimum Mortgage and CWB National Leasing, also contributed to further geographic diversification.

Figure 2 – Outstanding Loans by Portfolio
(October 31, 2017 in brackets)

Outlook for Loans

CWB will continue to support high-quality borrowers with a focus on business owners operating within targeted industry segments across Canada. Continued strategic execution has positioned CWB to capture increased market share within a larger addressable market, and management remains committed to deliver double-digit annual loan growth whenever prudent. This includes a continued focus on secured loans that offer an appropriate return and acceptable risk profile. CWB's pipeline of new organic growth opportunities across all provinces continues to expand, and loan growth in fiscal 2019 is expected to be strong across CWB's national geographic footprint.

Overall growth of residential mortgages is expected to continue to resemble the growth rate across the rest of CWB's loan portfolio in fiscal 2019. With increased securitization capabilities, management expects CWB's residential mortgage growth to include an increased proportion of "A" mortgages sourced both through the CWB Optimum broker channel and CWB's branch network. Management remains committed to the ongoing development of CWB Optimum as it continues to produce solid returns while maintaining an acceptable risk profile.

CWB continues to assess the ongoing impacts of macroprudential measures on housing market conditions and future construction-related opportunities within targeted markets. In general, management expects to continue to identify opportunities to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels.

Potential risks that could have a material adverse impact on loan growth expectations include a significant and sustained deterioration in Canadian residential real estate prices, material changes to trade agreements, including the imposition of tariffs, which could affect the outlook for Canadian exports, further material weakening of energy and other commodity prices compared to recent levels, with persistently wide regional commodity price differentials, a material contraction of economic growth in the U.S., or a significant disruption in major global economies.

Diversification of Portfolio

Figure 3 – Geographical Distribution of Loans based on Location of Security
(October 31, 2017 in brackets)

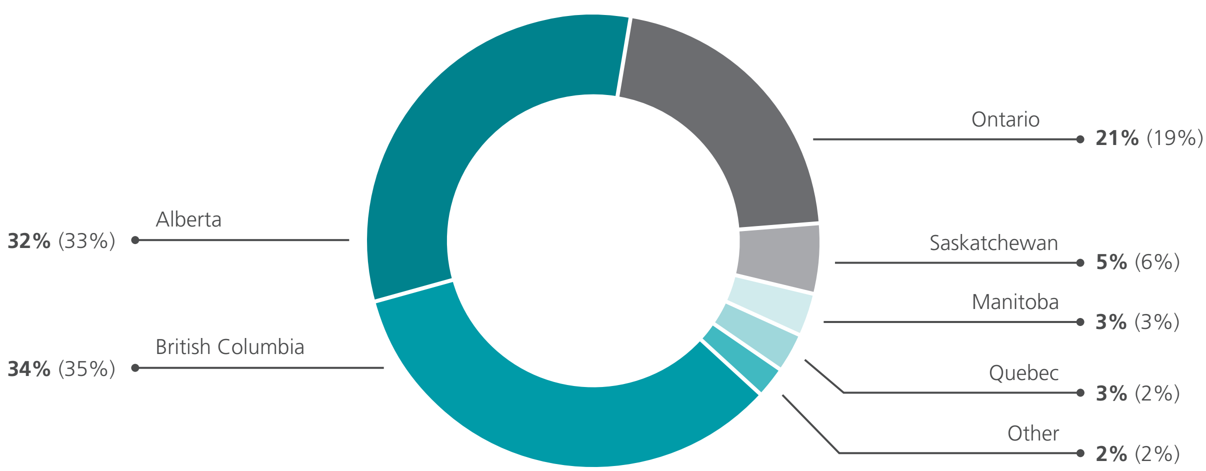


Table 12 - Total Advances Based on Industry Sector[(1)]

(% at October 31)

	2018	2017
Construction	**21%**	22%
Consumer loans and residential mortgages	**20**	20
Real estate operations	**18**	19
Finance and insurance	**7**	7
Transportation and storage	**7**	6
Retail trade	**5**	3
Hotel/motel	**4**	5
Health and social services	**3**	4
Manufacturing	**2**	2
Agriculture	**2**	2
Oil and gas service	**2**	2
Utilities	**1**	1
Professional, scientific and technical services	**1**	1
Wholesale trade	**1**	2
Logging/forestry	**1**	2
Oil and gas production	**1**	1
Accommodation and food services	**1**	-
All other	**3**	1
Total	**100%**	100%

(1) Table is based on the North American Industry Classification System (NAICS) codes.

The loan portfolio is focused on areas of demonstrated lending expertise, while concentrations measured by geographic area and industry sector are managed within specified tolerance levels. The portfolio is well diversified cluding a mix of business and personal loans, with significantly increased geographic and industry diversification delivered over the past several years and further diversification targeted through continued execution of CWB's Balanced Growth strategy.

Branch-based lending teams continue to deliver on CWB's unique client value proposition with a focus on growth of targeted general commercial relationships. Financing of standard industrial equipment will continue to be primarily sourced by specialized lenders within CWB's branch-based equipment financing group.

Ahead of related work to be undertaken within client-facing teams across CWB's branch operations in 2019, activities within the equipment financing group were reorganized this year to segment roles and responsibilities between sales, operations and risk management.

Management expects the realignment to improve CWB's reach within defined geographic territories, enable more effective development of full-service client relationships, and improve scalability of operations to drive higher business growth, increased market share and improved profitability. The acquisition of business lending assets in 2018 also enabled acceleration of CWB's strategy to expand its standard industrial equipment financing operations into Ontario this year.

Small- and mid-sized leases are offered across Canada through CWB National Leasing. Larger, more complex commercial real estate and corporate lending opportunities, including participation in syndicated lending facilities primarily led by other Canadian banks, are originated within 'centres of excellence' located in Western Canada. CWB Maxium and CWB Franchise Finance both operate across the country, with their primary focus outside of Western Canada. CWB Optimum maintains centralized administration based in Edmonton, with a regional underwriting centre located in Ontario, and sources residential mortgages through an established network of mortgage brokers throughout the country. Oil and gas production lending is conducted by specialists located in Calgary.

Outlook for Diversification of Portfolio

CWB's Balanced Growth strategy will continue to target further geographic and industry diversification. Higher relative growth rates are expected in Central Canada, as compared to Western Canada, and in general commercial loans, equipment financing and leasing, and personal loans and mortgages as compared to real estate project loans and commercial mortgages.

CWB's pipeline of new organic growth opportunities across all provinces continues to expand. Notwithstanding the impact of a slowing housing market, which could disproportionately affect BC, and lower regional oil prices with challenges related to constrained energy transportation infrastructure, which could disproportionately affect Alberta, the outlook for continued growth in both provinces is positive. Growth in Ontario is expected to continue to reflect ongoing contributions from CWB Maxium, CWB Franchise Finance, CWB National Leasing and CWB Optimum Mortgage, as well as the planned opening of CWB branch premises in calendar 2019.

Progress toward CWB's strategic goal for Ontario to represent a third of the overall portfolio is expected to moderate somewhat compared to the significant progress achieved over the past several years. This reflects expectations for strengthening relative contributions from CWB's lending teams in Western Canada, some degree of continuing portfolio run-off within the Ontario-centric portfolio of business lending assets acquired this year, normalization of very high non-acquisition-related growth within CWB Maxium and CWB Franchise, and continuing expectations for growth within CWB Optimum to resemble organic growth across the rest of the portfolio.

Expectations for moderate growth, with the potential for further incremental contraction, of real estate project loans reflects the combined impact of this portfolio's relatively short duration and management's strategic focus to grow other portfolios more quickly. Within the parameters of its established risk appetite, CWB will continue to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels as such opportunities arise.

Commercial mortgages are often subject to a higher level of pricing competition compared to other types of lending. CWB will remain focused on maintaining this portfolio based on existing client relationships within targeted markets and adequate risk-adjusted returns. Overall growth in this category in fiscal 2019 is expected to be moderate.

Management will continue with initiatives to develop and/or acquire sources of high quality growth that are complementary to the geographic and industry diversification objectives defined within CWB's Balanced Growth strategy.

CREDIT QUALITY

Highlights of 2018

- The 2018 provision for credit losses represented 20 basis points of average loans, consistent with both CWB's traditional range of 18 – 23 basis points and management's previously stated expectations.
- Gross impaired loans represented 0.53% of total loans, down from 0.72% last year.
- The total allowance for credit losses as a percentage of gross impaired loans (coverage ratio) was 106%, compared to 81% in 2017.

Impaired Loans

The loan portfolio is delineated through the assignment of internal risk ratings to each borrower. The rating is based on assessments of key evaluation factors for the nature of the exposure applied on a consistent basis across the portfolio. Risk ratings are updated at least annually for all loans, with the exception of consumer loans and single-unit residential mortgages.

As shown in the table below, the dollar level of gross impaired loans at October 31, 2018 totaled $138 million, down from $168 million last year. This amount represented 0.53% of total loans, compared to 0.72% at the end of 2017. Gross impaired loans within Alberta of $77 million accounted for 56% of total impairments at year end, compared to 63% last year. Gross impairments outside of Alberta represented 0.34% of non-Alberta loans at October 31, 2018, down from 0.40% last year. The ten largest accounts classified as impaired, measured by dollars outstanding, represented 41% of total gross impaired loans at year end, down from 42%. New formations of impaired loans totaled $97 million, down 46% from last year.

The overall lower balance of impaired loans as a percentage of total loans with a higher relative concentration of impaired loans in Alberta continues to be consistent with management's expectations and reflects the lagging impacts of the 2015 – 2016 regional recession.

Table 13 - Change in Gross Impaired Loans
($ thousands)

			Change from 2017	
	2018	2017	$	%
Gross impaired loans, beginning of period	**$ 168,261**	$ 127,212	$ 41,049	32%
New formations	**96,729**	180,170	(83,441)	(46)
Reductions, impaired accounts paid down or returned to performing status	**(81,759)**	(92,027)	10,268	(11)
Write-offs	**(45,359)**	(47,094)	1,735	(4)
Total, end of period[(1)]	**$ 137,872**	$ 168,261	$ (30,389)	(18)%
Balance of the ten largest impaired accounts	**$ 56,748**	$ 70,935	$ (14,187)	(20)%
Total number of accounts classified as impaired[(2)]	**214**	237	(23)	(10)
Total number of accounts classified as impaired under $1 million[(2)]	**195**	206	(11)	(5)
Gross impaired loans as a percentage of total loans[(3)]	**0.53%**	0.72%		(19)bp[(4)]

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $6,628 (2017 – $1,983). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(2) Total number of accounts excludes CWB National Leasing.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.
(4) bp – basis point change.

The overall loan portfolio is reviewed regularly with credit decisions undertaken on a case-by-case basis to provide early identification of possible adverse trends. The level of gross impaired loans fluctuates as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures. Loans that have become impaired are monitored closely by a specialized team with regular reviews of each loan and its realization plan. Specific allowances for expected write-offs are established through detailed analyses of both the overall quality and marketability of security held against each impaired account. Please see the Risk Management section of this MD&A for further information.

Outlook for Impaired Loans

Overall credit quality is expected to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management. Management expects impaired loans as a percentage of total loans to remain within CWB's risk appetite. A higher relative concentration of impaired loans in Alberta may persist, both due to the lagging impacts of the 2015 – 2016 regional recession and the potential impact of persistent regional commodity price weakness and economic challenges related to constrained energy transportation infrastructure. Gross impaired loans within CWB Optimum may increase in the event of a material correction of residential home prices. Actual loss rates on current and future impaired loans are expected to be low, reflecting the combined positive impact of CWB's disciplined underwriting, secured lending practices, and proactive account management. This expectation is consistent with CWB's prior experience, where write-offs have typically been low as a percentage of impairments.

Management remains confident in the strength, diversity and underwriting structure of the overall loan portfolio, and lending exposures continue to be closely monitored for signs of weakness.

Allowance for Credit Losses

Current estimates of expected write-offs for existing loans classified as impaired are reflected in the specific provisions for credit losses, which totaled $27 million, compared to $17 million a year earlier. Estimates are established through detailed analysis of both the overall quality and ultimate marketability of the security held against each impaired account.

The year-over-year change in the allowance for credit losses split between the specific allowance by category of impaired loans and the collective allowance for credit risk is provided in the following table.

Table 14 - Allowance for Credit Losses

($ thousands)

	2018 Opening Balance	Provision for Credit Losses	Write-Offs, net of Recoveries[1]	2018 Ending Balance
Specific Allowance				
Equipment financing and leasing	$ 10,132	$ 28,026	$ (22,552)	**$ 15,606**
General commercial loans	3,071	17,709	(15,296)	**5,484**
Commercial mortgages	385	2,905	-	**3,290**
Real estate project loans	2,020	(1,289)	1,269	**2,000**
Personal loans and mortgages	209	1,410	(972)	**647**
Oil and gas production loans	800	(972)	172	**-**
	16,617	47,789	(37,379)	**27,027**
Collective Allowance	119,298	468	-	**119,766**
Total	$ 135,915	$ 48,257	$ (37,379)	**$ 146,793**
Represented by:				
Loans				**$ 128,529**
Committed but undrawn credit exposures and letters of credit[2]				**18,264**
Total				**$ 146,793**

(1) Recoveries in 2018 totaled $7,980.
(2) The collective allowance for credit losses related to committed but undrawn credit exposures and letters of credit is included in Other Liabilities on the consolidated balance sheets.

Allowances for credit losses are maintained to absorb both identified and unidentified losses in the loan portfolio and, at October 31, 2018, consisted of the above-mentioned $27 million (2017 - $17 million) of specific allowances and $120 million (2017 – $119 million) in the collective allowance for credit losses. The specific allowance includes the amount of accumulated provisions for losses required to reduce the carrying value of identified impaired loans to their estimated realizable value. The collective allowance includes allowances for losses inherent in the portfolio that are not presently identifiable on an account-by-account basis. Policies and methodology governing the management of the collective allowance are in place.

The total allowance for credit losses as a percentage of gross impaired loans (coverage ratio) increased to 106% from 81% in 2017 and the dollar level of the collective allowance was stable compared to October 31, 2018.

An assessment of the adequacy of the collective allowance for credit losses is conducted quarterly in consideration of:

- historical trends in loss experience during economic cycles;
- the current portfolio composition and profile;
- historical loss experience in portfolios that display similar credit risk characteristics;
- the estimated period of time between when the impairment occurs and when the loss is identified; and,
- management's judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

Outlook for Allowance for Credit Losses

Specific allowances will continue to be determined on an account-by-account basis and reviewed at least quarterly. Lower levels of specific allowances are expected in strong economic times and higher levels of specific allowances in weaker economic times. Allowances for credit losses related to performing loans are expected to fluctuate as a result of portfolio growth, normal progress through the credit cycle and the adoption of IFRS 9 impairment requirements. Related detail is provided under Future Changes in Accounting Policies within this MD&A.

Provision for Credit Losses

The 2018 provision for credit losses of $48 million was down 5% from $51 million last year. The 2018 provision represented 20 basis points of average loans, consistent with CWB's traditional range of 18 – 23 basis points and management's previously stated expectations. This year's provision was three basis points lower than last year. Net new specific provisions represented 19 basis points of average loans, unchanged from 2017. CWB has a long history of strong credit quality and low loan losses, both of which compare very favourably to the Canadian banking industry. Macroeconomic and other external factors that may impact core geographic regions and/or industry sectors in which CWB customers operate are continually analyzed.

Table 15 - Provision for Credit Losses

($ thousands)

	2018	2017	2016[3]	2015	2014
Provision for credit losses[1]	0.20%	0.23%	0.38%	0.17%	0.15%
Net new specific provisions (net of recoveries)[2]	0.19	0.19	0.32	0.12	0.07
Write-offs[1]	0.18	0.21	0.34	0.06	0.09
Collective allowance	$ 119,766	$ 119,298	$ 110,943	$ 99,613	$ 90,075
Coverage ratio[4]	106%	81%	100%	122%	154%

(1) As a percentage of average loans.
(2) Portion of the year's provision for credit losses allocated to specific provisions as a percentage of average loans.
(3) Provision for credit losses, net new specific provisions and write-offs in 2016 reflected the credit performance of oil and gas production loans, including the impact of regulatory factors on the liquidity of assets securing those loans.
(4) Allowance for credit losses as a percentage of gross impaired loans.

Outlook for the Provision for Credit Losses

Provisions related to performing loans are expected to be more volatile due to the implementation of a forward-looking expected credit loss model upon transition to IFRS 9 beginning November 1, 2018, which incorporates key economic variables such as unemployment rates, residential mortgage rates, gross domestic product growth, housing resale price growth, the Canadian dollar/U.S. dollar exchange rate, interest rates and oil price. The use of an expected loss methodology to estimate the provision for credit losses is generally expected to recognize credit losses earlier compared to the incurred loss methodology used prior to November 1, 2018. While IFRS 9 will change the timing of the recognition of credit losses, the actual amount of credit losses realized over the life of a particular loan, represented by write-offs net of recoveries, will not be impacted by this accounting change. Related detail is provided under Future Changes in Accounting Policies within this MD&A.

Actual write-offs are expected to continue to reflect CWB's secured lending business model and disciplined underwriting processes.

Potential risks that could have a material adverse impact on actual write-offs include a significant and sustained deterioration in Canadian residential real estate prices, material changes to trade agreements, including the imposition of tariffs, which could affect the outlook for Canadian exports, further material weakening of energy and other commodity prices compared to recent levels, with persistently wide regional commodity price differentials, a material contraction of economic growth in the U.S., or a significant disruption in major global economies.

Highlights of 2018

- Continued progress against CWB's Balanced Growth strategy for funding diversification.
- Growth of debt capital markets with five successful senior deposit note issuances or re-openings totaling $1.1 billion.
- Growth of securitization to fund both equipment loans and leases, and residential mortgages.
- Branch-raised deposit growth of 4%, including very strong 13% growth of term deposits and relatively stable balances of lower-cost demand and notice deposits.
- Branch-raised deposits comprised 52% of total deposits, compared to 54% in 2017.
- Decrease in broker deposits as a percentage of funding, with this category comprising 35% of total deposits at year end, down from 36% in 2017.

Table 16 - Deposits

($ thousands)

2018	Demand	Notice	Term	Total	% of Total
Personal	$ 35,889	$ 3,684,259	$ 10,763,538	$ 14,483,686	61%
Business and government	716,156	3,157,875	2,335,785	6,209,816	26
Capital markets	-	-	3,006,455	3,006,455	13
Total Deposits	$ 752,045	$ 6,842,134	$ 16,105,778	$ 23,699,957	100%
% of Total	3%	29%	68%	100%	

2017	Demand	Notice	Term	Total	% of Total
Personal	$ 37,984	$ 3,699,356	$ 9,657,222	$ 13,394,562	61%
Business and government	791,358	3,112,419	2,440,643	6,344,420	29
Capital markets	-	-	2,164,000	2,164,000	10
Total Deposits	$ 829,342	$ 6,811,775	$ 14,261,865	$ 21,902,982	100%
% of Total	4%	31%	65%	100%	

CWB delivered strong execution against its funding diversification strategy in fiscal 2018. Total deposits of $23.7 billion were up 8% ($1.8 billion). The proportion of deposits raised through the capital markets increased to 13% of total deposits, compared to 10% in the prior year. CWB also increased the use of securitization to fund originations of equipment leases and residential mortgages. Personal deposits increased 8% ($1.1 billion), including deposits issued through the deposit broker network, while business and government deposits fell 2% ($134 million).

Relationship-based, branch-raised funding increased 4% ($509 million) from last year, primarily driven by strong, 13% ($556 million) growth of branch-raised term deposits. The balance of lower-cost demand and notice deposits was relatively stable, including the impact of $30 million transferred out in 2018 as part of the CWT strategic transactions (2017 - $71 million). Branch-raised deposits represented 52% of total deposits at October 31, 2018, compared to 54% last year. Demand and notice deposits comprised 32% of total deposits, compared to 35% in 2017.

Table 17 - Deposits by Source

(as a percentage of total deposits at October 31)

	2018	2017
Branches	52%	54%
Deposit brokers	35	36
Capital markets	13	10
Total	100%	100%

References to branch-raised deposits within this MD&A include all deposits generated through CWB's full-service banking branches, including the CWB Virtual Branch, as well as certain deposits raised via CWT, Motive Financial and Valiant Trust's deposit-taking franchise. Increasing the level of branch-raised business and personal deposits is an ongoing strategic focus for CWB as success in this area provides the most reliable and stable sources of funding.

CWT raises deposits through notice accounts, including cash balances held in self-directed registered accounts as well as corporate trust deposits, and through the CWB's branch network. CWT's notice account line of business was a strong contributor to branch-raised deposit growth in fiscal 2018.

Motive Financial offers various deposit products to customers in all provinces and territories except Quebec. In light of heightened competitive factors in fiscal 2018, management chose to take a less aggressive growth strategy with this channel. Client deposits in Motive Financial at October 31, 2018 totaled $305 million, unchanged from last year.

The fixed-term deposit franchises of CWT and Valiant Trust provide additional channels for CWB to raise insured deposits.

Consistent with CWB's commercial focus, a considerable portion of branch-raised deposits are generated from business clients that tend to hold larger balances compared to personal clients, which can increase the volatility of demand and notice deposits (see the Liquidity Management section of this MD&A).

Other types of deposits are primarily sourced through a deposit broker network and debt capital markets. Deposits raised through deposit brokers are primarily insured, and the broker deposit market remains an efficient and liquid, source of funding. Although these funds are subject to commissions, this cost is countered by a reduced dependence on a more extensive branch network and the benefit of generating insured fixed term retail deposits over a wide geographic base. Of note, CWB actively raises only fixed-term deposits through this funding channel, with terms to maturity between one and five years, and does not offer a High Interest Savings Account (HISA) product. Broker deposits comprised 35% of total deposits at year end, down from 36% in 2017.

CWB also increased the use of securitization funding through continued participation in the NHA MBS program and the Canada Mortgage Bond (CMB) program. Fiscal 2018 funding from the securitization of leases, loans and mortgages was $1.2 billion (2017 – $739 million), including $182 million from participation in the CMB program.

Outlook for Deposits and Funding

CWB's strategic focus to grow and diversify funding sources will continue. This includes ongoing investment in CWB's capabilities to compete for relationship-based, branch-raised deposits, with particular emphasis on demand and notice deposits. This funding segment is typically lower cost and provides associated transactional fee income. Future growth in branch-raised funding is also expected to reflect success in acquiring more clients and developing broader, full-service client relationships across the country.

Continued development of new and more effective products, along with an ongoing strategic focus on business transformation and process improvement, is expected to enhance CWB's client experience, strengthen CWB's competitive position and support various growth initiatives related to branch-raised funding over the medium term. New products to support strong performance against these goals were introduced in fiscal 2018, including remote deposit capture technology, a third online banking platform, capabilities to easily transfer online services from competitors to CWB, and improved foreign exchange facilitation services. CWB's growing market presence will also include further development of the CWB Virtual Branch, and targeted development of CWB's full-service branch network.

Continued diversification of funding sources is also expected to include growth of both debt capital markets and securitization funding channels.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2018 totaled $579 million (2017 – $509 million). Goodwill and intangible assets recorded on the balance sheet at October 31, 2018 were $85 million (2017 – $86 million) and $161 million (2017 – $150 million), respectively.

Other liabilities totaled $725 million at October 31, 2018 (2017 – $604 million). The higher balance of other liabilities relates to accounts payable and accrued liabilities for derivatives used in liquidity management.

Highlights of 2018

- Maintained a prudent liquidity position and conservative investment profile.
- CWB's Treasury Infrastructure Program has enhanced reporting, forecasting and control activities for both liquidity and asset/liability management which will support forthcoming implementation of a more robust Funds Transfer Pricing (FTP) framework.
- Average balances of cash and securities compared to last year partly reflects reduced liquidity requirements driven by the increase in the average duration of deposits.

A schedule outlining the consolidated securities portfolio at October 31, 2018 is provided in Note 5 to the consolidated financial statements. A conservative liquid asset profile is maintained by ensuring:

- all investments are high quality and include government debt securities (both Canadian and U.S. government debt securities), short-term money market instruments, and other marketable securities;
- specific investment criteria and procedures are in place;
- regular review, monitoring and approval of the Structural Market Risk Policy is completed by CWB's Asset and Liability Committee (ALCo); and
- quarterly reports on the composition of the portfolio are provided to the Board Risk Committee. The Board, or the Board Risk Committee, annually reviews and approves structural interest rate and liquidity risk policies and risk appetite statements.

CWB's liquidity management is a comprehensive process that includes, but is not limited to:

- maintaining a pool of high-quality liquid assets;
- comprehensive liquidity scenario stress testing;
- monitoring the quality of the cash and securities portfolio;
- monitoring liability diversification and maturity profile;
- monitoring deposit behaviour;
- maintaining access to deposit and capital market funding sources; and
- monitoring microeconomic and macroeconomic factors and early warning indicators.

Table 18 - Liquid Assets
($ thousands)

	2018	2017	Change from 2017
Cash and non-interest bearing deposits with financial institutions	$ 73,822	$ 17,491	$ 56,331
Deposits with regulated financial institutions	26,825	503,895	(477,070)
Cheques and other items in transit	52,574	410	52,164
Total Cash Resources	153,221	521,796	(368,575)
Government of Canada, provincial and municipal debt, term to maturity 1 year or less	377,657	17,763	359,894
Government of Canada, provincial and municipal debt, term to maturity more than 1 year	1,469,984	1,728,393	(258,409)
Other debt securities	143,536	293,561	(150,025)
NHA mortgage-backed securities(1)	330,599	262,213	68,386
Securities sold under repurchase agreements	(95,126)	(58,358)	(36,768)
Total Securities Sold Under Repurchase Agreements and Marketable Securities	2,226,650	2,243,572	(16,922)
Total Liquid Assets	$ 2,379,871	$ 2,765,368	$ (385,497)
Total Assets	$ 29,021,463	$ 26,447,453	$ 2,574,010
Liquid Assets as a Percentage of Total Assets	8%	10%	(200)bp(2)
Total Cash and Securities	$ 2,237,973	$ 2,708,783	$ (470,810)
Cash and Securities as a Percentage of Total Assets	8%	10	(200)bp(2)
Total Deposit Liabilities	$ 23,699,957	$ 21,902,982	$ 1,796,975
Liquid Assets as a Percentage of Total Deposit Liabilities	10%	13%	(300)bp(2)

(1) Includes securitized mortgages that were not transferred to third parties. These are reported in loans on the consolidated balance sheet at amortized cost.
(2) bp – basis points.

Liquid assets, as defined by OSFI, comprised of cash, deposits, securities sold under repurchase agreements and marketable debt securities totaled $2.4 billion at October 31, 2018 (2017 - $2.8 billion). Liquid assets represented 8% (2017 - 10%) of total assets and 10% (2017 - 13%) of total deposit liabilities at year end.

CWB's liquidity management is based on an internal stressed cash flow model, with the level of cash and securities driven primarily by the term structure of both assets and liabilities, and the liquidity structure of the liabilities. The composition of total liquid assets supports ongoing compliance with the OSFI Liquidity Adequacy Requirements guideline.

Lower balances of cash and securities compared to last year partly reflect reduced liquidity requirements driven by the increase in the average duration of deposits. Other key changes in the composition of liquid assets at October 31, 2018 compared to the prior year include:

- maturities within one year comprising 39% (2017 - 33%);
- Government of Canada, provincial and municipal debt securities and unencumbered NHA MBS comprising 92% (2017 - 73%);
- deposits with regulated financial institutions comprising 6% (2017 - 19%); and,
- other marketable securities and securities sold under repurchase agreements comprising 2% (2017 - 8%).

Additional sources of liquidity and funding in 2018 included $1.2 billion (2017 - $739 million) from the securitization of leases and mortgages, including $608 million (2017 - $381 million) of residential mortgages which represent utilization of CWB's NHA MBS allocation and $182 million from participation in the CMB program (2017 - $40 million). The primary source of incremental new funding was from senior deposit notes issued through debt capital markets, as well as securitizations. A summary of all outstanding deposits by contractual maturity date is presented in the two following tables.

Table 19 - Deposit Maturities Within One Year
($ millions)

October 31, 2018	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year
Demand deposits	$ 752	$ -	$ -	$ 752
Notice deposits	6,842	-	-	6,842
Deposits payable on a fixed date	607	1,216	4,285	6,108
Total	$ 8,201	$ 1,216	$ 4,285	$ 13,702
October 31, 2017 Total	$ 8,173	$ 921	$ 5,070	$ 14,164

Table 20 - Total Deposit Maturities
($ millions)

October 31, 2018	Within 1 year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More than 5 Years	Total
Demand deposits	$ 752	$ -	$ -	$ -	$ -	$ -	$ 752
Notice deposits	6,842	-	-	-	-	-	6,842
Deposits payable on a fixed date	6,108	3,831	3,345	1,321	1,501	-	16,106
Total	$ 13,702	$ 3,831	$ 3,345	$ 1,321	$ 1,501	$ -	$ 23,700
October 31, 2017 Total	$ 14,164	$ 3,098	$ 1,870	$ 1,833	$ 938	$ -	$ 21,903

A breakdown of deposits by source is provided in Table 17. Target limits by source have been established as part of the overall liquidity policy and are monitored regularly to ensure an acceptable level of funding diversification is maintained. Management continues to develop and implement strategies to compete more effectively for branch-raised deposits to ensure it remains the core source of funding, as discussed within the outlook for deposits and funding.

Deposits raised through deposit brokers remain an effective incremental funding source. Senior and bearer deposit notes raised in the capital markets provide a further source of funding and liquidity.

