Bank Trust Insurance Wealth Management

2014 Annual Report

CWB
CANADIAN WESTERN BANK GROUP

CWB Group

Bank

CANADIAN WESTERN BANK

OPTIMUM MORTGAGE

NATIONAL LEASING

Canadian Direct Financial

Trust

CANADIAN WESTERN TRUST

VALIANT TRUST

Insurance

CANADIAN DIRECT INSURANCE

Wealth Management

ADROIT INVESTMENT MANAGEMENT

CANADIAN WESTERN FINANCIAL

McLEAN & PARTNERS WEALTH MANAGEMENT

Five Year Financial Summary ($ thousands, except per share amounts)

	IFRS(1)				Canadian GAAP(1)
	2014	2013(2)	2012	2011	2010
Results of Operations					
Net interest income (teb)(3)	**$ 513,196**	$ 470,757	$ 443,572	$ 411,452	$ 328,664
Less teb adjustment	**7,676**	8,138	9,143	11,059	11,186
Net interest income per financial statements	**505,520**	462,619	434,429	400,393	317,478
Other income	**113,409**	94,982	81,910	72,103	105,595
Total revenues (teb)	**626,605**	565,739	525,482	483,555	434,259
Total revenues	**618,929**	557,601	516,339	472,496	423,073
Net income available to common shareholders	**218,549**	187,163	172,197	149,538	148,413
Return on common shareholders' equity(4)	**14.8%**	14.2%	15.0%	14.7%	17.1%
Return on average total assets(5)	**1.10**	1.06	1.08	1.09	1.24
Per Common Share					
Average common shares outstanding (thousands)	**80,034**	79,147	76,841	72,205	65,757
Earnings per share					
Basic	**$ 2.73**	$ 2.36	$ 2.24	$ 2.07	$ 2.26
Diluted	**2.70**	2.35	2.22	1.95	2.05
Adjusted cash(6)	**2.76**	2.39	2.30	2.17	2.09
Dividends	**0.78**	0.70	0.62	0.54	0.44
Book value	**19.52**	17.54	15.94	13.87	14.08
Market price					
High	**43.30**	33.75	30.10	31.75	26.59
Low	**32.61**	27.04	24.62	24.00	19.85
Close	**37.75**	33.44	29.56	28.50	25.36
Balance Sheet and Off-Balance Sheet Summary					
Assets	**$ 20,608,656**	$ 18,513,340	$ 16,873,269	$ 14,849,141	$ 12,701,691
Cash resources, securities and repurchase agreements	**2,697,185**	2,580,327	2,573,083	2,238,039	1,876,085
Loans	**17,510,099**	15,567,440	13,953,686	12,293,282	10,496,464
Deposits	**17,373,014**	15,631,040	14,144,837	12,394,689	10,812,767
Debt	**1,036,990**	820,650	634,273	634,877	315,000
Shareholders' equity	**1,693,527**	1,598,507	1,464,979	1,256,613	1,148,043
Assets under administration	**10,101,698**	8,423,972	7,171,826	9,369,589	8,530,716
Assets under management	**1,795,975**	1,901,146	855,333	816,219	795,467
Capital Adequacy(7)					
Common equity Tier 1 ratio	**8.0%**	8.0%	n/a	n/a	n/a
Tier 1 ratio	**9.3**	9.7	10.6%	11.1%	11.3%
Total ratio	**12.8**	13.9	13.8	15.4	14.3
Other Information					
Efficiency ratio (teb)(8)	**46.0**	46.4	44.8%	44.9%	44.1%
Efficiency ratio	**46.6**	47.1	45.6	45.9	45.3
Net interest margin (teb)(9)	**2.59**	2.66	2.79	2.99	2.74
Net interest margin	**2.55**	2.62	2.73	2.91	2.64
Provision for credit losses					
as a percentage of average loans	**0.15**	0.19	0.19	0.19	0.21
Net impaired loans as a percentage of total loans	**(0.19)**	(0.14)	(0.11)	0.21	0.62
Number of full-time equivalent staff	**2,094**	2,037	1,885	1,796	1,716
Number of bank branches	**41**	41	41	40	39

(1) Financial information prepared under IFRS (2011–2014) and Canadian GAAP (2010) may not be directly comparable.

(2) During 2014, CWB adopted IFRS 10 Consolidated Financial Statements and applied a change in accounting policy for indirect leasing costs, both as described in Note 1 of the consolidated financial statements. The 2013 comparative figures reflect the retrospective application of these changes, and 2010–2012 have not been restated.

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

(4) Return on common shareholders' equity is calculated as net income available to common shareholders divided by average common shareholders' equity.

(5) Return on assets is calculated as net income available to common shareholders divided by average total assets.

(6) Diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges are not considered to be indicative of ongoing business performance.

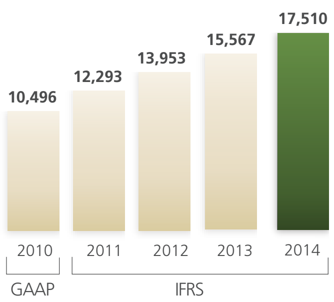
(7) As of January 1, 2013, the Office of the Superintendent of Financial Institutions Canada (OSFI) adopted a new capital management framework called Basel III and capital is managed and reported in accordance with those requirements. Capital ratios prior to fiscal 2013 have been calculated using the previous framework, Basel II. Capital ratios calculated under Basel III are not directly comparable to the equivalent Basel II measures.

(8) Efficiency ratio is calculated as non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration.

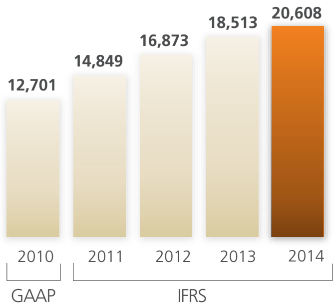
(9) Net interest margin is calculated as net interest income divided by average total assets.

Financial Performance Summary[(1)(2)]

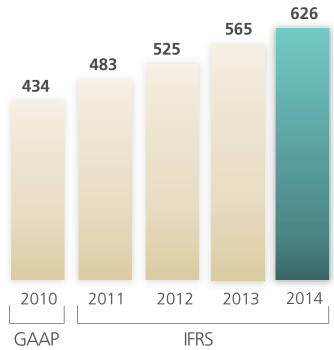
Total Loans
($ millions)



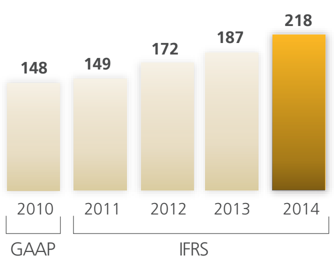
Total Assets
($ millions)



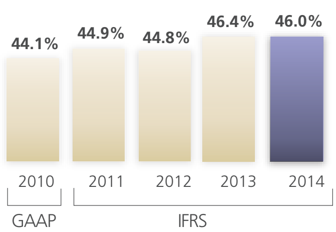
Total Revenues (teb)
($ millions)



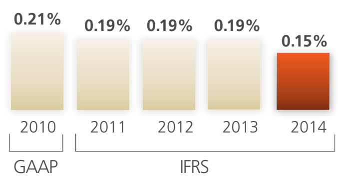
Net Income Available to Common Shareholders
($ millions)



Efficiency Ratio (teb)
(expenses to revenues)



Provision for Credit Losses
(as a percentage of average loans)



(1) As of 2011, financial results are reported under IFRS, as opposed to Canadian GAAP, and may not be directly comparable.
(2) During 2014, CWB adopted IFRS 10 Consolidated Financial Statements and applied a change in accounting policy for indirect leasing costs, both as described in Note 1 of the Consolidated Financial Statements. The 2013 comparative figures reflect the retrospective application of these changes and 2010–2012 have not been restated.

2014 Performance Target Ranges[(1)]

	2014 Target Ranges	2014 Performance
Adjusted cash earnings per common share growth	12 – 16%	15%
Total revenue (teb) growth	10 – 12	11
Loan growth	10 – 12	12
Provision for credit losses as a percentage of average loans	0.18 to 0.23	0.15
Efficiency ratio (teb)	≤ 46	46.0
Return on common shareholders' equity	14.0 – 15.0	14.8
Return on assets	1.05 – 1.15	1.10

(1) See page 13 for a discussion of non-IFRS measures.

About CWB Group

Canadian Western Bank (TSX: CWB) offers highly personalized business and personal banking services, primarily across the four western provinces, and is the largest publicly traded Canadian bank headquartered in Western Canada. The Bank, along with its operating affiliates and divisions – National Leasing, Optimum Mortgage, Canadian Direct Financial, Canadian Western Trust, Valiant Trust, Canadian Direct Insurance, Adroit Investment Management, McLean & Partners Wealth Management, and Canadian Western Financial – collectively offer a diversified range of financial services across Canada and are together known as CWB Group.

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Business Strategy

Vision

To be seen as crucial to our clients' futures.

CWB Group is focused on becoming the trusted financial partner to a growing base of clients by delivering responsive service and sensible solutions, while preserving its fundamental identity as a conservative, growth-oriented organization built on a results-oriented culture. In doing so, management maintains a supportive environment for employees, aims to provide strong long-term returns for shareholders and gives back in the communities where clients and employees work and live.

CWB Group's approach to strategic management recognizes that the development and implementation of strategies cannot be undertaken in isolation, but need to be part of a cross-functional, group-wide process. The intent is to focus on key business drivers that contribute the greatest impact toward the achievement of CWB Group's vision, and are represented by both financial and non-financial measures.

This approach is facilitated through a focus on four inter-dependent pillars within CWB Group's strategic direction, summarized as follows:

People	Invest in our people, build lasting relationships and live our values.
Support	Build funding sources, drive operational excellence, and balance risk and reward.
Clients	Be responsive, deliver sensible solutions and be the trusted financial partner.
Financial	Sustain profitable growth, build revenue sources and maintain our efficiency.

Lines of Business

BANK

Canadian Western Bank (CWB)

Offers comprehensive business banking services in branches located throughout Western Canada, with specialized expertise in general commercial banking, equipment financing and leasing, commercial real estate financing, real estate construction financing, and energy lending. Complementary full-service personal banking options include chequing and savings accounts, mortgages, personal loans and investment products.

National Leasing

Delivers small- and mid-ticket equipment leasing solutions with operations across Canada, specializing in four key verticals: general commercial, agriculture, health care, and golf and turf.

Optimum Mortgage

Specialty lender focused on broker-sourced alternative mortgages across Canada, with the exception of Quebec. Also offers high ratio insured mortgages, conventional "A" mortgages and competitive home equity lines of credit.

Canadian Direct Financial (CDF)

CWB's Internet-based division offers personal banking services to clients across Canada, with the exception of Quebec, including chequing, savings and investment products.

Select 2014 Highlights

- Collectively achieved 12% loan growth, surpassing $17.6 billion of total loans
- Generated 15% growth in branch-raised demand and notice deposits
- Surpassed $3 billion of total equipment financing loans and leases
- Expanded the geographic footprint of Optimum Mortage to include Atlantic Canada, and surpassed $1.4 billion of total mortgages outstanding in this business
- Increased the number of CDF clients by 20%, and approached $375 million of total deposits through this channel

Opportunities

- Profitably support ongoing double-digit loan growth with a focus on optimized funding, lending yields and targeted diversification
- Leverage significant investment in technology and employee training to deliver targeted financial solutions based on a strong understanding of client needs
- Deepen client relationships and increase products-per-client through successful cross-selling between business and personal banking areas, as well as other CWB Group companies

TRUST

Canadian Western Trust (CWT)

Delivers customized pension, trustee and custodial solutions for individuals and businesses through two distinct lines of business: Individual Retirement Investment Services (IRIS) and Corporate and Group Services (CGS).

Valiant Trust (Valiant)

Offers specialty trust services for public and private corporations, including stock transfer, corporate trust, escrow and employee plan administration.

Select 2014 Highlights

- Surpassed $10 billion of trust assets under administration
- CWT introduced French-language services, both online and by phone
- Completed nearly 700 client appointments in Valiant

Opportunities

- Deepen client relationships by continuing to develop private client partnerships and cross-sell opportunities with other CWB Group companies
- Build on CWT's successes serving clients of Adroit Investment Management to grow CGS market share

INSURANCE

Canadian Direct Insurance (CDI)

Offers auto, home, tenant, condominium and travel insurance at highly competitive rates by phone or over the Internet.

Select 2014 Highlights

- Realized an underwriting profit for the 12th consecutive year, despite the financial impact of severe weather events

Opportunities

- Optimize home insurance pricing adequacy based on results of comprehensive review of policy coverages and deductibles
- Expand online delivery platform to include tenant and condo insurance products
- Ongoing development of affinity partnership opportunities
- Deepen client relationships by continuing to promote CWB Group's brand and products

WEALTH MANAGEMENT

Adroit Investment Management

Offers discretionary wealth management for high-net-worth individuals, corporations and institutions, with core investments in Canadian equities, non-Canadian equities and fixed income products.

McLean & Partners Wealth Management

Offers discretionary wealth management for high-net-worth individuals based on distinct strategies that offer balanced trade-offs between risk and reward.

Canadian Western Financial (CWF)

Offers investment planning services through licensed mutual fund representatives located in CWB branches. Provides access to a full range of investment products from Canada's leading mutual fund companies.

Select 2014 Highlights

- Engaged an experienced wealth management executive to refine CWB's wealth management strategy and provide a clear road map for future expansion and growth
- Added regional wealth management specialists in Alberta

Opportunities

- Align geographic footprint of discretionary wealth management segment with CWB branch network through additional wealth management specialists and ongoing consideration of strategic acquisitions
- Invest in tools and training to improve financial planning advice specific to business owners
- Deepen client relationships and increase products-per-client through successful cross-selling between CWB Group companies

Interview with the President and CEO, Chris Fowler

CWB Group had a great year in 2014 – what stands out the most for you?

To achieve record financial performance in a year where few things came easily is very gratifying. Thanks to the collaborative efforts of our tremendous people, our results were in line with or better than each of our financial performance target ranges in spite of ongoing challenges related to very low interest rates and elevated competitive pressures. We have a relatively simple business model and the spread we earn on loans has a big impact on our overall financial results. Our 2014 performance target ranges were underpinned by the expectation that net interest margin would remain stable compared to the second half of 2013. Although this was not the case, we still delivered great results across each of our lines of business.

The issuance of $125 million of Series 5 preferred shares in February, and subsequent redemption of $209 million of higher cost Series 3 preferred shares in April, was another highlight. Taken together, these transactions support our strategic focus to optimize regulatory capital while developing a more cost-effective capital structure, which positively impacts earnings per share. It was satisfying to see the very strong market reception for our new preferred shares as it reinforces the recognition we've earned within the investment community. This recognition also helps us diversify and enhance our funding mix with cost-effective deposits raised through the capital markets.

Exceptional credit quality continues to be a strength for us. This is primarily a function of our secured lending model and disciplined underwriting practices, and it also ties back to strong economic fundamentals within our key markets.

What are your primary strategic priorities as CEO and what are your expectations for 2015 and beyond?

There's a lot of ground to cover here. I'll begin by saying that at the highest level we continue to focus on delivering exceptional service to our clients, which will ultimately drive CWB Group's ongoing transition into a larger, diversified financial institution. Our overall strategic direction supports our vision *to be seen as crucial to our clients' futures* while preserving our fundamental identity as a conservative, growth-oriented organization built on an entrepreneurial culture.

We view the business through four interrelated strategic pillars, beginning with our people. It's our people who create and evolve our unique culture. We work hard, we're resilient and we get things done for our clients. In doing so, we ensure we earn an appropriate return for our shareholders while continuing to make a positive difference in the communities where we work and live. Our culture is the foundation of everything we do, but we recognize that culture alone is not enough to attract and retain the most qualified employees. To ensure that we're staffed with the best available talent amidst a very competitive labour market, especially here in Western Canada, we initiated a formal review of non-executive compensation this year. Changes to the level and structure of total rewards for all non-executive bank employees will increase total compensation expense in 2015, but we know it's the right thing to do to position us for ongoing success.

Our next strategic pillar relates to technology, infrastructure and processes required to maintain and improve our client offerings and service capacity. With respect to physical infrastructure, we relocated our Edmonton Main Branch to significantly expanded premises and broke ground on new premises in Medicine Hat, Alberta. We also plan to open an expanded branch in Prince George, British Columbia, in 2015.

We continue to work toward completion of the most significant technology investment we've ever undertaken, deployment of a new core banking system. The new system will allow our teams to spend less time on paperwork and more time focusing on building relationships to meet our clients' financial needs. Implementation is scheduled for early fiscal 2016 and I'm pleased to say that the project continues to go very well.

The next strategic pillar is all about our clients. By delivering responsive service and sensible solutions, we have become the trusted financial partner to a growing base of clients in Western Canada and other select markets. We have lots of room to gain market share within all of our lines of business and we're excited about our opportunities to attract new clients while becoming more crucial to those we already serve. We're doing this by leveraging our traditional strengths in commercial lending while continuing to expand and enhance our product and service offerings. We've improved our suite of cash management products, for example, making it easier for business owners to manage their day-to-day banking needs. We've also enhanced our service offering through an ongoing commitment to employee training and development. Our teams have always provided great service, and we want to augment this strength by ensuring our clients are aware of everything we can do for them. It's not about pushing products. Instead, it's about helping our teams discover client needs we can meet with sensible financial solutions.

All of these factors contribute to long-term value creation for CWB shareholders, which is our fourth strategic pillar. Our financial performance targets emphasize specific measures that we believe tie directly to shareholder value. This year's targets reflect our ambitions to build on our long history of double-digit asset growth, stable profitability and strong efficiency, all while maintaining disciplined underwriting practices and strong credit quality.

There have been a number of changes to the Executive Committee this year. What were the reasons for these changes and how do you expect them to benefit CWB Group and its stakeholders?

A key change was the retirement of Tracey Ball after many years of exceptional leadership as our chief financial officer (CFO). Tracey had an enormous impact on the development and success of CWB Group during her 27-year tenure. Carolyn Graham, our chief accountant since 2006, worked closely with Tracey since joining CWB Group in 2000, and she was appointed our new executive vice president and CFO effective October 1. With her unique combination of leadership, experience, insight, and determination, Carolyn is without question the right person for this job.

In addition to welcoming Carolyn into her new role, we further augmented our Executive Committee to ensure we execute on our strategy while continuing to support CWB Group's ongoing growth. To complement the significant contributions and depth of expertise provided to the Executive Committee by executive vice presidents, Randy Garvey, Greg Sprung and Brian Young, in October 2014, we appointed Kelly Blackett to Executive Vice President, Human Resources. Kelly's appointment reflects her considerable experience and the important contributions she has made during her time with CWB Group. It is also aligned with our commitment to foster an exceptional culture which emphasizes quality training and unique career development opportunities. In December 2014, we introduced Bogie Ozdemir as Executive Vice President and Chief Risk Officer (CRO). Bogie's role addresses our objective to take a more integrated approach to risk management across our organization, and to support our strategic focus to optimize regulatory capital, including plans for an eventual transition to an advanced methodology for calculating risk-weighted assets.

Are there opportunities for CWB Group to expand further via acquisition? And if so, in what areas are these opportunities most likely to arise?

We've always taken a patient approach to strategic acquisitions. We're determined to focus on areas where CWB can foster distinct competitive advantages within our primary geographic and business footprints. We reviewed a number of opportunities in the past year and will continue to do so going forward. Wealth management is an area of particular interest for us as it offers revenue diversification and a natural complement to our core service offerings in business banking, where personal relationships are crucial. We're also interested in adding scale to our operations in equipment financing and leasing. Through National Leasing, our small ticket equipment leasing company, we've acquired three regional equipment brokers in as many years, one in Quebec, another in Saskatchewan and the most recent in New Brunswick. These tuck-in acquisitions were sound from a strategic standpoint, offered strong cultural fits and strengthened our market position in each region. In general, our proven ability to deliver strong organic growth across our lines of business has allowed us to remain conservative in pursuing acquisitions and we don't see anything changing in that respect.

Can you explain what you are currently seeing in your markets as it relates to competition?

Competition has always been a challenge within our chosen operating environments. Western Canada is an attractive place to do business, a fact which has certainly not escaped the attention of our competitors. One new wrinkle in the competitive landscape relates to regulation and deposit pricing. With enforcement of Basel III liquidity guidelines due to commence in 2015, regulated financial institutions have taken steps to attract preferred funding sources, creating increased pricing competition for those deposits. Without an offset from loan pricing in a persistently low interest rate environment, lending spreads have been compressed. This was another factor which challenged net interest margin through 2014. We're confident the steps we're taking to build and diversify our funding sources, including an ongoing strategic focus on branch-raised deposit growth, will help to mitigate this pressure over time.

Western Canada continues to lead the country in economic growth. Could you comment on your business outlook for the coming year?

Western Canada remains the strongest economic region of the country. Expansion in the western provinces has brought growth in population, employment and personal income that require support through new housing and infrastructure. The resource sector has been a significant catalyst for this ongoing development. However, this is an international sector, where global market dynamics affect local decisions. We will continue to monitor movements in oil prices and assess the impact on our clients and their businesses. We have built our business around small to mid-market entrepreneurs and have a diverse mix of clients. The large resource companies are not our core clientele; we're focused on the contractors that work for them and businesses that emerge from the broad range of economic opportunities created by resource-related activity.

A sustained period of lower oil prices may impact certain near-term decisions to expand, but the long-term nature of existing oil sands investment requires continued capital expenditures to maintain production levels. The economy in Western Canada has demonstrated impressive resilience in the face of commodity price volatility in the past. We're encouraged by the recent clarification of the royalty regime in British Columbia and optimistic about the outlook for development of liquefied natural gas infrastructure on the West Coast. Our core geographic footprint will remain an attractive investment jurisdiction for a long time to come. We're maintaining our bullish outlook for Western Canada and are very excited about CWB Group's future!

Message from the Chair, Allan Jackson

The CWB Board of Directors remains focused on maintaining an effective governance framework in support of CWB Group's strategic direction and ongoing growth. The Board believes that its role in supporting a culture of ethical behaviour is just as important as its obligation to ensure the right management team is in place, and works proactively to ensure that key strategic objectives properly balance risk and reward.

The Right Culture

A well-known Canadian businessman once said that he did not understand why business schools waste a whole year talking about ethics, when all students need to do is understand and obey the law. Although I do not believe this is a widely held viewpoint, one does not have to look far to observe instances where businesses and governments check with their lawyers before embarking on a course of action. While it is essential to obey the law and follow regulations, many activities that are legal are neither right nor ethical.

I am proud to say that at CWB Group, one of the first things we confirm is whether a proposed course of action is right, fair and ethical based on a commitment to our strong corporate values. This imperative has always guided CWB Group, and is applied consistently whether the actions involve one of our companies or our people, clients or shareholders. I have no doubt that this ethical standard and commitment to maintaining strong corporate values are foundations supporting CWB Group's achievement of record financial performance in 2014.

The Right People

This year, we continued to focus on depth of leadership and planning for succession. The Board worked with our CEO, Chris Fowler, to further strengthen the Executive Committee and appoint three new executive vice presidents (EVP) - two promoted from within and the third recruited externally. Kelly Blackett, EVP, Human Resources, and Carolyn Graham, EVP and Chief Financial Officer, were promoted from their prior key roles, while Bogie Ozdemir joins CWB Group, in a new role for us, as EVP and Chief Risk Officer.

Kelly was promoted from her prior position as Senior Vice President, Human Resources, in recognition of the skill she has demonstrated as an executive, the depth of her experience and the valuable contributions she has made to the CWB Group.

Carolyn is a well-established leader and succeeds our long-time EVP and CFO, Tracey Ball. The Board thanks Tracey for the very important role she played in the success of CWB Group, and in fostering our unique corporate culture. One of Tracey's many talents is the ability to find and develop equally talented people, and Carolyn is a reflection of this. The Board came to know Carolyn well in her role as chief accountant, where she consistently demonstrated the unique combination of leadership and insight required of a CFO.

Bogie brings a wealth of knowledge and experience in Canadian financial services risk governance and, as our chief risk officer, will play a key role in supporting our growth while facilitating the critical balance of risk and reward. We are very pleased to welcome him.

The Right Board Complement

Next year, two long serving directors will retire from the Board. Howard Pechet was one of the founding shareholders of the Bank of Alberta, CWB's predecessor, and has been a director since 1984. He has been an exceptional director and has significantly influenced CWB Group's evolution from a small, regional bank to the integrated financial services institution we are today.

Wendy Leaney will also retire after 13 years as director. Her knowledge of banking and clarity of thought greatly contributed to the incredible growth we have achieved. During her tenure, she served on each of our board committees and, since the beginning of 2013, chaired our Loans Committee.

Our newest director, Sarah Morgan-Silvester, was elected to the Board in March 2014. She is a leader in the Canadian banking industry with particular expertise in personal banking, trust and wealth management, and is a welcome addition to our group.

The Board decided many years ago that 12 directors was the appropriate number to most effectively and efficiently provide oversight to CWB Group and, in this year's assessment of board effectiveness, this conclusion was reaffirmed. Over the past two years, we deliberately increased the size of the Board to provide a smooth transition for anticipated retirements. With two directors not standing for re-election this year, the Board complement will return to 12.

The Right Strategy

CWB Group continues to make history as the first successful publicly traded Schedule 1 bank headquartered in Western Canada. We are optimistic about the significant potential for future growth in our core lines of business and are taking appropriate steps to realize that potential. We have exceptional, highly motivated people, led by an outstanding management team, and we are confident that we have the right strategy and culture to achieve our collective goals.

Sincerely,

Allan Jackson
Chair of the Board

Corporate Governance

At CWB Group, we strive to earn the trust of our stakeholders through high standards of corporate governance, and have embedded rigorous oversight and governance practices into our business processes. We work continuously to enhance and improve our governance practices with the recognition that this commitment directly contributes to the creation of long-term shareholder value and the sound functioning of our organization.

The Board of Directors (the Board) is responsible for the overall stewardship of CWB Group, including the development and monitoring of the organization's governance structure, review and approval of the risk management framework, and fostering a culture of ethical conduct and accountability.

Risk Management

The Board plays an integral role in CWB Group's risk management processes and directly oversees risk management to ensure a comprehensive approach to risk. As part of this oversight, the Board approves the enterprise risk management framework to ensure that policies and procedures are in place to measure and manage material risk exposures. Quarterly updates on the framework and risk observations are provided by CWB Group's management team.

Board Independence and Effectiveness

Members of the Board have been carefully selected for their judgment, integrity, leadership ability and general business expertise, as well as their knowledge of financial services and/or key geographic markets and businesses where CWB Group operates. During fiscal 2014, the Board was comprised of fourteen business and community leaders who guided and monitored CWB Group's strategy and implementation. Thirteen of the fourteen directors are independent, with Mr. Fowler, CWB's president and CEO, serving as the only non-independent member. It is a regulatory requirement for a bank's CEO to serve on its board.

Because succession planning is integral to the sound functioning of an evolving board, CWB's directors have developed a skills and competency evaluation process for their team. Results are reviewed annually, and are used to inform the overall Board succession plan. In addition, in alternating years, the effectiveness of the Board and the contributions of individual directors are assessed to ensure the Board maintains an appropriate complement of skills, experiences and qualifications.

Governance Structure

To ensure strong governance in the areas of audit, governance, human resources and loans, committees made up of directors are given specific oversight roles in which they report back to the overall Board. Risk is overseen by the Board as a whole. Full mandates of each committee, as well as the Board mandate, are available in the Corporate Governance section at cwb.com.

Audit Committee	• Discusses and reviews CWB Group's financial disclosures with management and external auditors • Recommends the external auditor to shareholders • Oversees the organization's internal controls
Governance Committee	• Reviews existing governance practices to ensure alignment with legal requirements, regulatory requirements and industry best practices • Works with CWB Group management to foster a culture of ethical conduct • Acts as the conduct review committee and the nominating committee
Human Resources Committee	• Oversees CWB Group's human capital and ensures that the organization's succession plans are adequate • Leads compensation review and recommendation process • Oversees the structure of executive compensation
Loans Committee	• Establishes lending policies and guidelines for CWB Group • Establishes lending limits for management, and evaluates and approves loan applications above these limits

Board of Directors from left to right (October 31, 2014): Linda M.O. Hohol; Howard E. Pechet; Andrew J. Bibby; Albrecht W. A. Bellstedt; Alan M. Rowe; Sarah A. Morgan-Silvester; Robert A. Manning; Allan W. Jackson (Chair); Chris H. Fowler; Wendy A. Leaney; H. Sanford Riley; Raymond J. Protti; Robert L. Phillips; and, Ian M. Reid.

Ethical Conduct

At CWB Group, ethical conduct is not only a legal and regulatory requirement, but a core value that facilitates the development of strong relationships with clients and other stakeholders in the communities where we operate.

Codes of conduct for all directors, officers and employees are in place, and are reviewed and signed off on annually to ensure compliance. A whistleblower policy that allows for the anonymous reporting of complaints and concerns is also in place. All concerns and complaints, however raised, are investigated and appropriate action taken.

Compensation Programs

CWB Group's director and executive compensation policies are strongly aligned with governance best practices. For the past four years, CWB Group has asked shareholders to vote on the Board's approach to executive compensation and has received support. To further ensure that compensation is competitive and fair, the Human Resources Committee is authorized to seek the advice of independent compensation advisors. In addition, directors and senior officers are required to maintain a minimum level of share ownership to encourage decision-making that aligns with the interests of shareholders.

Proactive Approach to Governance

CWB Group takes a proactive approach to ensuring best practices in corporate governance, and the Board is committed to continuous improvement of governance policies and procedures. A few best practices recently adopted by the Board include:

- introduction of a diversity policy which aims to have at least 25% of both the Board and the Executive Committee consist of female members, and which requires the Board to consider age, gender and ethnic diversity in the nomination of directors and members of the Executive;
- introduction of a compensation recoupment policy to discourage short-term decision-making and excessive risk taking;
- retention of a compensation consultant to ensure executive compensation is aligned with best practices; and,
- the requirement for the Board and each Board committee to have *in camera* sessions without management present.

For More Information

To encourage open dialogue with shareholders, the Board can be contacted directly about corporate governance issues by emailing chairoftheboard@cwbank.com. Detailed information about CWB Group's governance practices is available in the Corporate Governance section at cwb.com.

Shareholders are also welcome to attend CWB Group's annual shareholder meeting on March 5, 2015, to meet with directors and senior management, and hear about CWB Group's future direction. Shareholders wishing to attend the annual shareholder meeting are encouraged to review CWB Group's Management Proxy Circular for information on how they can attend and participate.

Board of Directors
(October 31, 2014)

- **Albrecht W.A. Bellstedt, Q.C.**
  President, A.W.A. Bellstedt Professional Corporation
- **Andrew Bibby**
  CEO and Director, Grosvenor Americas Partners
- **Chris H. Fowler**
  President and CEO, Canadian Western Bank
- **Linda M.O. Hohol**
  Corporate Director
- **Allan W. Jackson (Chair)**
  President and CEO, ARCI Ltd.
- **Wendy A. Leaney, FICB**
  President, Wyoming Associates Ltd.
- **Robert A. Manning**
  President, Cathton Investments Ltd.
- **Sarah A. Morgan-Silvester**
  Corporate Director
- **Howard E. Pechet**
  President, Mayfield Consulting Inc.
- **Robert L. Phillips, Q.C.**
  President, R.L. Phillips Investments Inc.
- **Raymond J. Protti, ICD.D**
  Corporate Director
- **Ian M. Reid**
  Corporate Director
- **H. Sanford Riley, C.M.**
  President and CEO, Richardson Financial Group Limited
- **Alan M. Rowe, CPA, CA**
  Partner, Crown Realty Partners

CWB Group Executive Committee
(October 31, 2014)

- **Chris Fowler**
  President and Chief Executive Officer
- **Carolyn Graham, FCA**
  Executive Vice President and Chief Financial Officer
- **Randy Garvey, FCMA, CFA, CDir**
  Executive Vice President, Corporate Services
- **Greg Sprung**
  Executive Vice President, Banking
- **Kelly Blackett**
  Executive Vice President, Human Resources
- **Brian J. Young**
  Executive Vice President, Canadian Western Bank, and President and CEO, Canadian Direct Insurance

Management's Discussion and Analysis (MD&A)

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BUSINESS PROFILE AND STRATEGY

Canadian Western Bank (TSX:CWB) offers a diverse range of financial services and is the largest publicly traded Schedule I Canadian bank headquartered in Western Canada. The Bank, along with its subsidiaries, National Leasing Group Inc. (National Leasing), Canadian Western Trust Company (CWT), Valiant Trust Company (Valiant), Canadian Direct Insurance Incorporated (CDI), Adroit Investment Management Ltd. (Adroit), McLean & Partners Wealth Management Ltd. (McLean & Partners) and Canadian Western Financial Ltd. (CWF), are together known as Canadian Western Bank Group (CWB or CWB Group).

CWB currently operates in the financial services areas of banking, trust, insurance and wealth management. With a focus on mid-market commercial banking, real estate and construction financing, equipment financing and energy lending, the Bank's strategy is mainly based on building strong client relationships and providing value-added services to businesses and individuals in Western Canada. The Bank also delivers a wide variety of personal financial products and services, including personal loans and mortgages, deposit accounts, investment products and other banking services. Customer access to all banking services is primarily provided through a network of 41 client-focused branches in select locations across the four western provinces. Canadian Direct Financial® (CDF) is an Internet-based division of the Bank that offers a range of deposit and registered savings products directly to customers in all provinces and territories except Quebec. National Leasing specializes in commercial equipment leasing for small- and mid-sized transactions and is represented across all provinces of Canada. CWT provides trustee and custody services to independent financial advisors, corporations, brokerage firms and individuals. Optimum Mortgage (Optimum), a division of CWT, underwrites and administers residential mortgages sourced through an extensive network of mortgage brokers located in Western Canada and select markets in Ontario and Atlantic Canada. Valiant's operations include stock transfer and corporate trust services. CDI underwrites and delivers personal auto and home insurance policies for customers in British Columbia (BC) and Alberta. Adroit provides discretionary wealth management for individuals, corporations and institutional clients, while McLean & Partners specializes in discretionary wealth management primarily for high net-worth individuals. Third-party mutual funds are offered with financial and investment planning advice in bank branches through CWF, CWB's mutual fund dealer subsidiary.

Vision

To be seen as crucial to our clients' futures.

CWB is focused on becoming the trusted financial partner to a growing base of clients by delivering responsive service and sensible solutions, while preserving its fundamental identity as a conservative, growth-oriented organization built on a results-oriented culture. In doing so, management maintains a supportive environment for employees, aims to provide strong long-term returns for shareholders and gives back in the communities where clients and employees work and live.

CWB's approach to strategic management recognizes that the development and implementation of strategies cannot be undertaken in isolation, but need to be part of a cross-functional, group-wide process. The intent is to focus on key business drivers that contribute the greatest impact toward the achievement of CWB's vision, and are represented by both financial and non-financial measures.

This approach is facilitated through a focus on four inter-dependent pillars within CWB's strategic direction, summarized as follows:

People	Invest in our people, build lasting relationships and live our values.
Support	Build funding sources, drive operational excellence, and balance risk and reward.
Clients	Be responsive, deliver sensible solutions and be the trusted financial partner.
Financial	Sustain profitable growth, build revenue sources and maintain our efficiency.

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.

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 the volatility and level of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, 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 in 2015 and how it will affect CWB's businesses are material factors considered when setting organizational objectives and targets. Performance target ranges for fiscal 2015 consider the following management assumptions:

- Moderate economic growth in Canada and relatively stronger performance in the four western provinces;
- A relatively stable net interest margin compared to the level achieved in the fourth quarter of 2014, primarily attributed to treasury management strategies and shifts in asset mix that help to offset impacts from the very low interest rate environment, a flat interest rate curve and competitive factors;
- Sound credit quality with actual losses remaining within CWB's historical range of acceptable levels.

Potential risks that may have a material adverse impact on current economic expectations and forecasts include a sustained period of materially lower energy and other commodity prices compared to average levels observed in fiscal 2014, a slowing rate of economic growth in the United States, a significant and sustained deterioration in Canadian residential real estate prices, or a significant disruption in major global economies. Greater than expected pricing competition and/or disruptions in domestic or global financial markets that meaningfully impact average loan yields and/or the overall costs of deposit funding may also contribute to adverse financial results compared to expectations.

TAXABLE EQUIVALENT BASIS (TEB)

Most banks analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statements of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The fiscal 2014 adjustment to taxable equivalent basis of $7.7 million (2013 – $8.1 million) increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this MD&A.

NON-IFRS MEASURES

Taxable equivalent basis, adjusted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, common equity Tier 1, Tier 1 and total capital adequacy ratios, and average balances 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:

- Taxable equivalent basis – described above.
- Adjusted cash earnings per common share – diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges and are not considered to be indicative of ongoing business performance.
- Return on common shareholders' equity – net income available to common shareholders divided by average common shareholders' equity.
- Return on assets – net income available to common shareholders divided by average total assets.
- Efficiency ratio – non-interest expenses divided by total revenues excluding the non-tax deductible charge for the fair value of contingent consideration.
- Net interest margin – net interest income divided by average total assets.
- Common equity Tier 1, Tier 1 and total capital ratios – in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).
- Average balances – average daily balances.

Adjusted net income available to common shareholders

($ thousands)

	2014	2013
Net income available to common shareholders	$ 218,549	$ 187,163
Adjustments:		
Amortization of acquisition-related intangible assets (after tax)	3,527	3,262
Contingent consideration fair value change	1,000	–
Adjusted net income available to common shareholders	$ 223,076	$ 190,425

GROUP FINANCIAL PERFORMANCE

OVERVIEW

Highlights of 2014 (compared to 2013)

- Record net income available to common shareholders of $218.5 million, up 17%.
- Record diluted and adjusted cash earnings per common share of $2.70 and $2.76, respectively, both up 15%.
- Return on common shareholders' equity of 14.8%, up 60 basis points.
- Return on assets of 1.10%, up four basis points.
- Strong loan growth of 12%, marking the achievement of double-digit loan growth in 24 of the past 25 years.
- Issued $125 million of 4.40% Series 5 preferred shares and redeemed $209 million of 7.25% Series 3 preferred shares, resulting in a more efficient capital structure.
- Cash dividends paid to common shareholders of $0.78 per share, up 11%.
- Record total revenues (teb) of $626.6 million, up 11%, with net interest margin (teb) of 2.59%, down seven basis points.
- Solid credit quality as evidenced by very low write-offs and a provision for credit losses measured as a percentage of average loans of 15 basis points, down four basis points.
- Efficiency ratio (teb) of 46.0%, an improvement of 40 basis points.
- Solid Basel III capital ratios under the *Standardized* approach for calculating risk-weighted assets of 8.0% common equity Tier 1 (CET1), 9.3% Tier 1, and 12.8% total capital.
- Total assets and assets under administration surpassed milestones of $20 billion and $10 billion, respectively.
- Following completion of analysis and design phases of CWB's core banking system implementation, management revised the project's capital budget to $62 million, from an initial estimate of $50 million, and scheduled deployment for early fiscal 2016.