In addition to deposit liabilities, CWB has subordinated debentures and notional debt securities related to the securitization of loans, leases and mortgages to third parties (refer to Note 9 and 16 of the consolidated financial statements for additional information). A summary of the subordinated debentures outstanding is presented in the following table:

Table 21 - Subordinated Debentures Outstanding
($ thousands)

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2018	As at October 31 2017
3.463%[1]	December 17, 2024	December 17, 2019	$ 250,000	$ 250,000

(1) These conventional debentures have a 12-year term with a fixed interest rate for the first seven years. Thereafter, the interest rate will be reset quarterly at the 3-month Canadian Dollar Offered Rate (CDOR) rate plus 160 basis points.

Outlook for Liquidity Management

Internal methodologies for managing liquidity risk are continuously refined. Management has initiated a multi-year program to upgrade CWB's treasury infrastructure, with expected benefits related to all aspects of liquidity and asset/liability management, including implementation of a FTP framework. CWB utilizes comprehensive stress testing to manage, measure and monitor liquidity risk, and will maintain prudent liquidity levels in 2019 while ensuring compliance with the OSFI Liquidity Adequacy Requirements guideline.

Highlights of 2018

- Very strong Basel III common equity Tier 1 (CET1) regulatory capital ratio of 9.2% under the *Standardized* approach for calculating risk-weighted assets.
- Cash dividends of $1.00 per share paid to common shareholders, up 8%, resulting in CWB's 26th consecutive annual dividend increase.
- Very conservative Basel III leverage ratio of 8.0%, compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.
- Significant progress toward the upcoming transformation of CWB's capital and risk management processes through transition to the AIRB approach.
- A NCIB authorizing CWB to purchase for cancellation prior to September 30, 2019, up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, was approved by OSFI and the Toronto Stock Exchange (TSX). No shares were repurchased under the prior NCIB, which expired on September 30, 2018.

Subsequent Highlights

- On December 5, 2018, the Board of Directors declared a cash dividend of $0.26 per common share, unchanged from the prior quarter and up 8% from the dividend declared in the same period last year. The Board also declared a cash dividend of $0.275 per Series 5 Preferred Share, and a cash dividend of $0.390625 per Series 7 Preferred Share.

Capital is managed in accordance with policies and plans that are regularly reviewed and approved by the Board Risk Committee. Capital management takes into account forecasted capital needs with consideration of anticipated profitability, asset growth, market and economic conditions, regulatory changes, and common and preferred share dividends. The overriding goal is to remain well-capitalized in order to protect depositors, and provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the capital markets, all while providing a satisfactory return for common shareholders. CWB has implemented an Internal Capital Adequacy Assessment Process (ICAAP) to establish target capital levels deemed prudent to effectively manage risks, including potential capital shocks from unexpected macroeconomic and/or CWB-specific events.

CWB provides a share incentive plan to officers and employees who are in a position to materially impact the longer term financial success of the organization, as measured by overall profitability, earnings growth, share price appreciation and dividends. Note 18 to the consolidated financial statements details the number of options outstanding, the weighted average exercise price and the amounts exercisable at year end.

Holders of CWB common shares and holders of any other class of shares deemed eligible by the Board are offered the choice to direct cash dividends paid toward the purchase of common shares through a dividend reinvestment plan (DRIP). Further details regarding CWB's DRIP are available at cwb.com/investor_relations.

CWB complied with all internal and external capital requirements in 2018. A NCIB authorizing CWB to purchase for cancellation prior to September 30, 2019, up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, has been approved by OSFI and the TSX. No shares have been purchased through the NCIB, and no shares were repurchased under the prior NCIB, which expired on September 30, 2018 and allowed for cancellation up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares.

Basel III Capital Adequacy Accord

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI, and capital is managed and reported in accordance with the requirements of the Basel III Capital Adequacy Accord (Basel III).

CWB's minimum Basel III regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1 and 10.5% Total capital, and a 3.0% leverage ratio. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules are phased in between 2013 and 2019, with Canadian implementation extending out to 2022. 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.

In June 2018, OSFI clarified additional requirements for its Domestic Stability Buffer, an amount of CET1 capital required to be held by Domestic Systemically Important Banks (D-SIB) against risks associated with systemic vulnerabilities. The buffer is currently set at 1.5% of a D-SIB's total risk-weighted assets. As CWB is not a D-SIB, it is not required to hold capital to meet this buffer.

CWB currently reports its regulatory capital ratios using the *Standardized* approach for calculating risk-weighted assets. This approach requires CWB to carry significantly more capital for certain credit exposures compared to requirements under the *Advanced Internal Ratings Based* (AIRB) methodology used by larger Canadian financial institutions.

For this reason, regulatory capital ratios of banks that utilize the *Standardized* approach versus the AIRB methodology are not directly comparable.

Table 22 - Capital Structure and Regulatory Ratios at Year End
($ thousands)

	2018	2017	Change from 2017
Regulatory Capital, Net of Deductions			
Common equity Tier 1	**$ 2,153,019**	$ 2,009,530	$ 143,489
Tier 1	**2,418,231**	2,274,727	143,504
Total	**2,788,048**	2,644,071	143,977
Capital Ratios			
Common equity Tier 1	**9.2%**	9.5%	(30)bp[1]
Tier 1	**10.3**	10.8	(50)
Total	**11.9**	12.5	(60)
Leverage Ratio	**8.0**	8.3	(30)

(1) bp - basis points

CWB's CET1 capital ratio decreased 30 basis points from last year, mainly reflecting the acquisition of business lending assets at the end of the first quarter. The Tier 1 and Total capital ratios declined 50 basis points and 60 basis points, respectively, also mainly reflecting the acquisition. At 8.0% (8.3% as at October 31, 2017), the Basel III leverage ratio remains very conservative.

Table 23 - Regulatory Capital
($ thousands)

	As at October 31 2018	As at October 31 2017
Common equity Tier 1 capital instruments and reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	**$ 768,638**	$ 756,864
Retained earnings	**1,649,196**	1,488,634
Accumulated other comprehensive income and other reserves	**(48,962)**	(29,174)
Common equity Tier 1 capital before regulatory adjustments	**2,368,872**	2,216,324
Regulatory adjustments to Common equity Tier 1[1]	**(215,853)**	(206,794)
Common equity Tier 1 capital	**2,153,019**	2,009,530
Additional Tier 1 capital instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	**265,000**	265,000
Additional Tier 1 instruments issued by subsidiaries and held by third parties	**212**	197
Additional Tier 1 capital	**265,212**	265,197
Tier 1 capital	**2,418,231**	2,274,727
Tier 2 Capital instruments and allowances		
Directly issued capital instruments subject to phase out from Tier 2[2]	**250,000**	250,000
Tier 2 instruments issued by subsidiaries and held by third parties	**51**	46
Collective allowance for credit losses	**119,766**	119,298
Tier 2 capital before regulatory adjustments	**369,817**	369,344
Total capital	**$ 2,788,048**	$ 2,644,071

(1) CET1 deductions include goodwill and intangible assets, net of related tax.
(2) The 2018 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 40% (2017 – 50%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2018 and 2017, there were no exclusions from regulatory capital related to outstanding subordinated debentures.

Table 24 - Risk-Weighted Assets
($ thousands)

	Cash, Securities and Resale Agreements	Loans	Other Items	Total	Risk-Weighted Assets
				As at October 31, 2018	
Corporate	$ 17,572	$ 16,257,814	$ -	$ 16,275,386	$ 16,297,110
Sovereign	1,982,723	11,655	-	1,994,378	2,331
Bank	75,779	103	-	75,882	15,259
Retail residential mortgages	3,921	5,219,692	-	5,223,613	1,585,255
Other retail					
Excluding small business entities	-	181,658	-	181,658	122,560
Small business entities	-	3,076,732	-	3,076,732	2,352,293
Equity	94,043	-	-	94,043	94,043
Undrawn commitments	-	314,041	-	314,041	311,011
Operational risk	-	-	104,998	104,998	1,312,469
Securitization risk	-	167,116	-	167,116	849,974
Other	-	214,801	584,490	799,291	543,937
As at October 31, 2018	**$ 2,174,038**	**$ 25,443,612**	**$ 689,488**	**$ 28,307,138**	**$ 23,486,242**
As at October 31, 2017	$ 2,695,268	$ 22,745,246	$ 561,835	$ 26,002,349	$ 21,082,164

Table 25 - Risk-Weighting Category
($ thousands)

	0%	20%	35%	50%	75%	100%	150% and Greater	Balance	Weighted
								As at October 31, 2018	
Corporate	$ 21,599	$ 20,267	$ -	$ 5,023	$ -	$ 16,104,401	$ 124,096	$ 16,275,386	$ 16,297,110
Sovereign	1,982,723	11,655	-	-	-	-	-	1,994,378	2,331
Bank	-	75,779	-	-	-	103	-	75,882	15,259
Retail residential mortgages	766,569	-	4,412,605	-	14,383	30,056	-	5,223,613	1,585,255
Other retail									
Excluding small business entities	17,307	1,299	-	-	163,035	3	14	181,658	122,560
Small business entities	8,840	1,200	-	-	2,900,083	145,845	20,764	3,076,732	2,352,293
Equity	-	-	-	-	-	94,043	-	94,043	94,043
Undrawn commitments	-	-	-	-	12,899	300,752	390	314,041	311,011
Operational risk	-	-	-	-	-	-	104,998	104,998	1,312,469
Securitization risk	-	-	-	-	-	107,737	59,379	167,116	849,974
Other	255,510	78,188	-	-	43,433	376,248	45,912	799,291	543,937
As at October 31, 2018	**$ 3,052,548**	**$ 188,388**	**$ 4,412,605**	**$ 5,023**	**$ 3,133,833**	**$ 17,159,188**	**$ 355,553**	**$ 28,307,138**	**$ 23,486,242**
As at October 31, 2017	$ 3,005,417	$ 649,943	$ 3,846,024	$ 15,124	$ 2,477,473	$ 15,720,022	$ 288,346	$ 26,002,349	$ 21,082,164

AIRB transition plan

CWB's project continues in support of an application to OSFI for transition to the AIRB methodology for capital and risk management, including an anticipated three-year time frame ending in fiscal 2019. Transition to the AIRB approach will benefit shareholders by putting CWB on more equal footing with its competition and increasing CWB's addressable market. It will add risk sensitivity to CWB's framework for capital management, increase risk quantification processes, improve risk-based pricing capabilities and economic capital estimations, improve CWB's stress testing capabilities and enhance CWB's ability to comply with new accounting standards and ICAAP requirements. These improved risk management capabilities will better equip CWB to allocate resources to target business segments that generate the most attractive risk-adjusted returns.

CWB's AIRB transition project is separated into several discrete phases, including: establishment of formalized project governance; creation of models including data collection, development and testing, deployment, operationalization and use test; model validation; and, submission of the final application to OSFI.

All material AIRB models and related scorecards have been deployed into the business. Work continues toward development of an enhanced enterprise data warehouse to serve as the repository for required data. Model validation and enhancement of existing models continues. Further development of CWB's risk function is also ongoing, including three lines of defence enhancement, stress testing capabilities, and economic capital estimation. Implementation of CWB's risk-weighted asset production and capital reporting tools is underway.

Outlook for Capital Management

CWB will maintain strong capital ratios under the *Standardized* approach for calculating risk-weighted assets, above its target thresholds and OSFI's required minimums, and is well positioned to manage future business growth and unexpected events. Target capital ratios, including an appropriate capital buffer over the prescribed OSFI minimums, are reconfirmed regularly through CWB's regulatory capital plan. The ongoing retention of earnings, net of expected common and preferred share dividends, is expected to support capital requirements associated with continued execution of CWB's Balanced Growth strategy and the anticipated achievement of CWB's medium-term performance target for a strong common equity Tier 1 ratio. With a very conservative Basel III leverage ratio of 8.0% at October 31, 2018, CWB is not constrained by OSFI's requirement for banks to maintain a minimum leverage ratio of 3.0%.

The Basel Committee on Banking Supervision finalized Basel III reforms in December 2017 and OSFI has launched a public consultation on the proposed Canadian adoption. OSFI's proposal includes potential revisions to the credit risk, operational risk, leverage ratio, and credit valuation adjustment frameworks included in the Basel III reforms as well as the implementation timelines. Management's preliminary assessment of the proposed domestic implementation of the Basel III reforms indicates no material impact to CWB's regulatory capital ratios under the *Standardized* approach.

Management continues to evaluate alternatives to deploy capital for the long-term benefit of CWB shareholders, which includes support for ongoing organic growth, potential strategic acquisitions and common share dividend increases. CWB may also choose to activate the NCIB in fiscal 2019 should appropriate circumstances become apparent.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

The use of financial instruments exposes CWB to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the Risk Management section of this MD&A.

Further information on how the fair value of financial instruments is determined is included in the Financial Instruments Measured at Fair Value discussion in the Accounting Policies and Estimates section of this MD&A.

Income and expenses are classified as to source, either securities or loans for income, and deposits or borrower funds for expense. Net realized gains (losses) on securities are shown separately in non-interest income.

Derivative Financial Instruments

More detailed information on the nature of derivative financial instruments is shown in Note 12 to the consolidated financial statements. The notional amounts of derivative financial instruments are not reflected on the consolidated balance sheets.

Table 26 - Derivative Financial Instruments

($ thousands)

	2018	2017
Notional Amounts		
Interest rate contracts designated as accounting hedges[(1)]	**$ 4,908,000**	$ 3,553,000
Foreign exchange contracts[(2)]	**189,128**	170,194
Equity swaps designated as accounting hedges[(3)]	**18,285**	18,222
Bond forwards designated as accounting hedges[(4)]	**15,000**	-
Equity swaps not designated as accounting hedges[(5)]	**5,842**	4,237
Total	**$ 5,136,255**	$ 3,745,653

(1) CWB receives interest at a fixed contractual rate and pays interest on the one-month (30-day) Canadian Bankers' Acceptance rate. Interest rate swaps designated as accounting hedges outstanding at October 31, 2018 mature between January 2019 and October 2023.
(2) Foreign exchange contracts outstanding at October 31, 2018 mature between November and December 2018. The contractual interest rate is not meaningful for foreign exchange contracts.
(3) Equity swaps designated as accounting hedges outstanding at October 31, 2018 mature between June 2019 and June 2021.
(4) Bond forward contracts designated as accounting hedges outstanding at October 31, 2018 mature in December 2018.
(5) Equity swaps not designated as accounting hedges outstanding at October 31, 2018 mature in June 2019.

The active use of interest rate contracts remains an integral component to manage the interest rate gap position. Derivative financial instruments are entered into only for CWB's own account. CWB does not act as an intermediary in derivatives markets. Transactions are entered into on the basis of industry standard contracts with approved counterparties subject to periodic and at least annual review, including an assessment of the credit worthiness of the counterparty. Policies regarding the use of derivative financial instruments are approved, reviewed and monitored on a regular basis by ALCo, and are reviewed and approved by the Board Risk Committee no less than annually.

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, third-party leases under administration, and mortgages under service agreements, totaled $8.4 billion at October 31, 2018 (2017 – $10.4 billion). Approximately $2.0 billion (2017 – $1.3 billion) of assets under administration transferred to successor trustees as part of the CWT strategic transactions over the past year. The CWT strategic transactions are now complete. No further transfers of deposits or assets under administration to successor trustees will occur under the agreements.

Assets under management held within CWB Wealth Management, including McLean & Partners Wealth Management, were $2.1 billion at year end, unchanged from last year.

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 Note 20 of the consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER

QUARTERLY RESULTS

The financial results for each of the last eight quarters are summarized in Table 27. In general, CWB's performance reflects a consistent growth trend, although the second quarter contains three fewer revenue-earning days, and two fewer days during leap years. Non-interest income includes gains on sale related to the CWT strategic transactions of $0.6 million in the fourth quarter of fiscal 2018, $0.4 million in the third quarter of fiscal 2018, $3.0 million in the first quarter of fiscal 2018, and $5.7 million in the fourth quarter of fiscal 2017.

Among other things, quarterly results can also fluctuate from the recognition of periodic income tax items.

Detailed management's discussion and analysis along with unaudited interim consolidated financial statements for each quarter, except for the fourth quarters, are available for review on SEDAR at sedar.com and on CWB's website at cwb.com. Copies of the quarterly reports to shareholders can also be obtained, free of charge, by contacting InvestorRelations@cwbank.com.

Table 27 - Quarterly Financial Highlights(1)

($ thousands, except per share amounts)

	2018				2017			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Results from Operations								
Net interest income	**$ 189,093**	**$ 186,644**	**$ 177,986**	**$ 171,267**	$ 170,494	$ 163,991	$ 152,156	$ 155,749
Non-interest income	**19,473**	**18,345**	**18,600**	**21,950**	24,628	19,852	20,287	19,478
Total revenue	**208,566**	**204,989**	**196,586**	**193,217**	195,122	183,843	172,443	175,227
Pre-tax, pre-provision income	**111,182**	**110,695**	**107,247**	**107,064**	103,902	100,360	90,203	94,264
Common shareholders' net income	**64,501**	**62,362**	**60,464**	**61,929**	60,833	56,308	47,594	49,542
Earnings per common share								
Basic	**0.73**	**0.70**	**0.68**	**0.70**	0.69	0.64	0.54	0.56
Diluted	**0.72**	**0.70**	**0.68**	**0.69**	0.68	0.64	0.54	0.56
Adjusted cash	**0.78**	**0.75**	**0.73**	**0.75**	0.74	0.69	0.59	0.61
Return on common shareholders' equity	**11.1%**	**10.8%**	**11.1%**	**11.1%**	11.2%	10.4%	9.2%	9.5%
Adjusted return on common shareholders' equity	**11.9**	**11.7**	**12.0**	**12.0**	12.0	11.3	10.1	10.4
Return on assets	**0.89**	**0.88**	**0.89**	**0.91**	0.94	0.89	0.79	0.78
Efficiency ratio	**46.7**	**46.0**	**45.4**	**44.6**	46.8	45.4	47.7	46.2
Net interest margin	**2.61**	**2.64**	**2.61**	**2.52**	2.63	2.59	2.54	2.46
Operating leverage	**0.1**	**(1.4)**	**5.4**	**3.9**	1.0	0.4	(1.7)	2.4
Provision for credit losses as a percentage of average loans	**0.19**	**0.21**	**0.20**	**0.18**	0.20	0.20	0.25	0.27

(1) See page 20 for a discussion of non-IFRS measures.

FOURTH QUARTER OF 2018

Overview of Operations

Q4 2018 vs. Q4 2017

Common shareholders' net income of $65 million and pre-tax, pre-provision income of $111 million were up 6% and 7%, respectively. Earnings growth was primarily driven by record quarterly revenues of $209 million, up 7% from the same period last year. Net interest income of $189 million was up 11%, as the positive impact of very strong 13% loan growth was partially offset by a two basis point decrease in net interest margin to 2.61%. Within net interest margin, higher asset yields and favourable changes in asset mix were more than offset by increased funding costs and changes in funding mix, including an ongoing shift in depositor preference toward longer duration fixed term deposits with the rising interest rate environment. The provision for credit losses as a percentage of average loans of 19 basis points improved from 20 basis points. These factors were partially offset by 6% higher non-interest expenses to support business growth, lower non-interest income, higher income taxes and increased acquisition-related fair value changes. Non-interest income of $19 million was 21% lower, and CWB's income tax provision was 13% higher, primarily due to the gain on sale, and the associated tax treatment, related to the CWT strategic transactions in the fourth quarter last year. Diluted earnings per common share of $0.72 and adjusted cash earnings per common share of $0.78 increased 6% and 5%, respectively, reflecting the factors noted above. The CWT-related gains on sale contributed nil (2017 – $0.06) to adjusted cash earnings per common share.

Q4 2018 vs. Q3 2018

Sequential growth of common shareholders' net income was strong at 3% and pre-tax, pre-provision income was slightly higher compared to the prior quarter. Total revenue growth was 2%, reflecting 1% higher net interest income and a 6% increase in non-interest income. Higher net interest income reflects the positive impact of 3% loan growth, partially offset by a three basis point decrease in net interest margin as increased funding costs and changes in funding mix similar to those described above more than offset higher asset yields. The increase in non-interest income mainly reflects higher credit related fee income and increased 'other' non-interest income. 'Other' non-interest income this quarter includes $1 million of gains on sale related to the CWT strategic transactions. The provision for credit losses was 19 basis points of average loans, compared to 21 basis points last quarter. Non-interest expenses to support business growth were 3% higher. Diluted earnings per common share was up 3% and adjusted cash earnings per common share increased 4%.

Adjusted ROE and ROA

Fourth quarter adjusted return on common shareholders' equity (ROE) of 11.9% was down 10 basis points from the same period last year.

Adjusted ROE was up 20 basis points compared to the prior quarter.

Return on assets (ROA) was 0.89% in the fourth quarter, compared to 0.94% in the same period last year and 0.88% last quarter.

Efficient Operations and Positive Operating Leverage

The fourth quarter efficiency ratio of 46.7%, which measures non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, divided by total revenues, was relatively unchanged from 46.8% in the same period last year, and up 70 basis points from last quarter. Year-over-year stability reflects the combined positive impact of higher revenues from very strong growth of net interest income and higher non-interest income, as well as effective management of discretionary expense growth. The increase in CWB's efficiency ratio from the prior quarter primarily reflects the customary seasonal increase of non-interest expenses across most categories in the final quarter of the fiscal year.

Operating leverage, which is calculated as the growth rate of total revenue less the growth rate of non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, over the past 12 months, was positive 1.9% compared to 0.3% last year.

ACCOUNTING POLICIES AND ESTIMATES

CRITICAL ACCOUNTING ESTIMATES

CWB's significant accounting policies are outlined in Note 1 to the audited consolidated financial statements with related financial note disclosures by major caption. The policies discussed below are considered particularly important, as they require management to make significant estimates or judgments, some of which may relate to matters that are inherently uncertain.

Allowance for Credit Losses

An allowance for credit losses is maintained to absorb probable credit-related losses in the loan portfolio based on management's estimate at the balance sheet date. In assessing existing credit losses, management must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These matters include economic factors, developments affecting particular industries and specific issues with respect to single borrowers. Changes in circumstances may cause future assessments of credit risk to be significantly different than current assessments and may require an increase or decrease in the allowance for credit losses. Establishing a range for the allowance for credit losses is difficult due to the number of uncertainties involved. The collective allowance for credit losses is intended to address this uncertainty. At October 31, 2018, CWB's total allowance for credit losses was $147 million (2017 – $136 million) which included specific allowances of $27 million (2017 – $17 million) and a collective allowance of $120 million (2017 – $119 million). Additional information on the process and methodology for determining the allowance for credit losses and the implementation of a forward-looking expected credit loss model upon transition to IFRS 9 on November 1, 2018, can be found in the discussions of Credit Quality and Future Changes in Accounting Policies, respectively, in this MD&A and in Note 8 to the consolidated financial statements.

Financial Instruments Measured at Fair Value

Cash resources, securities, securities purchased under resale agreements, securities sold under repurchase agreements, contingent consideration and derivative financial instruments are reported on the consolidated balance sheets at fair value.

CWB 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 non-market observable input.

The following table summarizes the significant financial assets and liabilities recorded on the consolidated balance sheets at fair value.

Table 28 - Valuation of Financial Instruments

($ thousands)

As at October 31, 2018	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial Assets				
Cash resources	**$ 153,221**	**$ 144,019**	**$ 9,202**	**$ -**
Securities	**2,084,752**	**219,570**	**1,865,182**	**-**
Loans	**26,551,146**	**-**	**-**	**26,551,146**
Derivative related	**2,496**	**-**	**2,496**	**-**
Total Financial Assets	**$ 28,791,615**	**$ 363,589**	**$ 1,876,880**	**$ 26,551,146**
Financial Liabilities				
Deposits	**$ 23,502,200**	**$ -**	**$ 23,502,200**	**$ -**
Securities sold under repurchase agreements	**95,126**	**-**	**95,126**	**-**
Debt	**1,942,472**	**-**	**1,942,472**	**-**
Contingent consideration[(1)]	**29,814**	**-**	**-**	**29,814**
Derivative related	**69,581**	**-**	**69,581**	**-**
Total Financial Liabilities	**$ 25,639,193**	**$ -**	**$ 25,609,379**	**$ 29,814**

As at October 31, 2017	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 521,796	$ 27,440	$ 494,356	$ -
Securities	2,186,987	285,998	1,900,989	-
Loans	23,649,806	-	-	23,649,806
Derivative related	12,393	-	12,393	-
Total Financial Assets	$ 26,370,982	$ 313,438	$ 2,407,738	$ 23,649,806
Financial Liabilities				
Deposits	$ 21,874,990	$ -	$ 21,874,990	$ -
Securities sold under repurchase agreements	58,358	-	58,358	-
Debt	1,437,516	-	1,437,516	-
Contingent consideration[(1)]	32,920	-	-	32,920
Derivative related	35,381	-	35,381	-
Total Financial Liabilities	$ 23,439,165	$ -	$ 23,406,245	$ 32,920

(1) The Level 3 financial liabilities at October 31, 2018 and 2017 are related to the acquisition of CWB Maxium and the CWT strategic transactions.

Notes 2, 4, 5, 6, 7, 12, 14, 16, 25 and 26 to the consolidated financial statements provide additional information regarding these financial instruments.

CHANGES IN ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

New and amended accounting pronouncements issued by the International Accounting Standards Board (IASB) did not result in a change in CWB's accounting policies during 2018.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of standards and amendments have been issued by the IASB, and the following changes may have an impact on CWB's future financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the complete version of IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 addresses classification and measurement of financial assets and liabilities, impairment and hedge accounting.

Additional guidance from regulatory bodies has been issued since the final release of IFRS 9. The Basel Committee on Banking Supervision (BCBS) issued *Guidance on credit risk and accounting for expected credit losses* and OSFI issued IFRS 9 *Financial Instruments and Disclosure*. OSFI's guidance sets the Canadian expectations for IFRS 9 adoption and is consistent with the BCBS guidance.

IFRS 9 is effective for CWB's fiscal year beginning on November 1, 2018. Amendments made to IFRS 7 *Financial Instruments: Disclosures* related to IFRS 9 are also effective November 1, 2018.

Transition

IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. CWB will not restate prior period comparative figures within the consolidated financial statements upon transition to IFRS 9 and will recognize an adjustment to opening retained earnings and accumulated other comprehensive income to reflect the application of the new requirements at the adoption date. Based on current estimates, the IFRS 9 transition is expected to increase retained earnings by approximately $23 million, after tax, and the CET1 ratio by approximately 10 basis points. The estimated impact relates primarily to the implementation of the new impairment guidelines under IFRS 9. CWB will continue to monitor and refine certain elements of the impairment process and related controls leading up to the interim consolidated financial statements for the period ended January 31, 2019.

The adoption of IFRS 9 is a significant initiative for CWB supported by a formal governance framework and a robust implementation plan. CWB's IFRS 9 transition activities in fiscal 2018 focused on operationalizing impairment models, building and refining an expected credit loss (ECL) estimation process, developing a comprehensive impairment governance framework and building required financial and regulatory disclosures to be provided on transition to IFRS 9 and going forward on a quarterly and annual basis. All material AIRB models, which are being leveraged to satisfy IFRS 9 requirements with consideration for specific differences between regulatory and accounting standards, were deployed into the business during 2018 and related scorecards are being populated to generate risk parameters for use in the estimation of ECL.

The transition to an expected credit loss approach under IFRS 9 is a significant accounting policy change compared to the IAS 39 incurred loss model. The two methodologies are fundamentally different and are not directly comparable, although both reflect CWB's conservative approach to managing credit quality and historical loss experience. The reduction in the allowance for credit losses related to performing loans upon transition to IFRS 9 is supported by the implementation of a robust, risk-based estimation approach, built on the foundation of CWB's AIRB models, that allows for enhanced projections of expected future credit losses, considering both CWB's historic strong underwriting and robust credit management processes, combined with forward looking economic forecasts. The new methodology also provides management with enhanced stress testing capabilities.

During the year, CWB updated governance frameworks impacted by the transition to IFRS 9 and implemented new controls related to key processes and significant areas of judgment. An Expected Credit Loss Committee, which includes senior management representation from Risk, Finance and the business was established to provide oversight to the IFRS 9 impairment process. The Expected Credit Loss Committee is responsible to review key inputs and assumptions used in ECL estimates and assess the appropriateness of performing loan allowances for credit losses.

The following is a summary of significant changes related to the implementation of IFRS 9:

Impairment

The most significant impact to CWB with the transition to IFRS 9 is the introduction of an ECL approach for calculating impairment that is applicable for financial assets measured at amortized cost, debt securities measured at fair value through other comprehensive income (FVOCI), and off-balance sheet loan commitments and financial guarantee contracts, which were previously provided for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The implementation of an ECL approach under IFRS 9, which results in the recognition of allowances for credit losses being recorded on financial assets regardless of whether there has been an actual loss event, is a significant change from the incurred loss model under IAS 39, with the largest impact being to loans.

The ECL approach categorizes financial assets into three stages based on changes in credit risk since inception. A financial asset can move between stages depending on improvement or deterioration of credit risk.

> **Stage one:** From initial recognition until the date on which a financial asset has experienced a significant increase in credit risk (SICR), the allowance for credit losses is measured based on ECL from defaults occurring in the next 12 months.
>
> **Stage two:** A financial asset migrates to stage two if it has experienced a SICR since initial recognition and the allowance for credit losses is measured based on ECL from defaults occurring over the remaining life of the asset.
>
> **Stage three:** When a financial asset is identified as credit-impaired, it migrates to stage three and an allowance for credit losses equal to full lifetime ECL is recognized. Interest income is recognized on the carrying amount of the asset, net of the allowance for credit losses.