Table 1 – Select Annual Financial Information[1]

($ thousands, except per share amounts)

				Change from 2013	
	2014	2013[2]	2012	$	%
Key Performance Indicators					
Net income available to common shareholders	**$ 218,549**	$ 187,163	$ 172,197	$ 31,386	17%
Earnings per share					
Basic	**2.73**	2.36	2.24	0.37	16
Diluted	**2.70**	2.35	2.22	0.35	15
Adjusted cash[1]	**2.76**	2.39	2.30	0.37	15
Provision for credit losses as a percentage of average loans	**0.15%**	0.19%	0.19%		(4)bp[3]
Net interest margin (teb)[1]	**2.59**	2.66	2.79		(7)
Net interest margin	**2.55**	2.62	2.73		(7)
Efficiency ratio (teb)[1][4]	**46.0**	46.4	44.8		(40)
Efficiency ratio	**46.6**	47.1	45.6		(50)
Return on common shareholders' equity	**14.8**	14.2	15.0		60
Return on assets	**1.10**	1.06	1.08		4
Other Financial Information					
Total revenues (teb)	**$ 626,605**	$ 565,739	$ 525,482	$ 60,866	11%
Total revenues	**618,929**	557,601	516,339	61,328	11
Total assets	**20,608,656**	18,513,340	16,873,269	2,095,316	11
Debt	**1,036,990**	820,650	634,273	216,340	26
Dividends per common share	**0.78**	0.70	0.62	0.08	11

(1) See page 13 for a discussion of teb and non-IFRS measures.
(2) During 2014, CWB adopted IFRS 10 *Consolidated Financial Statements* and applied a change in accounting policy for internal direct leasing costs, both as described in Note 1 of the consolidated financial statements. The 2013 comparative figures reflect the retrospective application of these changes.
(3) bp – basis points.
(4) A decrease in the ratio reflects improved efficiency, while an increase reflects deterioration.

Net income available to common shareholders increased 17% over 2013 to a record $218.5 million, while diluted earnings per common share of $2.70 ($2.73 basic) was up 15% from $2.35 ($2.36 basic). Adjusted cash earnings per share, which is diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration, was $2.76, also up 15%. Growth in both net income available to common shareholders and earnings per share reflects the combined benefits of record total revenues (teb) of $626.6 million, lower preferred share dividends and a decrease in the provision for credit losses, partially offset by higher non-interest expenses. Growth in total revenues was based on increases in net interest income (teb) and non-interest income of 9% and 19%, respectively. Growth in net interest income was driven by strong loan growth, partially offset by a seven basis point reduction in net interest margin (teb) to 2.59%. Margin contraction in the year mainly reflected lower yields on loans, partially offset by improved fixed term deposit costs. Lower loan yields primarily resulted from the combined impact of the sustained very low interest rate environment and ongoing competitive pressures. The level of preferred share dividends was reduced following the issuance of $125 million of 4.40% preferred shares in February 2014, and subsequent redemption of $209 million of 7.25% preferred shares in April 2014. Strong credit quality was maintained throughout the year and the provision for credit losses as a percentage of average loans declined four basis points to 15 basis points.

The efficiency ratio (teb) – which measures non-interest expenses as a percentage of total revenues (teb) excluding the non-tax deductible charge for the change in fair value of contingent consideration – of 46.0% improved 40 basis points from last year, as growth in total revenues (teb) surpassed growth in non-interest expenses. Growth in non-interest expenses was mainly attributed to investments in additional staff complement, infrastructure and technology to support current and future business growth.

Return on common shareholders' equity of 14.8% was up 60 basis points while return on assets increased four basis points to 1.10%. The increase in return on common shareholders' equity largely resulted from the same combination of factors driving growth in net income available to common shareholders and earnings per share described above. Total cash dividends paid to common shareholders of $0.78 per share increased 11% from $0.70 per share paid in the prior year, and resulted in a dividend payout ratio of 29% of total net income available to common shareholders.

Total assets increased 11% to reach $20,609 million driven by strong loan growth. Total branch-raised deposits increased 11%, while the demand and notice component within branch-raised deposits was up 15%. Strong growth in branch-raised deposits, including the demand and notice component, reflects the success of ongoing strategies to further enhance and diversify core funding sources. Total deposits grew 11% in the year to reach $17,373 million, including an increase in capital markets deposits of $1,011 million to reach 14% of total deposits. The balance of personal fixed rate term deposits raised through the deposit broker network declined by $204 million. Total branch-raised deposits represented 55% of total deposits at October 31, 2014, unchanged from a year earlier. The demand and notice component comprised 33% of total deposits, up from 32% last year. The ratio of total deposits to total loans at October 31, 2014 was effectively 1:1, relatively unchanged from a year earlier.

The maintenance of solid capital levels is fundamental to CWB's objectives to effectively manage risks and support strong growth. The common equity Tier 1 (CET1), Tier 1 and total capital ratios at October 31, 2014 of 8.0%, 9.3% and 12.8%, respectively, were above both internal and regulatory minimums. CWB's minimum 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.

Performance Targets and Outlook

Table 2 – 2014 and 2015 Performance Target Ranges[1]

	2014 Target Ranges	2014 Performance	2015 Target Ranges
Adjusted cash earnings per common share growth	12 – 16%	**15%**	5 – 8%
Total revenue (teb) growth	10 – 12	**11**	n/a[2]
Loan growth	10 – 12	**12**	10 – 12
Provision for credit losses as a percentage of average loans	0.18 to 0.23	**0.15**	0.17 – 0.22
Efficiency ratio (teb)	46% or less	**46.0**	47% or less
Return on common shareholders' equity	14.0 – 15.0	**14.8**	14.0 – 15.0
Return on assets	1.05 – 1.15	**1.10**	1.07 – 1.12

(1) See page 13 for a discussion of teb and non-IFRS measures.
(2) n/a – no target range set for 2015.

2014 Performance

CWB achieved favourable results compared to all fiscal 2014 performance target ranges. Growth in net income available to common shareholders and earnings per common share was largely driven by strong 12% loan growth, higher contributions from non-interest income, lower preferred share dividends, and a decrease in the provision for credit losses. A seven basis point reduction in net interest margin and a 10% increase in non-interest expenses were constraints on further growth in net income available to common shareholders and more pronounced improvement in the efficiency ratio. Overall credit quality was better than expected with the annual provision for credit losses as a percentage of average loans coming in below the target range at 15 basis points. The return on common shareholders' equity and return on assets were both within the respective target ranges at 14.8% and 1.10%. The efficiency ratio (teb) of 46.0% met the 2014 target of 46% or less.

2015 Performance Target Ranges

Fiscal 2015 performance target ranges, as shown in the table above, are based on expectations for moderate economic growth in Canada and comparatively stronger performance within key western Canadian markets. Achievement of 2015 targets for the important shareholder value metrics of adjusted cash earnings per share growth and profitability ratios will be largely driven by management's commitment to deliver ongoing strong loan growth, stable credit quality and effective expense management. Lower preferred share dividends compared to 2014 will also benefit earnings and profitability. CWB will maintain its focus on further enhancing its funding base and growing secured loans that offer a fair and profitable return in an environment where net interest margin pressure is expected to persist as a result of very low interest rates, a flat interest rate curve and competitive influences. The provision for credit losses is targeted between 17 and 22 basis points of average loans and reflects expectations that overall credit quality will remain sound. In consideration of constrained revenues owing to net interest margin pressure and strategic investment necessary to support CWB's long-term growth, the 2015 efficiency ratio (teb) target is 47% or less. While this represents an increase from 2014, management remains committed to disciplined management of all discretionary expenses based on total revenue growth, and expects the efficiency ratio will show improvement over the medium term. The most notable incremental expense contributing to the higher 2015 efficiency ratio target relates to changes in non-executive compensation to align the level and structure of CWB's employee offering with industry benchmarks. Profitability targets measured by the return on common shareholders' equity and return on assets are consistent with 2014.

Ongoing assessment and development of each of CWB Group's core businesses will remain a key priority, while potential acquisitions continue to be evaluated. With its solid capital position under the more conservative *Standardized* approach for calculating risk-weighted assets, CWB remains well positioned to support continued growth and manage unforeseen challenges. Management will maintain its focus on creating value for shareholders over the long term. Although the overall outlook for 2015 is positive, a sustained period of materially lower energy and other commodity prices compared to average levels observed in fiscal 2014 could have an adverse impact on economic expectations.

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 2014

- Net interest income (teb) increased 9% to a record $513.2 million based on 12% growth in average total interest earning assets.
- Net interest margin (teb) of 2.59% was down seven basis points mainly reflecting the impact of the persistent very low interest rate environment, a relatively flat interest rate curve and competitive factors.

Table 3 – Net Interest Income (teb)[1]

($ thousands)

	2014				2013[2]			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	$ 2,739,295	14%	$ 56,495	2.06%	$ 2,506,616	14%	$ 54,410	2.17%
Securities purchased under resale agreements	43,495	–	419	0.96	29,701	–	289	0.97
Loans								
Personal	2,674,108	14	106,832	4.00	2,371,920	14	94,862	4.00
Business	13,960,477	70	693,077	4.96	12,410,378	70	640,542	5.16
	16,634,585	84	799,909	4.81	14,782,298	84	735,404	4.97
Total interest bearing assets	19,417,375	98	856,823	4.41	17,318,615	98	790,103	4.56
Other assets	384,334	2	–	0.00	354,812	2	–	0.00
Total Assets	$ 19,801,709	100%	$ 856,823	4.33%	$17,673,427	100%	$ 790,103	4.47%
Liabilities								
Deposits								
Personal	$ 9,926,667	50%	$ 204,035	2.06%	$ 9,206,767	52%	$ 201,170	2.19%
Business and government	6,836,427	35	107,004	1.57	5,624,044	32	85,700	1.52
	16,763,094	85	311,039	1.86	14,830,811	84	286,870	1.93
Other liabilities	486,596	3	36	0.01	484,286	3	43	0.01
Debt	887,737	4	32,552	3.67	830,284	5	32,433	3.91
Shareholders' equity	1,663,248	8	–	0.00	1,527,544	8	–	0.00
Non-controlling interests	1,034	–	–	0.00	502	–	–	0.00
Total Liabilities and Equity	$ 19,801,709	100%	$ 343,627	1.74%	$17,673,427	100%	$ 319,346	1.81%
Total Assets/Net Interest Income	$ 19,801,709		$ 513,196	2.59%	$17,673,427		$ 470,757	2.66%

(1) See page 13 for a discussion of teb and non-IFRS measures.
(2) During 2014, CWB adopted IFRS 10 *Consolidated Financial Statements* and applied a change in accounting policy for internal direct leasing costs, both as described in Note 1 of the consolidated financial statements. The 2013 comparative figures reflect the retrospective application of these changes.

Net interest income (teb) increased 9% to reach a record $513.2 million driven by 12% growth in average interest earning assets, with the percentage difference reflecting the impact of a seven basis point reduction in net interest margin (teb) to 2.59%. Growth in average interest earning assets resulted from a combination of strong 12% growth in average loans and a 10% increase in average balances of cash and securities. The change in net interest margin mainly resulted from the combined impact of ongoing very low interest rates, a relatively flat yield curve and competitive factors, and is reflected in a 16 basis point lower yield on average loans, partially offset by a seven basis point reduction in average deposit costs. The yield on average cash, securities and deposits with regulated financial institutions was down 11 basis points, primarily reflecting an increase in the proportion of debt securities held compared to higher yielding preferred shares and common equities.

Generally, increases in the prime interest rate positively impact net interest margin because prime-based loans reprice more quickly than deposits, which subsequently expands the interest spread earned on CWB's assets. The prime rate was maintained at 3.00% throughout the year and has been unchanged since the Bank of Canada last increased rates in September 2010.

Outlook for Net Interest Income

Loan growth will continue to have a positive influence on net interest income, but the combination of the persistent very low interest rate environment, a relatively flat yield curve and competitive factors is expected to constrain meaningful improvement in net interest margin from the level of 2.56% realized in the fourth quarter of 2014. The current interest rate environment diminishes the incremental benefit of low and no-cost deposits, as well as deposits that are less interest sensitive. A sustained upward slope in the interest rate curve, and/or an increase in the prime lending interest rate would benefit CWB's net interest margin. CWB projections for 2015 assume no change in the prime lending interest rate. Competitive factors, particularly in certain business areas, can result in lower overall loan pricing and higher overall deposit costs. CWB does not expect material change in the competitive environment in the near term. Changes in average balances of cash and securities also have an impact on net interest margin, with lower average balances generally enhancing margin, and higher average balances having the opposite effect. Consistent with its liquidity risk appetite CWB will maintain prudent levels of cash and securities while complying with OSFI's Liquidity Adequacy Requirements Guideline.

NON-INTEREST INCOME

Highlights of 2014

- Record non-interest income of $113.4 million, up 19%.
- Non-interest income represented 18% of total revenues (teb), up from 17% in 2013.

Table 4 – Non-Interest Income

($ thousands)

			Change from 2013	
	2014	2013	$	%
Insurance				
Net earned premiums	**$ 130,410**	$ 126,825	$ 3,585	3%
Commissions and processing fees	**1,580**	1,787	(207)	(12)
Net claims and adjustment expenses	**(85,997)**	(87,008)	1,011	(1)
Policy acquisition costs	**(25,079)**	(25,325)	246	(1)
Net insurance revenues	**20,914**	16,279	4,635	28
Trust and wealth management services	**33,866**	24,511	9,355	38
Credit related	**25,014**	21,685	3,329	15
Gains on securities, net	**13,999**	15,094	(1,095)	(7)
Retail services	**11,399**	10,272	1,127	11
Other(1)	**8,217**	7,141	1,076	15
Total Non-Interest Income	**$ 113,409**	$ 94,982	$ 18,427	19%

(1) Includes foreign exchange gains/losses, contingent consideration fair value charges, gains on loan portfolio sales, lease administration services, fair value changes related to derivative financial instruments not accounted for as hedges, gains/losses on land, buildings and equipment disposals, and other miscellaneous non-interest revenues.

Non-interest income of $113.4 million was up 19% as the combined benefit of a $9.4 million increase in trust and wealth management revenues, $4.6 million higher net insurance revenues, a $3.3 million increase in credit-related income and continued growth across other categories more than offset lower net gains on securities. Very strong growth in trust and wealth management primarily resulted from the acquisition of McLean & Partners completed in the third quarter of 2013 and was further supported by ongoing solid performance within trust services. Growth in net insurance revenues primarily reflects the positive impact of higher net earned premiums and lower claims expense. Insurance results in both years include claims expense resulting from catastrophic weather events, although the combined impact on claims in 2013 related to southern Alberta floods and severe hailstorms exceeded hail-related claims experienced in 2014. Growth in credit-related and retail services income of 15% and 11%, respectively, was consistent with strong lending and deposit gathering activity. Although net gains on securities remained high at $14.0 million, they were $1.1 million lower than 2013. The 15% increase in 'other' non-interest income to $8.2 million mainly resulted from the gain on sale of CWB's former Edmonton Main Branch location.

Non-interest income as a percentage of total revenues (net interest income and other income) was 18%, up from 17% in 2013.

Outlook for Non-Interest Income

Solid growth is expected across most categories of non-interest income, reflecting CWB's continued focus on enhancing transactional service capabilities and increasing other sources of fee-based revenues. The generation of more transactional business with both new and existing clients, an enhanced market presence, double-digit loan growth and expanded product offerings are key factors contributing to expected growth in banking-related services. While net insurance revenues should increase with a return to more normal claims experience and continued policy growth, volatility in net claims expense could result from severe weather-related events, as was the case in each of the past three years. Net gains on securities are expected to be lower compared to 2014; however, the magnitude and timing of such gains are dependent on market factors that are difficult to predict. Management will continue to realize gains on the sale of non-core residential mortgage portfolios as opportunities become available. Such gains are expected to be a recurring, although periodic, source of non-interest income. Solid growth is expected from trust services in 2015, resulting from increased market share and ongoing business development. Further increases in core wealth management revenues are expected to result from ongoing strong organic growth at McLean & Partners and Adroit, as well as the introduction of discretionary investment services to more CWB banking clients. CWB's branch-based mutual fund dealer, Canadian Western Financial (CWF), also continues to perform well. The addition of regional wealth management specialists is expected to improve CWF's ability to attract mutual fund inflows through enhanced delivery of value-added financial and investment planning services.

CWB maintains its long-term objective to diversify total revenues and will continue with initiatives to further develop and/or acquire additional sources of complementary non-interest income.

NON-INTEREST EXPENSES AND EFFICIENCY

Highlights of 2014

- The efficiency ratio (teb) of 46.0% improved 40 basis points compared to 2013, reflecting the benefit of positive operating leverage.

Table 5 – Non-Interest Expenses and Efficiency Ratio

($ thousands)

			Change from 2013	
	2014	2013	$	%
Salaries and Employee Benefits				
Salaries	**$ 156,885**	$ 144,200	$ 12,685	9%
Employee benefits	**30,986**	28,037	2,949	11
	187,871	172,237	15,634	9
Premises				
Rent	**19,667**	16,359	3,308	20
Depreciation	**6,131**	5,938	193	3
Other	**3,570**	3,124	446	–
	29,368	25,421	3,947	16
Equipment and Furniture				
Depreciation	**10,430**	8,901	1,529	17
Other	**9,267**	8,503	764	9
	19,697	17,404	2,293	13
General				
Professional fees and services	**9,334**	7,104	2,230	31
Marketing and business development	**7,402**	6,846	556	8
Amortization of acquisition-related intangible assets	**5,125**	4,627	498	11
Banking charges	**3,724**	3,622	102	3
Travel	**2,885**	2,726	159	6
Postage and stationery	**2,971**	2,680	291	11
Regulatory costs	**3,845**	2,659	1,186	45
Community investment	**2,127**	2,337	(210)	(9)
Employee training	**1,819**	1,908	(89)	(5)
Communications	**1,857**	1,824	33	2
General insurance	**1,044**	1,035	9	1
Capital and business taxes	**1,004**	937	67	7
Other	**8,899**	9,130	(231)	(3)
	52,036	47,435	4,601	10
Total Non-Interest Expenses	**$ 288,972**	$ 262,497	$ 26,475	10%
Efficiency Ratio (teb)(1)(2)	**46.0%**	46.4%		(40)bp(3)

(1) Non-interest expenses as a percentage of total revenues (net interest income (teb) plus other income) excluding the non-tax deductible change in fair value of contingent consideration. See page 13 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 $289.0 million were up 10% reflecting a 9% increase in salary and benefit costs due to a combination of higher staff complement and annual salary increments. Full-year inclusion of McLean & Partners accounted for 15% of the total increase in non-interest expenses. The number of full-time equivalent employees (FTEs) grew 3% (57 FTEs) in 2014 to meet requirements for added client-facing services, corporate support and other business expansion. Premises and equipment expenses, including depreciation, increased 16%, reflecting the impact of expanded corporate office facilities to support business growth and the relocation of CWB's Edmonton Main Branch to significantly expanded premises.

Ongoing investment in technology infrastructure necessary to position CWB for future growth also contributed to the increase in non-interest expenses. General non-interest expenses were up 10% due to increases in most areas, including $2.3 million higher costs for professional fees and services, and a $1.2 million increase in regulatory costs. Higher professional services costs relate to external consultant fees in support of several strategic initiatives, including implementation of a new strategic management framework and a compensation review. The increase in regulatory costs primarily resulted from higher Canada Deposit Insurance Corporation (CDIC) premiums.

The efficiency ratio (teb) – which measures non-interest expenses as a percentage of total revenues (teb) excluding the non-tax deductible charge for the fair value of contingent consideration – was 46.0%, compared to 46.4% last year, reflecting the benefit of positive operating leverage.

Figure 1 – Number of Full-time Equivalent Staff

Outlook for Non-Interest Expenses and Efficiency

One of management's key priorities is to deliver strong long-term growth through strategic investment in people, technology, and infrastructure while maintaining effective control of costs. This strategy is aligned with a commitment to maximize long-term shareholder value and is expected to provide material benefits in future periods.

A formal review was completed in 2014 to ensure non-executive compensation is competitive within key markets and enables CWB to continue to attract and retain qualified employees who fit the organization's culture. This review has resulted in changes which will better align the level and structure of total compensation with industry benchmarks, reduce CWB's issuance of dilutive stock options, and facilitate the alignment of short-term incentive compensation with both individual performance and CWB Group's strategic objectives. While the net impact is an increase in salary expense in 2015, these changes are relatively cost-neutral in subsequent years.

The major program to implement a new core banking system is progressing as planned. Following completion of comprehensive analysis and design phases in 2014, management has confirmed the program scope and established an implementation date supportive of planned training, service continuity objectives and program control requirements. Implementation is scheduled for early fiscal 2016 based on a capital budget of $62 million, revised from an initial estimate of $50 million. The core banking and other technology investments are expected to provide considerable efficiencies in the future, including enhanced data, portfolio and client relationship management capabilities and improved turnaround of credit approvals. Certain technology investments, including loan origination systems and the future core banking system, are also key requirements to facilitate an eventual transition to an advanced methodology for calculating risk-weighted assets.

Relocation of CWB's Medicine Hat, Alberta branch and expansion of the branch in Prince George, British Columbia are scheduled for completion in 2015. Additional opportunities to upgrade and expand branch infrastructure continue to be reviewed.

Compliance with an increasing level of regulatory rules and oversight for all Canadian banks also requires the investment of both time and resources.

Anticipated growth in total revenues (teb) should largely offset the impact of increased investment necessary for effective execution of CWB's strategic plan over the mid to long term. However, in consideration of investment in growth initiatives over the short term, including those discussed above, and expectations for constrained net interest margin in the absence of increases in the prime lending interest rate and/or sustained steepening of the yield curve, the expected efficiency ratio is 47% or better in 2015. While this represents an increase from 2014, management remains committed to disciplined management of all discretionary expenses based on total revenue growth, and expects the efficiency ratio will show improvement over the medium term.

INCOME TAXES

The 2014 effective income tax rate (teb) was 26.0%, unchanged from 2013, while the effective tax rate before the teb adjustment was 24.1%. 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.

Capital losses of $8.2 million (2013 – $11.1 million) are available to apply against future capital gains and have no expiry date. The tax benefit of these capital losses has not been recognized in the financial statements. Capital losses of $2.9 million carried forward from prior years were applied to the gain resulting on the sale of CWB's former Edmonton Main Branch location.

Outlook for Income Taxes

CWB's expected income tax rate (teb) for fiscal 2015 is approximately 26.0%, or 24.3% before the teb adjustment.

COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes. CWB's OCI includes unrealized gains and losses on available-for-sale cash and securities, and fair value changes for derivative instruments designated as cash flow hedges. The 2014 increase in comprehensive income was driven by 14% ($28.1 million) higher net income, and a $15.4 million increase in fair value, net of tax, of available-for-sale securities. While the combined dollar investment in preferred shares and common equities is relatively small in relation to total liquid assets, it increases the potential for comparatively larger fluctuations in OCI.

Table 6 – Comprehensive Income
($ thousands)

	2014	2013	Change from 2013
Net Income	**$ 231,299**	$ 203,206	$ 28,093
Other Comprehensive Income (Loss)			
Available-for-sale securities			
Gains (losses) from change in fair value, net of tax	**12,882**	(2,553)	15,435
Reclassification to net income, net of tax	**(10,287)**	(11,160)	873
	2,595	(13,713)	16,308
Derivatives designated as cash flow hedges			
Gains from change in fair value, net of tax	**3,372**	2,332	1,040
Reclassification to net income, net of tax	**(3,575)**	(1,255)	(2,320)
	(203)	1,077	(1,280)
	2,392	(12,636)	15,028
Total Comprehensive Income	**$ 233,691**	$ 190,570	$ 43,121

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements totalled $2,697 million at October 31, 2014, compared to $2,580 million one year ago. Total net unrealized losses before tax recorded on the balance sheet at October 31, 2014 were $3.4 million, compared to $7.1 million last year. Net unrealized gains or losses are reflected in Table 7.

Table 7 – Unrealized Gains (Losses) on Available-for-Sale Cash and Securities

($ thousands)

	2014	2013
Deposits with regulated financial institutions	$ 91	$ 569
Government of Canada	347	632
Province or municipality	559	161
Other debt securities	872	1,180
Preferred shares	(3,834)	(16,301)
Common shares	(1,428)	6,657
Total	$ (3,393)	$ (7,102)

The cash and securities portfolio is mainly comprised of high quality debt instruments and a comparatively smaller component of preferred and common shares. Securities are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in the value of securities, other than common equities, are generally attributed to changes in interest rates and movements in market credit spreads. Volatility in equity markets causes fluctuations in the value of common shares.

Realized net gains on securities remained high at $14.0 million, $1.1 million below those realized in the prior year. Unrealized losses on securities are regularly reviewed and, based on available objective evidence, CWB reflected $1.2 million (2013 – nil) of pre-tax impairment charges in net gains on securities in 2014. Net gains on securities were mainly attributed to the sale of common shares following strong market performance, partially offset by losses realized on the sale of preferred shares.

CWB has no direct investment in any non-Canadian sovereign debt or other securities issued outside of Canada or the United States.

See Table 25 – 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 2015, is included in the Liquidity Management discussion of this MD&A.

LOANS

Highlights of 2014

- Strong 12% loan growth, largely driven by very strong performance in real estate project loans, equipment financing and leasing, and personal loans and mortgages.
- Double-digit loan growth achieved in 24 of the past 25 years (the exception being 2009 when loan growth during the global credit crisis was 7%).

Table 8 – Outstanding Loans by Portfolio

($ millions)

	2014	2013	Change from 2013 $	Change from 2013 %
Commercial mortgages	$ 3,574	$ 3,311	$ 263	8%
General commercial loans	3,525	3,428	97	3
Equipment financing and leasing	3,394	2,932	462	16
Real estate project loans	2,871	2,304	567	25
Personal loans and mortgages	2,841	2,502	339	14
Corporate lending	1,147	902	245	27
Oil and gas production loans	254	274	(20)	(7)
Total Outstanding Loans	$ 17,606	$ 15,653	$ 1,953	12%

Total loans before the allowance for credit losses increased 12% to reach $17,606 million at year end. Measured in dollars and by loan type as shown in Table 8, growth in real estate project loans of 25% represented the strongest source, followed by equipment financing and leasing at 16%, and personal loans and mortgages at 14%. Growth in real estate project loans exceeded expectations as CWB has continued to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels. Although recent growth in this area has been very strong, total exposure to real estate remains within CWB's established risk appetite. The balance of loans in equipment financing and leasing includes the Bank's heavy equipment financing business and the small- and mid-ticket leasing business of National Leasing.

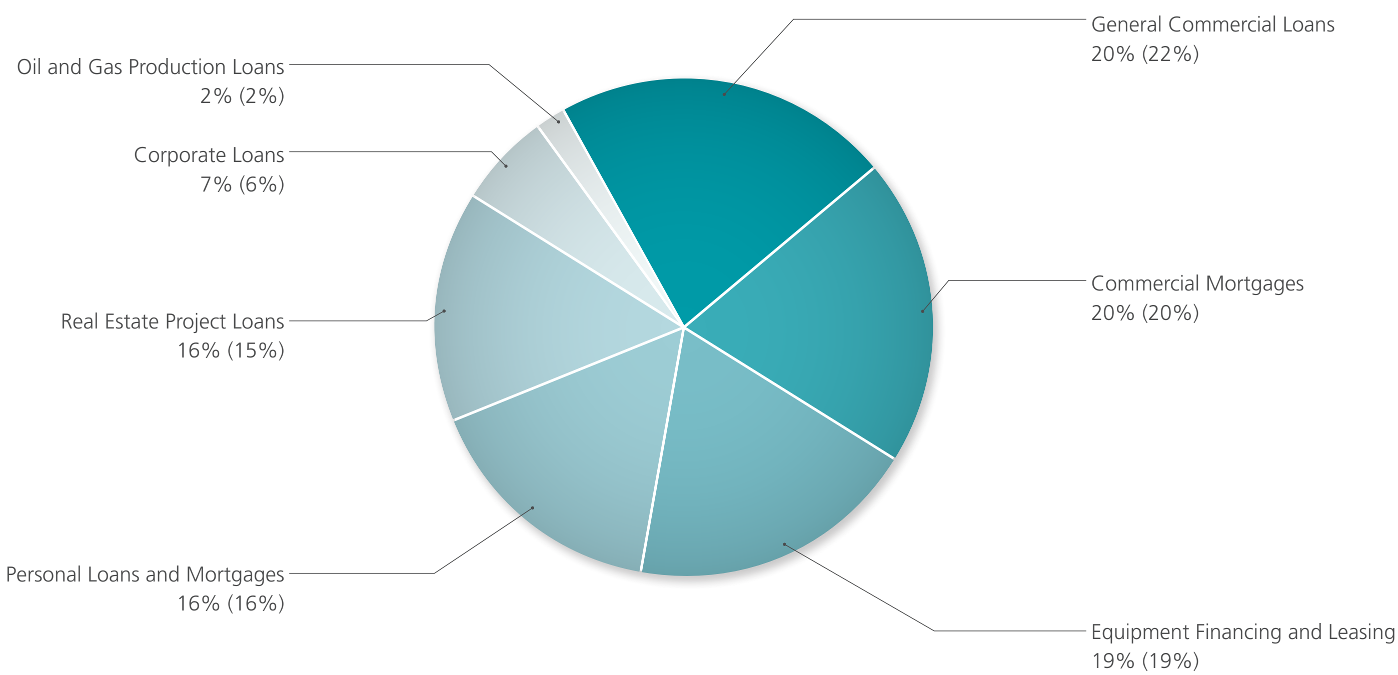
Personal loans and mortgages include CWB's broker-sourced residential mortgage business, Optimum, and lending activity in banking branches. Total loans of $1,470 million in Optimum represented net growth of 20%. Adjusting for $36 million (2013 – $95 million) of residential mortgages sold during the year, Optimum's annual loan growth was 23%. Net growth was mainly driven by alternative mortgages secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 71%. The book value of alternative mortgages represented approximately 85% of Optimum's total portfolio at year end. Management remains committed to the ongoing development of this mortgage business, including further expansion in Ontario and Atlantic Canada, as it continues to produce solid returns while maintaining an acceptable risk profile.

Corporate lending represents a diversified portfolio that is centrally sourced and administered through designated lending groups. Corporate lending includes participation in select syndications structured and led primarily by the major Canadian banks, but excludes participation in various other syndicated facilities sourced through relationships developed at CWB branches. Syndicated facilities sourced in branches are primarily real estate project loans, and oil and gas production loans, which are both included as separate classifications in Table 8.

General commercial loans increased 3%. Based on industry sector as shown in Table 9, general commercial loans include categories such as manufacturing, finance and insurance, and wholesale and retail trade. CWB's promising pipeline of new commercial loans and a strategic focus on a customized training program for commercial relationship managers support management's expectations for accelerated growth in this portfolio over time. The balance of oil and gas production loans, which represent a relatively small percentage of the total portfolio, was down 7% driven by a combination of fewer new lending opportunities, payouts and write-offs.

The mix of the portfolio (see Figure 2) shifted slightly during the year as strong growth in real estate project loans and corporate lending led to a slight decrease in the proportion of general commercial loans. Based on the location of security (see Figure 3), Alberta and BC represented 41% and 34% of total loans at year end, compared to 42% and 35%, respectively, in 2013, with the shift resulting from strong relative growth in Manitoba and Ontario.

Figure 2 – Outstanding Loans by Portfolio
(October 31, 2013 in brackets)



Outlook for Loans

While strong competition from domestic banks and other financial services firms is expected to persist, the current overall outlook for generating new business opportunities continues to be positive. CWB expects to maintain double-digit loan growth and has set its fiscal 2015 target range at 10 to 12%. Management believes market share will be gained from the combined positive influences of an expanded market presence, increased brand awareness in core geographic markets, and the effective execution of CWB's strategic plan focused on targeted client solutions and superior customer service.

Growth in Canada's domestic economy is expected to continue at a moderate pace in 2015, in part due to continued strength in U.S. markets. The western Canadian economy is expected to continue to perform well relative to the rest of Canada, largely reflecting ongoing capital investment and in-migration related to a favourable long-term outlook for commodities, notwithstanding recent oil price declines. However, a prolonged period of materially lower energy and other commodity prices poses a risk to the outlook for economic growth in Canada overall, and within Western Canada in particular.

In Alberta, the forecast for 2015 is supported by significant long-term capital investment in the oil sands, as well as a relatively positive long-term outlook for activity related to conventional oil production. Activity related to the resource sector in BC, including forestry, has remained solid due to the ongoing U.S. economic recovery and export opportunities to Pacific Rim countries, including China. Growth in Saskatchewan will be supported by a growing energy sector, increased mining output and potash production, and the potential for improvement in agriculture following constrained output due to flooding in 2014. Manitoba's economy is diverse with positive economic growth contributions mainly expected from agriculture, mining, energy and non-residential construction related to infrastructure investment. Continued economic strength in the U.S. and a lower Canadian dollar are expected to support an escalation of manufacturing and exporting activity in all provinces.

Canadian residential real estate markets have been resilient and affordability in most geographic areas remains within historical ranges, largely reflecting very low interest rates. However, the combination of historically high price levels, elevated levels of Canadian consumer debt and the potential for increasing interest rates in the future could slow construction and other related lending activity over time, particularly in specific areas of Vancouver, Calgary and Toronto. Price volatility and ongoing uncertainty surrounding long-term transportation solutions for both natural gas and heavy oil could lead to moderated growth in capital investment related to natural gas production and oil sands development in the near term. However, recent clarification of the royalty regime in British Columbia is a positive development with respect to the outlook for expansion of liquefied natural gas infrastructure on the west coast, and opportunities related to the maintenance of existing facilities within the resource sector remain abundant. The current overall economic outlook remains supportive of management's expectations for continued strong loan growth.

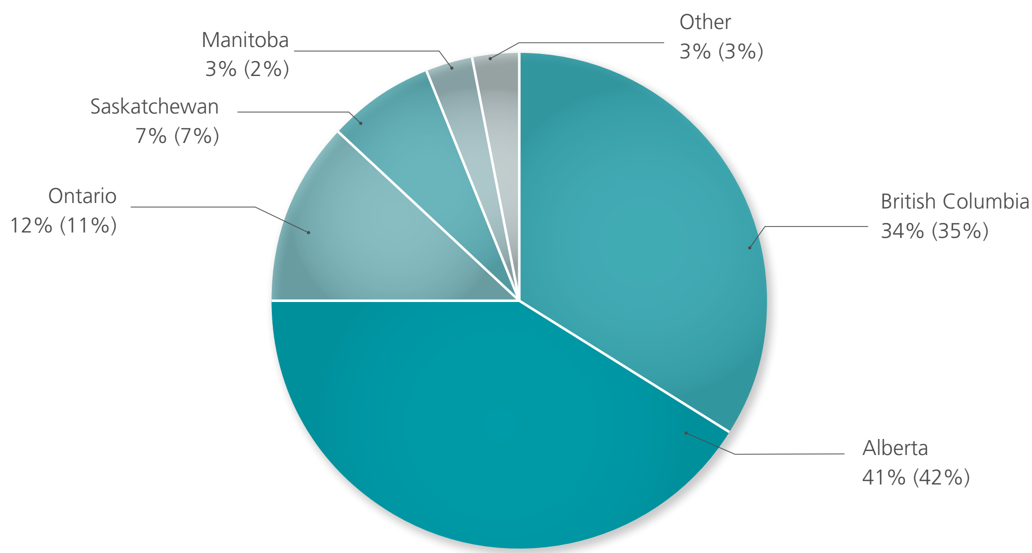
Potential risks that may have a material adverse impact on current economic expectations and forecasts include a sustained period of materially lower energy and other commodity prices, a slowing rate of economic growth in the United States, a significant and sustained deterioration in Canadian residential real estate prices, or a significant disruption in major global economies.

Diversification of Portfolio

Total advances based on location of security

Figure 3 – Geographical Distribution of Loans

(October 31, 2013 in brackets)



The following table illustrates the diversification in lending operations by standard industry sectors.

Table 9 – Total Advances Based on Industry Sector[1]
(% at October 31)

	2014	2013
Real estate operations	**22%**	22%
Construction	**22**	21
Consumer loans and residential mortgages[2]	**15**	15
Transportation and storage	**7**	6
Health and social services	**5**	5
Finance and insurance	**5**	4
Hotel/motel	**4**	5
Oil and gas service	**3**	2
Oil and gas production	**2**	3
Manufacturing	**2**	2
Retail trade	**2**	2
Wholesale trade	**2**	2
Other services	**2**	2
Logging/forestry	**2**	2
All other	**5**	7
Total	**100%**	100%

(1) Table is based on the North American Industry Classification System (NAICS) codes.
(2) Residential mortgages in this table include only single-family properties.

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 with a mix of business and personal loans. Heavy equipment financing is primarily sourced by specialized lenders within branches or through stand-alone equipment financing centres, while small- and mid-sized leases are offered across Canada through National Leasing. Oil and gas production lending is conducted by specialists located in Calgary.

Real estate specialists are established in the major centres of Vancouver, Edmonton and Calgary.

Optimum Mortgage maintains centralized administration based in Edmonton and sources residential mortgages throughout Western Canada and select regions of Ontario and Atlantic Canada through an established network of mortgage brokers.

Outlook for Diversification of Portfolio

Growth is expected across all lending sectors in 2015. While stronger economic activity in Alberta and increased lending exposure in Ontario and Atlantic Canada are expected to lead to comparatively faster growth in these areas, portfolio diversification by geography will likely remain relatively consistent with October 31, 2014. Based on the current view, management expects higher net growth in areas such as equipment financing and leasing, personal loans and mortgages, and general commercial loans compared to commercial mortgages and real estate project loans. Commercial mortgages are often subject to a higher level of pricing competition compared to other types of lending and CWB will remain focused on maintaining this portfolio based on client relationships and adequate returns. Expectations for slower growth in real estate project loans compared to that achieved in 2014 reflect the combined impact of this portfolio's relatively short duration and forecasted moderation in Canadian residential real estate activity, particularly in certain geographical areas. 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.

CREDIT QUALITY

Highlights of 2014

- Continued strong credit quality and an acceptable level of write-offs.
- Gross impaired loans decreased 3% from the prior year and, as a percentage of total loans, represented 35 basis points, compared to 41 basis points one year ago.
- The provision for credit losses of $25.1 million represented 15 basis points of average loans, down from 19 basis points in the prior year, three basis points beneath the low end of the 2014 target range of 18 to 23 basis points.

Impaired Loans

As shown in the table below, gross impaired loans totalled $62.1 million and represented 0.35% of total loans, compared to $64.2 million or 0.41% at the end of 2013. The ten largest accounts classified as impaired, measured by dollars outstanding, represented approximately 50% of total gross impaired loans at year end, down from 55%. New formations of impaired loans totalled $63.8 million, compared to $66.9 million last year.