CWB's specific allowances under IAS 39 will be replaced by stage three allowances under IFRS 9, while the collective allowance will be replaced by stage one and stage two allowances. The determination of impairment under IFRS 9 is expected to be generally consistent with the definition under IAS 39, with one exception. Under IAS 39, residential mortgages guaranteed or insured for both principal and interest by the Canadian government, a province or a Canadian government agency and loans that are fully secured and in the process of collection are not classified as impaired until payments are 365 days and 180 days in arrears, respectively. Under IFRS 9, all loans are classified as impaired when payments are contractually past due 90 or more days. The policy for the write-off of loans remains unchanged.

ECL represents the difference between all contractual cash flows that are due to CWB in accordance with the contract and the cash flows that are expected to be received, discounted to the reporting date using the original effective interest rate. ECL calculations are a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). PD, which represents the estimate of the likelihood of default, considers past events, current market conditions and forward-looking information over the 12-month or lifetime horizon. LGD represents an estimate of loss arising from default based on the difference between the contractual cash flows due and those that CWB expects to receive, including consideration for the amount and quality of collateral held. EAD represents an estimate of the exposure at a future default date, taking into account estimated future repayments of principal and draws on committed facilities. CWB is leveraging the models being developed for AIRB purposes within IFRS 9 ECL calculations, with consideration for specific differences between regulatory and accounting requirements.

For most financial instruments, CWB will measure ECL on an individual basis. Financial instruments for which allowances for credit losses will be measured on a collective basis are grouped based on similar credit risk characteristics.

There are several key concepts, which are subject to significant judgment, that will impact the level of allowances for credit losses and may increase the volatility of provisions upon transition to IFRS 9, including the determination of when a SICR has occurred, the measurement of both 12-month and lifetime ECL and the incorporation of forward-looking information through the use of multiple probability-weighted scenarios.

Assessment of SICR

The identification of a SICR is done on a relative basis by comparing the risk of a default occurring over the asset's remaining expected life at the reporting date and the date of initial recognition. The assessment is symmetrical in nature, allowing financial assets to migrate from stage two to stage one if it is no longer considered that credit risk has increased significantly relative to the date of initial recognition.

Movement between stages is impacted by changes in borrower-specific risk characteristics as well as changes in applicable forward-looking information. For CWB's loans, the main drivers considered in assessing whether a SICR has occurred will be relative changes in internal risk ratings since initial recognition, which incorporate borrower-specific risk factors and probability-weighted forward-looking macroeconomic factors, and certain other criteria, such as 30 days past due and watchlist status.

Expected Life

In respect to the lifetime of a financial asset, CWB considers the maximum contractual period over which CWB is exposed to credit risk. For most instruments, the expected life will be limited to the remaining contractual life, including prepayment and extension options. For certain revolving credit facilities, the expected life will be estimated based on the period over which CWB is exposed to credit risk and how credit losses are mitigated by management actions, including those taken as part of the credit review cycle.

Forecasting Forward-looking Information

The estimation of ECL and the assessment of SICR consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. With consideration of several external sources, CWB formulates a 'base case' view of the future direction of relevant economic variables, which is updated quarterly. A representative range of other possible forecast scenarios is developed to capture a wide range of probability-weighted outcomes. The 'base case' represents the expected outcome while other scenarios represent more optimistic or pessimistic outcomes. Key economic variables incorporated into CWB's estimate of ECL will include unemployment rates, residential mortgage rates, gross domestic product growth, housing resale price growth, the Canadian dollar/U.S. dollar exchange rate, interest rates and oil price. Where relevant, each macroeconomic scenario used in ECL estimations will include a projection of all relevant macroeconomic variables used in the models for a five-year period.

Expert Credit Judgment

The inputs and models used for estimating ECL may not always fully capture market conditions and risks at the reporting date and, as such, qualitative adjustments based on expert credit judgment that consider reasonable and supportable information may be incorporated.

Classification and Measurement

IFRS 9 introduces a principles-based approach for the classification of financial assets. Debt instruments, including loans and debt securities, are initially measured at fair value and are subsequently classified and measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the contractual cash flow characteristics of the instrument and the business model under which the asset is held. These categories replace the existing IAS 39 classifications of FVTPL, available-for-sale (AFS), loans and receivables, and held-to-maturity. With the exception of the impairment provisions discussed above, subsequent measurement of debt instruments classified at FVOCI under IFRS 9 is consistent with AFS debt instruments under IAS 39, with changes in fair value recorded in other comprehensive income, net of taxes, until the security is sold. Gains and losses realized on disposal of debt instruments classified at FVOCI are included in the consolidated statements of income. CWB has defined its significant business models and assessed the cash flow characteristics for all debt instruments under the scope of IFRS 9. As a result of the application of the classification and measurement requirements of IFRS 9, CWB expects to make the following reclassifications, none of which impact the carrying value of the assets:

- Interest bearing deposits with regulated financial institutions totaling approximately $27 million at October 31, 2018 will be reclassified from AFS under IAS 39 to FVOCI under IFRS 9.
- Debt securities totaling approximately $2.0 billion at October 31, 2018 will be reclassified from AFS under IAS 39 to FVOCI under IFRS 9.

Equity instruments are classified and measured at FVTPL unless an irrevocable election is made to designate them at FVOCI at the time of initial recognition. Unlike AFS equity securities under IAS 39, if the election is applied, gains and losses, including those that arise upon the sale of security, are recorded in OCI and are not subsequently reclassified to the consolidated statement of income. Equity securities are not subject to an impairment assessment under IFRS 9. Upon transition to IFRS9, preferred share securities totaling approximately $94 million at October 31, 2018 classified as AFS under IAS 39 will be designated as FVOCI.

Classification of financial liabilities is unchanged, but for financial liabilities measured at fair value, changes in fair value of an entity's own credit risk will be recognized in other comprehensive income rather than in profit or loss.

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management practices. IFRS 9 includes a policy choice to retain IAS 39 for hedging purposes pending the completion of the IASB's project on macro hedge accounting. CWB has elected to continue to apply the hedge accounting requirements of IAS 39 and will implement the revised hedge accounting disclosures that are required by the IFRS 9-related amendments to IFRS 7 in its fiscal 2019 Annual Report.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments and leases as these fall within the scope of other IFRSs. IFRS 15 is effective for CWB's fiscal year beginning on November 1, 2018.

On transition, there are two methods by which the new standard can be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in retained earnings as of the date of adoption. CWB will adopt IFRS 15 using the modified retrospective approach with the cumulative effect of the adjustment, if any, recognized as of November 1, 2018, subject to allowable and elected practical expedients.

CWB has performed detailed analysis on each revenue stream that is within the scope of the new standard and is finalizing its assessment of the impact upon adoption, including timing and measurement of revenue recognition, presentation of certain revenue and expense items, as well as additional qualitative and quantitative disclosures. As the majority of CWB's revenues are outside the scope of IFRS 15, CWB will not have a significant impact as a result of adopting the new standard.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16), which will replace IAS 17 *Leases*, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the consolidated statements of income. Short-term leases, which are defined as those that have a lease term of twelve months or less, and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for CWB's fiscal year beginning November 1, 2019. CWB is currently assessing the impact of adopting this standard.

IFRS 2 – Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2 *Share Based Payment Transactions* which provides additional guidance on the classification and measurement of cash-settled share-based payment transactions, share-based payment transactions with a net settlement feature for withholding tax obligations, and on the modification of share-based payment transactions changing from cash-settled to equity-settled. These amendments are effective for CWB's fiscal year beginning November 1, 2018 and will be applied prospectively. CWB will not have a significant impact from adopting the amendments.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a revised version of the Conceptual Framework for Financial Reporting which assists the IASB in developing IFRS standards and serves as an accounting policy guide when no IFRS standard applies. The revision is effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of the framework.

RISK MANAGEMENT

The shaded areas of this MD&A represent a discussion of risk management policies and procedures relating to credit, market and liquidity risks as required under IFRS, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas presented on pages 58 to 75 of this MD&A form an integral part of the audited consolidated financial statements for the year ended October 31, 2018.

CWB's Approach to Risk Management

Maintaining an integrated and disciplined approach to risk management is a key success factor for CWB. Effective risk management supports the creation of long-term shareholder value by providing a framework to optimize risk-adjusted returns on capital. CWB's risk management framework guides us in prudent, balanced and measured risk-taking aligned with CWB's Balanced Growth strategy.

The Enterprise Risk Management (ERM) group develops and maintains CWB's risk management framework. This framework encompasses risk culture, risk governance, risk appetite, risk policies, and risk management processes. The framework also provides independent review and oversight across the enterprise on risk-related issues.

CWB's Balanced Growth strategy and its long-term objective to be the best full-service bank for business owners in Canada requires continuous consideration, understanding and responsible management of all key risks at both the strategic and operational levels. CWB's core strategic objectives include an effective balance of risk and reward. This requires that each team member make common-sense business decisions by assessing risk and reward trade-offs considering CWB's Balanced Growth strategy and risk appetite, along with regulatory and legal requirements. Management consciously accepts risks to create long-term value for stakeholders and support the responsible and efficient delivery of products and services to valued clients, provided those risks:

- Are aligned with CWB's strategic objectives;
- Are thoroughly understood, measured and managed within the confines of well-communicated risk tolerances, including the highest ethical standards; and,
- Serve the interests of stakeholders, including clients, shareholders, creditors, employees, regulators and communities.

Highlights of 2018

Further enhancements to CWB's risk management framework were undertaken in 2018 as part of the ongoing development and implementation of CWB's risk management processes. Key initiatives included:

- Significant progress of CWB's multi-year project in support of an application for transition to the AIRB approach for risk and capital management. This transition will enhance CWB's competitive position and facilitate risk-based pricing, enable further optimization of capital allocation, facilitate business mix optimization, and enhance CWB's risk quantification, stress testing, and overall ERM capabilities;
- Developed and operationalized AIRB models and AIRB-based stress testing capabilities;
- Developed risk models and processes in support of IFRS 9 adoption on November 1, 2018;
- Further developed CWB's ERM function and the three lines of defence framework to provide consistent, transparent and clearly documented allocation of accountabilities and segregation of functional responsibilities;
- Developed a data governance framework and further enhanced CWB's framework for model governance;
- Continued to enhance risk analytics, economic forecasting and portfolio and systematic risk management capabilities;
- Continued to develop and implement a second line for risk-based pricing to support profitable growth;
- Continued to implement an operational risk management framework; and,
- Continued to enhance regulatory compliance risk management capabilities.

Outlook for Risk Management

CWB will continue to support enhanced risk management capabilities through further development of enterprise risk management and risk appetite frameworks, and related risk policies. Key risk management priorities for 2019 include: submission of CWB's final application for regulatory approval to transition to the AIRB approach for risk and capital management; further development of second line frameworks for liquidity and technology risk; development of CWB's economic capital framework; utilization of CWB's newly developed systematic risk management capabilities, including stress testing applications; and, production of an AIRB model-enabled ICAAP.

RISK MANAGEMENT OVERVIEW

Risk management processes are designed to complement CWB's overall size, level of complexity, risk profile and philosophy regarding risk. CWB's risk management philosophy emphasizes risk measurement, sound controls, effective governance, transparency and accountability. Selectively choosing and managing acceptable risks has been integral to CWB's ability to grow profitably in both favourable and adverse market conditions. A strong risk culture continues to be a cornerstone of CWB's approach to risk management.

As with all financial institutions, CWB is in the business of managing risk and is therefore exposed to various risk factors that could adversely affect its operating environment, financial condition and financial performance. Exposure to risk may also influence a client's decision to take loans and/or make deposits, and an investor's decision to buy, sell or hold CWB shares or other securities. Each of CWB's businesses is subject to certain risks that require unique mitigation strategies.

CWB has demonstrated its ability to effectively manage risks through conservative management practices based on a strong risk culture and a disciplined risk management approach; however, not all risks are within CWB's direct control.

A description of key internal and external risk factors management considers is included in this risk management discussion. CWB actively evaluates existing and potential risks to develop, implement and continually enhance appropriate risk mitigation strategies.

RISK MANAGEMENT STRENGTHS

- Secured lending business model;
- Disciplined underwriting with demonstrated strength through multiple credit cycles;
- Strong risk culture with robust risk management framework which addresses risks throughout CWB;
- Low operational risk profile;
- No trading book;
- In-depth knowledge of CWB's clients;
- Increasing geographic diversification;
- Low balance sheet leverage;
- Low average duration of lending portfolios; and,
- Relatively low exposure to economically sensitive unsecured retail lending portfolios.

RISK MANAGEMENT CHALLENGES

- Capital requirements under the *Standardized* approach which are insensitive to the underlying economic risk, and do not adequately reflect CWB's demonstrated risk management strengths through multiple credit cycles;
- Macroeconomic volatility, including the impacts of a protracted economic recovery from the 2015 – 2016 regional recession, recent regional commodity price differences, and constrained energy transportation infrastructure in Western Canada;
- Uncertainty related to renegotiation of standing free trade agreements which could affect the outlook for Canadian exports and future economic growth;
- Market volatility related to factors outside of CWB's control which affect investors' decisions to buy, sell or hold CWB shares or other securities;
- Increasing volume and complexity of regulatory requirements and expectations; and,
- The potential impact of higher interest rates on demand for credit and credit quality.

RISK MANAGEMENT PRINCIPLES

CWB's risk management principles are based on the premise that CWB is in the business of accepting risks for appropriate return. Management does not seek to eliminate financial risk, but seeks to manage risk appropriately and optimize risk-adjusted returns on capital. In conducting its business activities, CWB will take financial risks that are aligned with management's Balanced Growth strategy in a manner which is expected to create long-term value for shareholders. Risk management principles are therefore aligned with CWB's strategic objectives, and embedded within CWB's management practices.

The following principles guide the management of risks across all of CWB's operations:

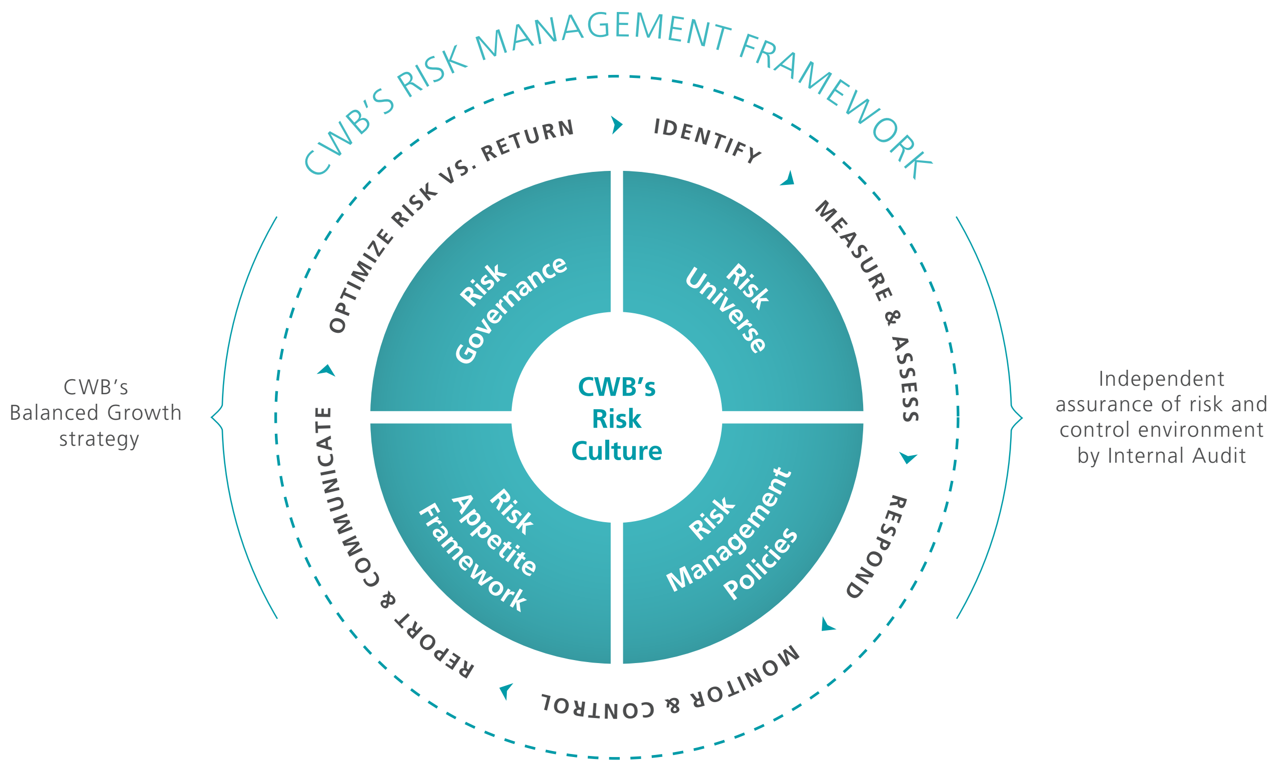
- An effective balance of risk and reward through alignment of business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through sound preventative and detection controls;
- An enterprise-wide view of risk and the acceptance of risks required to build the business with continuous consideration for how those risks may affect CWB's reputation;
- The belief that every employee is accountable to understand and manage the risks inherent in their respective day-to-day activities including identification of risk exposures, with communication and escalation of risk-based concerns;
- Use of common sense, sound judgment and fulsome risk-based discussions;
- Recognition that "knowing your client" reduces risks by ensuring the services provided are suitable for, and understood by, the client; and,
- Ongoing commitment to a three lines of defence risk governance framework with independent oversight and effective challenge from the second line, and an independent and effective Internal Audit function comprising the third line.

The mandate of CWB's ERM function is to provide independent oversight of risk-taking decisions, independent assessment of risk and effective challenge to the business. ERM establishes the enterprise-wide risk management framework to identify, measure, aggregate and report all material risks managed by the first line within CWB's three lines of defence framework. This includes oversight of risk governance policies, establishment of risk appetites and key risk metrics, and development of risk infrastructure, including all risk management processes and practices. ERM measures and reports risk exposures against risk appetite limits for all risk types, independent of the business.

RISK MANAGEMENT FRAMEWORK

The primary goal of risk management is to ensure that the outcomes of risk-taking are consistent with CWB's Balanced Growth strategy, related business activities and overall risk appetite. The enterprise risk management framework provides the foundation for achieving this goal. CWB utilizes the ISO 31000 Standard for Risk Management as a comprehensive framework to help ensure risk is managed effectively and efficiently.

Figure 4 – CWB's Risk Management Framework



CWB's risk culture is the core of the enterprise risk management framework, including risk management principles, values and accountabilities as defined within a three lines of defence framework. Key elements of CWB's risk management framework include Risk Governance, the Risk Universe, Risk Management Policies, and Risk Appetite Framework.

Principal risks within CWB's Risk Universe include: credit risk; capital risk; market risk, including interest rate risk, foreign exchange risk, liquidity and funding risk; and, operational risk. Reputational risk arises as a consequence of not managing other risks effectively.

RISK CULTURE

A strong risk culture emphasizes transparency and accountability. Organizations with a strong risk culture have a consistent and repeatable approach to risk management when making key business decisions, including regular discussions of risk and reviews of risk scenarios that can help management and the Board understand the inter-relationships and potential impacts of risks.

CWB's strong risk culture starts with an appropriate "tone at the top" that demonstrates and sends consistent and clear messages throughout the organization. Risk culture is demonstrated throughout CWB and is emphasized by the actions of senior management and the Board.

CWB's risk culture includes:

- "Tone at the top" as established through the CWB Code of Conduct and governance processes;
- CWB's core values of integrity, accountability, respect, common sense and caring;
- Effective integration of CWB's compensation strategy with desired risk behaviours; and,
- Risk management principles, policies and processes, including implementation of a three lines of defence framework.

CWB's three lines of defence framework provides a consistent, transparent, and clearly documented allocation of accountability and segregation of functional responsibilities. This segregation of responsibilities helps to establish a robust control framework that demonstrates CWB's risk culture, contributes to effective risk management and encourages continuous improvement of risk management practices. CWB's three lines of defence framework is described in table 29.

Table 29 – Three Lines of Defence Framework

First Line	Second Line	Third Line
Business and Support Areas	ERM and Support Functions	Internal Audit
Own and manage all risks within their lines of business Pursue suitable business opportunities within their established risk appetite and limits Act within their delegated risk-taking authority as set out in established policies Establish appropriate operating policies and internal control structures in accordance with the risk policies	Establish an enterprise risk management framework to provide a consistent and integrated view of risk exposures across CWB Set key risk metrics on which risk appetite and limits are based Establish policies, processes and practices that address all significant risks across CWB Independently assess, quantify, monitor, control and report all significant risk exposures against the risk appetite and limits Provide independent oversight, effective challenge and independent assessment of risk	Provide independent assurance to the Audit Committee as to the effectiveness and appropriateness of (and adherence to) the risk framework Independently audit first and second lines and report on their effectiveness in regard to respective functional responsibilities Independently review adherence to controls, policies, rules and regulations Identify operational weaknesses; recommend and track remediation actions

RISK APPETITE FRAMEWORK

CWB's risk appetite framework includes policies and processes to establish and monitor adherence to CWB's risk appetite, and outlines accountabilities for those overseeing its implementation. The purpose of the risk appetite framework is to define the type and amount of risk CWB is willing to assume through its business activities, while considering the priorities of all stakeholders. The risk appetite framework is forward-looking and integrates with CWB's Balanced Growth strategy, including consideration for CWB's capital plan and budget processes.

Key components of CWB's risk appetite framework include:

- Risk Capacity - the maximum level of risk CWB can assume before breaching regulatory or other stakeholders' constraints;
- Risk Appetite - the aggregate level and type of risk CWB is willing to assume; and,
- Risk Limits - the allocation of risk to specific risk categories, to business units, and/or to lines of business at the portfolio or product level. ERM measures, monitors, and manages CWB's risk profile to ensure the overall level of risk remains within specified risk limits. Early warning indicators are reported to the Executive Risk Committee and the Board Risk Committee, along with proposed actions to reduce the level of risk to within the approved risk appetite.

Key attributes of CWB's overall risk appetite include the following:

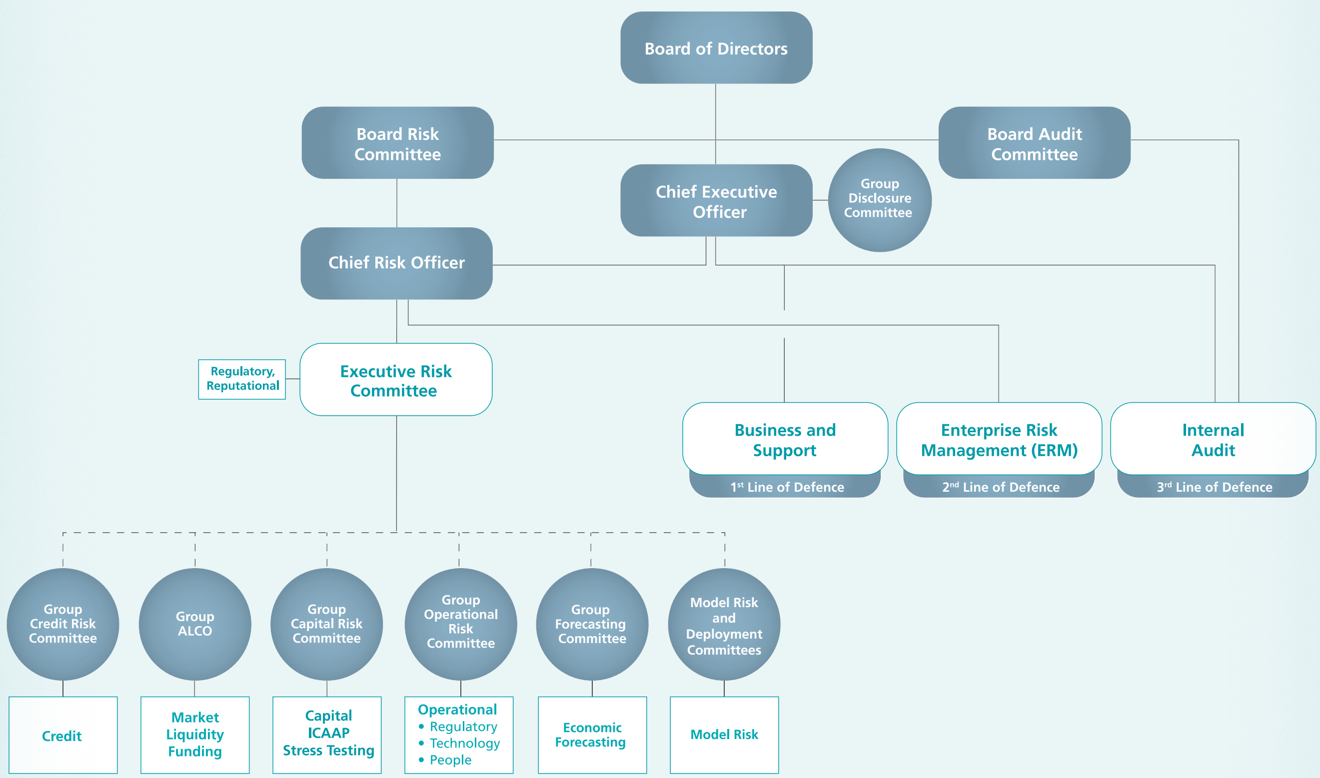
- A conservative risk culture that is prevalent throughout CWB, from the Board to senior management to front-line staff;
- A philosophy to only take risks that are aligned with CWB's Balanced Growth strategy and are expected to create long-term value for shareholders;
- A philosophy to only take risks that are transparent and understood, and that can be measured, monitored and managed;
- A philosophy to emphasize business lines where management has extensive knowledge and experience; for example, CWB has no direct exposure to wholesale banking businesses (investment banking, brokerage and trading) which are subject to significant earnings volatility and can lead to large unexpected losses compared to typical spread lending;
- Careful and diligent management of risks at all levels led by a knowledgeable and experienced management team committed to sound management practices and the promotion of a highly ethical culture;
- Targeted financial performance which supports maintenance of investment grade credit ratings to allow for competitive access to funding;
- Maintenance of effective policies, procedures, guidelines, compliance standards and controls, training and oversight to guide the business practices and risk-taking activities of all employees in support of CWB's reputation and adherence to all legal and regulatory obligations; and,
- Risk Appetites for key risk types are established based on both quantitative and qualitative risk types by ERM as the second line, endorsed by senior management and ultimately approved by the Board Risk Committee.

CWB conducts stress testing of relevant metrics on a regular basis to enable the identification and monitoring of potential vulnerabilities. The results from stress testing also help inform the Risk Appetite, and quarterly sensitivity testing of earnings and capital ratios ensures that CWB operates within Risk Limits.

Risk Management Governance Structure

The foundation of CWB's enterprise risk management framework is a governance approach, consistent with OSFI's Corporate Governance Guidelines, which includes a robust committee structure and a comprehensive set of corporate policies and limits approved by the Board of Directors, as well as supporting corporate standards and operating guidelines. The Risk Management Framework is governed through a hierarchy of committees and individual responsibilities as outlined in Figure 5:

Figure 5 – CWB's Enterprise-Wide Risk Management Framework



Board of Directors – responsible for overseeing management and the business of CWB. The Board, either directly or through its Committees, is responsible for oversight in the following areas: strategic planning, risk appetite, identification and management of risk, capital management, promoting a culture of integrity, internal controls, evaluation of senior management and succession planning, public disclosure and corporate governance.

Board Risk Committee – assists the Board in fulfilling its oversight responsibilities in relation to CWB's identification and management of risk, adherence to corporate risk management policies and procedures, and compliance with risk-related regulatory requirements. The Board Risk Committee also includes a Loan Adjudication Panel.

Board Governance Committee – assists the Board in fulfilling its oversight responsibilities with respect to developing CWB's corporate governance policies and practices.

Board Audit Committee – assists the Board in fulfilling its oversight responsibilities for the integrity of CWB's financial reporting, effectiveness of CWB's internal controls, and the performance of its internal and external audit functions.

Board Human Resources Committee – provides oversight of people-related risks, including employment practices and workplace health and safety, and ensures compensation programs appropriately align to, and support, CWB's risk appetite framework.

Chief Executive Officer (CEO) – directly accountable to the Board for all of CWB's risk-taking activities. The CEO is supported by the Executive Risk Committee and its sub-committees, as well as the Enterprise Risk Management (ERM) function.

Chief Risk Officer (CRO) – as head of ERM, responsible to provide independent review and oversight of enterprise-wide risks and leadership on risk issues, developing and maintaining a Risk Management Framework which includes key risk metrics and risk policies, and fostering a strong risk culture across the enterprise. The CRO reports functionally to the Board Risk Committee.

Executive Risk Committee – provides risk oversight and governance at the highest levels of management. The Executive Risk Committee reviews and discusses significant risk issues and action plans that arise in executing the enterprise-wide strategy. The Committee is chaired by the CRO and membership includes the full Executive Committee.

Sub-Committees of the Executive Risk Committee – the various sub-committees provide oversight of the processes whereby the risks assumed across the enterprise are identified, measured, monitored, held within delegated limits and reported in accordance with policy guidelines. They include:

Group Credit Risk Committee – approves loans within delegated limits and is responsible for ensuring that appropriate credit policies are in place. An escalation sub-committee of the Group Credit Risk Committee considers credit-related pricing and reputational issues that may be relevant to specific loans.

Group Asset Liability Committee (ALCo) – reviews and endorses operational policies and programs for liquidity management and control, funding sources, investments, foreign exchange risk, structural interest rate risk and derivatives risk.

Group Capital Risk Committee – responsible for the oversight of capital adequacy, CWB's regulatory capital plan, ICAAP and stress testing.

Group Operational Risk Committee – reviews the operational risk management framework, operational loss reporting and business continuity plans. Reviews action plans for mitigating and improving the management of operational risk.

Group Disclosure Committee – supports CEO/CFO certification over public disclosures. Responsible for reviewing CWB's internal control over financial reporting and disclosure controls and procedures to help ensure the accuracy, completeness and timeliness of public disclosures.

Economic Forecasting Committee – develops an enterprise view of the economic outlook.