Table 10 – Change in Gross Impaired Loans

($ thousands)

	2014	2013	Change from 2013 $	Change from 2013 %
Gross impaired loans, beginning of period	**$ 64,211**	$ 66,840	$ (2,629)	(4)
New formations	**63,840**	66,883	(3,043)	(5)
Reductions, impaired accounts paid down or returned to performing status	**(48,862)**	(42,860)	(6,002)	14
Write-offs	**(17,069)**	(26,652)	9,583	(36)
Total, end of period[1]	**$ 62,120**	$ 64,211	$ (2,091)	(3)
Balance of the ten largest impaired accounts	**$ 31,308**	$ 35,619	$ (4,311)	(12)
Total number of accounts classified as impaired[2]	**120**	143	(23)	(16)
Total number of accounts classified as impaired under $1 million[2]	**110**	135	(25)	(19)
Gross impaired loans as a percentage of total loans[3]	**0.35%**	0.41%		(6)bp[4]

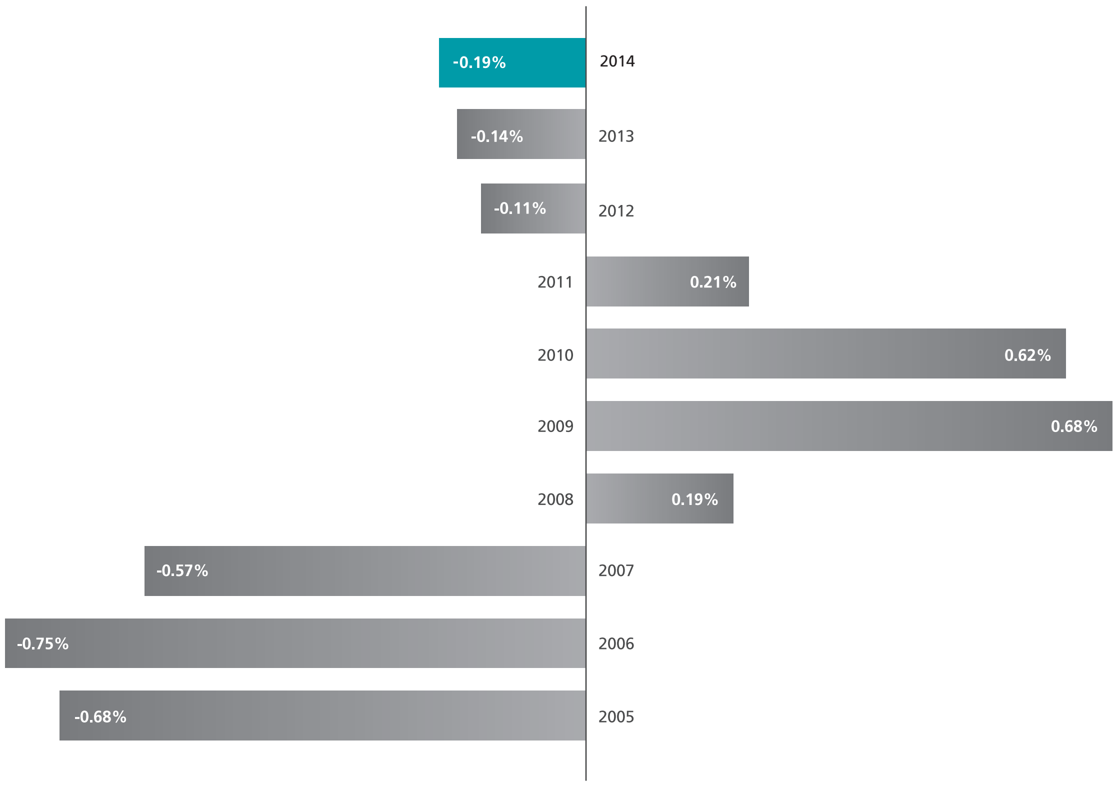
(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $2,393 (2013 – $12,407). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(2) Total number of accounts excludes National Leasing accounts.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.
(4) bp – basis point change.

The dollar 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. The lower balance of gross impaired loans reflects the success of ongoing loan realization efforts and work-out programs, as well as relatively stable economic conditions in CWB's core geographic markets. Actual credit losses as a percentage of total loans continue to demonstrate the benefits of secured lending practices and disciplined underwriting.

Current estimates of expected write-offs for existing loans classified as impaired are reflected in the specific provisions for credit losses, which totalled $5.5 million at year end, compared to $9.6 million a year earlier. Estimates are established through detailed analyses of both the overall quality and ultimate marketability of the security held against each impaired account.

The 2014 dollar provision for credit losses of $25.1 million decreased 10% from the previous year despite 12% loan growth. The provision measured as a percentage of average loans of 15 basis points was lower by four basis points. However, as shown in Figure 4, the collective allowance for credit losses exceeded the balance of impaired loans, net of specific allowances. Growth in the collective allowance of 18% exceeded loan growth despite a decrease in the dollar provision for credit losses. The total allowance for credit losses as a percentage of gross impaired loans (coverage ratio) was 154%, up from 134% in 2013.

Figure 4 – Net Impaired Loans as a Percentage of Net Loans Outstanding



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. Loans that have become impaired are monitored closely by a specialized team with regular quarterly, or more frequent, reviews of each loan and its realization plan. An impaired loans report is reviewed quarterly by the Loans Committee of the Board of Directors.

Outlook for Impaired Loans

The combination of ongoing disciplined underwriting practices, the secured nature of the loan portfolio and expectations for moderate economic growth in Canada with comparatively stronger performance within key western Canadian markets underpins management's view that overall credit quality will remain sound. The level of gross impaired loans will likely increase from the current very low level reflecting normal fluctuations of the credit cycle. Overall lending exposures will continue to be closely monitored and actual losses are expected to remain within CWB's acceptable range. Management remains confident in the strength, diversity and underwriting structure of the overall loan portfolio.

ALLOWANCE FOR CREDIT LOSSES

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 table below.

Table 11 – Allowance for Credit Losses

($ thousands)

	2014 Opening Balance	Provision for Credit Losses	Write-Offs, net of Recoveries(1)	**2014 Ending Balance**
Specific Allowance				
Commercial	$ 293	$ 1,140	$ (802)	**$ 631**
Real estate	6,349	(525)	(4,915)	**909**
Equipment financing and energy	2,179	9,871	(8,585)	**3,465**
Consumer and personal	748	713	(943)	**518**
	9,569	11,199	(15,245)	**5,523**
Collective Allowance	76,217	13,858	–	**90,075**
Total	$ 85,786	$ 25,057	$ (15,245)	**$ 95,598**

(1) Recoveries in 2014 totalled $1,824.

Allowances for credit losses are maintained to absorb both identified and unidentified losses in the loan portfolio and, at October 31, 2014, consisted of $5.5 million (2013 – $9.6 million) of specific allowances and $90.1 million (2013 – $76.2 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 for credit risk 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.

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.

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. The current rating system has twelve levels of risk and ratings are updated at least annually for all loans, with the exception of consumer loans and single-unit residential mortgages.

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. The collective allowance is expected to fluctuate as a result of normal portfolio growth. Based on management's current outlook for credit performance and CWB's actual historical loss experience, the existing level of the collective allowance is considered sufficient to mitigate losses inherent in the portfolio that are not presently identifiable.

Provision for Credit Losses

The provision for credit losses represented 15 basis points of average loans in 2014 (see Table 12), down four basis points from the previous year. Net new specific provisions represented seven basis points of average loans, compared to 13 basis points in 2013. 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 clients operate are continually analyzed.

Table 12 – Provision for Credit Losses

($ thousands)

	IFRS			Canadian GAAP[4]	
	2014	2013	2012	2011	2010
Provision for credit losses[1]	**0.15%**	0.19%	0.19%	0.19%	0.21%
Net new specific provisions (net of recoveries)[2]	**0.07**	0.13	0.14	0.20	0.27
Collective allowance	**$ 90,075**	$ 76,217	$ 67,344	$ 61,330	$ 59,603
Coverage ratio[3]	**154%**	134%	122%	74%	55%

(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) Allowance for credit losses as a percentage of gross impaired loans.
(4) Canadian GAAP – Canadian Generally Accepted Accounting Principles.

Outlook for the Provision for Credit Losses

The provision for credit losses in 2015 is expected to represent 17 to 22 basis points of average loans. The expected provision reflects CWB's current assessment based on assumptions about the economic outlook, the overall quality of the portfolio and its underlying security, and the adequacy of the collective allowance for credit losses. The assessment process is continuous and updated expectations are communicated no less than quarterly.

DEPOSITS

Highlights of 2014

- Branch-raised demand and notice deposits increased 15%.
- Branch-raised deposits were 55% of total deposits, consistent with 2013.
- Funding sources were diversified with the expansion of CWB's bearer deposit note (BDN) and senior deposit note programs issued in the debt capital markets to a broad range of institutional investors.
- Capital markets deposits increased to 14% of total deposits by source (2013 – 9%), while higher cost broker deposits decreased to 31% (2013 – 36%).

Table 13 – Deposits

($ thousands)

	Demand	Notice	Term	2014 Total	% of Total
Personal	**$ 33,060**	**$ 2,957,970**	**$ 6,841,639**	**$ 9,832,669**	**56%**
Business and government	**637,025**	**2,134,295**	**2,399,068**	**5,170,388**	**30**
Capital markets	**–**	**–**	**2,369,957**	**2,369,957**	**14**
Total Deposits	**$ 670,085**	**$ 5,092,265**	**$ 11,610,664**	**$ 17,373,014**	**100%**
% of Total	**4%**	**29%**	**67%**	**100%**	

	Demand	Notice	Term	2013 Total	% of Total
Personal	$ 30,337	$ 2,741,951	$ 6,648,466	$ 9,420,754	60%
Business and government	615,166	1,622,400	2,613,691	4,851,257	31
Capital markets	–	–	1,359,029	1,359,029	9
Total Deposits	$ 645,503	$ 4,364,351	$ 10,621,186	$ 15,631,040	100%
% of Total	4%	28%	68%	100%	

Total deposits of $17,373 million increased 11% over 2013 reflecting 7% growth in business and government deposits, 4% growth in personal deposits, which include those issued through the deposit broker network, and a 75% increase in capital markets deposits outstanding.

Table 14 – Deposits by Source

(as a percentage of total deposits at October 31)

	2014	2013
Branches	**55%**	55%
Deposit brokers	**31**	36
Capital markets	**14**	9
Total	**100%**	100%

References to branch-raised deposits within this MD&A include all deposits generated through the branch network, as well as those raised via CWT, CDF and Valiant. Increasing the level of branch-raised personal deposits and certain types of business deposits is an ongoing strategic focus for CWB as success in this area provides the most reliable and stable sources of funding. Success in growing these funding sources will become even more important under the Basel III rules governing liquidity beginning in 2015 (see the Liquidity Management section of this MD&A). CWT raises deposits through notice accounts (comprised primarily of cash balances held in self-directed registered accounts), corporate trust deposits and through the Bank's branch network. CDF, the Internet-based banking division of CWB, currently offers various deposit products to clients in all provinces and territories except Quebec. Client deposits in CDF at October 31, 2014 totalled $371 million, a 29% increase compared to a year earlier. Valiant's status as a federal deposit-taking institution accounts for CWB's third CDIC licence and provides an additional channel to raise insured deposits. Valiant deposits are currently offered only in CWB branches. Consistent with CWB's commercial focus, a considerable portion of branch-raised deposits are generated from corporate clients that tend to hold larger balances compared to personal clients (see the Liquidity Management section of this MD&A).

Growth in total branch-raised deposits was 11% in 2014, while the demand and notice component within branch-raised deposits increased 15%. Demand and notice deposits, which include lower cost funding sources, comprised 33% of total deposits at year end, up from 32% in the previous year. Branch-raised deposits comprised 55% of total deposits, unchanged from 2013. The level of growth in demand and notice deposits reflects ongoing execution of strategies to further enhance and diversify CWB's core sources of funding.

Other types of deposits are primarily sourced through a deposit broker network and debt capital markets. Insured deposits raised through deposit brokers remain an efficient 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. Additional sources of funding in 2014 included expansion of CWB's BDN program to $365 million, issuances of $900 million of senior deposit notes, net of maturities, securitization of $363 million of equipment leases (2013 – $91 million) and whole loan sales of $36 million (2013 – $95 million) of residential mortgages.

Outlook for Deposits and Funding

The strategic focus to increase branch-raised deposits will continue, with particular emphasis on the demand and notice component, which is often lower cost and provides associated transactional fee income. CWB's growing market presence, which includes the expansion and/or opening of full-service branches, also supports objectives to generate branch-raised deposits. Various strategic initiatives, which include the offering of enhanced cash management products and a competitive business savings account, as well as the creation of a new role in senior management for integrated leadership of business and personal banking, are also intended to further augment growth of desired branch-raised funding. The deposit broker network remains an efficient source for raising insured fixed term retail deposits and has proven to be a reliable and effective way to access funding and liquidity over a wide geographic base. Selectively utilizing the debt capital markets is also part of management's strategy to further augment and diversify both the long- and short-term funding base over time. National Leasing will continue to utilize securitization channels for a portion of its funding requirements, provided that both related costs and the regulatory capital impact remain satisfactory. Utilizing securitization and/or whole loan sales as added sources of funding for certain other types of portfolios, most notably residential mortgages, will also continue to be evaluated in 2015.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2014 totalled $401 million (2013 – $366 million). Insurance-related other assets were $66 million (2013 – $64 million) and consisted primarily of instalment premiums receivable as well as deferred policy acquisition costs. The amount of goodwill and intangible assets recorded on the balance sheet at October 31, 2014 was $50 million (2013 – $49 million) and $85 million (2013 – $70 million), respectively. The increase in intangible assets primarily relates to investment in CWB's new banking system.

Other liabilities totalled $504 million at October 31, 2014 (2013 – $462 million). Insurance-related other liabilities were $166 million (2013 – $168 million) and consisted primarily of provisions for unpaid claims and adjustment expenses and unearned premiums.

LIQUIDITY MANAGEMENT

Highlights of 2014

- Maintained a prudent liquidity position and conservative investment profile.
- CWB expects to be compliant with the new OSFI Liquidity Adequacy Requirements Guideline.

A schedule outlining the consolidated securities portfolio at October 31, 2014 is provided in Note 4 to the consolidated financial statements. A conservative investment profile is maintained by ensuring:

- all investments are high quality and include government debt securities, short-term money market instruments, preferred shares, common shares and other marketable securities;
- specific investment criteria and procedures are in place to manage the securities portfolio;
- regular review, monitoring and approval of investment policies is completed by CWB's Asset Liability Committee (ALCO); and,
- quarterly reports are provided to the Board on the composition of the securities portfolio, which is further supported by the Board's annual review and approval of investment policies.

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 15 – Liquid Assets
($ thousands)

	2014	2013	Change from 2013
Cash and non-interest bearing deposits with financial institutions	$ 13,320	$ 83,856	$ (70,536)
Deposits with regulated financial institutions	491,255	258,466	232,789
Cheques and other items in transit	3,839	5,673	(1,834)
Total Cash Resources	508,414	347,995	160,419
Government of Canada treasury bills	134,383	448,442	(314,059)
Government of Canada, provincial and municipal debt, term to maturity 1 year or less	22,541	401,950	(379,409)
Government of Canada, provincial and municipal debt, term to maturity more than 1 year	1,167,771	487,669	680,102
Other debt securities	290,363	367,961	(77,598)
Preferred shares	321,216	379,141	(57,925)
Common shares	152,931	147,169	5,762
Securities purchased under resale agreements	99,566	–	99,566
Total Securities Purchased Under Resale Agreements and Marketable Securities	$ 2,188,771	$ 2,232,332	$ (43,561)
Total Liquid Assets	$ 2,697,185	$ 2,580,327	$ 116,858
Total Assets	$ 20,608,656	$ 18,513,340	$ 2,095,316
Liquid Assets as a Percentage of Total Assets	13%	14%	(100)bp[1]
Total Deposit Liabilities	$ 17,373,014	$ 15,631,040	$ 1,741,974
Liquid Assets as a Percentage of Total Deposit Liabilities	16%	17%	(100)bp

(1) bp – basis points.

As shown in Table 15, liquid assets comprised of cash, deposits, securities purchased (or sold) under resale agreements and marketable securities totalled $2,697 million at October 31, 2014, an increase of 5% compared to a year earlier. Liquid assets represented 13% (2013 – 14%) of total assets and 16% (2013 – 17%) of total deposit liabilities at year end.

The composition of total liquid assets changed over the course of the year as the book was positioned to comply with new OSFI Liquidity Adequacy Requirements Guideline. The duration of the book was also lengthened to reflect a more neutral interest rate risk position. Key changes in the composition of liquid assets at October 31, 2014 compared to the prior year include:

- maturities within one year comprising 17% (2013 – 48%);
- Government of Canada, provincial and municipal debt securities decreasing to 49% (2013 – 52%);
- deposits with regulated financial institutions increasing to 18% (2013 – 13%);
- preferred shares decreasing to 12% (2013 – 15%); and,
- other marketable securities decreasing to 16% (2013 – 20%).

Additional sources of liquidity and funding in 2014 included $332 million of equipment leases securitized (2013 – $91 million) and $36 million (2013 – $95 million) of residential mortgages sold via whole loan sales. The primary source of incremental new funding was the issuance of capital markets deposit instruments. A summary of all outstanding deposits by contractual maturity date is presented in Tables 16 and 17.

Table 16 – Deposit Maturities Within One Year

($ millions)

October 31, 2014	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
Demand deposits	$ 670	$ –	$ –	$ 670
Notice deposits	5,092	–	–	5,092
Deposits payable on a fixed date	1,157	1,297	3,754	6,208
Total	**$ 6,919**	**$ 1,297**	**$ 3,754**	**$ 11,970**
October 31, 2013 Total	$ 6,006	$ 932	$ 4,360	$ 11,298

Table 17 – Total Deposit Maturities

($ millions)

October 31, 2014	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	$ 670	$ –	$ –	$ –	$ –	$ –	$ 670
Notice deposits	5,092	–	–	–	–	–	5,092
Deposits payable on a fixed date	6,208	2,375	1,605	843	580	–	11,611
Total	**$ 11,970**	**$ 2,375**	**$ 1,605**	**$ 843**	**$ 580**	**$ –**	**$ 17,373**
October 31, 2013 Total	$ 11,298	$ 2,416	$ 887	$ 618	$ 412	$ –	$ 15,631

A breakdown of deposits by source is provided in Table 14. 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 ensure branch-raised deposits remain the core source of 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 debt securities related to the securitization of leases to third parties (refer to Note 17 of the consolidated financial statements for additional information). A summary of subordinated debentures outstanding is presented in the following table:

Table 18 – Subordinated Debentures Outstanding

($ thousands)

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2014	As at October 31 2013
4.389%(1)	November 30, 2020	November 30, 2015	$ 300,000	$ 300,000
3.463%(2)	December 17, 2024	December 17, 2019	250,000	250,000
5.571%(3)	March 21, 2022	March 22, 2017	75,000	75,000
Total			**$ 625,000**	$ 625,000

(1) These conventional debentures have a 10-year term with a fixed interest rate for the first five years. Thereafter, the interest rate will be reset quarterly at the Canadian dollar CDOR 90-day Bankers' Acceptance rate plus 193 basis points.
(2) 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 90-day Canadian dollar CDOR rate plus 160 basis points.
(3) These conventional debentures have a 15-year term with a fixed interest rate for the first 10 years. Thereafter, the interest rate will be reset quarterly at the Canadian dollar CDOR 90-day Bankers' Acceptance rate plus 180 basis points.

Outlook for Liquidity Management

Internal methodologies for managing liquidity risk are continuously refined. CWB utilizes comprehensive stress testing to manage, measure and monitor liquidity risk to ensure a prudent approach. CWB will maintain prudent liquidity levels in 2015 while complying with OSFI's Liquidity Adequacy Requirements Guideline.

CAPITAL MANAGEMENT

Highlights of 2014

- Solid common equity Tier 1, Tier 1 and total capital adequacy ratios of 8.0%, 9.3% and 12.8%, respectively.
- Supported strong loan growth while maintaining a consistent common equity Tier 1 (CET1) capital ratio.
- Cash dividends of $0.78 per share paid to common shareholders, up 11%.
- Issued $125 million of Basel III compliant 4.40% 5-year rate reset preferred shares and redeemed $209 million of 7.25% 5-year rate reset preferred shares.

Subsequent Highlights

- In December 2014, the Board of Directors declared a quarterly cash dividend of $0.21 per common share, an increase of 5% over the prior quarter and 11% over the dividend declared a year earlier. The Board of Directors also declared a quarterly cash dividend of $0.275 per Series 5 Preferred Share.

Capital is managed in accordance with policies and plans that are regularly reviewed and approved by the Board. 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 policyholders, 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 19 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.

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 regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1 and 10.5% total capital. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules will be phased in between 2013 and 2019. The only available transition adjustment in the Basel III capital standards permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments.

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.

CWB complied with all internal and external capital requirements in 2014.

Table 19 – Capital Structure and Regulatory Ratios at Year End

($ thousands)

	2014	2013
Regulatory Capital, net of deductions		
Common equity Tier 1	**$ 1,443,841**	$ 1,285,692
Tier 1	**1,673,996**	1,560,801
Total	**2,304,108**	2,243,654
Capital ratios		
Common equity Tier 1	**8.0%**	8%
Tier 1	**9.3**	9.7
Total	**12.8**	13.9
Asset to capital multiple	**8.8x**	8.1x

Changes in the Tier 1 and total capital ratios reflect the 2014 issuance of $125 million of 4.40% 5-year rate reset preferred shares, which qualify as Tier 1 capital under Basel III, and the redemption of $209 million of non-qualifying 7.25% 5-year rate reset preferred shares. The required amortization relating to the phase out of existing, non-qualifying subordinated debentures also contributed to the decrease in the total capital ratio.

Table 20 – Regulatory Capital

($ thousands)

	2014	2013
Common equity Tier 1 capital instruments and reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	**$ 558,377**	$ 534,914
Retained earnings	**1,011,147**	865,087
Accumulated other comprehensive income and other reserves	**(2,822)**	(5,417)
Common equity Tier 1 capital before regulatory adjustments	**1,566,702**	1,394,584
Regulatory adjustments to Common equity Tier 1(1)	**(122,861)**	(108,892)
Common equity Tier 1 capital	**1,443,841**	1,285,692
Additional Tier 1 capital instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	**125,000**	–
Directly issued capital instruments subject to phase out from Additional Tier 1(2)	**105,000**	283,275
Additional Tier 1 instruments issued by subsidiaries and held by third parties	**155**	163
Additional Tier 1 capital before regulatory adjustments	**230,155**	283,438
Regulatory adjustments to Additional Tier 1 capital(3)	**–**	(8,329)
Additional Tier 1 capital	**230,155**	275,109
Tier 1 capital	**1,673,996**	1,560,801
Tier 2 capital instruments and allowances		
Directly issued capital instruments subject to phase out from Tier 2(2)	**540,000**	607,500
Tier 2 instruments issued by subsidiaries and held by third parties	**37**	38
Collective allowance for credit losses	**90,075**	76,217
Tier 2 capital before regulatory adjustments	**630,112**	683,755
Regulatory adjustments to Tier 2 capital(4)	**–**	(902)
Tier 2 capital	**630,112**	682,853
Total capital	**$ 2,304,108**	$ 2,243,654

(1) CET1 deductions include goodwill, intangible assets, and non-significant investments in financial institutions above a specific percentage of CET1 capital.

(2) Capital balances exclude 20% (2013 – 10%) of non-common equity instruments outstanding at January 1, 2013 that do not include non-viability contingent capital clauses. At October 31, 2014, there was no exclusion from Tier 1 regulatory capital related to the Innovative Tier 1 capital (disclosed in deposits). At October 31, 2013, a combined $31 million of outstanding Innovative Tier 1 capital and preferred shares were excluded from regulatory capital. At October 31, 2014, $85 million of outstanding subordinated debentures (October 31, 2013 – $18 million) were excluded from regulatory capital.

(3) Additional Tier 1 deduction includes non-significant investments in financial institutions above a specific percentage of CET1 capital.

(4) Tier 2 deduction includes non-significant investments in financial institutions above a specific percentage of CET1 capital.

Table 21 – Risk-Weighted Assets

($ thousands)

					2014
	Cash, Securities and Resale Agreements	Loans	Other Items	Total	Risk-Weighted Assets
Corporate	$ 152,027	$ 12,011,130	$ –	$ 12,163,157	$ 12,073,249
Sovereign	1,329,179	30,968	–	1,360,147	40,604
Bank	613,873	17,797	–	631,670	200,385
Retail residential mortgages	–	2,708,015	–	2,708,015	980,774
Other retail					
Excluding small business entities	–	201,252	–	201,252	144,790
Small business entities	–	2,204,002	–	2,204,002	1,680,572
Equity	426,769	–	–	426,769	426,769
Undrawn commitments	–	415,797	–	415,797	406,073
Operational risk	–	–	78,985	78,985	987,317
Securitization risk	–	48,558	–	48,558	606,975
Other	–	90,810	389,077	479,887	478,314
As at October 31, 2014	**$ 2,521,848**	**$ 17,728,329**	**$ 468,062**	**$ 20,718,239**	**$ 18,025,822**
As at October 31, 2013	$ 2,395,060	$ 15,942,099	$ 431,127	$ 18,768,286	$ 16,115,012

Table 22 – Risk-Weighting Category

($ thousands)

									2014
	0%	20%	35%	50%	75%	100%	150% and greater	Balance	Weighted
Corporate	$ 30,251	$ 31,436	$ –	$101,990	$ –	$ 11,966,506	$ 32,974	$ 12,163,157	$ 12,073,249
Sovereign	1,157,125	203,022	–	–	–	–	–	1,360,147	40,604
Bank	–	461,614	–	123,988	–	46,068	–	631,670	200,385
Retail residential mortgages	312,599	–	2,053,594	–	319,224	22,598	–	2,708,015	980,774
Other retail									
Excluding small business entities	7,917	1,374	–	–	191,181	82	698	201,252	144,790
Small business entities	2,362	707	–	–	2,098,118	94,760	8,055	2,204,002	1,680,572
Equity	–	–	–	–	–	426,769	–	426,769	426,769
Undrawn commitments	–	–	–	–	38,898	376,899	–	415,797	406,073
Operational risk	–	–	–	–	–	–	78,985	78,985	987,317
Securitization risk	–	–	–	–	–	–	48,558	48,558	606,975
Other	148,047	16,769	–	–	16,808	189,917	108,346	479,887	478,314
As at October 31, 2014	**$1,658,301**	**$ 714,922**	**$2,053,594**	**$225,978**	**$ 2,664,229**	**$ 13,123,599**	**$ 277,616**	**$ 20,718,239**	**$ 18,025,822**
As at October 31, 2013	$1,771,988	$ 537,057	$1,754,275	$ 82,574	$ 2,547,915	$ 11,842,730	$ 231,747	$ 18,768,286	$ 16,115,012

Outlook for Capital Management

CWB will maintain solid capital ratios above its target ICAAP 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 at least annually through CWB's comprehensive ICAAP. The ongoing retention of earnings, net of expected common and preferred share dividends, is expected to support capital requirements associated with the anticipated achievement of performance within the 2015 target ranges. OSFI's stated requirement for banks to maintain a minimum leverage ratio of 3% at all times effective January 2015 is not expected to be a constraint for CWB.

Management continues to evaluate alternatives to deploy capital for the long-term benefit of CWB shareholders, which includes the potential for strategic acquisitions. Required resources, costs and potential timelines related to CWB's possible transition to an *AIRB* methodology for managing credit risk and calculating risk-weighted assets will continue to be evaluated under the direction of CWB's newly appointed chief risk officer. Preliminary analysis confirms a multi-year time frame which requires OSFI approval. Implementation of CWB's new core banking system is scheduled for early fiscal 2016. This new system is a critical component for a number of requirements necessary for *AIRB* compliance, including the collection of certain types of data.

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, 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 Critical Accounting 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 11 to the consolidated financial statements. The notional amounts of derivative financial instruments are not reflected on the consolidated balance sheets.

Table 23 – Derivative Financial Instruments

($ thousands)

	2014	2013
Notional Amounts		
Interest rate contracts[1]	**$ 1,725,000**	$ 800,000
Equity swaps designated as hedges[2]	**19,205**	17,470
Equity swaps not designated as hedges[3]	**3,754**	–
Foreign exchange contracts[4]	**1,964**	1,235
Total	**$ 1,749,923**	$ 818,705

(1) Interest rate contracts are used as hedging devices to manage interest rate risk. The outstanding contracts mature between December 2014 and July 2017.
(2) Equity swaps designated as hedges mature between June 2015 and June 2017. Equity swaps are used to reduce the earnings volatility from restricted share units linked to CWB's common share price.
(3) Equity swaps not designated as hedges mature in June 2015. Equity swaps are used to reduce the earnings volatility from deferred share units linked to CWB's common share price.
(4) U.S. dollar foreign exchange contracts are used from time to time to manage the difference between U.S. dollar assets and liabilities. Forward foreign exchange contracts outstanding mature between November 2014 and July 2015.

The active use of interest rate contracts remains an integral component to manage the interest rate gap position. The increase in the volume of outstanding contracts (measured by the notional amount) reflects normal course management of interest rate risk. 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 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 no less than annually.

ACQUISITIONS

No material acquisitions were completed in 2014.

OFF-BALANCE SHEET

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets under administration and third-party leases under administration, as well as mortgages under service agreements totalled $10,102 million at October 31, 2014, compared to $8,424 million one year ago.

Assets under management held within Adroit and McLean & Partners were $1,796 million at year end, compared to $1,901 million last year. Lower assets under management primarily reflect the redemption of a single institutional account at Adroit.

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 21 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 24. In general, CWB's performance reflects a consistent growth trend, although the second quarter contains three fewer revenue-earning days.

Quarterly financial results are subject to some fluctuation due to exposure to property and casualty insurance. Insurance operations, which are primarily reflected in non-interest income, are subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes. In the third quarter of 2013, net insurance revenues, reflected in non-interest income, were materially impacted by claims expense resulting from catastrophic floods in southern Alberta. In the fourth quarter of 2014, net insurance revenues were materially impacted by claims expense resulting from severe Alberta hailstorms. Mandatory participation in the Alberta auto risk sharing pools can also result in unpredictable quarterly fluctuations.

Net gains on securities, reflected in non-interest income, were unusually high in 2013 and 2014. The majority of net gains on securities in these periods resulted from favourable market conditions and the repositioning of investments in preferred shares and common equities.

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 of fiscal 2013 and 2014, 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 24 – Quarterly Financial Highlights[1]

($ thousands, except per share amounts)

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Net interest income (teb)	**$ 132,479**	**$ 131,751**	**$ 123,727**	**$ 125,239**	$ 124,775	$ 121,002	$ 111,929	$ 113,052
Less teb adjustment	**1,709**	**1,888**	**1,989**	**2,090**	2,062	2,161	2,000	1,915
Net interest income per financial statements	**130,770**	**129,863**	**121,738**	**123,149**	122,713	118,841	109,929	111,137
Non-interest income	**27,057**	**28,027**	**29,794**	**28,531**	26,181	23,032	23,390	22,379
Total revenues (teb)	**159,536**	**159,778**	**153,521**	**153,770**	150,956	144,034	135,319	135,431
Total revenues	**157,827**	**157,890**	**151,532**	**151,680**	148,894	141,873	133,319	133,516
Net income available to common shareholders	**58,150**	**56,580**	**51,191**	**52,628**	51,210	47,484	42,988	45,482
Earnings per common share								
Basic	**0.72**	**0.71**	**0.64**	**0.66**	0.64	0.60	0.54	0.58
Diluted	**0.72**	**0.70**	**0.63**	**0.65**	0.64	0.60	0.54	0.57
Adjusted cash	**0.73**	**0.71**	**0.65**	**0.67**	0.65	0.61	0.55	0.58
Return on common shareholders' equity (ROE)	**15.0%**	**14.9%**	**14.4%**	**14.8%**	14.9%	14.1%	13.5%	14.2%
Return on average total assets (ROA)	**1.12**	**1.11**	**1.07**	**1.11**	1.11	1.06	1.00	1.06
Efficiency ratio (teb)	**47.2**	**45.9**	**46.0**	**45.1**	45.5	46.5	47.9	45.8
Efficiency ratio	**47.7**	**46.4**	**46.6**	**45.7**	46.1	47.2	48.6	46.5
Net interest margin (teb)	**2.56**	**2.58**	**2.59**	**2.64**	2.72	2.70	2.61	2.62
Net interest margin	**2.53**	**2.54**	**2.55**	**2.60**	2.67	2.65	2.56	2.58
Provision for credit losses as a percentage of average loans	**0.09**	**0.16**	**0.16**	**0.19**	0.19	0.20	0.19	0.18

(1) See page 13 for a discussion of teb and non-IFRS measures.

FOURTH QUARTER OF 2014

Q4 2014 vs. Q4 2013

Strong fourth quarter financial performance was marked by record earnings and double-digit loan growth. Record net income available to common shareholders of $58.2 million was up 14% while diluted earnings per common share increased 13% to $0.72. Adjusted cash earnings per common share, which excludes the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration, was a record $0.73, up 12%. Earnings growth was based on a 6% increase in total revenues (teb) to $159.5 million, a decrease in preferred share dividends and a lower provision for credit losses, partially offset by higher non-interest expenses. Higher total revenues primarily resulted from the benefit of strong 12% loan growth and 3% higher non-interest income, partially offset by a 16 basis point decrease in net interest margin (teb) to 2.56%. Growth in almost all categories of non-interest income more than offset notable declines in both net insurance revenues and net gains on securities. 'Other' non-interest income was $4.5 million higher, primarily due to a gain on the sale of CWB's former Edmonton Main Branch premises. Credit-related fee income and trust and wealth management fees increased $1.0 million and $0.9 million, respectively, while net insurance revenues were $3.6 million lower due to the impact of claims expense related to severe hailstorms in Alberta. Net gains on securities were $1.8 million lower.

Q4 2014 vs. Q3 2014

Net income available to common shareholders increased 3%, mainly due to a lower provision for credit losses and higher 'other' non-interest income, partially offset by a $3.6 million decline in net gains on securities, a $2.0 million reduction in net insurance revenues and higher non-interest expenses. Changes in 'other' non-interest income and net insurance revenues primarily resulted from the same factors discussed above. Diluted and adjusted cash earnings per common share both increased 3%.

ROE and ROA

The quarterly return on common shareholders' equity of 15.0% increased 10 basis points from both a year earlier and the prior quarter. Fourth quarter return on assets was 1.12%, compared to 1.11% both last year and in the previous quarter.

Efficiency

The quarterly efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb), excluding the non-tax deductible charge for the fair value of contingent consideration, was 47.2%, up from 45.5% a year earlier, primarily reflecting the revenue impact of lower net interest margin.

Loan Growth

Total loans of $17,606 million grew 2% in the quarter and 12% over the past twelve months.

Credit Quality

Overall credit quality continued to reflect sound underwriting, secured lending practices and strong economic activity in CWB's key geographic markets. Gross impaired loans totalled $62.1 million at quarter end, compared to $58.1 million last quarter and $64.2 million a year earlier. The quarterly provision for credit losses represented nine basis points of average loans, compared to 16 basis points in the prior quarter and 19 basis points last year. Despite the sequential decline, the dollar provision for credit losses exceeded net new specific provisions and led to a slight increase in the level of the collective allowance for credit losses compared to last quarter.

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, 2014, CWB's total allowance for credit losses was $95.6 million (2013 – $85.8 million) which included specific allowances of $5.5 million (2013 – $9.6 million) and a collective allowance of $90.1 million (2013 – $76.2 million). Additional information on the process and methodology for determining the allowance for credit losses can be found in the discussion of Credit Quality in this MD&A and in Note 7 to the consolidated financial statements.

Provision for Unpaid Insurance Claims and Adjustment Expenses

A provision for unpaid claims is maintained, with the provision representing the amounts needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred on or before each balance sheet date. A provision for adjustment expenses is also maintained, which represents the estimated expected costs of investigating, resolving and processing these claims. Estimated recoveries of these costs from reinsurance ceded are included in other assets. The computation of these provisions takes into account the time value of money using discount rates based on projected investment income from the assets supporting the provisions. The process of determining the provision for unpaid claims and adjustment expenses necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development and recoverability of reinsurance balances.

All provisions are periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. Changes in circumstances may cause future assessments of unpaid claims and adjustment expenses to be significantly different than current assessments and may require an increase or decrease in the provision. In estimating the provision for unpaid claims and adjustment expenses, a number of uncertainties are taken into account and assumptions made, which makes it difficult to estimate a range for the provision. Further, as noted above, the provision includes a margin for adverse deviations in assumptions. At October 31, 2014, the provision for unpaid claims and adjustment expenses totalled $85.5 million (2013 – $89.7 million). Additional information on the process and methodology for determining the provision for unpaid claims and adjustment expenses can be found in Note 22 to the consolidated financial statements.

Financial Instruments Measured at Fair Value

Cash resources, securities, securities purchased (sold) under resale agreements, acquisition 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 25 – Valuation of Financial Instruments

($ thousands)

			Valuation Technique					
As at October 31, 2014		**Fair Value**		**Level 1**		**Level 2**		**Level 3**
Financial Assets								
Cash resources	**$**	**508,414**	**$**	**471,643**	**$**	**36,771**	**$**	**–**
Securities		**2,089,205**		**2,089,205**		**–**		**–**
Securities purchased under resale agreements		**99,566**		**99,566**		**–**		**–**
Derivative related		**5,420**		**–**		**5,420**		**–**
Total Financial Assets	**$**	**2,702,605**	**$**	**2,660,414**	**$**	**42,191**	**$**	**–**
Financial Liabilities								
Other liability[1]	**$**	**2,679**	**$**	**–**	**$**	**–**	**$**	**2,679**
Derivative related		**386**		**–**		**386**		**–**
Total Financial Liabilities	**$**	**3,065**	**$**	**–**	**$**	**386**	**$**	**2,679**

			Valuation Technique					
As at October 31, 2013		Fair Value		Level 1		Level 2		Level 3
Financial Assets								
Cash resources	$	347,995	$	300,995	$	47,000	$	–
Securities		2,232,332		2,232,332		–		–
Derivative related		4,509		–		4,509		–
Total Financial Assets	$	2,584,836	$	2,533,327	$	51,509	$	–
Financial Liabilities								
Other liability[1]	$	1,679	$	–	$	–	$	1,679
Derivative related		36		–		36		–
Total Financial Liabilities	$	1,715	$	–	$	36	$	1,679

(1) Level 3 financial instruments are comprised of the contingent consideration related to the acquisition of McLean & Partners Wealth Management Ltd.

Notes 3, 4, 5, 11 and 30 to the consolidated financial statements provide additional information regarding these financial instruments.

CHANGES IN ACCOUNTING POLICIES

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

Consolidated Financial Statements

Effective November 1, 2013, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosures of Interests in Other Entities*, which establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, and new disclosure requirements for all forms of interests in other entities. As a result of the application of IFRS 10, CWB has changed its accounting policy for determining whether it has control over its investees and, consequently, has de-consolidated Canadian Western Bank Capital Trust (the Trust) through which certain regulatory capital instruments are issued. In accordance with the transitional provisions, CWB has applied IFRS 10 retrospectively and comparative figures have been restated to reflect the de-consolidation of the Trust. The de-consolidation of the Trust resulted in a $105 million decrease in CWB Capital Trust Capital Securities Series 1 (WesTS) previously classified as non-controlling interest and an increase of $105 million in deposit liabilities, and reclassification of the associated distribution, which totalled $6.7 million for the year ended October 31, 2013, from non-controlling interest to interest expense. The annual disclosures required by IFRS 12 are included in Notes 14, 20 and 33.

Accounting for Internal Direct Leasing Costs

IAS 17 *Leases* requires that the lessor capitalize initial direct leasing costs in the initial measurement of the lease, and defines initial direct costs as incremental costs directly attributable to negotiating and arranging a lease. Prior to 2014, CWB capitalized costs of certain employees and other internal costs directly attributable to arranging new leases within initial direct leasing costs on initial measurement of a lease. During 2014, the IFRS Interpretations Committee has issued clarification that certain internal costs do not qualify as incremental costs. As a result, during the year CWB changed its accounting policy to expense, rather than capitalize, non-incremental internal costs for negotiating and arranging new leases as incurred. CWB has applied this accounting policy retrospectively, resulting in a decrease of $9.5 million in loans, an increase in other assets of $2.5 million for deferred income taxes, and a decrease of $6.9 million in retained earnings for all presented comparative periods. This change did not result in a change to the consolidated statements of income.

Fair Value Measurement

Effective November 1, 2013, CWB adopted IFRS 13 *Fair Value Measurement*, which applies to other IFRS standards that require or permit fair value measurements or disclosures about fair value measurements, and sets out a framework on how to measure fair value using the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. In accordance with the transitional provisions of IFRS 13, CWB has applied the new fair value measurement guidance prospectively. This new standard had no impact on the measurement of CWB's assets and liabilities. Additional disclosures required by IFRS 13 are included in Note 30.

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. CWB is currently reviewing these standards to determine the impact, if any, on the financial statements.