Group Model Risk Committee – develops and oversees CWB's model risk management framework.

Group Model Deployment Committee – oversees enterprise-wide model deployment.

The following CWB oversight functions provide key support within the enterprise-wide risk management framework:

Oversight departments within ERM include:

- Credit Risk Management – responsible to assess, recommend, process and adjudicate credit applications and credit reviews within delegated loan approval authorities; and to provide second line oversight of credit risk.
- Regulatory Compliance Risk Management – responsible to provide second line oversight of regulatory compliance risk by establishing and maintaining the regulatory compliance risk-related policies, standards and protocols used by the first and second lines to identify, measure, communicate, respond to and control regulatory compliance risk, including risks related to anti-money laundering, anti-terrorist financing, and privacy. Regulatory Compliance assesses, monitors, and reports on regulatory compliance risk against the risk appetite framework.
- Risk Data Aggregation, Analytics, and Reporting (RDAAR) – responsible to develop, implement, and monitor risk measurement processes and validation methodologies to provide a comprehensive view of overall credit risk exposures. Ensures that credit risk exposures are measurable, and that adequate reporting is produced to facilitate the management of the portfolio within established limits, appetite and standards; and that regulatory requirements are satisfied.
- Integrated Risk Management – responsible for CWB's interest rate and liquidity risk management framework, providing second line oversight for interest rate and liquidity risk management; implements the operational risk management framework; operationalizes second line oversight of risk-based pricing; responsible for profitability reporting and analysis; as well as CWB's ICAAP.
- Model Vetting Team – responsible for development and maintenance of an enterprise-wide model risk management framework; and to monitor, effectively challenge and report on enterprise-wide model risk in accordance with related policy and guidelines.
- Risk Capital and IFRS 9 – produces risk-based expected credit losses (ECL) under IFRS 9.
- Risk Technology Group – responsible to deploy AIRB and other risk models within CWB's risk technology infrastructure and produce AIRB risk ratings.

ERM oversees the demand side of capital management, including risk capital and economic capital. Separate from ERM, CWB's Finance team provides independent oversight of processes to manage financial reporting and capital risk. In effect, Finance oversees the supply of capital adequacy and capital management. Finance also provides oversight on financial reporting, external credit ratings, regulatory reporting on accounting-related functions, finance-related issues and tax. This activity is overseen by CWB's CFO, who reports functionally to the Audit Committee.

RISK MANAGEMENT POLICIES

In order to support effective communication, implementation, and governance of CWB's risk management framework, ERM codifies processes and operational requirements in comprehensive management policies and operating guidelines. These policies and guidelines promote the application of a consistent approach to managing risk exposures across the enterprise. All risk policies are developed by the second line and approved by the Board Risk Committee or the full Board of Directors, on an annual basis.

RISK UNIVERSE – REPORT ON PRINCIPAL RISKS

CWB pursues risks that are aligned with CWB's Balanced Growth strategy and are expected to create value for shareholders. While CWB's operations are exposed to numerous types of risk, certain risks, identified as principal risks, have the greatest potential to materially impact operations and financial performance. These risks materially comprise CWB's risk universe as defined as part of its enterprise risk framework.

CREDIT RISK

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to fulfil its contractual commitment or obligation to CWB. Credit risk is comprised of default risk and credit migration, or downgrade risk. Credit default risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. Credit migration or downgrade risk refers to the risk of deterioration of credit quality of a borrower or counterparty.

Risk Overview

CWB's credit risk results from granting loans and leases to businesses and individuals. CWB's credit risk management culture reflects the unique combination of policies, practices, experience and management attitudes that support growth within chosen industries and geographic markets. Underwriting standards are designed to ensure an appropriate balance of risk and return, and are supported by established loan exposure limits in areas of demonstrated lending expertise. Concentration is measured against specified tolerance levels by geographic region, industry sector and product type. In order to minimize its potential loss given default, the vast majority of loans are secured by tangible collateral. CWB's approach to managing credit risk has proven to be very effective, as demonstrated by CWB's relatively stable long-term average annual provision for credit losses and customarily low write-offs measured as a percentage of total loans.

Refer to the Loans and Credit Quality sections of this MD&A for additional information.

Risk Governance

The credit approval process is centrally controlled, with all significant credit requests submitted to Credit Risk Management for adjudication. Credit Risk Management is independent of the originating business. Requests for credit approval beyond the lending limit of the CEO are referred to the Group Credit Risk Committee or the Board Risk Committee's Loan Adjudication Panel.

Risk Management

CWB is committed to a number of important principles to manage credit exposures, which include:

- Oversight provided by the Board Risk Committee;
- Delegated lending authorities that are clearly communicated to lenders and other personnel engaged in the credit granting process;
- Credit policies, guidelines and directives which are communicated within all branches, business lines and to officers whose activities and responsibilities include credit granting and risk assessment;
- Appointment of personnel engaged in credit granting who are both qualified and experienced;
- A standard credit risk-rating classification established for all credits;
- A review at least annually of credit risk-rating classifications and individual credit facilities (except consumer loans and single-unit residential mortgages);
- Quarterly review of risk diversification by geographic area, industry sector and product measured against assigned portfolio limits;
- Ongoing development of RDAAR reporting to assess portfolio risks at a granular level;
- Pricing of credits commensurate with risk to ensure an appropriate financial return;
- Management of growth while maintaining the quality of loans;
- Early recognition of problem accounts and immediate action to protect the safety of CWB's capital;
- Delegation of loans deemed to carry higher risks to a specialized loan workout group that performs an appropriate level of regular monitoring and close management;
- Independent reviews of credit evaluation, risk classification and credit management procedures by Internal Audit, which includes direct reporting of results to senior management, the CEO and the Audit Committee of the Board; and
- Detailed quarterly reviews of accounts rated less than satisfactory. Reviews include a recap of action plans for each less than satisfactory account, the completion of a watch list report recording accounts with evidence of weakness and an impaired report covering loans that show impairment to the point where a loss is possible. Subject to independent oversight, effective challenge and independent assessment by the second line. A summary report of less than satisfactory accounts is reviewed on a quarterly basis by the Board Risk Committee.

Credit Risk Concentration

Risk diversification is addressed by establishing portfolio limits by geographic area, industry sector and product. The policy is to limit loans to connected corporate borrowers to not more than 10% of CWB's shareholders' equity. During 2018, CWB amended its Credit Risk Concentration policy to increase the single risk exposure lending limit to $75 million from $50 million. The single risk exposure Credit Risk Concentration policy was last revised in 2005, when shareholders' equity was less than $0.5 billion, compared to more than $2.5 billion at October 31, 2018. For certain quality connections that confirm debt service capacity and loan security from more than one source, the connection limit was amended to $150 million from $100 million. CWB clients with larger borrowing requirements can be accommodated through loan syndications with other financial institutions.

Environmental Risk

While the day-to-day operations of CWB do not have a material impact on the environment, environmental risks include the risk of loss given default if a borrower is unable to repay loans due to environmental cleanup costs, and the risk of damage to CWB's reputation resulting from the same. In order to manage these risks, and to help mitigate CWB's overall impact on the environment, CWB evaluates potential environmental risks as part of its credit granting process. If potential environmental risks are identified that cannot be resolved to CWB's satisfaction, the application will be denied.

Reports on environmental inspections and findings are provided quarterly to the Board Risk Committee. Where financing is provided, Internal Audit will sample test loan files to ensure environmental studies required as a condition of financing are in place, including review for a transmittal letter from the author of the environmental study indicating that it may be relied upon for financing purposes.

Portfolio Quality

CWB's strategy is to maintain a quality, secured and diversified loan portfolio by engaging experienced personnel who provide a hands-on approach in credit granting, account management and timely action when problems develop. Lending is targeted to small- and medium-sized businesses, and to individuals. Relationship banking and "knowing your client" are important tenets of effective account management. Earning an appropriate financial return for the level of risk is also fundamental. Geographic diversification of the loan portfolio outside of Western Canada is achieved through ongoing strong growth within CWB's established businesses with a national footprint, including CWB Optimum, CWB National Leasing, CWB Maxium, CWB Franchise Finance, as well as participation in syndicated lending facilities primarily led by other Canadian banks, and periodically through acquisition.

For additional information, see the Loans and Credit Quality sections of this MD&A.

Market risk is the impact on earnings and on economic value of equity resulting from changes in financial market variables such as interest rates and foreign exchange rates. CWB's market risk is primarily comprised of structural interest rate risk on the balance sheet, and liquidity and funding risk. A smaller amount of market risk relates to investment risk in the relatively small discretionary investment portfolio, and foreign exchange risk.

Risk Overview

The most material market risks for CWB are those related to changes in interest rates. CWB does not have a trading book; it does not undertake market activities such as market making, arbitrage or proprietary trading and, therefore, does not have direct risks related to those activities.

A diversified cash and securities portfolio is maintained that is primarily comprised of high-quality debt instruments. These instruments are subject to price fluctuations based on movements in interest rates and volatility in financial markets. CWB has limited direct exposure to foreign exchange risk. CWB maintains exposure to preferred shares through its discretionary investment portfolio.

Risk Governance

Market risk is managed in accordance with the approved second line market risk policy and the accompanying first line policies. As the first line of defence, Treasury owns and manages CWB's market risk on a daily basis. ALCo provides tactical and strategic direction and is responsible for ongoing oversight, review and endorsement of operational policies. Integrated Risk Management monitors market risk exposure and reports to the Board Risk Committee against CWB's risk appetite.

Subcategories of Market Risk

Interest Rate Risk

Interest rate risk is the impact on earnings and economic value of equity resulting from changes in interest rates.

Structural interest rate risk arises when changes in interest rates affect the cash flows, earnings and values of assets and liabilities. The objective of structural interest rate risk management is to maintain an appropriate balance between earnings volatility and economic value volatility while keeping both within their respective risk appetite limits.

Structural interest rate risk arises due to the duration mismatch between assets and liabilities. Adverse interest rate movements may cause a reduction in earnings; and/or a reduction in the economic value of CWB's assets; and/or an increase in the economic value of CWB's liabilities. Structural interest rate risk is primarily comprised of duration mismatch risk and option risk embedded within the structure of products. Duration mismatch risk arises when there are differences in the scheduled maturity, repricing dates or reference rates of assets, liabilities and derivatives. The net duration mismatch, representing residual assets funded by common shareholders' equity, is managed to a target profile through interest rate swaps and CWB's cash and securities portfolio. Product-embedded option risk arises when product features allow customers to alter scheduled maturity or repricing dates. Such features include loan prepayment, deposit redemption privileges and interest rate commitments on un-advanced mortgages.

Variation in market interest rates can affect net interest income by altering cash flows and spreads. Variation in market interest rates can also affect the economic value of CWB's assets, liabilities and off-balance sheet (OBS) positions. Thus the sensitivity of CWB's economic value to fluctuations in interest rates is an important consideration for management, regulators and shareholders. The economic value of an instrument represents an assessment of the present value of the expected net cash flows, discounted to reflect market rates. By extension, the economic value of CWB's equity can be viewed as the present value of its expected net cash flows, defined as the expected cash flows on interest-sensitive assets minus the expected cash flows on interest-sensitive liabilities plus the expected net cash flows on OBS positions. In this sense, the economic value perspective reflects one view of the sensitivity of net worth to fluctuations in interest rates.

Management of structural interest rate risk balances short-term income volatility against volatility in the long-term value of CWB's equity. Treasury manages the economic value of the banking book to a "benchmark duration" which reflects this trade-off. Benchmark duration is approved by ALCo. The benchmark duration considers an appropriate trade-off between:

- Earnings volatility and volatility in the value of CWB's equity;
- Risk and return (e.g. increasing duration increases the exposure to rising interest rates, but also benefits net interest income when there is a positively sloping yield curve); and,
- Expected interest rate movements.

While management of the benchmark duration is the responsibility of the first line of defence (recommended by Treasury and approved by ALCo), the resulting risk exposure is maintained within CWB's risk appetite.

Risk Metrics

Structural interest rate risk is measured using simulations, earnings sensitivity and economic value sensitivity analysis, stress testing and gap analysis, in addition to other traditional risk metrics.

- Earnings at Risk - Earnings at risk (EaR) is defined as the potential reduction in net interest income due to adverse interest rate movements over a one-year horizon. It is measured both against stress scenarios historically observed (historical simulation or historical Value at Risk (VaR)) and standard parallel interest shocks (interest rate sensitivity).
- Economic Value of Equity at Risk - Economic value of equity at risk (EVaR) is defined as the potential reduction in economic value of CWB's equity due to adverse interest rate movements. This is not an earnings measure, but rather a value measure; and it is also measured against both stress scenarios historically observed (historical simulation or historical VaR) and standard parallel interest shocks (interest rate sensitivity).

CWB's Interest Rate Risk Exposures

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods. This is supplemented by historical VaR for economic value of CWB's equity, estimated by applying historical interest rate scenarios to interest sensitive assets and interest sensitive liabilities. These analyses are supplemented by stress testing of the asset liability portfolio structure, duration analysis and dollar estimates of net interest income sensitivity for periods of up to one year after Treasury hedging activity. The interest rate gap is measured at least monthly. Note 25 to the consolidated financial statements shows the gap position at October 31, 2018 for select time intervals.

The analysis in Note 25 is a static measurement of interest rate sensitivity gaps at a specific point in time, and there is potential for these gaps to change significantly over a short period. The impact on earnings from changes in market interest rates will depend on both the magnitude of and speed with which interest rates change, as well as the size and maturity structure of the cumulative interest rate gap position and the management of those positions over time.

The one-year and under cumulative gap represented 0.8% of total assets at October 31, 2018, compared to 2.5% one year ago, while the one-month and under gap was negative 1.8% compared to positive 1.2% one year earlier.

Interest rate risk is managed to ensure sustainable earnings over time, balancing the impact on current year earnings against changes in economic value at risk over the life of the asset and liability portfolios.

The estimated sensitivity of net interest income to a change in interest rates is presented in Table 30. The amounts represent the estimated change in net interest income over the time period shown resulting from a one percentage point change in interest rates. The estimates are based on a number of assumptions and factors, which include:

- A constant structure in the interest sensitive asset liability portfolio;
- 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.

Table 30 – Estimated Sensitivity of Net Interest Income as a Result of One Percentage Point Change in Interest Rates

($ thousands)

Impact of 1% increase in interest rates				
Period		2018		2017
90 days	$	3,987	$	1,637
1 year		6,234		8,324
1 year percentage change		0.86%		1.39%

Impact of 1% decrease in interest rates				
Period		2018		2017
90 days	$	(5,075)	$	(1,068)
1 year		(7,467)		(13,226)
1 year percentage change		(1.03)%		(2.21)%

It is estimated that a one-percentage point increase in all interest rates at October 31, 2018 would decrease unrealized gains related to available-for-sale securities and the fair value of interest rate swaps designated as hedges, and result in a reduction in other comprehensive income of approximately $105 million, net of tax (October 31, 2017 – $77 million); it is estimated that a one-percentage point decrease in all interest rates at October 31, 2018 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 $107 million, net of tax (October 31, 2017 – $76 million).

Management maintains the asset liability structure and interest rate sensitivity within CWB's established policies through pricing and product initiatives, as well as the use of interest rate swaps and other appropriate strategies. Differences in the respective sensitivity of net interest income and other comprehensive income to changes in interest rates compared to last year primarily reflects the current interest rate environment and balance sheet composition.

Foreign Exchange Risk

Foreign exchange risk is the risk to changes in earnings or economic value arising from changes in foreign exchange rates. This risk arises when various assets and liabilities are denominated in different currencies.

In providing financial services to its customers, CWB has assets and liabilities denominated in U.S. dollars. At October 31, 2018, assets denominated in U.S. dollars were 1.4% (2017 – 1.2%) of total assets and U.S. dollar liabilities were 1.6% (2017 – 1.4%) of total liabilities. Currencies other than U.S. dollars are not bought or sold other than to meet specific client needs. CWB has no material exposure to currencies other than U.S. dollars.

Policies have been established that include limits on the maximum allowable differences between U.S. dollar assets and liabilities. The difference is measured daily and managed by use of U.S. dollar forward contracts or other means. Policy respecting foreign exchange exposure is reviewed and approved at least annually by the Board Risk Committee. Any deviations from policy are reported regularly to ALCo and quarterly to the Board Risk Committee.

Liquidity risk is the risk that CWB cannot meet a demand for cash or fund its financial obligations in a cost efficient or timely manner as they become due. These financial obligations can arise from withdrawals of deposits, debt maturities or commitments to provide credit.

Risk Overview

CWB maintains a sound, prudent and conservative approach to managing exposure to liquidity risk, including targeting a contingency planning horizon under stressed operating conditions that may be caused by CWB-specific or systemic stress scenarios. The contingency planning horizon and related liquidity and funding management strategies comprise an integrated liquidity risk management program designed to ensure that CWB manages liquidity risk within an appropriate threshold.

CWB's key risk mitigation strategies include:

- An appropriate balance between the level of risks CWB undertakes and the corresponding cost of risk mitigation that considers the potential impact of extreme but plausible events;
- Broad funding access, including preserving and growing a reliable base of core deposits and continual access to diversified sources of funding;
- A comprehensive group-wide liquidity contingency plan supported by a pool of unencumbered high-quality liquid assets and marketable securities that would provide assured access to liquidity in a crisis; and,
- The maintenance of a liquidity position to manage current and future liquidity requirements while also contributing to the flexibility, safety and soundness of CWB under times of stress.

Refer to the Liquidity Management sections of this MD&A for additional information.

Risk Governance

Liquidity management is centralized to better facilitate the effective management of liquidity risk. The Board Risk Committee approves market risk management policies and delegates liquidity risk authorities to senior management. As the first line of defence, Treasury is responsible for managing the liquidity and funding risk. ALCo oversees the treasury function and provides tactical and strategic direction. Integrated Risk Management, as the second line, is responsible for independent oversight.

Risk Management

CWB has a comprehensive liquidity risk management policy. The key elements of managing liquidity risk for CWB include the following:

- Policies – Liquidity management policies establish targets for minimum liquidity, set the monitoring regime, and define authority levels and responsibilities. Policies are reviewed at a minimum annually by ALCo, Executive Risk Committee and the Board Risk Committee. Limit setting establishes acceptable thresholds for liquidity risk;
- Monitoring – Trends and behaviours regarding how clients manage their deposits and loans are monitored to determine appropriate liquidity levels. Active monitoring of the external environment is performed using a wide-range of sources and economic barometers;
- Measurement and modeling – CWB's liquidity model measures and forecasts cash inflows and outflows, including any cash flows related to applicable off-balance sheet activities over various risk scenarios;
- Reporting – Treasury oversight of all significant liquidity risks that support analysis, risk measurement, stress testing, monitoring and reporting to both ALCo and the Board Risk Committee;
- Stress testing – CWB performs liquidity stress testing on a regular basis to evaluate the potential effect of both systemic and CWB-specific (idiosyncratic) disruptions on CWB's liquidity position. Liquidity stress tests consider the effect of changes in funding assumptions, depositor behaviour and the market behaviour of liquid assets. CWB stress tests liquidity as per guidance from OSFI as described in the Liquidity Adequacy Requirement guideline. Stress test results are reviewed by ALCo and considered in making liquidity management decisions. Liquidity stress testing has many purposes, including, but not limited to:
  - helping the Board Risk Committee and senior management understand the potential behaviour of various positions on CWB's balance sheet in circumstances of stress; and,
  - facilitating the development of effective funding, risk mitigation and contingency plans.
- Contingency planning – A liquidity contingency plan is maintained that defines a liquidity event and specifies the desired approaches for analyzing and responding to actual and potential liquidity events. The plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential countermeasures to be considered at various stages of an event;
- Funding diversification – CWB actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. Supplementary funding sources currently include securitization, capital market issuance and whole loan sales; and,
- Core liquidity – CWB maintains a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company-specific events.

CWB remains in compliance with OSFI's Liquidity Adequacy Requirements guideline.

Contractual Obligations

CWB enters into contracts in the normal course of business that give rise to commitments of future minimum payments that may affect the liquidity position. In addition to the obligations related to deposits and subordinated debentures discussed in the Deposits and Liquidity Management sections of this MD&A, as well as Notes 14, 16, 20 and 24 of the consolidated financial statements, the following contractual obligations are outstanding at October 31, 2018:

Table 31 – Contractual Obligations

($ thousands)

	Within 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years	Total
Lease commitments	$ 13,912	$ 35,220	$ 8,971	$ 24,338	$ 82,441
Purchase obligations for operating and capital expenditures	1,856	2,493	-	-	4,349
October 31, 2018	**$ 15,768**	**$ 37,713**	**$ 8,971**	**$ 24,338**	**$ 86,790**
October 31, 2017	$ 17,288	$ 31,235	$ 19,828	$ 31,236	$ 99,587

Credit Ratings

CWB's ability to efficiently access capital markets funding on a cost-effective basis is partially dependent upon the maintenance of satisfactory credit ratings. Such credit ratings, accompanied with a stable or positive outlook, increase the breadth of clients and investors able to participate in various deposit and debt offerings, while also lowering CWB's overall cost of capital.

Credit ratings are largely determined by the quality of earnings, the adequacy of capital, the effectiveness of risk management programs and the opinions of rating agencies related to creditworthiness of the financial sector as a whole. There can be no assurance that CWB's credit ratings and the corresponding outlook will not be changed, potentially resulting in adverse consequences for funding capacity or access to capital markets. Changes in credit ratings may also affect the ability and/or the cost of establishing normal course derivative or hedging transactions. Credit ratings do not consider market price or address the 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.

The following table summarizes the credit ratings issued by DRBS for CWB, as well as the corresponding rating agency outlook, last confirmed with no changes on November 29, 2018.

Table 32 – Credit Ratings

Long-term senior debt and long-term deposits	Short-term instruments	Subordinated debt	Preferred shares	Outlook
A (low)	R1 (low)	BBB (high)	Pfd-3	Stable

CAPITAL RISK

Capital risk is the risk that CWB has insufficient capital resources, in either quantity or quality, to support economic risk taken, regulatory requirements, strategic initiatives and current or planned operations.

Risk Overview

CWB follows three main principles to facilitate the effective management of capital risk:

- Capital management involves a dynamic and ongoing process to determine, allocate and maintain appropriate amounts of capital.
- The optimal amount and composition of capital must consider regulatory requirements, as well as the expectation of CWB shareholders and other stakeholders.
- The objective of capital management is to ensure:
  - capital is, and will continue to be, adequate to maintain confidence in the safety and stability of CWB while also complying with required regulatory standards;
  - CWB has the capability to access appropriate sources of capital in a timely and cost-effective manner; and,
  - return on capital is sufficient to support projected business growth and satisfy the expectations of investors.

Risk Governance

The Board approves the annual regulatory capital plan, and the Board Risk Committee approves the periodic ICAAP and capital management policies. The Group Capital Risk Committee is responsible for capital risk management. The CFO as the head of Finance is responsible for the available capital as the supply side, while the CRO as the head of Risk is responsible for risk capital as the demand side.

In addition, Integrated Risk Management and Finance comprise the ICAAP core team and are closely involved in capital management. The core team is closely supported by other key departments, including Treasury, Credit Risk Management, Strategy and RDAAR.

Risk Management

The following are key elements of capital risk management:

- The annual regulatory capital plan, inclusive of the capital management policy and three-year capital projections;
- A quarterly regulatory capital risk update provided to the Board Risk Committee;
- Forecast models used to analyze the likely capital impact of projected operations, various balance sheet and income statement scenarios, approaches used to calculate regulatory capital, and/or significant transactions; and,
- Regulatory capital ratios reported to senior management and the Board on a monthly basis.

For additional information, please refer to the Capital Management section of this MD&A.

OPERATIONAL RISK

Operational risk is defined as the risk of loss due to unanticipated outcomes that result from inadequate or failed systems, processes, or human errors, as well as from external events. Exposure to operational risks arises from the people, processes, and systems that are established to serve CWB's clients and maintain the required functions of the enterprise.

Risk Overview

Operational risk is inherent in all of CWB's business activities including banking, trust, and wealth management, and operational risk managament is embedded in processes that support the management of principal risks such as credit, liquidity, market, and capital risk. CWB is exposed to operational risk from internal business activities, external threats and outsourced business activities. Its impact can be financial loss, loss of reputation, loss of competitive position, regulatory penalties, or failure in the management of other risks. While operational risk cannot be completely eliminated, proactive operational risk management is a key strategy to mitigate this risk. The primary financial measure of operational risk is actual losses incurred. CWB incurred no material losses related to operational risk in 2018 or 2017.

The regulatory framework requires certain amounts of capital to be allocated to support operational risk. CWB uses the *Standardized* approach to measure operational risk. CWB has a group-wide Operational Risk Management Policy to ensure that all employees understand their responsibilities with respect to operational risk management. The Operational Risk Management Policy encompasses a common language of risk coupled with programs and methodologies for identification, measurement, control, and management of operational risk.

Risk Governance

Business and support areas as the first line of defence are fully accountable for the management and mitigation of operational risks to which they are exposed. The CWB Group Operational Risk Committee oversees the implementation and adoption of the Operational Risk Management Policy across the enterprise and facilitates the involvement of necessary stakeholders in the first and second line of defence across the Group. Integrated Risk Management, as the second line is responsible for the continual enhancement of the Group Operational Risk Management Framework and supporting policies. The Board Risk Committee has ultimate oversight and approves the Group's Operational Risk Management Policy.

Risk Management

Following is a summary of strategies and factors that assist with the effective management of operational risk:

- Management remains close to operations, which helps to facilitate effective internal communication and operational control;
- Communication of, and training related to, the importance of effective operational risk management to all levels;
- Management that is very engaged with promoting CWB's operational risk tolerance and appetite; and,
- Ongoing enhancement of group-wide operational risk management processes.

Key elements of the Operational Risk Management Framework include:

- Common definitions of operational risk – CWB incorporates standard risk terms and certain key operational risk definitions as part of its operational risk management framework and supporting policies;
- Risk Control Assessments (RCA) – are utilized to develop a forward-looking view of operational risk exposure based on proactive identification of key sources of operational risk exposures. The results of RCAs are aggregated across the enterprise to evaluate the key sources of operational risks and compare relative exposures from different business activities;
- Operational risk reporting – Loss data monitoring is important to maintain awareness of identified operational risks and to assist management in taking constructive action to reduce exposures to future losses;
- Root cause analysis – For significant operational risk events CWB employs a standardized methodology for identifying the underlying cause of the operational failure and documenting the corrective actions taken by the affected areas to avoid similar breakdowns in the future; and,
- New initiative risk assessments – Integrated with CWB's change management process, requires project owners to proactively identify all relevant stakeholders across significant functional areas and conduct detailed RCAs for new initiatives.

Additional key components include:

- Implementation of policies and procedural controls appropriate to address identified risks (including segregation of duties and other fundamental checks and balances);
- Continual enhancements to fraud prevention processes, policies and communication;
- Established "whistleblower" processes and employee code of conduct;
- Maintenance of an outsourcing management program;
- At least annual assessment and benchmarking of business insurance;
- Human resource policies and processes to ensure staff are adequately trained for the tasks for which they are responsible and to enable retention and recruitment;
- A Regulatory Compliance team focused on key regulatory compliance areas such as privacy, anti-money laundering, anti-terrorist financing and consumer regulations;
- Use of technology that incorporates automated systems with built-in controls and active management of configuration and change management along with information security management programs;
- Enhanced focus on data quality as an important and strategic asset;
- Effective project management processes supported by a designated committee comprised of representatives of senior management; and,
- Continual updating and testing of procedures and contingency plans for disaster recovery and business continuity (including pandemic planning).

CWB has adopted an Operational Risk Taxonomy as part of its Operational Risk Management Framework. This taxonomy forms the basis for all operational risk management reporting, with loss events and identified risks categorized consistently. The taxonomy is based on 15 distinct risk types that are aligned within the seven Basel Operational Risk categories.