IFRS 9 – Financial Instruments

During 2014, the IASB issued the complete version of IFRS 9. Under the finalized guidance, IFRS 9 specifies that financial assets be classified into one of three categories: financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, or financial assets measured at fair value through other comprehensive income. IFRS 9 introduces changes to measuring an entity's own credit risk in the valuation of financial liabilities. The final standard also introduces a new expected credit loss model for calculating impairment, and new general hedge accounting requirements that align more closely with an entity's risk management model. Compliance with IFRS 9 is mandatory for CWB's fiscal year beginning on November 1, 2018, and early adoption is permitted. OSFI is currently assessing whether it will require federally regulated Canadian banks, including CWB, to adopt IFRS 9 effective November 1, 2017, in advance of IASB requirements.

IFRS 15 – Revenue from Contracts with Customers

During 2014, the IASB established principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles-based model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for CWB's fiscal year beginning November 1, 2017, with earlier adoption permitted.

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

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 45 to 54 of this MD&A form an integral part of the audited consolidated financial statements for the year ended October 31, 2014.

CWB Group Risk Appetite Statement

CWB Group's vision – to be seen as crucial to our clients' futures – requires continuous consideration, understanding and responsible management of all key risks at both the strategic and operational levels. Our core strategic objective to balance risk and reward requires each of us to make common-sense business decisions by assessing risk and reward trade-offs considering CWB Group strategy, risk appetite and regulatory/legal requirements. Our Risk Appetite Statement considers all risks we manage as we seek to deliver value and growth for each of our key stakeholder groups: clients, shareholders, employees and communities and is summarized as follows:

At CWB Group, we consciously accept risks to add value for stakeholders and support the responsible and efficient delivery of products and services provided those risks:

- Help us become more crucial to our clients' futures
- Are thoroughly understood and managed within the confines of well-communicated CWB Group risk tolerances, including the highest ethical standards.

Highlights of 2014

Several enhancements to CWB's risk management framework were undertaken in 2014 as part of the ongoing development and implementation of CWB's risk management processes. Key changes included:

- Recruitment of an executive chief risk officer to take office in fiscal 2015;
- Completion of the CWB Group Risk Appetite Statement;
- Inclusion of technology risk as a discrete subset of operational risk in recognition of CWB's increasing reliance on technology; and,
- Implementation of a group-wide operational risk training initiative.

RISK MANAGEMENT OVERVIEW

CWB's risk management processes are designed to complement the organization's overall size, level of complexity, risk profile and philosophy regarding risk. CWB's risk management philosophy emphasizes 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 make deposits and/or 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 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 Principles

The following principles guide the management of risks across all operations and companies of CWB (group-wide):

- 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 preventive and detection controls.
- A group-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 the risks inherent in their respective day-to-day activities.
- 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.

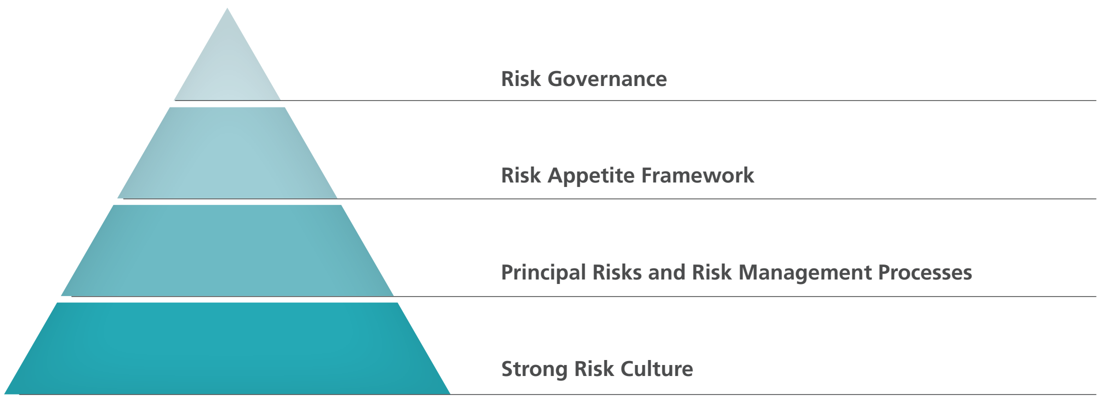
The mandate of CWB's Group Risk Management function is to enhance existing processes and structure to help identify and appropriately mitigate risks on a group-wide basis. The intent is to provide a suitable framework for CWB to properly balance risk and reward while ensuring risk management practices satisfy regulatory requirements.

Risk Management Framework

The primary goal of risk management is to ensure that the outcomes of risk taking are consistent with CWB's business activities, strategies and risk appetite. The group-wide 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. This international standard provides principles and guidelines for managing risk in a systematic, transparent and credible manner. The risk framework is subject to continuous evaluation to ensure it meets the challenges and requirements faced by CWB in its operations, including the evaluation of industry best practices and compliance with evolving regulatory standards.

CWB's group-wide risk management framework (Figure 5) is comprised of four main elements:

Figure 5 – Risk Management Framework



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 interrelationships 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.

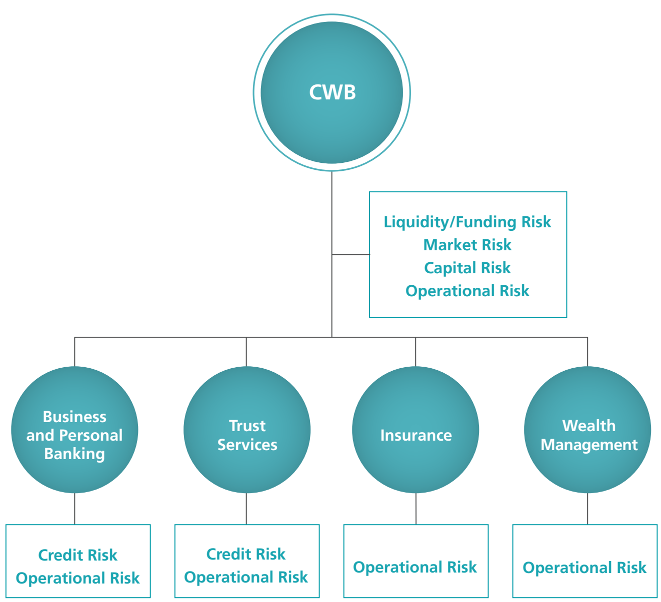
Risk culture is communicated throughout the organization and is emphasized by the actions of senior management and the Board.

Principal Risks

The ability to identify, measure and monitor risks is a key component of effective group-wide risk management. Certain principal risks have been identified that have the greatest potential to materially impact operations.

Following (Figure 6) is a visual representation of CWB's principal risk exposures by business line:

Figure 6 – Principal Risks



Reputational risk is also a principal risk, which arises as a consequence of not managing other risks effectively. Regulatory, technology and people risks are significant subsets of Operational Risk. Important risk factors, including related risk management processes, are described in more detail in the following sections. While each of these risks is described independently, many of the factors and risks discussed may also be interrelated.

CWB's risk management processes incorporate various forms of stress testing to assist in making informed risk management and capital planning decisions, which are developed and managed as part of sound business strategy. Stress testing is performed across key functional areas of CWB and is based on both quantitative and qualitative inputs.

Risk Appetite

Senior management establishes and recommends CWB's overall risk appetite, which is ultimately approved by the Board. Risk appetite is the formalization of basic business principles such as making decisions based on risk-reward tradeoffs, understanding potential outcomes of those decisions and deciding whether CWB is comfortable with the risk associated with those decisions. It provides a context to discuss potential risks and reach a shared understanding of appropriate risk thresholds. Setting risk tolerances is dynamic and requires flexible processes, as well as continuous review and guidance from senior management, internal risk committees and the Board. Key attributes of CWB's formalized risk appetite framework include the following:

- A conservative culture that is prevalent throughout CWB, from the Board to senior management to front-line staff.
- 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.
- A relatively flat organizational structure with management close to their respective operations, helping to facilitate effective internal communications and reinforcing an appropriate "tone at the top."
- A continuous commitment and focus on the achievement of high quality, sustainable long-term financial results.
- A philosophy of avoiding exposure to risks that are not well understood. Management strives to thoroughly understand the risks of the businesses in which CWB chooses to engage and has extensive knowledge and experience in CWB's chosen lending sectors, key geographic regions and other complementary business areas.

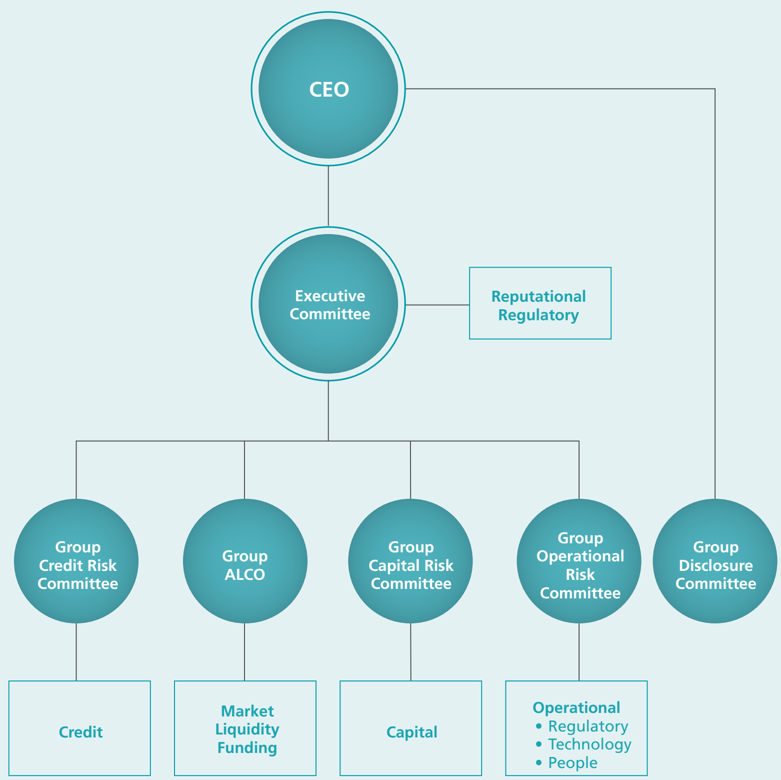
Risk Management Governance Structure

Management owns the risks CWB takes or is exposed to while conducting its business activities, while the Board approves and monitors the framework under which these risks are managed. This framework places ultimate accountability for the management of risk with the CWB Group Executive Committee. The Executive Committee, with the assistance of the Group Risk Management function, is responsible for establishing the overall risk management framework, identifying risks and developing appropriate risk management policies.

The Board, either directly or through its committees, reviews or approves the key policies and implements specific reporting procedures to enable effective monitoring of significant risk areas. At least annually, a report on risks and key risk management policies is presented to the Board and/or Board committees for review, assessment and approval.

An overview of the management committee structure and list of key risks for which each committee is responsible follows.

Figure 7 – Internal Risk Management Committees



Executive Committee – Oversees major risk management processes, provides oversight to internal risk committees and ensures the risk management framework is properly implemented. Provides executive oversight for all principal risks, and recommends the risk appetite and overall risk management framework for Board approval.

Group Credit Risk Committee – Approves loans within delegated limits and is responsible for ensuring that appropriate credit policies are in place. Monitors the quality, diversification and exposure of the loan portfolio and recommends actions to ensure adequacy of the provision for credit losses.

Group Asset Liability Committee (ALCO) – Responsible for the establishment and maintenance of policies and programs for liquidity management and control, funding sources, investments, foreign exchange risk, interest rate risk and derivatives risk. Oversees diversification of product offerings to ensure alignment with strategy and risk tolerances.

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 group 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 reports and disclosure controls and procedures to help ensure the accuracy, completeness and timeliness of related public disclosures.

Additional information on these committees is provided below in principal risk governance sections.

To support the overall governance structure, CWB has adopted a "three lines of defense" model:

Table 26 – Three Lines of Defense

First Line	Second Line	Third Line
Business and Support Areas	Oversight Functions	Internal Audit
- Own risk - Identify and manage risk through the establishment of policies and procedures - Ensure activities conform to risk management policies and authorities - Develop and maintain effective internal controls - Monitor and report activities	- Establish group-wide frameworks and training for risk management and compliance - Provide oversight and independent challenge to business and support areas - Monitor and report on compliance with risk policies	- Provide independent assurance that risk management controls and governance processes are adequate and functioning as intended

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

Group Risk Management – Establishes the group-wide risk management framework and provides independent oversight of enterprise risk management. The Chief Risk Officer (CRO) will report functionally to the Board.

Regulatory Compliance – Establishes risk-based processes to actively manage known and emerging risks related to applicable regulatory requirements. The General Counsel acts in the capacity of Chief Compliance Officer (CCO) and reports functionally to the Board.

Finance – Provides independent oversight of processes to manage financial reporting and capital risk. Provides oversight on financial reporting, capital adequacy, external credit ratings, regulatory reporting, tax and accounting-related functions. The Chief Financial Officer (CFO) reports functionally to the Audit Committee.

Internal Audit – Provides independent, objective assurance and consulting services designed to improve CWB's operations. The scope of work includes determining whether the network of risk management controls and governance processes, as designed and implemented by management, are adequate and functioning in the intended manner. The Chief Internal Auditor (CIA) reports functionally to the Audit Committee.

CREDIT RISK

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to CWB.

Risk Overview

The main source of credit risk exposure for CWB results from its focus and expertise in granting loans and leases. 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 provision for credit losses and consistently 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 to the Loans Committee of the Board for approval, depending on the size of the exposure.

Risk Management

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

- oversight provided by the Loans Committee of the Board;
- 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 credit analytics 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. A summary report of less than satisfactory accounts is reviewed by the Loans Committee of the Board on a quarterly basis.

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. Generally, CWB's lending limit is $50 million for a single risk exposure. However, for certain quality connections that confirm debt service capacity and loan security from more than one source, the limit is generally $75 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. 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 within the Bank is largely directed toward small- and medium-sized businesses operating in the four western provinces, 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 participation in syndicated lending facilities primarily led by other Canadian banks, National Leasing's representation across all provinces of Canada, and residential mortgages underwritten and serviced by Optimum in select regions of Ontario and Atlantic Canada.

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

MARKET RISK

Market risk is the impact on earnings resulting from changes in financial market variables such as interest rates and foreign exchange rates.

Risk Overview

Market risk arises when making loans, taking deposits and making investments. The most material market risks for CWB are those related to changes in interest rates. CWB 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, preferred shares and common shares that 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.

Risk Governance

The Board annually approves asset liability management policies specifying interest rate and foreign exchange exposure limits, and regularly reviews actual positions against these thresholds. ALCO is responsible for ongoing oversight, and reviews and endorses the asset liability policies at least annually in addition to providing related strategic direction and oversight for Treasury. Treasury actively monitors and manages market risk with strong support from senior management.

INTEREST RATE RISK

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

This risk and the potential for variability in earnings arise primarily when cash flows associated with assets and liabilities have different repricing dates. The differentials, or interest rate gaps, arise as a result of the financial intermediation process and primarily reflect differences in the preferences for term on the part of borrowers and depositors.

A positive interest rate gap exists when interest sensitive assets exceed interest sensitive liabilities for a specific maturity or repricing period. Generally, a positive gap will result in an increase in net interest income when market interest rates rise since assets reprice earlier than liabilities. The opposite impact will generally occur when market interest rates fall; however, the correlation may be disrupted when interest rates approach zero.

To manage interest rate risk arising as a result of the financial intermediation process, ALCO works within policy guidelines for interest rate gap positions and meets regularly to monitor CWB's position and decide future strategy. The objective is to prudently manage interest rate risk within established guidelines. Interest rate risk policies are reviewed and approved by the Board at least annually. The gap position is reported to the Board at least quarterly.

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. Gap analysis is 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 29 to the consolidated financial statements shows the gap position at October 31, 2014 for select time intervals.

The analysis in Note 29 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 negative 0.7% of total assets at October 31, 2014, down from 1.2% one year ago, while the one-month and under gap decreased to 2.7%, from 6.7% a 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 27. 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 27 – 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	2014	2013
90 days	$ 2,411	$ 4,176
1 year	9,185	14,545
1 year percentage change	2.0%	3.3%

Impact of 1% decrease in interest rates Period	2014	2013
90 days	$ (4,889)	$ (6,796)
1 year	(18,221)	(23,853)
1 year percentage change	(3.9)%	(5.3)%

Higher sensitivity to a decrease in rates is due to asymmetry in the impact of falling rates on loans and deposits. A decrease of one-percentage point in rates is assumed to reduce loan yields by an equivalent amount. However, the assumed change in total deposit costs is lower because deposits yielding less than one percent at the beginning of the period are adjusted to zero or an assumed floor if higher than zero.

It is estimated that a one-percentage point increase in all interest rates at October 31, 2014 would decrease unrealized gains related to available-for-sale debt securities and the fair value of interest rate swaps designated as hedges, and result in a reduction in other comprehensive income of approximately $36.6 million, net of tax (October 31, 2013 – $14.4 million); it is estimated that a one-percentage point decrease in all interest rates at October 31, 2014 would result in a higher level of unrealized gains related to available-for-sale debt securities and increase the fair value of interest rate swaps designated as hedges, which would increase other comprehensive income by approximately $37.3 million, net of tax (October 31, 2013 – $14.4 million).

It is management's intention to continue to manage the asset liability structure and interest rate sensitivity through pricing and product policies to attract desired assets and liabilities, as well as through the use of interest rate swaps or other appropriate hedging techniques (see discussion under Derivative Financial Instruments section). Assets and liabilities having a term to maturity in excess of five years are subject to specific review and control, and were not material.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of 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 clients, CWB has assets and liabilities denominated in U.S. dollars. At October 31, 2014, assets denominated in U.S. dollars were 1.0% (2013 – 1.2%) of total assets and U.S. dollar liabilities were 1.1% (2013 – 1.3%) 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. Any deviations from policy are reported regularly to ALCO and quarterly to the Board.

LIQUIDITY AND FUNDING RISK

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, and 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 company-specific or market-wide 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 that is 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 section of this MD&A for additional information.

Risk Governance

Liquidity management is centralized to better facilitate the effective management of liquidity risk. The Board annually approves asset liability management policies and delegates liquidity risk authorities to senior management. The Board is responsible for oversight of the liquidity policies and also reviews, on a regular basis, reporting on the overall liquidity position, status and trends.

ALCO annually reviews and endorses the liquidity management policies and provides primary management oversight for the treasury management function. The Treasury department actively measures, monitors and manages liquidity risk with strong support from senior management.

Risk Management

CWB has comprehensive Asset Liability Management policies that cover key aspects of liquidity risk management. The key elements of managing liquidity risk for CWB include the following:

- Policies – Liquidity risk 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 and the Board. 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 modelling – 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;
- Stress testing – CWB performs liquidity stress testing on a regular basis to evaluate the potential effect of both systemic and company-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 Requirements 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 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.

OSFI issued the final Liquidity Adequacy Requirements in May 2014, which formalizes many of the regulations issued by the Bank for International Settlements (BIS) in the *International Framework for Liquidity Risk, Measurement, Standards and Monitoring*. Canadian banks are expected to comply with the Liquidity Coverage Ratio (LCR) in January 2015 while implementation of the Net Stable Funding Ratio (NSFR) is delayed until 2018. OSFI also introduced a monitoring tool called the Net Cumulative Cash Flow. CWB expects to be compliant with the Liquidity Adequacy Requirements Guidelines.

Contractual Obligations

CWB enters into contracts in the normal course of business that give rise to commitments of future minimum payments that 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 13, 17, 21 and 29 of the consolidated financial statements, the following contractual obligations are outstanding at October 31, 2014:

Table 28 – Contractual Obligations

($ thousands)

	Within 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years	Total
Lease commitments	$ 12,121	$ 21,751	$ 16,857	$ 46,178	$ 96,907
Purchase obligations for operating and capital expenditures	3,132	2,856	2,677	–	8,665
October 31, 2014	**$ 15,253**	**$ 24,607**	**$ 19,534**	**$ 46,178**	**$ 105,572**
October 31, 2013	$ 13,019	$ 25,438	$ 19,395	$ 52,599	$ 110,451

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 for CWB, as well as the corresponding rating agency outlook at October 31, 2014.