Table 33 – Operational Risk Taxonomy

Operational Risk Level	Description	Category
Financial crime risk	The risk of loss and reputational damage due to crimes committed against CWB, against its customers, or by its customers. Loss in this context refers to economic loss including time, recovery costs, and overhead.	External Fraud And Internal Fraud
Regulatory compliance risk	The risk of potential non-conformance with laws, rules, regulations and prescribed practices ("regulatory requirements") in any jurisdiction in which it operates. It does not include risk arising from non-conformance with ethical standards.	Clients, Products, and Business Practices
Damage to physical assets (excludes investment assets)	The risk of loss and reputational damage to physical assets caused by natural disaster, mechanical failures, or intentional or unintentional human actions.	Damage to Physical Assets
People risk	The risk that CWB cannot retain and attract sufficient qualified resources to implement its strategies and/or achieve its objectives.	Employment Practices and Workplace Safety
Business disruption risk	The risk of loss and reputational damage due to the failure to ensure the ongoing continuation of critical business operations caused by disruptions impacting the availability of staff, systems, and/or CWB premises.	Business Disruption and System Failure
Technology risk	The risk related to the operational performance, confidentiality, integrity and availability of our information, systems and infrastructure. The risk of loss and reputational damage due to information systems and services (including application systems and supporting technology infrastructure) failing to satisfy business requirements, caused by inadequately designed, maintained, and/or supported systems, applications and technology.	Business Disruption and System Failure
Information and cyber security risk	The risk of loss and reputational damage due to the compromising of CWB information assets (i.e., the unauthorized use, loss, damage, disclosure, or modification of company information and information systems) caused by a failure to protect CWB information assets. Cyber security risk is specifically related to the ongoing threat that systems and their data may be attacked, damaged or subject to unauthorized access.	External Fraud And Client, Products, and Business Practices
Accounting risk (excludes model errors related to financial statements)	The risk of loss and reputational damage due to misstatements of assets, liabilities and or/income, caused by internal financial control failures or deficiencies.	Execution, Delivery, and Process Management
Model risk	The risk of loss and reputational damage due to inaccurate model outputs or incorrect interpretations of model outputs, caused by inadequate model design, use and/or assumptions.	Execution, Delivery, and Process Management
Reporting risk	The risk of loss and reputational damage due to inadequate risk-related information being provided to senior management, the Board, and/or regulatory bodies, caused by incomplete, inaccurate or untimely risk reporting processes, systems and/or un-actioned risk reporting.	Execution, Delivery, and Process Management
Outsourcing and third-party supplier risk	The risk of loss and reputational damage due to a third-party service provider failing to deliver functionality and performance required to effectively support underlying business objectives, caused by inadequate selection, retention, oversight and/or monitoring of the relationship, or by inadequate contractual terms and conditions.	Execution, Delivery, and Process Management
Change management risk (excludes technology change)	The risk of loss and reputational damage due to a failure to effectively manage change to achieve the desired business requirements and objectives, caused by inadequate management (i.e., planning, execution, monitoring, oversight, and reporting) of significant business change.	Execution, Delivery, and Process Management
Process and execution risk	The risk of loss and reputational damage due to a failure to achieve the desired outcome caused by inadequately designed or executed processes.	Execution, Delivery, and Process Management
Product and customer/client selection risk (includes design, development, distribution, and sales)	The risk of loss and/or reputational damage due to the inability to effectively design, develop, distribute, and sell and/or attract/select profitable customers/ clients caused by a breakdown of the product development and sales distribution process, and/or the failure to properly vet customers/clients.	Clients, Products, and Business Practices
Fiduciary risk	Risk of loss and reputational damage due to CWB failing to meet professional obligations to its customers, clients and/or shareholders, caused by an inadequate understanding and/or execution of the obligation/ suitability requirements.	Clients, Products, and Business Practices

A discussion of several of CWB's key operational risks follows:

Regulatory Compliance Risk

The businesses operated by CWB are highly regulated through laws, rules, regulations and prescribed practices that have been put in place by various federal and provincial governments and regulators. Changes to applicable regulatory requirements, including changes in their interpretation or implementation, could adversely affect CWB. CWB's failure to comply with applicable laws, rules, regulations, and practices could result in sanctions, financial penalties and costs associated with litigation that could adversely impact earnings and damage reputation. Although most sources of regulatory compliance risk are outside of management's direct control, CWB takes what it believes to be reasonable and prudent measures designed to support compliance with governing laws and regulations. CWB has implemented a robust Regulatory Compliance Risk Management (RCRM) Policy and set of supporting protocols to identify, assess, communicate, manage, monitor and report on regulatory compliance risk across the enterprise.

Over the past several years, the intensity of supervisory oversight of all federally regulated Canadian financial institutions has increased significantly in terms of both regulation and new standards. This includes amplified supervisory activities, an increase in the volume of regulation, more frequent data and information requests from regulators, and shorter implementation time frames for regulatory requirements. Certain regulations may also impact CWB's ability to compete against both federally regulated and non-federally regulated entities. Effective management of regulatory risk and compliance in the current environment requires, and is expected to continue to require, considerable internal resources and the active involvement of senior management and the Board.

Notwithstanding the additional resources, the volume, pace and implementation of new and amended regulations and standards increases the risk of unintended consequences and non-compliance for all regulated entities. CWB continues to enhance its regulatory compliance risk management capabilities. A number of initiatives are underway to further its compliance risk management capabilities, in alignment with the RCRM Policy and CWB's three lines of defence risk governance framework.

People Risk

Competition for qualified employees in CWB's key markets remains apparent, reflecting the general level of economic activity and the needs of other financial services participants within and outside CWB's geographic footprint.

CWB intends to continually attract and retain sufficient qualified employees to successfully execute against its Balanced Growth strategy. Key related tactics include ongoing investment in a positive, rewarding and collaborative environment, a competitive total rewards offering, a specialized talent acquisition team, complemented by efforts to empower staff to deliver exceptional client experiences.

Inability to attract and retain an appropriate staff complement would adversely affect CWB's ability to achieve its strategic objectives.

Technology Risk

CWB is highly dependent upon information technology and supporting infrastructure, such as voice, data and network access. In addition to internal resources, various third-parties provide key components of the infrastructure and applications. Disruptions in information technology and infrastructure, whether attributed to internal or external factors, and including potential disruptions in the services provided by various third-parties, could adversely affect the ability of CWB to conduct regular business and/or deliver products and services to clients. Ongoing diligence is required to ensure systems are secure from threats. CWB currently has a number of technology projects underway which increase risk exposure related to information systems and technology. Management continuously identifies and assesses key services to ensure potential failure points are highlighted and related risk is mitigated the best possible way (i.e. upgrades, enhancements, new products). In the last year, CWB's technology team has worked closely with ERM to put further governance and rigour around the identification and evaluation of potential risks in the technology environment.

Information And Cyber Security Risk

CWB manages information security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. CWB relies upon a complete suite of advanced controls to protect itself and its customers from attack and has partnered with leading third-party service providers to provide counsel and support should the need arise. CWB regularly tests the completeness and effectiveness of its information and cyber security program and through ongoing vigilance has not experienced an information or cyber security event of any materiality.

Risks To CWB's Reputation

Damage to a financial institution's reputation and negative public perception is a common outcome of operational risk events that result from breakdowns in internal processes, people and systems or from external events. Negative public opinion can result from actual or alleged misconduct in any number of activities, either on the part of employees or external partners. Significant operational risk events typically lead to questions about business ethics and integrity, competence, corporate governance practices, quality and accuracy of financial reporting disclosures, or quality of products and service.

Negative public opinion could adversely affect CWB's ability to attract and retain clients and/or employees and could expose CWB to litigation and/or regulatory action. Responsibility for managing the impact of operational (and other) risks on CWB's reputation falls to all CWB employees, including senior management and the Board.

All directors, officers and employees have a responsibility to conduct their activities in accordance with the CWB Group's personal conduct policies and in a manner that minimizes Operational Risks. In addition to members of senior management, Strategy and Corporate Development, Regulatory Compliance, and Legal departments are particularly involved in managing the potential impact of operational risks on CWB's reputation.

OTHER RISK FACTORS

In addition to the risks described above, other risk factors, including those below and those identified in the forward-looking statements section, may adversely affect CWB's businesses and financial results.

GENERAL BUSINESS AND ECONOMIC CONDITIONS

CWB's overall financial performance is impacted by general business and economic conditions across the country. Several factors that could impact general business and economic conditions in CWB's markets include, but are not limited to, changes in: short-term and long-term interest rates; energy and other commodity prices, including regional commodity price differentials and the related impact of constrained energy transportation infrastructure; real estate prices; adverse global economic events and/or elevated economic uncertainties; inflation; exchange rates; levels of consumer, business and government spending; levels of consumer, business and government debt; and consumer confidence.

LEVEL OF COMPETITION

CWB's performance is impacted by the intensity of competition in the markets in which it operates. Client retention may be influenced by many factors, including relative client experience, the prices and attributes of products and services, changes in products and services, and actions taken by competitors.

ACCURACY AND COMPLETENESS OF INFORMATION ON CLIENTS AND COUNTERPARTIES

CWB depends on the accuracy and completeness of information about customers and counterparties. In deciding whether to extend credit or enter into other transactions with clients and counterparties, CWB may rely on information furnished by them, including financial statements, appraisals, external credit ratings and other financial information.

CWB may also rely on the representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on the reports of auditors. CWB's financial condition and earnings could be negatively impacted to the extent it relies on financial statements that do not comply with standard accounting practices, that are materially misleading, or that do not fairly present, in all material respects, the financial condition and results of operations of the customer or counterparties.

ABILITY TO EXECUTE GROWTH INITIATIVES AND STRATEGIC INFRASTRUCTURE PROJECTS

As part of its Balanced Growth strategy, CWB intends to continue growing its business through a combination of organic growth and strategic acquisitions. The ability to successfully grow its business organically will be dependent on successful execution of key business transformation efforts and infrastructure projects. The ability to successfully grow through acquisition will be dependent on a number of factors, including identification of accretive new business or acquisition opportunities, negotiation of purchase agreements on satisfactory terms and prices, approval of acquisitions by regulatory authorities, securing satisfactory regulatory capital and financing arrangements, and effective integration of newly acquired operations into the existing business. All of these activities may be more difficult to implement or may take longer to execute than management anticipates.

Further, the initiation of any new growth initiatives or infrastructure projects, and any significant expansion of the business may increase the operating complexity and divert management's attention away from established or ongoing business activities. Any failure to successfully manage strategic execution or acquisition strategies could have a material adverse impact on CWB's business, financial condition and results of operations.

ADEQUACY OF CWB'S RISK MANAGEMENT FRAMEWORK

The Risk Management Framework is made up of various processes and strategies for managing risk exposure. Given the structure and scope of its operations, CWB is primarily subject to credit, market (mainly interest rate), liquidity, operational, reputation, regulatory, environmental, and other risks. There can be no assurance that the framework to manage risks, including the framework's underlying assumptions and models, will be effective under all conditions and circumstances. If the risk management framework proves ineffective, CWB could be materially affected by unexpected financial losses and/or other harm.

CHANGES IN ACCOUNTING STANDARDS AND ACCOUNTING POLICIES AND ESTIMATES

The International Accounting Standards Board continues to change the financial accounting and reporting standards that govern the preparation of CWB's financial statements. These types of changes can be significant and may materially impact how CWB records and reports its financial condition and results of operations. Where CWB is required to retroactively apply a new or revised standard, it may be required to restate prior period financial statements.

OTHER FACTORS

CWB cautions that the above discussion of risk factors is not exhaustive. Other factors beyond CWB's control that may affect future results include changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, and the anticipation of and success in managing the associated risks.

UPDATED SHARE INFORMATION

As at November 29, 2018, there were 88,952,099 common shares and 2,833,461 stock options outstanding. On December 5, 2018, CWB's Board of Directors declared a cash dividend of $0.26 per common share, payable on January 3, 2019 to shareholders of record on December 14, 2018. This quarterly dividend is consistent with the prior quarter and 8% higher than the dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.275 per Series 5 Preferred Share, and a cash dividend of $0.390625 per Series 7 Preferred Share, both payable on January 31, 2019 to shareholders of record on January 22, 2019.

CONTROLS AND PROCEDURES

As of October 31, 2018, an evaluation was carried out on the effectiveness of CWB's disclosure controls and procedures. Based on that evaluation, the CEO and CFO have certified that the design and operating effectiveness of CWB's disclosure controls and procedures were effective.

Also at October 31, 2018, an evaluation was carried out on the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Based on that evaluation, the CEO and CFO have certified that the design and operating effectiveness of internal controls over financial reporting were effective.

These evaluations were conducted using the framework and criteria established in accordance with *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A Disclosure Committee, comprised of members of senior management, assists the CEO and CFO in their responsibilities. Management's evaluation of controls can only provide reasonable, not absolute, assurance that all control issues that may result in material misstatement, if any, have been detected.

There were no changes in CWB's ongoing internal controls over financial reporting that occurred during the year ended October 31, 2018 that have materially affected, or are reasonably likely to materially affect, CWB's internal controls over financial reporting. Prior to its release, this MD&A was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of CWB.

This Management's Discussion and Analysis is dated December 5, 2018.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Canadian Western Bank (CWB) and related financial information presented in this annual report have been prepared by management, who are responsible for the integrity and fair presentation of the information presented, which includes the consolidated financial statements, Management's Discussion and Analysis (MD&A) and other information. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards, including the requirements of the Bank Act and related rules and regulations issued by the Office of the Superintendent of Financial Institutions Canada. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators (CSA).

The consolidated financial statements, MD&A and related financial information reflect amounts which must, of necessity, be based on informed estimates and judgments of management with appropriate consideration to materiality. The financial information represented elsewhere in this annual report is fairly presented and consistent with that in the consolidated financial statements.

Management has designed the accounting system and related internal controls, and supporting procedures are maintained to provide reasonable assurance that financial records are complete and accurate, assets are safeguarded and CWB is in compliance with all regulatory requirements. These supporting procedures include the careful selection and training of qualified staff, defined division of responsibilities and accountability for performance, and the written communication of policies and guidelines of business conduct and risk management throughout CWB.

We, as CWB's Chief Executive Officer and Chief Financial Officer, will certify CWB's annual filings with the CSA as required by National Instrument 52-109 C*ertification of Disclosure in Issuers' Annual and Interim Filings*.

The system of internal controls is also supported by our internal audit function, which carries out periodic internal audits of all aspects of CWB's operations. The Chief Internal Auditor has full and free access to the Audit Committee and to the external auditors.

The Audit Committee, appointed by the Board of Directors, is comprised entirely of independent directors who are not officers or employees of CWB. The Committee is responsible for reviewing the consolidated financial statements and annual report, including the MD&A, and recommending them to the Board of Directors for approval. Other key responsibilities of the Audit Committee include meeting with management, the Chief Internal Auditor and the external auditors to discuss the effectiveness of certain internal controls over the financial reporting process and the planning and results of the external audit. The Committee also meets regularly with the Chief Financial Officer, Chief Internal Auditor and the external auditors without management present.

The Governance Committee, appointed by the Board of Directors, is comprised of directors who are not officers or employees of CWB. Their responsibilities include reviewing related party transactions and reporting to the Board of Directors, those related party transactions which may have a material impact on CWB.

The Office of the Superintendent of Financial Institutions Canada, at least once a year, makes such examination and inquiry into the affairs of CWB and its federally regulated subsidiaries as is deemed necessary or expedient to satisfy themselves that the provisions of the relevant Acts, having reference to the safety of depositors, are being duly observed and that CWB is in a sound financial condition.

KPMG LLP, the independent auditors appointed by the shareholders of CWB, have performed an audit of the consolidated financial statements and their report follows. The external auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom.

Chris H. Fowler
President and Chief Executive Officer

Carolyn J. Graham, FCPA, FCA
Executive Vice President and Chief Financial Officer

December 5, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canadian Western Bank

We have audited the accompanying consolidated financial statements of Canadian Western Bank, which comprise the consolidated balance sheets as at October 31, 2018 and October 31, 2017, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Western Bank as at October 31, 2018 and October 31, 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP
Chartered Professional Accountants

December 5, 2018
Edmonton, Canada

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2018	As at October 31 2017
Assets			
Cash Resources	(Note 4)		
Cash and non-interest bearing deposits with financial institutions		$ 73,822	$ 17,491
Interest bearing deposits with regulated financial institutions		26,825	503,895
Cheques and other items in transit		52,574	410
		153,221	521,796
Securities	(Note 5)		
Issued or guaranteed by Canada		1,325,816	1,307,298
Issued or guaranteed by a province or municipality		521,825	438,858
Other debt securities		143,536	308,421
Preferred shares		93,575	132,410
		2,084,752	2,186,987
Loans	(Note 7)		
Personal		5,247,160	4,725,715
Business		21,085,968	18,619,853
		26,333,128	23,345,568
Allowance for credit losses	(Note 8)	(128,529)	(116,329)
		26,204,599	23,229,239
Other			
Property and equipment	(Note 10)	59,098	56,115
Goodwill	(Note 11)	85,168	85,669
Intangible assets	(Note 11)	160,790	149,730
Derivative related	(Note 12)	2,496	12,393
Other assets	(Note 13)	271,339	205,524
		578,891	509,431
Total Assets		$ 29,021,463	$ 26,447,453
Liabilities and Equity			
Deposits	(Note 14)		
Personal		$ 14,483,686	$ 13,394,562
Business and government		9,216,271	8,508,420
		23,699,957	21,902,982
Other			
Cheques and other items in transit		28,489	55,545
Securities sold under repurchase agreements	(Note 6 and 9)	95,126	58,358
Derivative related	(Note 12)	69,581	35,381
Other liabilities	(Note 15)	531,953	455,009
		725,149	604,293
Debt			
Debt securities	(Note 9 and 16)	1,757,854	1,226,336
Subordinated debentures	(Note 16)	250,000	250,000
		2,007,854	1,476,336
Equity			
Preferred shares	(Note 17)	265,000	265,000
Common shares	(Note 17)	744,701	731,885
Retained earnings		1,649,196	1,488,634
Share-based payment reserve	(Note 18)	23,937	24,979
Other reserves		(97,082)	(49,453)
Total Shareholders' Equity		2,585,752	2,461,045
Non-controlling interests	(Note 19)	2,751	2,797
Total Equity		2,588,503	2,463,842
Total Liabilities and Equity		$ 29,021,463	$ 26,447,453

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

Robert L. Phillips
Chair of the Board

Chris H. Fowler
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended October 31
($ thousands, except per share amounts)

		2018	2017
Interest Income			
Loans		$ 1,185,530	$ 993,950
Securities		35,529	25,136
Deposits with regulated financial institutions		4,236	8,198
		1,225,295	1,027,284
Interest Expense			
Deposits		452,526	355,521
Debt		47,779	29,373
		500,305	384,894
Net Interest Income		724,990	642,390
Non-interest Income			
Credit related		32,165	34,012
Wealth management services		20,371	19,073
Retail services		10,334	10,758
Trust services		7,784	11,305
Gains (losses) on securities, net		(217)	664
Other		7,931	8,433
		78,368	84,245
Total Revenue		803,358	726,635
Provision for Credit Losses	(Note 8)	48,257	50,986
Acquisition-related Fair Value Changes	(Note 26)	20,094	18,295
Non-interest Expenses			
Salaries and employee benefits		237,228	220,416
Premises and equipment		62,754	60,348
Other expenses		73,501	64,702
		373,483	345,466
Net Income before Income Taxes		361,524	311,888
Income Taxes	(Note 22)	96,877	82,233
Net Income		264,647	229,655
Net income attributable to non-controlling interests		1,141	1,128
Shareholders' Net Income		263,506	228,527
Preferred share dividends		14,250	14,250
Common Shareholders' Net Income		$ 249,256	$ 214,277
Average number of common shares (in thousands)		88,806	88,297
Average number of diluted common shares (in thousands)		89,285	88,592
Earnings Per Common Share	(Note 23)		
Basic		$ 2.81	$ 2.43
Diluted		2.79	2.42

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended October 31
($ thousands)

	2018	2017
Net Income	**$ 264,647**	$ 229,655
Available-for-sale securities		
Gains (losses) from change in fair value[(1)]	**(19,945)**	4,021
Reclassification to net income[(2)]	**158**	(485)
	(19,787)	3,536
Derivatives designated as cash flow hedges		
Losses from change in fair value[(3)]	**(26,848)**	(22,089)
Reclassification to net income[(4)]	**(994)**	(3,321)
	(27,842)	(25,410)
Other Comprehensive Loss, Net of Tax	**(47,629)**	(21,874)
Comprehensive Income	**$ 217,018**	$ 207,781
Comprehensive income for the year attributable to:		
Shareholders	**$ 215,877**	$ 206,653
Non-controlling interests	**1,141**	1,128
Comprehensive Income	**$ 217,018**	$ 207,781

(1) Net of income tax of $7,351 (2017 – $1,463).
(2) Net of income tax of $59 (2017 – $179).
(3) Net of income tax of $9,930 (2017 – $8,128).
(4) Net of income tax of $367 (2017 – $1,222).

Items presented in other comprehensive income will be subsequently reclassified to the Consolidated Statements of Income when specific conditions are met.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended October 31
($ thousands)

		2018	2017
Retained Earnings			
Balance at beginning of year		$ 1,488,634	$ 1,354,966
Shareholders' net income		263,506	228,527
Dividends - Preferred shares	(Note 17)	(14,250)	(14,250)
- Common shares	(Note 17)	(88,819)	(82,107)
Increase in equity attributable to non-controlling interests ownership change		125	1,498
Balance at end of year		1,649,196	1,488,634
Other Reserves			
Balance at beginning of year		(49,453)	(27,579)
Changes in available-for-sale securities		(19,787)	3,536
Changes in derivatives designated as cash flow hedges		(27,842)	(25,410)
Balance at end of year		(97,082)	(49,453)
Preferred Shares	(Note 17)		
Balance at beginning and end of year		265,000	265,000
Common Shares	(Note 17)		
Balance at beginning of year		731,885	718,377
Issued on acquisition-related contingent consideration instalment payment	(Note 26)	5,750	-
Issued under dividend reinvestment plan		4,248	5,280
Transferred from share-based payment reserve on the exercise or exchange of options		2,818	8,228
Balance at end of year		744,701	731,885
Share-based Payment Reserve	(Note 18)		
Balance at beginning of year		24,979	31,276
Amortization of fair value of options		1,776	1,931
Transferred to common shares on the exercise or exchange of options		(2,818)	(8,228)
Balance at end of year		23,937	24,979
Total Shareholders' Equity		2,585,752	2,461,045
Non-controlling Interests	(Note 19)		
Balance at beginning of year		2,797	773
Net income attributable to non-controlling interests		1,141	1,128
Dividends to non-controlling interests		(1,431)	(670)
Partial ownership increase (decrease)		244	(117)
Increase in equity attributable to non-controlling interests		-	1,683
Balance at end of year		2,751	2,797
Total Equity		$ 2,588,503	$ 2,463,842

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended October 31
($ thousands)

		2018	2017
Cash Flows from Operating Activities			
Net income		**$ 264,647**	$ 229,655
Adjustments to determine net cash flows:			
Provision for credit losses	(Note 8)	**48,257**	50,986
Depreciation and amortization		**29,708**	30,692
Current income taxes receivable and payable, net		**(3,456)**	12,134
Amortization of fair value of employee stock options	(Note 18)	**1,776**	1,931
Accrued interest receivable and payable, net		**28,415**	(19,061)
Deferred income taxes, net		**(7,677)**	(10,638)
Net gains on CWT strategic transactions	(Note 3)	**(4,030)**	(5,726)
Losses (gains) on securities, net		**217**	(664)
Fair value change in contingent consideration	(Note 26)	**20,094**	18,295
Change in operating assets and liabilities			
Deposits, net		**1,796,975**	708,429
Loans, net		**(3,024,939)**	(1,322,714)
Securities sold under resale agreements, net		**36,768**	58,358
Securities purchased under resale agreements, net		**-**	163,318
Other items, net		**17,436**	46,543
		(795,809)	(38,462)
Cash Flows from Financing Activities			
Debt securities issued		**1,245,427**	739,177
Debt securities repaid		**(713,909)**	(456,039)
Dividends		**(98,821)**	(91,077)
Contributions by non-controlling interests		**1,316**	3,401
Dividends to non-controlling interests		**(1,431)**	(670)
Debentures redeemed		**-**	(75,000)
		432,582	119,792
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		**477,070**	386,621
Securities, purchased		**(2,892,129)**	(5,843,898)
Securities, sales proceeds		**1,266,827**	4,338,132
Securities, matured		**1,704,328**	1,031,966
Proceeds from CWT strategic transactions	(Note 3)	**4,135**	7,164
Partial ownership increase		**-**	(1,838)
Property, equipment and intangible assets		**(44,203)**	(28,846)
Acquisition-related contingent consideration instalment payment	(Note 26)	**(17,250)**	(10,132)
		498,778	(120,831)
Change in Cash and Cash Equivalents		**135,551**	(39,501)
Cash and Cash Equivalents at Beginning of Year		**(37,644)**	1,857
Cash and Cash Equivalents at End of Year *		**$ 97,907**	$ (37,644)
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		**$ 73,822**	$ 17,491
Cheques and other items in transit (included in Cash Resources)		**52,574**	410
Cheques and other items in transit (included in Other Liabilities)		**(28,489)**	(55,545)
Cash and Cash Equivalents at End of Year		**$ 97,907**	$ (37,644)
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		**$ 1,237,809**	$ 1,031,937
Interest paid		**462,691**	392,413
Income taxes paid		**88,116**	66,009

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

a) Reporting Entity

Canadian Western Bank (CWB) is a publicly traded, federally-regulated Canadian bank headquartered in Edmonton, Alberta. CWB is a diversified financial services organization serving businesses and individuals across Canada.

The consolidated financial statements were authorized for issue by the Board of Directors on December 5, 2018.

b) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of CWB and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as entities whose operations are controlled by CWB and are corporations in which CWB is the beneficial owner. Non-controlling interest in subsidiaries is presented on the consolidated balance sheets as a separate component of equity that is distinct from shareholders' equity. The net income attributable to non-controlling interest in subsidiaries is presented separately in the consolidated income statements. See Note 30 for details of the subsidiaries.

The consolidated financial statements have been prepared on a historic cost basis, except the revaluation of the following items: available-for-sale financial assets, derivative financial instruments and contingent consideration.

c) Statement of Compliance

These consolidated financial statements of CWB have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and 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 significant accounting policies used in the preparation of these financial statements, including the accounting requirements of OSFI, are summarized below and in the following notes.

d) Use of Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires CWB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements as well as the reported amount of revenues and expenses during the period. Key areas of estimation where CWB has made subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the allowance for credit losses, fair value of financial instruments, goodwill and intangible assets, deferred tax assets and liabilities, impairment of available-for-sale securities and fair value of stock options. Therefore, actual results could differ from these estimates.

e) Significant Judgments

Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is described in the following notes:

- Impairment of loans (Note 7)
- Allowance for credit losses (Note 8)

f) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the acquisition date. Contingent consideration is considered a financial instrument and, as such, is remeasured each period thereafter with the adjustment recorded to acquisition-related fair value changes in the consolidated statements of income. Acquisition-related costs are recognized as an expense in the income statement in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred, including any amount of any non-controlling interest in the acquiree, over the net of the recognized amounts of the identifiable assets acquired and the liabilities assumed.

CWB elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

g) Functional and Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is CWB's functional currency. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. Revenue and expenses in foreign currencies are translated at the average exchange rates prevailing during the period. Realized and unrealized gains and losses on foreign currency positions are included in non-interest income.

h) Provisions and Contingent Liabilities

Management exercises judgment in determining whether a past event or transaction may result in the recognition of a provision or the disclosure of a contingent liability. Provisions are recognized in the consolidated financial statements when management determines that it becomes probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated, considering all relevant risks and uncertainties. Management as well as internal and external experts are involved in estimating any amounts required. The actual costs of resolving these obligations may be significantly higher or lower than the recognized provision.

i) Specific Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as noted. To facilitate a better understanding of CWB's consolidated financial statements, the significant accounting policies are disclosed in the notes, where applicable, with related financial disclosures by major caption:

Note	Topic	Note	Topic
2	Financial instruments	15	Other liabilities
3	Strategic transactions	16	Debt
4	Cash resources	17	Capital stock
5	Securities	18	Share-based payments
6	Securities sold under repurchase agreements and purchased under resale agreements	19	Non-controlling interests
7	Loans	20	Contingent liabilities and commitments
8	Allowance for credit losses	21	Employee future benefits
9	Financial assets transferred but not derecognized	22	Income taxes
10	Property and equipment	23	Earnings per common share
11	Goodwill and intangible assets	24	Related party transactions
12	Derivative financial instruments	25	Interest rate sensitivity
13	Other assets	26	Fair value of financial instruments
14	Deposits	27	Financial instruments - offsetting
		28	Risk management
		29	Capital management
		30	Subsidiaries

j) Future Accounting Changes

A number of standards and amendments have been issued by the IASB, and the following changes may have an impact on CWB's future financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the complete version of IFRS 9 *Financial Instruments* (IFRS 9), which will replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 addresses classification and measurement of financial assets and liabilities, impairment and hedge accounting. IFRS 9 is effective for CWB's fiscal year beginning on November 1, 2018. Amendments made to IFRS 7 *Financial Instruments: Disclosures* related to IFRS 9 are also effective November 1, 2018.

Transition

IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. CWB does not plan to restate prior period comparative figures within the consolidated financial statements upon transition to IFRS 9 and will recognize an adjustment to opening retained earnings and accumulated other comprehensive income to reflect the application of the new requirements at the adoption date. Based on current estimates, the IFRS 9 transition is expected to increase retained earnings by approximately $23 million, after tax, and the common equity Tier 1 capital ratio by approximately 10 basis points. The estimated impact relates primarily to the implementation of the new impairment guidelines under IFRS 9. CWB will continue to monitor and refine certain elements of the impairment process and related controls leading up to the interim consolidated financial statements for the period ending January 31, 2019.

The adoption of IFRS 9 is a significant initiative for CWB supported by a formal governance framework and a robust implementation plan. For more details related to CWB's transition to IFRS 9, see the Future Changes in Accounting Policies section of the Management's Discussion and Analysis (MD&A).

Classification and Measurement

IFRS 9 introduces a principles-based approach for the classification of financial assets. Debt instruments, including loans and debt securities, are initially measured at fair value and are subsequently classified and measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the contractual cash flow characteristics of the instrument and the business model under which the asset is held. These categories replace the existing IAS 39 classifications of FVTPL, available-for-sale (AFS), loans and receivables, and held-to-maturity. With the exception of the impairment provisions discussed below, subsequent measurement of debt instruments classified at FVOCI under IFRS 9 is consistent with AFS debt instruments under IAS 39, with changes in fair value recorded in other comprehensive income, net of taxes, until the security is sold. Gains and losses realized on disposal of debt instruments classified at FVOCI are included in the consolidated statements of income.

CWB has defined its significant business models and assessed the cash flow characteristics for all debt instruments under the scope of IFRS 9. As a result of the application of the classification and measurement requirements of IFRS 9, CWB expects to make the following reclassifications, none of which impact the carrying value of the assets:

- Interest bearing deposits with regulated financial institutions totaling $26,825 at October 31, 2018 will be reclassified from AFS under IAS 39 to FVOCI under IFRS 9; and
- Debt securities totaling $1,991,177 at October 31, 2018 will be reclassified from AFS under IAS 39 to FVOCI under IFRS 9.

Equity instruments are classified and measured at FVTPL unless an irrevocable election is made to designate them at FVOCI at the time of initial recognition. Unlike AFS equity securities under IAS 39, if the election is applied, gains and losses, including those that arise upon the sale of the security, are recorded in other comprehensive income and are not subsequently reclassified to the consolidated statements of income. Equity securities are not subject to an impairment assessment under IFRS 9. Upon transition to IFRS 9, preferred share securities totaling $93,575 at October 31, 2018 classified as AFS under IAS 39 will be designated at FVOCI.

Classification of financial liabilities will be unchanged, except for financial liabilities measured at fair value, where changes in fair value of an entity's own credit risk will be recognized in other comprehensive income rather than in profit or loss.

Impairment

IFRS 9 also introduces a new expected credit loss (ECL) approach for estimating impairment on all financial assets measured at amortized cost, debt securities measured at FVOCI, and off-balance sheet loan commitments and financial guarantee contracts, which were previously provided for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The implementation of an ECL approach under IFRS 9, which results in the recognition of allowances for credit losses on financial assets regardless of whether there has been an actual loss event, is a significant change from the incurred loss model under IAS 39, with the largest impact being to loans reported on the consolidated balance sheets.

For performing assets, the IFRS 9 impairment model requires an entity to record 12-month ECL from the date an asset is first recognized and to record lifetime ECL if the asset has experienced a significant increase in credit risk (SICR) since initial recognition. For CWB's loans, the main drivers considered in assessing whether a SICR has occurred will be relative changes in internal risk ratings since initial recognition, which incorporate borrower-specific risk factors and probability-weighted forward-looking macroeconomic factors, and certain other criteria, such as 30 days past due and watchlist status. When a financial asset is identified as credit-impaired, an allowance for credit losses equal to full lifetime ECL is recognized, which is expected to be similar to CWB's current specific allowances.

IFRS 9 requires that the estimation of ECL and the assessment of SICR consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions.

Hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management practises. IFRS 9 includes a policy choice to retain IAS 39 for hedging purposes pending the completion of the IASB's project on macro hedge accounting. CWB has elected to continue applying IAS 39 hedging requirements and will implement the revised hedge accounting disclosures that are required by the IFRS 9-related amendments to IFRS 7 for the annual period ending October 31, 2019.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments and leases as these fall within the scope of other IFRSs. IFRS 15 is effective for CWB's fiscal year beginning on November 1, 2018.

On transition, there are two methods by which the new standard can be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in retained earnings as of the date of adoption. CWB will adopt IFRS 15 using the modified retrospective approach with the cumulative effect of the adjustment, if any, recognized as of November 1, 2018, subject to allowable and elected practical expedients.

CWB has performed detailed analysis on each revenue stream that is within the scope of the new standard and is finalizing its assessment of the impact upon adoption, including timing and measurement of revenue recognition, presentation of certain revenue and expense items, as well as additional qualitative and quantitative disclosures. As the majority of CWB's revenues are outside the scope of IFRS 15, CWB will not have a significant impact as a result of adopting the new standard.

IFRS 2 – Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2 *Share Based Payment Transactions* which provides additional guidance on the classification and measurement of cash-settled share-based payment transactions, share-based payment transactions with a net settlement feature for withholding tax obligations and on the modification of share-based payment transactions changing from cash-settled to equity-settled. These amendments are effective for CWB's fiscal year beginning November 1, 2018 and will be applied prospectively. CWB will not have a significant impact from adopting the amendments.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16), which will replace IAS 17 *Leases*, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the consolidated statements of income. Short-term leases, which are defined as those that have a lease term of twelve months or less, and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for CWB's fiscal year beginning November 1, 2019. CWB is currently assessing the impact of adopting this standard.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a revised version of the *Conceptual Framework for Financial Reporting* which assists the IASB in developing IFRS standards and serves as an accounting policy guide when no IFRS standard applies. The revision is effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of the framework.

2. FINANCIAL INSTRUMENTS

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

Financial assets include cash resources, securities, securities purchased under resale agreements, loans, derivative financial instruments and certain other assets. Financial liabilities include deposits, securities sold under repurchase agreements, derivative financial instruments, debt and certain other liabilities.

The use of financial instruments exposes CWB to credit, liquidity and market risk. A discussion of how these are managed can be found in the Risk Management section of the MD&A.

Income and expenses are classified as to source, either securities or loans for income, and deposits or debt for expense. Gains (losses) on the sale of securities, net and fair value changes in certain derivatives are classified to non-interest income. Contingent consideration fair value changes are classified as acquisition-related fair value changes in the consolidated statements of income.

3. STRATEGIC TRANSACTIONS

Equipment Loans and Leases and General Commercial Lending Assets

On January 31, 2018, CWB acquired a portfolio of equipment loans and leases and general commercial lending assets, which added $845,990 to performing loans at fair value. No goodwill or intangible assets were included in the purchase. No allowance for credit losses was recorded on the acquisition date and loans are evaluated for impairment at each balance sheet date using the same methodology as CWB loans.

Canadian Western Trust (CWT)

On August 16, 2017, CWB announced that CWT, a wholly-owned subsidiary of CWB, will no longer offer self-directed account services to clients holding certain securities, and CWT initiated a process to appoint successor trustees for these accounts. Pre-tax gains of $4,030 in 2018 (2017 – $5,726) related to these transactions are recorded in other non-interest income on the consolidated statements of income, reflecting sales proceeds less the carrying value of assets sold and related transaction costs. The carrying value of deposits transferred in fiscal 2018 totaled $30,409 (2017 – $71,259).

4. CASH RESOURCES

Cash resources include highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value. Cheques and other items in transit included in cash resources are recorded at cost and represent the net position of uncleared cheques and other items in transit.

Interest-bearing deposits with regulated financial institutions included in cash resources have been designated as available-for-sale and are reported on the consolidated balance sheets at fair value with changes in fair value reported in other comprehensive income, net of income taxes. At October 31, 2018, the fair value of deposits with regulated financial institutions was $26,825 (October 31, 2017 – $503,895), which is equal to amortized cost (October 31, 2017 – $18 lower than amortized cost). At October 31, 2018, $20,310 (October 31, 2017 – $17,895) of interest-bearing deposits with regulated financial institutions was restricted from use in relation to the securitization of equipment financing leases and loans.

5. SECURITIES

Available-for-sale securities are accounted for at settlement date and recorded on the consolidated balance sheets at fair value with changes in fair value recorded in other comprehensive income, net of income taxes, until the security is sold or becomes impaired. Interest income from securities, which includes amortization of premiums and discounts, is recognized using the effective interest method in the consolidated statements of income. Dividend income is recognized when the right to receive payment is established, which is typically on the ex-dividend date.

Securities are purchased with the original intention to hold the instrument to maturity or until market conditions render alternative investments more attractive. Gains and losses realized on disposal of securities and adjustments to record any impairment in value are included in non-interest income.

At each reporting date, CWB assesses whether there is objective evidence that available-for-sale securities are impaired. Objective evidence that a security is impaired can include significant financial difficulty of the issuer, indications that an issuer will enter bankruptcy or the lack of an active market for a security.

Impairment losses on available-for-sale securities are recognized by reclassifying the cumulative loss recognized in other comprehensive income to the income statement as gains (losses) on securities, net. The reclassified amount is the difference between the cost, net of any principal repayment and amortization, and the fair value, less any impairment previously recognized in net income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss is reversed, with the reversal recognized in net income.

The analysis of securities at carrying value, by type and maturity or reprice date, is as follows:

	Maturity/Reprice				
	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2018	As at October 31 2017
Securities Issued or Guaranteed by					
Canada	$ 322,435	$ 599,537	$ 403,844	$ 1,325,816	$ 1,307,298
A province or municipality	55,222	257,475	209,128	521,825	438,858
Other Debt Securities	61,205	54,951	27,380	143,536	308,421
Preferred Shares	14,022	57,654	21,899	93,575	132,410
Total	$ 452,884	$ 969,617	$ 662,251	$ 2,084,752	$ 2,186,987

The analysis of unrealized gains and losses on securities reflected on the balance sheet is as follows:

	As at October 31, 2018				As at October 31, 2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Issued or Guaranteed by								
Canada	$ 1,362,647	$ -	$ 36,831	$ 1,325,816	$ 1,327,541	$ 1,014	$ 21,257	$ 1,307,298
A province or municipality	531,798	-	9,973	521,825	443,510	137	4,789	438,858
Other Debt Securities	146,610	1	3,075	143,536	306,671	2,930	1,180	308,421
Preferred Shares	110,696	-	17,121	93,575	149,159	11	16,760	132,410
Total	$ 2,151,751	$ 1	$ 67,000	$ 2,084,752	$ 2,226,881	$ 4,092	$ 43,986	$ 2,186,987

The securities portfolio is primarily comprised of high-quality debt and equity instruments that are not held for trading purposes. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve as well as volatility in equity markets.

As at October 31, 2018, CWB assessed the securities with unrealized losses and, based on available objective evidence, concluded that the unrealized losses resulted from changes in interest rates and not from deterioration in the creditworthiness of the issuers. No impairment charges were included in gains (losses) on securities, net (2017 – nil).

6. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS AND PURCHASED UNDER RESALE AGREEMENTS

Securities sold under repurchase agreements represent a sale of Government of Canada securities by CWB effected with a simultaneous agreement to purchase them back at a specified price on a future date, which is generally short term. The difference between the proceeds of the sale and the predetermined cost to be paid on a resale agreement is recorded as deposit interest expense.

Securities purchased under resale agreements represent a purchase of Government of Canada securities by CWB effected with a simultaneous agreement to sell them back at a specified price on a future date, which is generally short term. The difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as securities interest income.

Securities purchased under resale agreements have been designated as available-for-sale and are reported on the consolidated balance sheets at fair value with changes in fair value reported in other comprehensive income, net of income taxes.

7. LOANS

Loans, including leases, are recorded at amortized cost and stated net of unearned income, unamortized premiums and allowance for credit losses (see Note 8). Interest income is recorded using the effective interest method.

Loans are determined to be impaired when payments are contractually past due 90 days, or where CWB has commenced realization proceedings, or where CWB is of the opinion that the loan should be regarded as impaired based on objective evidence. Objective evidence that a loan is impaired can include significant financial difficulty of the borrower, default or delinquency of a borrower, breach of loan covenants or conditions, or indications that a borrower will enter bankruptcy. An exception may be made where CWB determines that the loan is well secured and in the process of collection, and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to current status within 180 days from the date the payment went in arrears. All loans are classified as impaired when a payment is 180 days in arrears other than loans guaranteed or insured for both principal and interest by the Canadian government, a province or a Canadian government agency. These loans are classified as impaired when payment is 365 days in arrears.

Impairment is measured as the difference between the carrying value of the loan at the time it is classified as impaired and the present value of the expected cash flows (estimated realizable amount), using the original effective interest rate of the loan. When the amounts and timing of future cash flows cannot be reliably estimated, either the fair value of the security underlying the loan, net of any expected realization costs, or the current market price for the loan may be used to measure the estimated realizable amount. Impaired loans are returned to performing status when the timely collection of both principal and interest is reasonably assured, all delinquent principal and interest payments are brought current, and all charges for loan impairment have been reversed.

Loan fees integral to the yield on the loan, net of directly related costs, are amortized to interest income using the effective interest method. Premiums paid on the acquisition of loan portfolios are amortized to interest income using the effective interest method.

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

	As at October 31, 2018				As at October 31, 2017			
	Gross Amount	**Gross Impaired Amount[2]**	**Specific Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount[2]	Specific Allowance	Net Impaired Loans
Personal	**$ 5,247,160**	**$ 28,961**	**$ 647**	**$ 28,314**	$ 4,725,715	$ 19,816	$ 209	$ 19,607
Business								
General commercial loans	**7,458,010**	**21,815**	**5,484**	**16,331**	6,307,560	58,183	3,071	55,112
Commercial mortgages[1]	**4,865,183**	**29,376**	**3,290**	**26,086**	4,266,702	16,571	385	16,186
Real estate project loans	**3,854,681**	**9,920**	**2,000**	**7,920**	4,029,810	21,391	2,020	19,371
Equipment financing and leasing	**4,779,005**	**47,800**	**15,606**	**32,194**	3,892,150	50,760	10,132	40,628
Oil and gas production loans	**129,089**	**-**	**-**	**-**	123,631	1,540	800	740
Total	**$ 26,333,128**	**$ 137,872**	**$ 27,027**	**110,845**	$ 23,345,568	$ 168,261	$ 16,617	151,644
Collective Allowance[3]				**(119,766)**				(119,298)
Net Impaired Loans After Collective Allowance				**$ (8,921)**				$ 32,346

(1) Multi-family residential mortgages are included in commercial mortgages.
(2) Gross impaired loans include foreclosed assets with a carrying value of $6,628 (October 31, 2017 – $1,983). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit loss includes amounts related to committed but undrawn credit exposures and letters of credit and is not allocated by loan type (see Note 8).

During the year, interest recognized as income on impaired loans totaled $5,743 (2017 – $3,552).

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

	As at October 31, 2018			As at October 31, 2017		
	Gross Impaired Amount	**Specific Allowance**	**Net Impaired Loans**	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 77,018	$ 12,627	$ 64,391	$ 105,831	$ 6,270	$ 99,561
British Columbia	13,699	2,069	11,630	17,460	2,179	15,281
Ontario	16,829	3,016	13,813	19,169	3,134	16,035
Saskatchewan	8,957	1,330	7,627	8,273	1,485	6,788
Manitoba	9,873	4,006	5,867	6,635	1,099	5,536
Quebec	4,826	2,345	2,481	3,721	1,369	2,352
Other	6,670	1,634	5,036	7,172	1,081	6,091
Total	$ 137,872	$ 27,027	110,845	$ 168,261	$ 16,617	151,644
Collective Allowance[(1)]			(119,766)			(119,298)
Net Impaired Loans After Collective Allowance			$ (8,921)			$ 32,346

(1) The collective allowance for credit loss includes amounts related to committed but undrawn credit exposures and letters of credit and is not allocated by province.

Loans are considered past due when a customer has not made a payment by the contractual due date. These loans are not classified as impaired as they are either less than 90 days past due or well secured and collection efforts are reasonably expected to result in repayment or restoring it to current status in accordance with CWB's policy. Details of such past due loans follow:

As at October 31, 2018	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**More than 90 days**	**Total**
Personal	$ 51,904	$ 15,797	$ 691	$ 1,484	$ 69,876
Business	117,835	33,590	9,088	486	160,999
Total	$ 169,739	$ 49,387	$ 9,779	$ 1,970	$ 230,875
As at October 31, 2017	$ 110,336	$ 37,518	$ 6,116	$ 683	$ 154,653

The composition of CWB's loan portfolio by geographic region and industry sector is as follows:

($ millions)	BC	AB	ON	SK	MB	QC	Other	Total	Composition Percentage Oct. 31 2018	Composition Percentage Oct. 31 2017
Personal[(1)]	$ 1,420	$ 1,359	$ 2,018	$ 237	$ 113	$ -	$ 100	$ 5,247	20%	20%
Business										
General commercial loans	2,189	2,564	1,917	286	231	139	132	7,458	28	27
Commercial mortgages	2,045	2,167	199	279	156	18	1	4,865	19	18
Equipment financing and leasing[(2)]	708	1,239	1,297	453	227	523	332	4,779	18	17
Real estate project loans	2,532	954	191	132	46	-	-	3,855	15	17
Oil and gas production loans	-	112	-	17	-	-	-	129	-	1
	7,474	7,036	3,604	1,167	660	680	465	21,086	80	80
Total[(3)]	$ 8,894	$ 8,395	$ 5,622	$ 1,404	$ 773	$ 680	$ 565	$ 26,333	100%	100%
Composition Percentage										
October 31, 2018	34%	32%	21%	5%	3%	3%	2%	100%		
October 31, 2017	35%	33%	19%	6%	3%	2%	2%	100%		

(1) Includes mortgages securitized through the National Housing Act Mortgage Backed Securities program reported on-balance sheet of $609 (October 31, 2017 – $381) (see Note 9).
(2) Includes securitized leases and loans reported on-balance sheet of $1,622 (October 31, 2017 – $1,212) (see Note 9).
(3) This table does not include an allocation of the allowance for credit losses.

8. ALLOWANCE FOR CREDIT LOSSES

An allowance for credit losses is maintained which, in CWB's opinion, is adequate to absorb credit-related impairment losses incurred in its loan portfolio. The allowance for credit losses is calculated on individual loans (specific allowance) and on groups of loans, committed but undrawn credit exposures and letters of credit assessed collectively (collective allowance). The adequacy of the allowance for credit losses is reviewed at least quarterly. The allowance for credit losses related to drawn exposures is deducted from the outstanding loan balance. The allowance for credit losses related to committed but undrawn credit exposures and letters of credit is included with other liabilities. Losses expected from future events are not recognized.

Specific Allowance

The specific allowance includes all the accumulated provisions for losses on identified impaired loans required to reduce the carrying value of those loans to their estimated realizable amount. See Note 7 for the identification process of impaired loans.

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be objectively related to an event occurring after the impairment was recognized, the specific loan impairment allowance is reduced accordingly. The reversal of impairment is recognized in the consolidated statements of income in provision for credit losses.

Collective Allowance

The collective allowance for credit risk includes provisions for losses that have been incurred but have not yet been identified on an individual loan or account basis by CWB. As soon as information becomes available which identifies losses on individual loans within the collective group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective allowance for credit risk is established by taking into consideration:

- historical trends in the loss experience during economic cycles;
- the current portfolio profile;
- historical loss experience in portfolios of similar credit risk characteristics;
- the estimated period between impairment occurring and the loss being identified; and
- CWB's management judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

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

		2018			2017		
		Specific Allowance	**Collective Allowance**	**Total**	Specific Allowance	Collective Allowance	Total
Balance at beginning of year		**$ 16,617**	**$ 119,298**	**$ 135,915**	$ 16,269	$ 110,943	$ 127,212
Provision for credit losses		**47,789**	**468**	**48,257**	42,631	8,355	50,986
Write-offs		**(45,359)**	**-**	**(45,359)**	(47,094)	-	(47,094)
Recoveries		**7,980**	**-**	**7,980**	4,811	-	4,811
Balance at End of Year		**$ 27,027**	**$ 119,766**	**$ 146,793**	$ 16,617	$ 119,298	$ 135,915
Represented by:							
Loans		**$ 27,027**	**$ 101,502**	**$ 128,529**	$ 16,617	$ 99,712	$ 116,329
Committed but undrawn credit exposures and letters of credit	(Note 15)	**-**	**18,264**	**18,264**	-	19,586	19,586
Total Allowance		**$ 27,027**	**$ 119,766**	**$ 146,793**	$ 16,617	$ 119,298	$ 135,915

9. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Securitization of equipment financing leases and loans

CWB securitizes equipment financing leases and loans to third parties. These securitizations do not qualify for derecognition as CWB continues to be exposed to certain risks associated with the leases and loans, therefore, CWB has not transferred substantially all of the risk and rewards of ownership. As the leases and loans do not qualify for derecognition, the assets are not removed from the consolidated balance sheets and a securitization liability is recognized within debt securities for the cash proceeds received (see Note 16).

During 2018, CWB sold securitized equipment financing leases and loans of $1,178,726 to third parties (2017 - $679,352) for cash proceeds of $1,063,792 (2017 - $610,201).

Securitization of residential mortgages

CWB securitizes fully insured residential mortgage loans through the creation of mortgage-backed securities under the National Housing Act Mortgage Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The mortgage-backed securities are sold directly to third party investors, sold to the Canada Housing Trust (CHT) as part of the Canada Mortgage Bond (CMB) program or are held by CWB. The CHT issues CMBs, which are government guaranteed, to third party investors and uses resulting proceeds to purchase NHA MBS from CWB and other mortgage issuers in the Canadian market.

The third party sale of the mortgage pools that comprise the NHA MBS does not qualify for derecognition as CWB retains the credit and interest rate risks associated with the mortgages, which represent substantially all of the risks and rewards associated with the transferred assets. As a result, the mortgages remain on the consolidated balance sheets as personal loans and are carried at amortized cost. Cash proceeds from the third party sale of the mortgage pools, including those sold as part of the CMB program, are recognized within debt securities (see Note 16).

During 2018, CWB sold securitized residential mortgages of $184,213 to the CHT for cash proceeds of $181,635 (2017 - $39,957 sold for cash proceeds of $38,973) and did not sell any securitized residential mortgage directly to third party investors (2017 - $88,354 sold for cash proceeds of $90,003).

Securities sold under repurchase agreements

CWB enters into repurchase agreements under which it sells previously recognized securities, with a simultaneous agreement to purchase them back at a specific price on a future date, but retains substantially all of the credit, price, interest rate, and foreign exchange risks and rewards associated with the assets (see Note 6). These securities are not derecognized and the cash proceeds from the sale are recognized within other liabilities on the consolidated balance sheets.

Details about the nature of transferred financial assets that do not qualify for derecognition and the associated liabilities follow:

	2018		2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized leases and loans	**$ 1,621,943**	**$ 1,690,933**	$ 1,211,816	$ 1,248,146
Securitized residential mortgages	**277,942**	**271,492**	119,180	116,374
Securities sold under repurchase agreements	**95,126**	**95,126**	58,358	58,358
	1,995,011	**2,057,551**	1,389,354	1,422,878
Associated Liabilities(1)	**1,852,980**	**1,786,645**	1,284,694	1,280,758
Net Position	**$ 142,031**	**$ 270,906**	$ 104,660	$ 142,120

(1) Associated liabilities consist of $1,479,133 related to securitized leases and loans (2017 – $1,105,180), $278,721 related to residential mortgages securitized through the NHA MBS program (2017 – $121,156) and $95,126 related to securities sold under repurchase agreements (2017 – $58,358).

Additionally, CWB has securitized residential mortgages through the NHA MBS program totaling $330,599 with a fair value of $322,926 (2017 - $262,213 with a fair value of $256,038) that were not transferred to third parties.

10. PROPERTY AND EQUIPMENT

Land is carried at cost. Buildings, equipment and furniture, and leasehold improvements are carried at cost less accumulated depreciation and impairment.

Depreciation is calculated primarily using the straight-line method over the estimated useful life of the asset, as follows:

- Buildings: 20 years;
- Equipment and furniture: 3 to 10 years; and
- Leasehold improvements: over the shorter of the term of the lease and the remaining useful life.

When components of an item of property and equipment have different useful lives, they are accounted for as separate items. Gains and losses on disposal are recorded in non-interest income in the period of disposal. Property and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

	Leasehold Improvements	Land and Buildings	Computer Equipment	Office Equipment	Total
Cost					
Balance at November 1, 2017	$ 72,398	$ 18,754	$ 31,444	$ 40,842	$ 163,438
Additions	4,179	151	5,262	3,573	13,165
Disposals	(72)	-	(5)	(94)	(171)
Balance at October 31, 2018	76,505	18,905	36,701	44,321	176,432
Accumulated Depreciation and Impairment					
Balance at November 1, 2017	47,263	5,580	23,461	31,019	107,323
Depreciation for the year	4,133	549	2,684	2,816	10,182
Disposals	(72)	-	(5)	(94)	(171)
Balance at October 31, 2018	51,324	6,129	26,140	33,741	117,334
Net Carrying Amount at October 31, 2018	$ 25,181	$ 12,776	$ 10,561	$ 10,580	$ 59,098
Cost					
Balance at November 1, 2016	$ 70,146	$ 18,701	$ 28,319	$ 39,101	$ 156,267
Additions	2,486	53	3,918	2,777	9,234
Disposals	(234)	-	(793)	(1,036)	(2,063)
Balance at October 31, 2017	72,398	18,754	31,444	40,842	163,438
Accumulated Depreciation and Impairment					
Balance at November 1, 2016	43,399	5,016	21,921	28,601	98,937
Depreciation for the year	4,098	564	2,333	2,768	9,763
Disposals	(234)	-	(793)	(350)	(1,377)
Balance at October 31, 2017	47,263	5,580	23,461	31,019	107,323
Net Carrying Amount at October 31, 2017	$ 25,135	$ 13,174	$ 7,983	$ 9,823	$ 56,115

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

On the date of acquisition, goodwill arises on the acquisition of subsidiaries and represents the excess of the fair value of the purchase consideration, including any amount of any non-controlling interest in the acquiree, over the net recognized amounts of the identifiable assets, including identifiable intangible assets, and liabilities assumed. For the purposes of calculating goodwill, fair values of acquired assets and liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is performed using either market rates, or risk-free rates with risk-adjusted expected future cash flows.

Goodwill is stated at cost less impairment losses. Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing considering the business level at which goodwill is monitored for internal management purposes. On this basis, CWB's cash-generating units with goodwill allocated are:

- CWB Maxium Financial Inc. (MX);
- CWB National Leasing Inc. (NL);
- McLean & Partners Wealth Management Ltd. (M&P); and
- CWB Wealth Management Ltd. (WM).

	MX	NL	M&P	WM	Total
Balance at November 1, 2017	$ 38,869	$ 35,776	$ 7,099	$ 3,925	$ 85,669
Partial ownership change	-	-	(524)	23	(501)
Balance at October 31, 2018	**$ 38,869**	**$ 35,776**	**$ 6,575**	**$ 3,948**	**$ 85,168**
Balance at November 1, 2016	$ 38,869	$ 35,776	$ 6,306	$ 3,811	$ 84,762
Partial ownership change	-	-	793	114	907
Balance at October 31, 2017	$ 38,869	$ 35,776	$ 7,099	$ 3,925	$ 85,669

Intangible Assets

Intangible assets represent identifiable non-monetary assets and are acquired either separately through a business combination, or generated internally. Intangible assets with a finite useful life are recorded at cost less any accumulated amortization and impairment losses. The assets' useful lives are confirmed at least annually. Certain intangible assets, such as trademarks and trade names, have an indefinite useful life. These indefinite life intangibles are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred.

Amortization of acquisition-related intangible assets with finite useful lives is reported in other expenses and amortization of internally generated software is included in premises and equipment expenses on the consolidated statements of income and calculated on a straight-line basis from the date at which it is available for use as follows:

- Software and related assets: 3 to 15 years
- Customer relationships: 10 to 15 years
- Non-competition agreements: 4 to 5 years
- Other: 3 to 5 years

	Software and Related Assets	Customer Relationships	Trademarks and Tradenames	Non-competition Agreements	Other	Total
Cost						
Balance at November 1, 2017	**$ 154,761**	**$ 59,606**	**$ 6,632**	**$ 11,153**	**$ 5,150**	**$ 237,302**
Additions	**31,118**	**-**	**-**	**-**	**-**	**31,118**
Partial ownership change	**-**	**(395)**	**(68)**	**(69)**	**-**	**(532)**
Disposals	**(1,608)**	**-**	**-**	**-**	**-**	**(1,608)**
Balance at October 31, 2018	**184,271**	**59,211**	**6,564**	**11,084**	**5,150**	**266,280**
Accumulated Amortization						
Balance at November 1, 2017	**48,462**	**24,709**	**-**	**10,288**	**4,113**	**87,572**
Amortization	**13,212**	**5,036**	**-**	**751**	**527**	**19,526**
Disposals	**(1,608)**	**-**	**-**	**-**	**-**	**(1,608)**
Balance at October 31, 2018	**60,066**	**29,745**	**-**	**11,039**	**4,640**	**105,490**
Net Carrying Amount at October 31, 2018	**$ 124,205**	**$ 29,466**	**$ 6,564**	**$ 45**	**$ 510**	**$ 160,790**
Cost						
Balance at November 1, 2016	$ 141,927	$ 58,906	$ 6,514	$ 10,922	$ 5,150	$ 223,419
Additions	20,298	-	-	-	-	20,298
Partial ownership change	-	700	118	231	-	1,049
Disposals	(7,464)	-	-	-	-	(7,464)
Balance at October 31, 2017	154,761	59,606	6,632	11,153	5,150	237,302
Accumulated Amortization						
Balance at November 1, 2016	42,557	19,607	-	8,768	3,175	74,107
Amortization	13,369	5,102	-	1,520	938	20,929
Disposals	(7,464)	-	-	-	-	(7,464)
Balance at October 31, 2017	48,462	24,709	-	10,288	4,113	87,572
Net Carrying Amount at October 31, 2017	$ 106,299	$ 34,897	$ 6,632	$ 865	$ 1,037	$ 149,730

Impairment

The carrying amounts of CWB's intangible assets with finite useful lives are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication exists, CWB tests for impairment. For goodwill and intangible assets with indefinite useful lives, the impairment tests are performed each year.

Impairment testing is performed by comparing the estimated recoverable amount from a cash-generating unit with the carrying amount of its net assets, including attributable goodwill. The recoverable amount of an asset is the higher of its fair value less costs of disposal, and its value in use. If the recoverable amount is less than the carrying value, an impairment loss is charged to the consolidated statements of income.

The recoverable amounts for CWB's cash-generating units have been calculated based on the higher of their value in use and fair value less costs of disposal. Fair value less costs of disposal was determined by using a market-based approach of the associated cash-generating unit, whereby the fair value was based on an enterprise value as approved by management. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the cash-generating unit. Unless indicated otherwise, value in use was determined similarly as in the comparative year. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the five-year future business plan. Cash flows for a further 15-year period were extrapolated using a constant growth rate of 2.0% (2017 – 3.0%), which is based on the long-term forecast Canadian gross domestic product growth rate. The forecast period is based on CWB's long-term perspective with respect to the operation of these cash-generating units.
- A pre-tax discount rate of 10.1% (2017 – 9.8%) was applied in determining the recoverable amounts, which was comprised of a risk-free interest rate and a market risk premium.

The key assumptions described above may change as economic and market conditions change. CWB estimates that reasonable possible changes in these assumptions are not expected to cause the recoverable amounts of the cash-generating units to decline below the carrying amounts.

No impairment losses on goodwill or intangible assets were identified during 2018 or 2017.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate, foreign exchange, bond forward and equity swaps/contracts such as futures, options, swaps, floors and rate locks are entered into for risk management purposes in accordance with CWB's asset liability management policies. It is CWB's policy not to utilize derivative financial instruments for trading or speculative purposes. Interest rate swaps and floors are primarily used to reduce the impact of fluctuating interest rates. Equity swaps are used to reduce earnings volatility related to restricted share units and deferred share units linked to CWB's common share price. Bond forward contracts are used to manage interest rate risk related to the NHA MBS program. Foreign exchange contracts are used for the purposes of meeting the needs of clients, day-to-day business and liquidity management.

Use of Derivatives

CWB enters into derivative financial instruments for risk management purposes. Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index.

Derivative financial instruments primarily used by CWB include:

- interest rate swaps, which are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount;
- bond forward contracts, which are a contractual obligation to purchase or sell a bond at a predetermined future date;
- foreign exchange forwards and futures, which are contractual obligations to exchange one currency for another at a specified price for settlement at a predetermined future date; and
- equity swaps, which are agreements where CWB makes periodic interest payments to a counterparty and receives the capital gain or loss plus dividends of a CWB common share.

Interest rate swaps are used as hedging instruments to manage interest rate risk. CWB enters into these interest rate derivative instruments only for its own account and does not act as an intermediary in this market. The credit risk is limited to the amount of any adverse change in interest rates applied on the notional contract should the counterparty default. The Asset Liability Committee (ALCo) of CWB establishes and monitors approved counterparties (including an assessment of creditworthiness). Approved counterparties are limited to rated financial institutions or their associated parent/affiliate with a minimum rating of A high or equivalent.

In addition to monitoring the creditworthiness of counterparties, CWB limits its exposure to credit losses related to derivative financial instruments by entering into Credit Support Annexes that provide for the exchange of collateral between parties where the fair value of the outstanding transactions exceeds an agreed upon threshold.

Bond forward transactions are used as hedging instruments to manage interest rate risk on commitments on loans to be pooled through the NHA MBS program and issued as a CMB. CWB enters into bond forward transactions for its own account and does not act as an intermediary in this market. The risk is limited to the change in price of the bond due to adverse change in interest rates.

Exposure to foreign exchange risk is not material to CWB's overall financial position. Foreign exchange markets are not speculated in by taking a trading position in currencies. Maximum exposure limits are established and monitored by ALCo and are defined by allowable unhedged amounts. The position is managed within the allowable target range by spot and forward transactions or other hedging techniques.

Equity swap transactions are used as hedging instruments to manage risk related to the payout of restricted share units and deferred share units. CWB enters into equity swap instruments only for its own account and does not act as an intermediary in this market. The risk is limited to the amount of an increase in CWB's share price applied on the notional contract amount and any re-invested dividends should the counterparty default.

Designated Accounting Hedges

When designated as accounting hedges by CWB, certain derivative financial instruments are designated 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 forecast 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.

Interest income received or interest expense paid on derivative financial instruments designated as cash flow hedges is accounted for on the accrual basis and recognized as interest expense over the term of the hedge contract. Premiums on purchased contracts are amortized to interest expense over the term of the contract. Accrued interest receivable and payable and deferred gains and losses for these contracts are recorded in other assets or liabilities as appropriate.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time is held separately in accumulated other comprehensive income until the forecast transaction is eventually recognized in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in accumulated other comprehensive income is immediately reclassified to the statements of income.

Embedded Derivatives

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risk are not closely related to those of the host contract and the combined contract is not carried at fair value. Identified embedded derivatives are separated from the host contract and are recorded at fair value.

Fair Value

Derivative financial instruments are recorded on the balance sheet at fair value as either other assets or other liabilities with changes in fair value related to the effective portion of cash flow interest rate hedges recorded in other comprehensive income, net of income taxes. Changes in fair value related to the ineffective portion of a designated accounting hedge, a derivative not designated as an accounting hedge and all other derivative financial instruments are reported in other non-interest income on the consolidated statements of income.

The following table summarizes the derivative financial instrument portfolio and the related credit risk. Notional amounts represent the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts are not recorded on the consolidated balance sheets. They represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. The replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value and is inclusive of interest receivable related to the contracts, which is included with other assets on the consolidated balance sheets. The future credit exposure represents the potential for future changes in value and is based on a formula prescribed by OSFI. The credit risk equivalent is the sum of the future credit exposure and the replacement cost. The risk-weighted balance represents the credit risk equivalent, net of cash collateral held related to contracts with a positive fair value, weighted according to the creditworthiness of the counterparty as prescribed by OSFI. Additional discussion of OSFI's capital adequacy requirements is provided within the Capital Management section of the MD&A.

	As at October 31, 2018					As at October 31, 2017				
	Notional Amount	**Replace-ment Cost**	**Future Credit Exposure**	**Credit Risk Equivalent**	**Risk-Weighted Balance**	Notional Amount	Replace-ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-Weighted Balance
Interest rate swaps	**$ 4,908,000**	**$ 75**	**$ 19,440**	**$ 19,515**	**$ 3,903**	$ 3,553,000	$ 298	$ 8,365	$ 8,663	$ 1,733
Foreign exchange contracts	**189,128**	**238**	**1,891**	**2,129**	**429**	170,194	2,627	1,702	4,329	582
Equity swaps	**24,127**	**2,203**	**1,570**	**3,773**	**755**	22,459	9,526	1,527	11,053	877
Bond forward contracts	**15,000**	**55**	**-**	**55**	**11**	-	-	-	-	-
Total	**$ 5,136,255**	**$ 2,571**	**$ 22,901**	**$ 25,472**	**$ 5,098**	$ 3,745,653	$ 12,451	$ 11,594	$ 24,045	$ 3,192

The following table shows the derivative financial instruments split between those contracts that have a positive fair value (favourable contracts) and those that have a negative fair value (unfavourable contracts):

	As at October 31, 2018				As at October 31, 2017			
	Favourable Contracts		**Unfavourable Contracts**		Favourable Contracts		Unfavourable Contracts	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps designated as accounting hedges	**$ -**	**$ -**	**$ 4,908,000**	**$ (65,130)**	$ 195,000	$ 239	$ 3,358,000	$ (31,483)
Foreign exchange contracts	**27,195**	**238**	**161,933**	**(2,307)**	61,609	2,627	108,585	(3,898)
Equity swaps designated as accounting hedges	**9,008**	**2,203**	**9,277**	**(1,339)**	18,222	7,769	-	-
Equity swaps not designated as accounting hedges	**-**	**-**	**5,842**	**(805)**	4,237	1,758	-	-
Bond forward contracts designated as accounting hedges	**15,000**	**55**	**-**	**-**	-	-	-	-
Total	**$ 51,203**	**$ 2,496**	**$ 5,085,052**	**$ (69,581)**	$ 279,068	$ 12,393	$ 3,466,585	$ (35,381)

The aggregate contractual or notional amount of the derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus, the aggregate fair values of these financial assets and liabilities can fluctuate significantly from time to time.

The average fair values of the derivative financial instruments on hand during the year are set out in the following table:

	2018	2017
Favourable derivative financial instruments (assets)	**$ 9,248**	$ 7,847
Unfavourable derivative financial instruments (liabilities)	**$ 49,001**	$ 19,191

The following table summarizes maturities of derivative financial instruments and weighted average interest rates paid and received on contracts:

	As at October 31, 2018				As at October 31, 2017			
	Maturity				Maturity			
	1 Year or Less		More than 1 Year		1 Year or Less		More than 1 Year	
	Notional Amount	**Contractual Interest Rate**	**Notional Amount**	**Contractual Interest Rate**	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate
Interest rate swaps designated as accounting hedges(1)	**$ 1,070,000**	**1.72%**	**$ 3,838,000**	**1.98%**	$ 1,880,000	1.24%	$ 1,673,000	1.05%
Foreign exchange contracts(2)	**189,128**	**-**	**-**	**-**	170,194	-	-	-
Equity swaps designated as accounting hedges(3)	**9,233**	**2.85%**	**9,052**	**2.86%**	9,214	2.12%	9,008	2.18%
Equity swaps not designated as accounting hedges(4)	**5,842**	**2.65%**	**-**	**-**	4,237	2.02%	-	-
Bond forward contracts designated as accounting hedges(5)	**15,000**	**-**	**-**	**-**	-	-	-	-
Total	**$ 1,289,203**		**$ 3,847,052**		$ 2,063,645		$ 1,682,008	

(1) CWB receives interest at a fixed contractual rate and pays interest on the one-month (30-day) Canadian Bankers' Acceptance rate. Interest rate swaps designated as accounting hedges outstanding at October 31, 2018 mature between January 2019 and October 2023.
(2) Foreign exchange contracts outstanding at October 31, 2018 mature between November and December 2018. The contractual interest rate is not meaningful for foreign exchange contracts.
(3) Equity swaps designated as accounting hedges outstanding at October 31, 2018 mature between June 2019 and June 2021.
(4) Equity swaps not designated as accounting hedges outstanding at October 31, 2018 mature in June 2019.
(5) Bond forward contracts outstanding at October 31, 2018 mature in December 2018.

During the year, $26,848 net unrealized after-tax losses (2017 – $ 22,089) were recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged items affect income.

During the year, $994 of net gains after tax (2017 – $3,321) were reclassified to net income.

At October 31, 2018, hedged cash flows are expected to occur and affect profit or loss within the next five years (2017 – five years).

13. OTHER ASSETS

		As at October 31 2018	As at October 31 2017
Accrued interest receivable		**$ 77,004**	$ 67,805
Accounts receivable		**60,533**	36,013
Derivative collateral receivable	(Note 27)	**55,550**	34,660
Deferred tax asset	(Note 22)	**45,877**	39,701
Prepaid expenses		**9,181**	7,498
Income tax receivable		**7,547**	3,710
Financing costs(1)		**6,480**	5,682
Other		**9,167**	10,455
Total		**$ 271,339**	$ 205,524

(1) Amortization for the year amounted to $2,502 (2017 - $2,262).

14. DEPOSITS

Deposits are accounted for on an amortized cost basis. Costs relating to the issuance of fixed term deposits are amortized over the expected life of the deposit using the effective interest method.

	As at October 31, 2018					
		Individuals		Business and Government		Total
Payable on demand	$	35,889	$	716,156	$	752,045
Payable after notice		3,684,259		3,157,875		6,842,134
Payable on a fixed date		10,763,538		5,342,240		16,105,778
Total	$	14,483,686	$	9,216,271	$	23,699,957

	As at October 31, 2017					
		Individuals		Business and Government		Total
Payable on demand	$	37,984	$	791,358	$	829,342
Payable after notice		3,699,356		3,112,419		6,811,775
Payable on a fixed date		9,657,222		4,604,643		14,261,865
Total	$	13,394,562	$	8,508,420	$	21,902,982

A summary of all outstanding deposits payable on a fixed date by contractual maturity date is as follows:

		As at October 31 2018		As at October 31 2017
Within 1 year	$	6,108,436	$	6,523,479
1 to 2 years		3,830,943		3,098,182
2 to 3 years		3,344,859		1,870,404
3 to 4 years		1,320,789		1,832,669
4 to 5 years		1,500,751		937,131
Total	$	16,105,778	$	14,261,865

15. OTHER LIABILITIES

			October 31 2018		October 31 2017
Accounts payable and accrued liabilities		$	290,560	$	230,187
Accrued interest payable			164,171		126,557
Contingent consideration	(Note 26)		29,814		32,920
Provisions for committed but undrawn credit exposures and letters of credit	(Note 8)		18,264		19,586
Income taxes payable			9,794		9,413
Deferred tax liability	(Note 22)		5,745		7,252
Deferred revenue			5,534		3,970
Leasehold inducements			3,170		3,698
Derivative collateral payable	(Note 27)		-		6,670
Other			4,901		14,756
Total		$	531,953	$	455,009

16. DEBT

a) Debt Securities

A summary of outstanding debt related to the securitization of equipment financing leases and loans and residential mortgages by contractual maturity date is as follows (see Note 9):

	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2018	As at October 31 2017
Securitized leases and loans	$ 548,218	$ 713,788	$ 217,127	$ 1,479,133	$ 1,105,180
Securitized residential mortgages	26,299	103,533	148,889	278,721	121,156
Total	$ 574,517	$ 817,321	$ 366,016	$ 1,757,854	$ 1,226,336

b) Subordinated Debentures

Financing costs relating to the issuance of subordinated debentures are amortized over the expected life of the related subordinated debenture using the effective interest method.

The following qualifies as a bank debenture under the Bank Act and is subordinate in right of payment to all deposit liabilities. All redemptions are subject to the approval of OSFI.

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2018	As at October 31 2017
3.463%[1]	December 17, 2024	December 17, 2019	$ 250,000	$ 250,000

(1) These conventional debentures have a 12-year term with a fixed interest rate for the first seven years. Thereafter, the interest rate will be reset quarterly at the 3-month CDOR plus 160 basis points.

17. CAPITAL STOCK

Authorized:

- An unlimited number of common shares without nominal or par value;
- 33,964,324 class A shares without nominal or par value; and
- An unlimited number of first preferred shares, without nominal or par value, issuable in series, provided that the maximum aggregate consideration for all outstanding first preferred shares at any time does not exceed $1,000,000.

Issued and fully paid:

		2018		2017	
		Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 5					
Outstanding at beginning and end of year		5,000,000	$ 125,000	5,000,000	$ 125,000
Preferred Shares - Series 7					
Outstanding at beginning and end of year		5,600,000	140,000	5,600,000	140,000
		10,600,000	265,000	10,600,000	265,000
Common Shares					
Outstanding at beginning of year		88,494,353	731,885	88,103,120	718,377
Issued on acquisition-related contingent consideration instalment payment	(Note 26)	160,293	5,750	-	-
Issued under dividend reinvestment plan		119,174	4,248	177,731	5,280
Issued on exercise or exchange of options[1]		178,279	2,818	213,502	8,228
Outstanding at end of year		88,952,099	744,701	88,494,353	731,885
Share Capital			$ 1,009,701		$ 996,885

(1) Represents shares issued and amounts transferred from the share-based payment reserve to share capital upon cashless settlement of option exercises.

CWB is prohibited by the Bank Act from declaring any dividends on common shares when CWB is or would be placed, as a result of the declaration, in contravention of the capital adequacy and liquidity regulations or any regulatory directives issued under the Bank Act. This limitation does not restrict the current level of dividends.

a) Common shares

On September 27, 2018, CWB announced the approval of OFSI and the Toronto Stock Exchange to repurchase for cancellation up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, under a normal course issuer bid (NCIB) during the 12 month period commencing October 1, 2018. The previous NCIB for the purchase of up to 1,767,000 common shares was for the 12 month period commencing on September 30, 2017. No common shares have been repurchased under either NCIB.

b) Preferred Shares

Non-Viability Contingent Capital Preferred Share Rights and Privileges

	Redemption Amount	Quarterly Non-cumulative Dividend[1]	Annual Yield[4]	Date Redeemable/ Convertible[5][6]	Convertible to[7]
Preferred Shares - Series 5	$ 25.00	$ 0.275[2]	4.40%	April 30, 2019	Preferred Shares - Series 6
Preferred Shares - Series 7	$ 25.00	$ 0.390625[3]	6.25%	July 31, 2021	Preferred Shares - Series 8

(1) Non-cumulative fixed dividends are payable quarterly as and when declared by the Board of Directors of CWB.
(2) The dividend rate will reset on the date redeemable and every five years thereafter at a level of 276 basis points over the then five-year Government of Canada bond yield.
(3) The dividend rate will reset on the date redeemable and every five years thereafter at a level of 547 basis points over the then five-year Government of Canada bond yield.
(4) Based on the stated issue price per share of $25.00.
(5) Redeemable by CWB, subject to the approval of OSFI, on the date noted and every five years thereafter.
(6) Convertible by the shareholders, subject to certain conditions, on the date noted and every five years thereafter if not redeemed by CWB to an equal number of First Preferred Shares Series 6 and Series 8, which are non-cumulative, floating rate preferred shares.
(7) If converted, holders of the First Preferred Shares Series 6 and Series 8 will be entitled to receive quarterly floating rate dividends, as and when declared by the Board of Directors of CWB, which reset quarterly at a rate equal to the 90-day Government of Canada Treasury Bill rate plus 276 and 547 basis points, respectively.

Upon the occurrence of a non-viability trigger event (as defined by OSFI), each preferred share will be automatically converted, without the consent of the holders, into CWB common shares. Conversion to common shares will be determined by dividing the preferred share conversion value ($25.00 per preferred share plus any declared but unpaid dividends) by the common share value (the greater of (i) the floor price of $ 5.00 and (ii) the current market price calculated as the volume-weighted average trading price for the ten consecutive trading days ending on the day immediately prior to the date of the conversion).

c) Dividends

The following dividends were declared by CWB's Board of Directors and paid by CWB during the year:

	2018	2017
$1.00 per common share (2017 - $0.93)	$ 88,819	$ 82,107
$1.10 per preferred share - Series 5 (2017 - $1.10)	5,500	5,500
$1.56 per preferred share - Series 7 (2017 - $1.56)	8,750	8,750
Total	$ 103,069	$ 96,357

Subsequent to October 31, 2018, the Board of Directors of CWB declared a dividend of $0.26 per common share payable on January 3, 2019 to shareholders of record on December 14, 2018, a dividend of $0.275 per Series 5 preferred share payable on January 31, 2019 to shareholders of record on January 22, 2019, and a dividend of $0.390625 per Series 7 preferred share payable on January 31, 2019 to shareholders of record on January 22, 2018. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheet at October 31, 2018.

d) Dividend Reinvestment Plan

Under the dividend reinvestment plan (plan), CWB provides holders of CWB's common shares and holders of any other class of shares deemed eligible by CWB's Board of Directors with the opportunity to direct cash dividends paid on any class of their eligible shares towards the purchase of additional common shares. Currently, the Board of Directors has deemed that the holders of CWB's Series 5 and Series 7 Preferred Shares are also eligible to participate in the plan. The plan is only open to shareholders residing in Canada.

At the option of CWB, the common shares may be issued from CWB's treasury at an average market price based on the closing prices of a board lot of common shares on the Toronto Stock Exchange (TSX) for the five trading days immediately preceding the dividend payment date, with a discount of between 0% to 5%. CWB also has the option to fund the plan through the open market at market prices. During the year, 119,174 (2017 – 177,731) common shares were issued under the plan from CWB's treasury with no discount (2017 – no discount).

18. SHARE-BASED PAYMENTS

a) Stock Options

Stock options are accounted for using the fair value method. The estimated value is recognized over the applicable vesting period as an increase to both salary expense and share-based payment reserve. When options are exercised, the proceeds received and the applicable amount in share-based payment reserve are credited to common shares.

CWB has authorized 6,398,728 common shares (2017 – 6,577,007) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 2,833,461 shares (2017 – 3,390,759) are issued and outstanding. The outstanding options vest within three years and are exercisable at a fixed price equal to the average of the market price on the day of and the four days preceding the grant date. Options granted after 2015 expire within seven years of date of grant. Previously granted options expire within five years of date of grant. Outstanding options expire from December 2018 to March 2025.

The details of, and changes in, the issued and outstanding options follow:

Options	2018 Number of Options	2018 Weighted Average Exercise Price	2017 Number of Options	2017 Weighted Average Exercise Price
Balance at beginning of year	**3,390,759**	**$ 31.02**	5,205,794	$ 29.63
Granted	**262,563**	**35.15**	339,630	30.84
Exercised or exchanged	**(782,769)**	**28.95**	(1,850,575)	27.17
Expired	**(37,092)**	**36.94**	(271,055)	29.67
Forfeited	**-**	**-**	(33,035)	35.91
Balance at End of Year	**2,833,461**	**$ 31.90**	3,390,759	$ 31.02
Exercisable at End of Year	**1,628,324**	**$ 34.64**	1,787,718	$ 35.34

Further details relating to stock options outstanding and exercisable follow:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$23.70 to $26.13	1,125,615	3.0	$ 24.83	522,671	$ 26.13
$29.99 to $35.15	602,193	5.8	32.72	-	-
$37.50 to $39.42	1,105,653	0.4	38.66	1,105,653	38.66
Total	2,833,461	2.6	$ 31.90	1,628,324	$ 34.64

All exercised options are settled via cashless settlement, which provides the option holder 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. During fiscal 2018, option holders exchanged the rights to 782,769 (2017 – 1,850,575) options and received 178,279 (2017 – 213,502) shares in return by way of cashless settlement.

Salary expense of $1,776 (2017 – $1,931) was recognized relating to the estimated fair value of options granted. The fair value of options granted during the year was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 2.0% (2017 – 1.3%), (ii) expected option life of 5.0 (2017 – 5.0) years, (iii) expected annual volatility of 28% (2017 – 26%), and (iv) expected annual dividends of 2.9% (2017 – 3.1%). Expected volatility is estimated by evaluating historical volatility of the share price over multi-year periods. The weighted average fair value of options granted was estimated at $6.48 (2017 – $4.77) per share.

During the year, $2,818 (2017 – $8,228) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 782,769 (2017 – 1,850,575) options exercised during the year.

b) Restricted Share Units

Under the Restricted Share Unit (RSU) plan, certain employees are eligible to receive an award in the form of RSUs. Each RSU entitles the employee to receive the cash equivalent of the market value of CWB's common shares at the vesting date. Throughout the vesting period, common share dividend equivalents accrue to the employee in the form of additional units. RSUs vest on each anniversary of the grant in equal one-third instalments over a period of three years. Salary expense is recognized over the vesting period except where the employee is eligible to retire prior to the vesting date, in which case the expense is recognized between the grant date and the date the employee is eligible to retire.

During the year, salary expense of $9,160 (2017 – $9,677) was recognized related to RSUs. As at October 31, 2018, the liability for the RSUs held under this plan was $10,821 (October 31, 2017 – $14,510). At the end of each period, the liability and salary expense are adjusted to reflect changes in the fair value of the RSUs.

Number of RSUs	**2018**	2017
Balance at beginning of year	**731,930**	741,244
Granted	**283,083**	360,929
Vested and paid out	**(367,752)**	(336,159)
Forfeited	**(20,447)**	(34,084)
Balance at End of Year	**626,814**	731,930

c) Performance Share Units

Under the Performance Share Unit (PSU) plan, certain employees are eligible to receive an award in the form of PSUs on an annual basis. At the time of a grant, each PSU represents a unit with an underlying value equivalent to the value of a CWB common share. Throughout the vesting period, common share dividend equivalents accrue to the employee in the form of additional units. Under the PSU Plan, each PSU vests at the end of a three-year period and is settled in cash.

At the end of each specified performance period, a multiplier based on performance targets is applied to a portion of the PSUs originally granted and any accrued notional dividends such that the total value of the PSUs may vary from 0% to 200% of the value of an equal number of CWB common shares.

During the year, salary expense of $2,951 (2017 – $1,878) was recognized related to PSUs. As at October 31, 2018, the liability for the PSUs held under this plan was $5,225 (October 31, 2017 – $3,603). At the end of each period, the liability and salary expense are adjusted to reflect changes in the fair value of the PSUs.

Number of PSUs	**2018**	2017
Balance at beginning of year	**209,263**	177,579
Granted	**54,929**	58,807
Vested and paid out	**(69,959)**	(27,123)
Balance at End of Year	**194,233**	209,263

d) Deferred Share Units

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

During the year, other non-interest expenses included $858 (2017 – $804) related to the DSUs. As at October 31, 2018, the liability for DSUs held under this plan was $5,238 (October 31, 2017 – $6,281). At the end of each period, the liability and expense are adjusted to reflect changes in the market value of the DSUs.

Number of DSUs	**2018**	2017
Balance at beginning of year	**172,833**	142,969
Granted	**28,888**	29,864
Paid out	**(30,652)**	-
Balance at End of Year	**171,069**	172,833

19. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

	As at October 31 2018	As at October 31 2017
CWB Wealth Management Ltd.	$ 2,056	$ 1,987
McLean & Partners Wealth Management Ltd.	695	810
Total	**$ 2,751**	$ 2,797

20. CONTINGENT LIABILITIES AND COMMITMENTS

a) Credit Instruments

In the normal course of business, CWB enters into various commitments and has contingent liabilities, which are not reflected in the consolidated balance sheets. These items are reported below and are expressed in terms of the contractual amount of the related commitment.

	October 31 2018	October 31 2017
Credit Instruments		
Commitments to extend credit	$ 4,708,313	$ 4,063,709
Guarantees and standby letters of credit	520,775	451,486
Total	**$ 5,229,088**	$ 4,515,195

Commitments to extend credit to customers also arise in the normal course of business and include undrawn availability under lines of credit and commercial operating loans of $2,334,078 (October 31, 2017 – $2,010,830) and authorized but unfunded loan commitments of $2,374,235 (October 31, 2017 – $2,052,879). In the majority of instances, availability of undrawn commercial commitments is subject to the borrower meeting specified financial tests or other covenants regarding completion or satisfaction of certain conditions precedent. It is also usual practice to include the right to review and withhold funding in the event of a material adverse change in the financial condition of the borrower. The allowance for credit losses related to committed but undrawn credit exposures and letters of credit is included in other liabilities on the consolidated balance sheets (see Note 15). From a liquidity perspective, undrawn credit authorizations will be funded over time, with draws in many cases extending over a period of months. In some instances, authorizations are never advanced or may be reduced because of changing requirements. Revolving credit authorizations are subject to repayment which, on a pooled basis, also decreases liquidity risk.

Guarantees and standby letters of credit represent CWB's obligation to make payments to third parties when a customer is unable to make required payments or meet other contractual obligations. These instruments carry the same credit risk, recourse and collateral security requirements as loans extended to customers and generally have a term that does not exceed one year. Losses, if any, resulting from these transactions are not expected to be material.

b) Lease Commitments

CWB has obligations under long-term, non-cancellable operating leases for the rental of premises. The leases typically run 10 to 15 years, with an option to renew the lease for an additional five years. Operating leases primarily comprise branch and office premises and are not capitalized. Total costs, including free rent periods and step-rent increases, are expensed on a straight-line basis over the lease term.

Minimum future lease commitments for each of the five succeeding years and thereafter are as follows:

2019	$ 13,912
2020	13,483
2021	12,070
2022	9,667
2023	8,971
2024 and thereafter	24,338
Total	**$ 82,441**

c) Purchase Obligations

CWB has contractual obligations related to operating and capital expenditures which typically run one to five years.

Purchase obligations for each of the succeeding years are as follows:

2019	$ 1,856
2020	1,429
2021	1,064
Total	**$ 4,349**

d) Guarantees

A guarantee is defined as a contract that contingently requires the guarantor to make payments to a third party based on (i) changes in an underlying economic characteristic that is related to an asset, liability or equity security of the guaranteed party, (ii) failure of another party to perform under an obligating agreement, or (iii) failure of another third party to pay indebtedness when due.

Significant guarantees provided to third parties include guarantees and standby letters of credit as discussed above.

In the ordinary course of business, CWB enters into contractual arrangements under which CWB may agree to indemnify the other party. Under these agreements, CWB may be required to compensate counterparties for costs incurred as a result of various contingencies, such as changes in laws and regulations and litigation claims. A maximum potential liability cannot be identified as the terms of these arrangements vary and generally no predetermined amounts or limits are identified. The likelihood of occurrence of contingent events that would trigger payment under these arrangements is either remote or difficult to predict and, in the past, payments under these arrangements have been insignificant.

No amounts are reflected in the consolidated financial statements related to these guarantees and indemnifications.

e) Legal and Regulatory Proceedings

In the ordinary course of business, CWB and its subsidiaries are party to legal and regulatory 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.

21. EMPLOYEE FUTURE BENEFITS

All employee future benefits related to CWB's group retirement savings and employee share purchase plans are recognized in the periods during which services are rendered by employees. CWB's contributions to the group retirement savings plan and employee share purchase plan totaled $15,038 (2017 – $13,727).

22. INCOME TAXES

CWB follows the deferred method of accounting for income taxes whereby current income taxes are recognized for the estimated income taxes payable for the current period. Deferred tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates anticipated to apply to taxable income in the years in which those temporary differences are anticipated to be recovered or settled. Changes in deferred taxes related to a change in tax rates are recognized in income in the period of the tax rate change. All deferred tax assets and liabilities are expected to be realized in the normal course of operations.

The provision for income taxes consists of the following:

		2018		2017
Consolidated statements of income				
Current	$	105,381	$	85,941
Deferred		(8,504)		(3,708)
		96,877		82,233
Other comprehensive income				
Tax expense (recovery) related to:				
Available-for-sale securities		(7,410)		1,642
Derivatives designated as cash flow hedges		(10,297)		(9,350)
		(17,707)		(7,708)
Total	$	79,170	$	74,525

A reconciliation of the statutory tax rates and income tax that would be payable at these rates to the effective income tax rates and provision for income taxes reported in the consolidated statements of income follows:

	2018			2017		
Combined Canadian federal and provincial income taxes and statutory tax rate	$	97,324	26.9%	$	83,623	26.8%
Increase (decrease) arising from:						
Tax-exempt income		(1,708)	(0.4)		(2,645)	(0.8)
Stock-based compensation		479	0.1		519	0.2
Other		782	0.2		736	0.2
Provision for Income Taxes and Effective Tax Rate	$	96,877	26.8%	$	82,233	26.4%

Deferred tax balances are comprised of the following:

		2018		2017
Deferred Tax Assets				
Allowance for credit losses	$	25,847	$	26,988
Leasing income		18,608		14,915
Deferred loan fees		12,068		10,875
Deferred deposit broker commission		(8,219)		(6,625)
Other temporary differences		(2,427)		(6,452)
	$	45,877	$	39,701
Deferred Tax Liabilities				
Intangible assets	$	4,373	$	5,547
Other temporary differences		1,372		1,705
	$	5,745	$	7,252

23. EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the treasury stock method, which assumes that any proceeds from in-the-money stock options are used to purchase CWB's common shares at the average market price during the period.

The calculation of earnings per common share follows:

	2018	2017
Numerator		
Common shareholders' net income	$ 249,256	$ 214,277
Denominator		
Weighted average of common shares outstanding - basic	88,806,458	88,296,592
Dilutive instruments:		
Stock options(1)	478,441	295,586
Weighted Average Number of Common Shares Outstanding - Diluted	89,284,899	88,592,178
Earnings Per Common Share		
Basic	$ 2.81	$ 2.43
Diluted	2.79	2.42

(1) At October 31, 2018, the denominator excludes 1,368,216 (2017 – 1,556,237) of employee stock options with an average exercise price of $38.76 (2017 - $37.49), adjusted for unrecognized stock-based compensation, that is greater than the average market price.

24. RELATED PARTY TRANSACTIONS

Transactions with and between subsidiary entities are made at normal market prices and eliminated on consolidation.

Preferred Rates and Terms

CWB makes loans, primarily residential mortgages, to its officers and employees at various preferred rates and terms. The total amount outstanding for these types of loans is $147,886 (October 31, 2017 – $116,199). CWB offers deposits, primarily fixed term deposits, to its officers and employees and their immediate family at preferred rates. The total amount outstanding for these deposits is $313,004 (October 31, 2017 – $311,194).

Key Management Personnel

Key management personnel of CWB are those that have authority and responsibility for planning, directing and controlling the activities of CWB and include independent directors of CWB.

Compensation of key management personnel is as follows:

	2018	2017
Salaries, benefits and directors' compensation	$ 5,326	$ 5,106
Share-based payments (stock options, RSUs, PSUs and DSUs)(1)	3,132	2,936
Total	$ 8,458	$ 8,042

(1) Share-based payments are based on the estimated fair value on grant date.

Loans outstanding with key management personnel totaled $190 as at October 31, 2018 (October 31, 2017 – $326). CWB's policies preclude lending to CWB's independent directors.

25. INTEREST RATE SENSITIVITY

CWB is exposed to interest rate risk as a result of a difference, or gap, between the maturity or repricing behaviour of interest sensitive assets and liabilities. The interest rate gap is managed by adjusting the repricing behaviour of interest sensitive assets or liabilities to ensure the gap falls within the risk appetite of CWB. The repricing profile of these assets and liabilities has been incorporated in the table following, which contains the gap position at October 31 for select time intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

Asset Liability Gap Positions

($ millions)

October 31, 2018	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
Assets								
Cash resources and securities	$ 93	$ 105	$ 329	$ 527	$ 1,711	$ -	$ -	$ 2,238
Loans[1]	11,751	1,539	4,079	17,369	8,817	200	(181)	26,205
Other assets[2]	-	-	-	-	-	-	579	579
Derivative financial instruments[3]	15	325	760	1,100	3,847	-	189	5,136
Total	11,859	1,969	5,168	18,996	14,375	200	587	34,158
Liabilities and Equity								
Deposits	7,384	1,564	4,019	12,967	10,763	-	(30)	23,700
Securities sold under repurchase agreements	95	-	-	95	-	-	-	95
Other liabilities[2]	-	-	-	-	-	-	630	630
Debt[1]	52	104	419	575	1,433	-	-	2,008
Equity	-	-	125	125	140	-	2,324	2,589
Derivative financial instruments[3]	4,947	-	-	4,947	-	-	189	5,136
Total	12,478	1,668	4,563	18,709	12,336	-	3,113	34,158
Interest Rate Sensitive Gap	$ (619)	$ 301	$ 605	$ 287	$ 2,039	$ 200	$ (2,526)	$ -
Cumulative Gap	$ (619)	$ (318)	$ 287	$ 287	$ 2,326	$ 2,526	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	(1.8)%	(0.9)%	0.8%	0.8%	6.8%	7.4%	-	-
October 31, 2017								
Cumulative Gap	$ 351	$ 717	$ 752	$ 752	$ 1,960	$ 2,358	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	1.2%	2.4%	2.5%	2.5%	6.5%	7.8%	-	-

(1) 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.
(2) Accrued interest is excluded in calculating interest sensitive assets and liabilities.
(3) Derivative financial instruments are included in this table at the notional amount.

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

Weighted Average Effective Interest Rates

(%)

October 31, 2018	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	4.4%	3.5%	4.1%	4.3%	3.6%	6.0%	4.0%
Total Liabilities	1.7	2.3	2.2	1.9	2.5	-	2.1
Interest Rate Sensitive Gap	2.7%	1.2%	1.9%	2.4%	1.1%	6.0%	1.9%
October 31, 2017							
Total Assets	3.6%	3.5%	3.4%	3.5%	3.5%	4.8%	3.5%
Total Liabilities	0.7	1.7	1.8	1.1	2.2	-	2.0
Interest Rate Sensitive Gap	2.9%	1.8%	1.6%	2.4%	1.3%	4.8%	1.5%

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 $6,234 (October 31, 2017 – $8,324) and decrease other comprehensive income $104,554 (October 31, 2017 – $77,293) 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 $7,467 (October 31, 2017 – $13,226) and increase other comprehensive income $107,162 (October 31, 2017 – $76,173), net of tax.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Financial Assets and Liabilities by Measurement Basis

The fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the value of the consideration given or received). Subsequent to initial recognition, financial instruments measured at fair value that are quoted in active markets are based on bid prices for financial assets and offer prices for financial liabilities. For certain securities and derivative financial instruments where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, and non-market observable inputs.

Several of CWB's significant financial instruments, such as loans and deposits, lack an available trading market as they are not typically exchanged. Therefore, these instruments have been valued assuming they will not be sold, using present value or other suitable techniques and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

Changes in interest rates are the main cause of changes in the fair value of CWB's financial instruments. The carrying value of loans, deposits, subordinated debentures and debt securities are not adjusted to reflect increases or decreases in fair value due to interest rate changes as CWB's intention is to realize their value over time by holding them to maturity.

The table below provides the carrying amount of financial instruments by category as defined in IAS 39 and by balance sheet heading. The table sets out the fair values of financial instruments (including derivatives) using the valuation methods and assumptions referred to below the table. The table does not include assets and liabilities that are not considered financial instruments. The table also excludes assets and liabilities which are considered financial instruments, but are not recorded at fair value and for which the carrying amount approximates fair value.

October 31, 2018[(1)]		**Derivatives**	**Loans and Receivables, and Non-trading Liabilities**	**Available-for-sale**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
Financial Assets							
Cash resources	(Note 4)	$ -	$ -	$ 153,221	$ 153,221	$ 153,221	$ -
Securities	(Note 5)	-	-	2,084,752	2,084,752	2,084,752	-
Loans[(2)]		-	26,390,375	-	26,390,375	26,551,146	160,771
Derivative related		2,496	-	-	2,496	2,496	-
Total Financial Assets		$ 2,496	$ 26,390,375	$ 2,237,973	$ 28,630,844	$ 28,791,615	$ 160,771
Financial Liabilities							
Deposits[(2)]		$ -	$ 23,743,618	$ -	$ 23,743,618	$ 23,502,200	$ (241,418)
Securities sold under repurchase agreements		-	-	95,126	95,126	95,126	-
Debt		-	2,007,854	-	2,007,854	1,942,472	(65,382)
Contingent consideration		-	29,814	-	29,814	29,814	-
Derivative related		69,581	-	-	69,581	69,581	-
Total Financial Liabilities		$ 69,581	$ 25,781,286	$ 95,126	$ 25,945,993	$ 25,639,193	$ (306,800)

October 31, 2017		Derivatives	Loans and Receivables, and Non-trading Liabilities	Available-for-sale	Total Carrying Amount	Fair Value	Fair Value Over (Under) Carrying Amount
Financial Assets							
Cash resources	(Note 4)	$ -	$ -	$ 521,796	$ 521,796	$ 521,796	$ -
Securities	(Note 5)	-	-	2,186,987	2,186,987	2,186,987	-
Loans[(2)]		-	23,365,410	-	23,365,410	23,649,806	284,396
Derivative related		12,393	-	-	12,393	12,393	-
Total Financial Assets		$ 12,393	$ 23,365,410	$ 2,708,783	$ 26,086,586	$ 26,370,982	$ 284,396
Financial Liabilities							
Deposits[(2)]		$ -	$ 21,916,584	$ -	$ 21,916,584	$ 21,874,990	$ (41,594)
Securities sold under repurchase agreements		-	-	58,358	58,358	58,358	-
Debt		-	1,476,336	-	1,476,336	1,437,516	(38,820)
Contingent consideration		-	32,920	-	32,920	32,920	-
Derivative related		35,381	-	-	35,381	35,381	-
Total Financial Liabilities		$ 35,381	$ 23,425,840	$ 58,358	$ 23,519,579	$ 23,439,165	$ (80,414)

(1) For further information on interest rates associated with financial assets and liabilities, including derivative instruments, refer to Note 25.
(2) Loans and deposits exclude deferred premiums, deferred revenue and allowances for credit losses, which are not financial instruments.

The methods and assumptions used to estimate the fair values of financial instruments are as follows:

- Cash resources and securities are reported on the consolidated balance sheets at the fair value disclosed in Notes 4 and 5. Securities purchased under resale agreements are reported at the fair value as disclosed on the consolidated balance sheets. These values are based on quoted market prices, if available. Where a quoted market price is not readily available, other valuation techniques are based on observable market rates used to estimate fair value.

- Fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated and exclude the allowance for credit losses. For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market. For all other loans, fair value is estimated by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks.

- With the exception of derivative financial instruments and contingent consideration, other assets and other liabilities reported on the consolidated balance sheets are either not considered financial instruments, or are assumed to approximate their carrying value due to their short-term nature. Other assets and other liabilities which are not considered financial instruments include property and equipment, goodwill and other intangible assets, deferred tax asset, prepaid and deferred expenses, financing costs, deferred tax liability, deferred revenue and leasehold inducements.

- For derivative financial instruments where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

- For contingent consideration, included in other liabilities, where an active market does not exist, fair value is determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities.

- Deposits with no stated maturity are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits are determined by discounting the contractual cash flows at current market rates for deposits of similar terms.

- The fair values of debt are determined by reference to current market prices for debt with similar terms and risks.

Fair values are based on management's best estimates based on market conditions and pricing policies at a certain point in time. The estimates are subjective and involve particular assumptions and matters of judgment and, as such, may not be reflective of future fair values.

Fair Value Hierarchy

CWB categorizes its fair value measurements of financial instruments according to a three-level hierarchy. Level 1 fair value measurements reflect unadjusted quoted prices in active markets for identical assets and liabilities that CWB can access at the measurement date. Level 2 fair value measurements were estimated using observable inputs, including quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and model inputs that are either observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 fair value measurements were determined using one or more inputs that are unobservable and significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date.

		Valuation Technique		
As at October 31, 2018	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	**$ 153,221**	**$ 144,019**	**$ 9,202**	**$ -**
Securities	**2,084,752**	**219,570**	**1,865,182**	**-**
Loans	**26,551,146**	**-**	**-**	**26,551,146**
Derivative related	**2,496**	**-**	**2,496**	**-**
Total Financial Assets	**$ 28,791,615**	**$ 363,589**	**$ 1,876,880**	**$ 26,551,146**
Financial Liabilities				
Deposits	**$ 23,502,200**	**$ -**	**$ 23,502,200**	**$ -**
Securities sold under repurchase agreements	**95,126**	**-**	**95,126**	**-**
Debt	**1,942,472**	**-**	**1,942,472**	**-**
Contingent consideration	**29,814**	**-**	**-**	**29,814**
Derivative related	**69,581**	**-**	**69,581**	**-**
Total Financial Liabilities	**$ 25,639,193**	**$ -**	**$ 25,609,379**	**$ 29,814**

		Valuation Technique		
As at October 31, 2017	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 521,796	$ 27,440	$ 494,356	$ -
Securities	2,186,987	285,998	1,900,989	-
Loans	23,649,806	-	-	23,649,806
Derivative related	12,393	-	12,393	-
Total Financial Assets	$ 26,370,982	$ 313,438	$ 2,407,738	$ 23,649,806
Financial Liabilities				
Deposits	$ 21,874,990	$ -	$ 21,874,990	$ -
Securities sold under repurchase agreements	58,358	-	58,358	-
Debt	1,437,516	-	1,437,516	-
Contingent consideration	32,920	-	-	32,920
Derivative related	35,381	-	35,381	-
Total Financial Liabilities	$ 23,439,165	$ -	$ 23,406,245	$ 32,920

b) Level 3 Financial Instruments Measured at Fair Value

The Level 3 financial liabilities measured at fair value on the consolidated balance sheet as at October 31, 2018 are related to the acquisition of CWB Maxium Financial Inc. and the divestiture related to the CWT strategic transactions (see Note 3). Fair value is determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities.

The following table shows a reconciliation of the fair value measurements related to the Level 3 financial instruments:

	2018	2017
Acquisitions		
Balance at beginning of year	$ 32,420	$ 24,257
Acquisition-related fair value changes	20,094	18,295
Contingent consideration instalment payment[1]	(23,000)	(10,132)
	29,514	32,420
Divestitures		
Balance at beginning of year	500	-
Divestiture-related fair value changes	(200)	-
CWT strategic transactions	-	500
	300	500
Balance at End of Year	$ 29,814	$ 32,920

(1) Under the terms of the March 2016 purchase agreement relating to the acquisition of CWB Maxium Financial Inc., contingent consideration payment instalments will be made annually with determination of the total amount payable based on CWB Maxium Financial Inc.'s cumulative business performance over a 36-month period. Up to 50% of each contingent consideration payment may be settled with CWB common shares at the vendor's option, provided the average share price over the preceding 20 days exceeds $30.00, with the remainder to be paid in cash. CWB completed the second contingent consideration instalment payment in 2018 with cash totaling $17,250 and the issuance of 160,293 CWB common shares with a fair value of $5,750. The 2017 instalment was paid in cash.

27. FINANCIAL INSTRUMENTS - OFFSETTING

The following table provides a summary of financial assets and liabilities which are subject to enforceable master netting agreements and similar arrangements, as well as financial collateral received to mitigate credit exposures related to these financial instruments. The agreements do not meet the netting criteria required by IAS 32 *Financial Instruments: Presentation* as the right to set-off is only enforceable in the event of default or occurrence of other predetermined events.

		Amounts not offset on the consolidated balance sheet			
As at October 31, 2018	Gross amounts reported on the consolidated balance sheets	Impact of master netting agreements	Cash collateral[1]	Securities received as collateral[1][2]	Net amount
Financial Assets					
Derivative instruments	$ 2,496	$ 2,496	$ -	$ -	$ -
Financial Liabilities					
Derivative instruments	$ 69,581	$ 2,496	$ 55,550	$ -	$ 11,535

		Amounts not offset on the consolidated balance sheet			
As at October 31, 2017	Gross amounts reported on the consolidated balance sheet	Impact of master netting agreements	Cash collateral[1]	Securities received as collateral[1][2]	Net amount
Financial Assets					
Derivative instruments	$ 12,393	$ 3,106	$ 6,670	$ -	$ 2,617
Financial Liabilities					
Derivative instruments	$ 35,381	$ 3,106	$ 30,914	$ -	$ 1,361

(1) Financial collateral is reflected at fair value. The amount of financial instruments and cash collateral disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.
(2) Collateral received in the form of securities is not recognized on the consolidated balance sheets.

28. RISK MANAGEMENT

As part of CWB's risk management practices, the risks that are significant to the business are identified, monitored and controlled. The most significant risks include credit risk, market risk, capital risk and operational risk. The nature of these risks and how they are managed is provided in the Risk Management section of the MD&A.

As permitted by the IASB, certain of the risk management disclosure related to risks inherent with financial instruments is included in the MD&A. The relevant MD&A sections are identified by shading within boxes and the content forms an integral part of these audited consolidated financial statements.

Information on specific measures of risk, including the allowance for credit losses, derivative financial instruments, interest rate sensitivity, fair value of financial instruments and liability for unpaid claims are included elsewhere in these notes to the consolidated financial statements.

29. CAPITAL MANAGEMENT

Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors or Board Risk Committee 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.

CWB has a share incentive plan that is provided to officers and employees who are in a position to impact the longer term financial success of CWB as measured by share price appreciation and dividend yield. Note 18 to the consolidated financial statements details the number of shares under options outstanding, the weighted average exercise price and the amounts exercisable at year end.

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI. Capital is managed and reported in accordance with the requirements of the Basel III Capital Adequacy Accord (Basel III) using the *Standardized* approach. OSFI requires banks to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the deemed credit risk of each type of asset, a standardized weighting of 0% to 150% is assigned. As an example, a loan that is fully insured by CMHC is applied a risk weighting of 0% as CWB's risk of loss is nil, while uninsured commercial loans are assigned a risk weighting of 100% to reflect the higher level of risk associated with this type of asset. The ratio of regulatory capital to risk-weighted assets is calculated and compared to OSFI's standards for Canadian financial institutions. Off-balance sheet assets, such as the notional amount of derivatives and some credit commitments, are included in the calculation of risk-weighted assets and both the credit risk equivalent and the risk-weighted calculations are prescribed by OSFI.

The required minimum regulatory capital ratios for a bank using the *Standardized* approach for credit risk, including a 250 basis point capital conservation buffer, are 7.0% common equity Tier 1 (CET1), 8.5% Tier 1 and 10.5% Total capital. In addition, OSFI requires banks to maintain a minimum leverage ratio of 3%. The leverage ratio provides the ratio of Tier 1 capital to on-balance sheet and off-balance sheet exposures.

Basel III rules, effective January 1, 2013, provide for transitional adjustments with certain aspects of the new rules phased in between 2013 and 2019. The only available transition allowance in the Basel III capital standards permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments. The 2018 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 40% (2017 – 50%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2018 and 2017, there were no exclusions from regulatory capital related to outstanding subordinated debentures.

During the year, CWB complied with all internal and external capital requirements.

Capital Structure And Regulatory Ratios

	2018	2017
Regulatory Capital, Net of Deductions		
Common equity Tier 1	**$ 2,153,019**	$ 2,009,530
Tier 1	**2,418,231**	2,274,727
Total	**2,788,048**	2,644,071
Capital Ratios		
Common equity Tier 1	**9.2%**	9.5%
Tier 1	**10.3**	10.8
Total	**11.9**	12.5
Leverage Ratio	**8.0**	8.3

30. SUBSIDIARIES

As at October 31, 2018, CWB, either directly or indirectly through its subsidiaries, controls the following significant subsidiaries.

Canadian Western Bank Subsidiaries[1]

(annexed in accordance with subsection 308 (3) of the Bank Act)

	Address of Head Office	Carrying Value of Voting Shares Owned by the Bank[3]
CWB National Leasing Inc.	1525 Buffalo Place Winnipeg, Manitoba	$ 134,458
CWB Maxium Financial Inc.	30 Vogell Road, Suite 1 Richmond Hill, Ontario	30,812
CWB Wealth Management Ltd.[2]	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	29,346
McLean & Partners Wealth Management Ltd.	801 10th Ave SW Calgary, Alberta	
Canadian Western Financial Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
CWB Insurance Solutions Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
Canadian Western Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	19,136
Valiant Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	8,080
Canadian Western Bank Leasing Inc.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	1

(1) Unless otherwise noted, CWB, either directly or through its subsidiaries, owns 100% of the voting shares of each entity.
(2) CWB owns 89.14% of the voting shares of CWB Wealth Management Ltd.
(3) The carrying value of voting shares is stated at the cost of CWB's equity in the subsidiaries in thousands of dollars.

SHAREHOLDER INFORMATION

CWB Financial Group Corporate Headquarters

Suite 3000, 10303 Jasper Avenue NW
CWB Place
Edmonton, AB T5J 3X6
Telephone: (780) 423-8888
Fax: (780) 423-8897
Website: cwb.com

Transfer Agent and Registrar

Computershare
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: (416) 263-9200
Toll-free: 1-800-564-6253
Fax: (888) 453-0330
Website: computershare.com

Stock Exchange Listings

The Toronto Stock Exchange (TSX)
Common Shares: CWB
Series 5 Preferred Shares: CWB.PR.B
Series 7 Preferred Shares: CWB.PR.C

Shareholder Administration

Computershare serves as Transfer Agent and Registrar for the common shares and preferred shares of CWB.

For dividend information, change in share registration or address, lost share certificates, tax forms or estate transfers, please write or call the Transfer Agent and Registrar, or inquire online at computershare.com.

Duplicated Communications

If you receive, but do not require, more than one mailing for the same ownership, please contact the Transfer Agent and Registrar to combine the accounts.

Direct Deposit Services

Shareholders may choose to have cash dividends paid on CWB common and preferred shares deposited directly into accounts held at their financial institution. To arrange direct deposit service, please contact the Transfer Agent and Registrar.

Eligible Dividend Designation

CWB designates all common and preferred share dividends 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.

Investor Relations

Shareholders, institutional investors or research analysts who would like additional financial information are asked to contact:

Investor Relations Department
CWB Financial Group
Suite 3000, 10303 Jasper Avenue NW
CWB Place
Edmonton, AB T5J 3X6
Telephone: (800) 836-1886
Fax: (780) 969-8326
Email: investorrelations@cwbank.com

More comprehensive investor information - including supplemental financial reports, quarterly financial releases, corporate presentations, corporate fact sheets and frequently asked questions - is available in the Investor Relations section at cwb.com.

This 2018 Annual Report, along with our Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular, is available on our website, or will be available in due course. For additional printed copies of these reports, please contact the Investor Relations Department.

Filings are available on the Canadian Securities Administrators' website at sedar.com.

2019 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, AB, on April 4, 2019 at The Fairmont Hotel Macdonald (Empire Ballroom) at 1:00 p.m. MT (3:00 p.m. ET).

Corporate Secretary

Bindu Cudjoe
Senior Vice President,
General Counsel and
Corporate Secretary
CWB Financial Group

Complaints or Concerns regarding Accounting, Internal Accounting Controls or Auditing Matters

Please contact either:

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or

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SENIOR OFFICERS

Executive Officers

Chris H. Fowler
President and Chief Executive Officer

Carolyn J. Graham, FCPA, FCA
Executive Vice President and Chief Financial Officer

Kelly S. Blackett
Executive Vice President, Human Resources and Corporate Communications

Glen Eastwood
Executive Vice President, Business Transformation

Darrell Jones
Executive Vice President, and Chief Information Officer

Stephen Murphy
Executive Vice President, Banking

H. Bogac (Bogie) Ozdemir
Executive Vice President and Chief Risk Officer

Senior Corporate Officers

Niall Boles
Senior Vice President and Treasurer

David L. Thompson
Senior Vice President, Credit Risk Management

Bindu Cudjoe
Senior Vice President, General Counsel and Corporate Secretary

Vlad Ahmad
Senior Vice President, Operations and Transformation

Allen D. Stephen, CPA, CA
Vice President and Chief Accountant

Commercial and Retail Banking

Jeff Bowling
Senior Vice President and Regional General Manager, Prairies

Blaine Forer
Senior Vice President and Regional General Manager, British Columbia

Lester Shore
Senior Vice President and Regional General Manager, Northern Alberta

Mario Furlan
Senior Vice President, Real Estate and Specialized Lending

Jeff Wright
Senior Vice President, Client Solutions

CWB National Leasing

Michael Dubowec
President and Chief Executive Officer

CWB Optimum Mortgage

Rejean Roberge
Vice President

Canadian Western Trust

Scott Scobie
Vice President and General Manager

CWB Wealth Management

David Schaffner
President and Chief Executive Officer

McLean & Partners Wealth Management

Kevin Dehod
President and Chief Executive Officer

CWB Maxium Financial

Paul McLean
Chief Executive Officer

Daryl MacLellan
President

Ombudsman

Michael Novak

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Kelly Dennis

Saskatoon
Saskatoon City Centre
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(306) 477-8888
Kelly Walker

Saskatoon North Landing
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(306) 244-8008
Kelly Walker

Yorkton
5, 259 Hamilton Road
(306) 782-1002
Kelly Denis

Manitoba

Winnipeg
Winnipeg Downtown
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Mike McAulay

Winnipeg Kenaston
125 Nature Park Way
(204) 452-0939
Chris Voogt

CWB National Leasing Group

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1525 Buffalo Place
(204) 954-9000
Toll-free: 1-800-882-0560
cwbnationalleasing.com
(Representation across all provinces and territories in Canada)

Motive Financial

Edmonton
3000, 10303 Jasper Avenue NW
(780) 441-2249
Toll-free: 1-877-441-2249
motivefinancial.com

Canadian Western Trust

Toll-free: 1-800-663-1124
cwt.ca

Vancouver
300, 750 Cambie Street
(604) 685-2081

CWB Optimum Mortgage

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optimummortgage.ca
(Representation across Western Canada, Ontario, and Atlantic Canada)

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cwbmaxium.com

CWB Franchise Finance

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cwbfranchise.com

CWB Wealth Management

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McLean & Partners Wealth Management

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Toll-free: 1-888-665-0005
mcleanpartners.com

Canadian Western Financial

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3000, 10303 Jasper Avenue NW
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canadianwesternfinancial.com

FIVE YEAR FINANCIAL SUMMARY

($ thousands, except per share amounts)

	2018	2017	2016	2015	2014
Results from Continuing Operations[1]					
Net interest income per financial statements	**$ 724,990**	$ 642,390	$ 585,224	$ 543,472	$ 499,565
Non-interest income	**78,368**	84,245	72,672	67,948	84,305
Pre-tax, pre-provision income[2]	**436,188**	388,729	350,603	322,479	318,977
Total revenue	**803,358**	726,635	657,896	611,420	583,600
Common shareholders' net income	**249,256**	214,277	177,761	208,064	205,288
Earnings per share					
Basic	**2.81**	2.43	2.13	2.59	2.57
Diluted	**2.79**	2.42	2.13	2.59	2.54
Adjusted cash[2]	**3.01**	2.63	2.26	2.63	2.59
Return on common shareholders' equity[2]	**11.0%**	10.1%	9.3%	12.4%	13.9 %
Adjusted return on common shareholders' equity[2]	**11.9**	11.0	9.9	12.6	14.2
Return on assets[2]	**0.89**	0.85	0.73	0.97	1.05
Efficiency ratio[2]	**45.7**	46.5	46.7	47.3	45.4
Net interest margin[2]	**2.60**	2.56	2.41	2.53	2.56
Number of full-time equivalent staff	**2,178**	2,058	1,966	1,928	1,788
Results from Combined Operations[1]					
Common shareholders' net income	**$ 249,256**	$ 214,277	$ 177,761	$ 319,701	$ 218,549
Earnings per share					
Basic	**2.81**	2.43	2.13	3.97	2.73
Diluted	**2.79**	2.42	2.13	3.97	2.70
Adjusted cash[3]	**3.01**	2.63	2.26	4.01	2.76
Return on common shareholders' equity[2]	**11.0%**	10.1%	9.3%	19.1%	14.8 %
Adjusted return on common shareholders' equity[2]	**11.9**	11.0	9.9	19.3	15.1
Return on assets[2]	**0.89**	0.85	0.73	1.48	1.10
Results from Discontinued Operations[1]					
Common shareholders' net income	**$ -**	$ -	$ -	$ 111,637	$ 13,261
Earnings per share					
Basic	**-**	-	-	1.38	0.16
Diluted	**-**	-	-	1.38	0.16
Adjusted cash[2]	**-**	-	-	1.38	0.17
Per Common Share					
Average common shares outstanding (thousands)	**88,806**	88,297	83,411	80,442	80,034
Cash dividends	**$ 1.00**	$ 0.93	$ 0.92	$ 0.86	$ 0.78
Book value	**26.09**	24.82	23.58	22.18	19.52
Market price					
High	**40.83**	37.36	29.30	38.16	43.30
Low	**29.81**	23.68	19.26	21.04	32.61
Close	**30.62**	36.34	25.45	25.13	37.75
Balance Sheet and Off-Balance Sheet Summary					
Assets	**$ 29,021,463**	$ 26,447,453	$ 25,222,549	$ 22,838,527	$ 20,635,046
Cash resources, securities and repurchase agreements	**2,237,973**	2,708,783	2,791,968	2,994,534	2,697,185
Loans	**26,204,599**	23,229,239	21,961,348	19,475,383	17,536,489
Deposits	**23,699,957**	21,902,982	21,194,553	19,365,407	17,373,014
Debt	**2,007,854**	1,476,336	1,268,198	1,187,623	1,036,990
Shareholders' equity	**2,585,752**	2,461,045	2,342,040	1,910,907	1,693,527
Assets under administration	**8,368,716**	10,408,012	10,689,398	9,293,683	10,101,698
Assets under management	**2,100,802**	2,114,861	1,924,181	1,882,736	1,795,975
Capital Adequacy					
Common equity Tier 1 ratio	**9.2%**	9.5%	9.2%	8.5%	8.0 %
Tier 1 ratio	**10.3**	10.8	11.0	9.7	9.3
Total ratio	**11.9**	12.5	13.1	12.7	12.8
Other Information					
Provision for credit losses as a percentage of average loans	**0.20%**	0.23%	0.38%	0.17%	0.15 %
Net impaired loans as a percentage of total loans	**(0.03)**	0.14	-	(0.11)	(0.19)

(1) On May 1, 2015, CWB sold its property and casualty insurance subsidiary and CWB's stock transfer business. Revenue, expenses and gains on sale associated with the businesses sold are defined and classified on the consolidated statements of income for prior periods as "Discontinued Operations". The remaining operations are defined as "Continuing Operations", and the total Continuing Operations and Discontinued Operations are defined as "Combined Operations". Total revenue from Combined Operations include $107.8 million of divestiture gains in 2015. Return on shareholders' equity reflects equity from Combined Operations. All other measures reflect either Continuing or Combined Operations as indicated.

(2) See page 20 for non-IFRS definitions.

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