Table 29 – Credit Ratings

	The following CWB ratings issued by DBRS, along with the corresponding outlook, were last confirmed on October 21, 2014.				
	Long-term senior debt and deposits	**Short-term debt**	**Subordinated debentures**	**Preferred shares**	**Outlook**
DBRS	A (low)	R-1 (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 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 and economic capital 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 at least annually approves the regulatory capital plan, Internal Capital Adequacy Assessment Process (ICAAP) and capital management policies. The Group Capital Risk Committee is responsible for capital risk management. Under the leadership of the CFO, senior representatives within Finance, Group Risk Management, Strategy and Communications, and Credit Analytics comprise the ICAAP core team, which is closely supported by other key departments, including Treasury and Credit Risk Management.

Risk Management

The following are key elements of capital risk management:

- The regulatory capital plan, inclusive of the capital management policy and three-year capital projections, is completed at least annually.
- Consolidated forecast models are used to analyze the likely capital impact of projected operations, stress testing and/or significant transactions.
- Regulatory capital ratios are reported to senior management and the Board on a monthly basis.
- The Board receives a quarterly capital risk update.

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

OPERATIONAL RISK

Operational risk is the risk of loss resulting from human error, inadequate or failed processes, systems or controls, or external events. There are three subsets of operational risk: regulatory risk, people risk and technology risk.

Risk Overview

Operational risk is inherent in all of CWB's business activities, including banking, trust, wealth management and insurance operations, and is embedded in processes that support the management of principal risks such as credit, liquidity, market, capital and reputational 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 2014 or 2013.

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 Framework to ensure that all employees understand their responsibilities with respect to operational risk management. The Operational Risk Management Framework encompasses a common language of risk coupled with programs and methodologies for identification, measurement, control, and management of operational risk. This is supported by specific operational risk training for all staff.

Risk Governance

Business and support areas are fully accountable for the management and control of operational risks to which they are exposed. The Group Operational Risk Committee has responsibility for operational risk, with oversight by the Board, Executive Committee and senior management. The Group Risk Management function is responsible for the continual enhancement of the Group Operational Risk Management Framework and supporting policies. The Board has ultimate oversight and approves the Group's Operational Risk Management Framework with support from various Board committees.

Risk Management

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

- Flat organizational structure with management close to their respective operations, which helps to facilitate effective internal communication and operational control;
- Organizational surveys on employee engagement and corporate culture (including CWB's ongoing participation in the *50 Best Employers* in Canada survey);
- Communication of, and specific 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 Group Operational Risk Management framework and supporting policies.
- **Risk assessments** - Risk control self-assessments are utilized throughout CWB with the objective to proactively identify key operational risk exposures and assess whether appropriate risk-mitigating internal controls are in place and operating effectively. Action plans may result where additional strategies are identified to reduce risk exposure.
- **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.

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 enable retention and recruitment;
- a Regulatory Compliance department 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).

REGULATORY RISK

Regulatory risk is the risk of negative impact to business activities, earnings or capital, regulatory relationships or reputation as a result of non-compliance with applicable regulatory requirements.

The businesses operated by CWB are highly regulated through laws and regulations that have been put in place by various federal and provincial governments and regulators. Changes to laws and regulations, including changes in their interpretation or implementation, could adversely affect CWB. CWB's failure to comply with applicable laws, regulations, industry codes or regulatory expectations could result in sanctions, financial penalties and costs associated with litigation that could adversely impact earnings and damage reputation. Although most sources of regulatory 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.

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, including the Basel III capital and liquidity standards. Certain regulations may also impact CWB's ability to compete against both non-OSFI and other OSFI 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.

TECHNOLOGY RISK

Technology risk is related to the operational performance, confidentiality, integrity and availability of our information, systems and infrastructure.

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. In addition, CWB currently has a number of significant technology projects underway, including the replacement of its core banking system (implementation scheduled for early fiscal 2016), which further increase risk exposure related to information systems and technology.

PEOPLE RISK

People risk is the risk that CWB is not able to retain and attract sufficient qualified employees to implement its strategies and/or achieve its objectives.

Competition for qualified employees in CWB's key markets is intense, 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 strategic direction. Inability to maintain an appropriate staff complement would adversely affect CWB's ability to achieve the organization's strategic objectives.

REPUTATION RISK

Reputation risk is the consequence of not managing risks effectively and cannot be considered in isolation from other risks.

Negative public opinion can result from actual or alleged misconduct in any number of activities, either on the part of employees or external partners, but often involves 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 governance and management of reputation risk 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 reputational risk. In addition to members of senior management, the Legal, Strategy and Communications, and Regulatory Compliance departments are particularly involved in the management of reputation risk.

INSURANCE RISK

Insurance risk is the risk of financial loss due to actual experience being different from that assumed in insurance product pricing and reserving. Insurance contracts provide financial protection for the insured by transferring risks to the insurer in exchange for premiums. Unfavourable experience could emerge due to adverse fluctuations in timing, size or frequency of claims, or associated expenses.

CWB is exposed to insurance risk through its wholly owned subsidiary, CDI, which offers home and auto insurance to customers in BC and Alberta. Accordingly, CWB's operations are subject to uncertainties and fluctuations in earnings based on elements of risk associated with these lines of business. These elements include cyclical patterns in the industry and unpredictable developments, including weather-related and other natural catastrophes. CDI carries reinsurance coverage as part of its strategy to manage these risks. The insurance industry is also impacted by political, regulatory, legal and economic influences. The insurance business involves various types of insurance-related risk; in particular, underwriting risk, pricing risk, claims risk and reinsurance risk. Policies and procedures have been established to manage insurance-related risk, as well as other categories of risk to which CWB is exposed through CDI.

The risk that CDI might be exposed to large claims or to an accumulation of claims resulting from a natural catastrophe, such as a weather-related or seismic event, is mitigated by reinsurance treaties that protect it from such risks. Reinsurance risk includes the risk that reinsurance counterparties are not financially strong and that underwriting strategies are inappropriately matched with reinsurance programs. CDI performs financial due diligence on prospective reinsurers and only purchases coverage from a list of reviewed and approved companies.

CDI is exposed to regulatory risk as the insurance business is regulated by both federal and provincial authorities. This risk is managed mainly by monitoring current developments and actively participating in relevant bodies and associations in order to contribute CDI's perspectives on regulations.

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

The majority of CWB's business is conducted in Western Canada. Accordingly, CWB's overall financial performance is largely impacted by the general business and economic conditions of the four western provinces. Several factors that could impact general business and economic conditions in CWB's core markets include, but are not limited to, changes in: short-term and long-term interest rates; energy and other commodity prices; 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 service levels, 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

As part of its long-term corporate strategy, CWB intends to continue growing its business through a combination of organic growth and strategic acquisitions. The ability to successfully grow its business 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, 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 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 its structure and scope of its operations, CWB is primarily subject to credit, market (mainly interest rate), liquidity, operational, reputation, regulatory, insurance, 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 26, 2014, there were 80,370,001 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 4,736,835 common shares for maximum proceeds of $145.7 million. On December 3, 2014, the Board of Directors declared a quarterly cash dividend of $0.21 per common share payable on January 8, 2015, to shareholders of record on December 16, 2014. The Board of Directors also declared a cash dividend of $0.275 per Series 5 preferred share payable on January 31, 2015 to shareholders of record on January 23, 2015.

CONTROLS AND PROCEDURES

As of October 31, 2014, 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 those disclosure controls and procedures were effective.

Also at October 31, 2014, 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 financial statement compliance 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 in accordance with the standards of *Internal Control over Financial Reporting – Guidance for Smaller Public Companies*, a recognized control model, and the requirements of *Multilateral Instrument 52-109 of the Canadian Securities Administrators*. 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.

The Bank's certifying officers had previously limited the scope of the design of disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of McLean & Partners, acquired in the third quarter of 2013. This limitation has now been removed.

There were no changes in CWB's internal controls over financial reporting that occurred during the year ended October 31, 2014 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

This Management's Discussion and Analysis is dated December 3, 2014.

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 Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings).

The system of internal controls is also supported by our internal audit department, 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 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 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 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 and policyholders, 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 Fowler
President and Chief Executive Officer

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

December 3, 2014

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, 2014 and 2013, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended October 31, 2014 and 2013, 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, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years ended October 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Edmonton, Canada

December 3, 2014

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2014	As at October 31 2013[1]
Assets			
Cash Resources	(Note 3)		
Cash and non-interest bearing deposits with financial institutions		$ 13,320	$ 83,856
Interest bearing deposits with regulated financial institutions		491,255	258,466
Cheques and other items in transit		3,839	5,673
		508,414	347,995
Securities	(Note 4)		
Issued or guaranteed by Canada		764,213	927,077
Issued or guaranteed by a province or municipality		560,482	410,984
Other securities		764,510	894,271
		2,089,205	2,232,332
Securities Purchased under Resale Agreements	(Note 5)	99,566	–
Loans	(Note 6)		
Personal		2,841,154	2,502,295
Business		14,764,543	13,150,931
		17,605,697	15,653,226
Allowance for credit losses	(Note 7)	(95,598)	(85,786)
		17,510,099	15,567,440
Other			
Property and equipment	(Note 8)	66,257	66,647
Goodwill	(Note 9)	50,408	49,424
Intangible assets	(Note 9)	85,137	70,197
Insurance related	(Note 10)	65,764	64,365
Derivative related	(Note 11)	5,420	4,509
Other assets	(Note 12)	128,386	110,431
		401,372	365,573
Total Assets		$ 20,608,656	$ 18,513,340
Liabilities and Equity			
Deposits	(Note 13)		
Personal		$ 9,832,669	$ 9,420,754
Business and government		7,540,345	6,210,286
		17,373,014	15,631,040
Other			
Cheques and other items in transit		54,826	55,290
Insurance related	(Note 15)	165,903	167,816
Derivative related	(Note 11)	386	36
Other liabilities	(Note 16)	282,944	238,939
		504,059	462,081
Debt	(Note 17)		
Subordinated debentures		625,000	625,000
Debt securities		411,990	195,650
		1,036,990	820,650
Equity			
Preferred shares	(Note 18)	125,000	208,815
Common shares	(Note 18)	533,038	510,282
Retained earnings		1,011,147	858,167
Share-based payment reserve		25,339	24,632
Other reserves		(997)	(3,389)
Total Shareholders' Equity		1,693,527	1,598,507
Non-controlling interests	(Note 20)	1,066	1,062
Total Equity		1,694,593	1,599,569
Total Liabilities and Equity		$ 20,608,656	$ 18,513,340

(1) During 2014, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements* and applied a change in accounting policy for internal direct leasing costs, as described in Note 1.

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

Allan W. Jackson
Chair of the Board

Chris Fowler
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF INCOME

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

		2014	2013[1]
Interest Income			
Loans		$ 799,909	$ 735,404
Securities		44,096	44,952
Deposits with regulated financial institutions		5,142	1,609
		849,147	781,965
Interest Expense			
Deposits		311,075	286,913
Debt		32,552	32,433
		343,627	319,346
Net Interest Income		505,520	462,619
Provision for Credit Losses	(Note 7)	25,057	27,846
Net Interest Income after Provision for Credit Losses		480,463	434,773
Non-Interest Income			
Trust and wealth management services		33,866	24,511
Credit related		25,014	21,685
Insurance, net	(Note 22)	20,914	16,279
Gains on securities, net		13,999	15,094
Retail services		11,399	10,272
Other		8,217	7,141
		113,409	94,982
Net Interest and Non-Interest Income		593,872	529,755
Non-Interest Expenses			
Salaries and employee benefits		187,871	172,237
Premises and equipment		49,065	42,825
Other expenses		52,036	47,435
		288,972	262,497
Net Income before Income Taxes		304,900	267,258
Income Taxes	(Note 25)	73,601	64,052
Net Income		$ 231,299	$ 203,206
Net Income Attributable to Non-Controlling Interests		1,240	824
Net Income Attributable to Shareholders of CWB		$ 230,059	$ 202,382
Preferred share dividends		11,510	15,183
Premium paid on purchase of preferred shares for cancellation		–	36
Net Income Available to Common Shareholders		$ 218,549	$ 187,163
Average number of common shares (in thousands)		80,034	79,147
Average number of diluted common shares (in thousands)		80,955	79,544
Earnings Per Common Share	(Note 26)		
Basic		$ 2.73	$ 2.36
Diluted		2.70	2.35

(1) During 2014, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements*, as described in Note 1.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended October 31
($ thousands)

	2014	2013(1)
Net Income	**$ 231,299**	$ 203,206
Available-for-sale securities		
Gains (losses) from change in fair value(2)	**12,882**	(2,553)
Reclassification to net income(3)	**(10,287)**	(11,160)
	2,595	(13,713)
Derivatives designated as cash flow hedges		
Gains from change in fair value(4)	**3,372**	2,332
Reclassification to net income(5)	**(3,575)**	(1,255)
	(203)	1,077
Other Comprehensive Income (Loss), Net of Tax, for the Year	**2,392**	(12,636)
Comprehensive Income for the Year	**$ 233,691**	$ 190,570
Comprehensive income for the year attributable to:		
Shareholders of CWB	**$ 232,451**	$ 189,746
Non-controlling interests	**1,240**	824
Comprehensive Income for the Year	**$ 233,691**	$ 190,570

(1) During 2014, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements*, as described in Note 1.
(2) Net of income tax of $4,697 (2013 – $866).
(3) Net of income tax of $3,712 (2013 – $3,934).
(4) Net of income tax of $1,139 (2013 – $788).
(5) Net of income tax of $1,208 (2013 – $424).

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 Year Ended October 31
($ thousands)

		2014	2013(1)
Retained Earnings			
Balance at beginning of year		**$ 858,167**	$ 726,378
Net income attributable to shareholders of CWB		**230,059**	202,382
Dividends - Preferred shares	(Note 18)	**(11,510)**	(15,183)
- Common shares	(Note 18)	**(62,408)**	(55,374)
Issuance costs on preferred shares		**(3,161)**	–
Premium paid on purchase of preferred shares for cancellation		**–**	(36)
Balance at end of year		**1,011,147**	858,167
Other Reserves			
Balance at beginning of year		**(3,389)**	9,247
Changes in available-for-sale securities		**2,595**	(13,713)
Changes in derivatives designated as cash flow hedges		**(203)**	1,077
Balance at end of year		**(997)**	(3,389)
Preferred Shares	(Note 18)		
Balance at beginning of year		**208,815**	209,750
Shares issued		**125,000**	–
Shares redeemed		**(208,815)**	–
Purchased for cancellation		**–**	(935)
Balance at end of year		**125,000**	208,815
Common Shares	(Note 18)		
Balance at beginning of year		**510,282**	490,218
Issued under dividend reinvestment plan		**16,467**	14,404
Transferred from share-based payment reserve on the exercise or exchange of options		**5,223**	3,986
Issued on exercise of options		**1,066**	1,674
Balance at end of year		**533,038**	510,282
Share-Based Payment Reserve	(Note 19)		
Balance at beginning of year		**24,632**	22,468
Amortization of fair value of options		**5,930**	6,150
Transferred to common shares on the exercise or exchange of options		**(5,223)**	(3,986)
Balance at end of year		**25,339**	24,632
Total Shareholders' Equity		**1,693,527**	1,598,507
Non-Controlling Interests			
Balance at beginning of year		**1,062**	244
Net income attributable to non-controlling interests		**1,240**	824
Dividends to non-controlling interests		**(1,139)**	(322)
Partial ownership increase		**(97)**	–
Business acquisition		**–**	316
Balance at end of year		**1,066**	1,062
Total Equity		**$ 1,694,593**	$ 1,599,569

(1) During 2014, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements* and applied a change in accounting policy for internal direct leasing costs, as described in Note 1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended October 31
($ thousands)

		2014	2013[1]
Cash Flows from Operating Activities			
Net income		**$ 231,299**	$ 203,206
Adjustments to determine net cash flows:			
Provision for credit losses		**25,057**	27,846
Depreciation and amortization		**21,685**	21,572
Current income taxes receivable and payable		**10,254**	(7,444)
Amortization of fair value of employee stock options		**5,930**	6,150
Accrued interest receivable and payable, net		**6,604**	2,816
Gain on securities, net		**(13,999)**	(15,094)
Deferred taxes, net		**(5,014)**	5,507
Gain on disposal of property and equipment		**(4,698)**	–
Change in operating assets and liabilities			
Loans, net		**(1,967,717)**	(1,651,053)
Deposits, net		**1,741,974**	1,381,203
Securities purchased under resale agreements, net		**(99,566)**	–
Securities sold under repurchase agreements, net		**–**	(70,089)
Other items, net		**13,327**	934
		(34,864)	(94,446)
Cash Flows from Financing Activities			
Common shares issued, net of issuance costs	(Note 18)	**17,533**	16,078
Preferred shares issued, net of issuance costs	(Note 18)	**121,839**	–
Preferred shares redeemed	(Note 18)	**(208,815)**	–
Debt securities issued		**363,187**	90,596
Debt securities repaid		**(146,848)**	(104,219)
Dividends		**(73,918)**	(70,557)
Distributions to non-controlling interests		**(1,139)**	(322)
Debentures issued		**–**	250,000
Debentures redeemed		**–**	(50,000)
Preferred shares purchased for cancellation		**–**	(971)
		71,839	130,605
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		**(232,766)**	(81,284)
Securities, purchased		**(6,779,305)**	(6,004,062)
Securities, sales proceeds		**4,329,567**	3,839,290
Securities, matured		**2,604,572**	2,275,813
Proceeds on disposal of property and equipment		**7,263**	–
Property, equipment and intangibles		**(38,212)**	(27,504)
Business acquisition		**–**	(10,098)
		(108,881)	(7,845)
Change in Cash and Cash Equivalents		**(71,906)**	28,314
Cash and Cash Equivalents at Beginning of Year		**34,239**	5,925
Cash and Cash Equivalents at End of Year *		**$ (37,667)**	$ 34,239
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		**$ 13,320**	$ 83,856
Cheques and other items in transit (included in Cash Resources)		**3,839**	5,673
Cheques and other items in transit (included in Other Liabilities)		**(54,826)**	(55,290)
Cash and Cash Equivalents at End of Year		**$ (37,667)**	$ 34,239
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		**$ 845,063**	$ 785,643
Interest paid		**333,479**	313,463
Income taxes paid		**68,362**	65,989

(1) During 2014, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements*, as described in Note 1.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2014 and 2013
($ thousands, except per share amounts)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

a) Reporting Entity

Canadian Western Bank (CWB) is a publicly traded Canadian bank headquartered in Edmonton, Alberta. CWB offers a diversified range of financial services.

The consolidated financial statements were authorized for issue by the Board of Directors on December 3, 2014.

b) 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.

c) 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, provision for unpaid claims and adjustment expenses, 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.

d) Significant Judgments

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

- Impairment of loans (Note 6);
- Allowance for credit losses (Note 7); and,
- Provision for unpaid claims and adjustment expenses (Note 22).

e) 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. See Note 33 for details of the subsidiaries.

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 other 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. Revenues 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 other income, except for unrealized foreign exchange gains and losses on available-for-sale equity securities that are included in other comprehensive income.

h) Specific Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. 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
2	Financial instruments
3	Cash resources
4	Securities
5	Securities purchased under resale agreements
6	Loans
7	Allowance for credit losses
8	Property and equipment
9	Goodwill and intangible assets
10	Insurance-related other assets
11	Derivative financial instruments
12	Other assets
13	Deposits
14	Interest in unconsolidated structured entity
15	Insurance-related other liabilities
16	Other liabilities
17	Debt
18	Capital stock
19	Share-based payments
20	Non-controlling interests
21	Contingent liabilities and commitments
22	Insurance operations
23	Disclosures on rate regulation
24	Employee future benefits
25	Income taxes
26	Earnings per common share
27	Assets under administration and management
28	Related party transactions
29	Interest rate sensitivity
30	Fair value of financial instruments
31	Risk management
32	Capital management
33	Subsidiaries
34	Comparative figures

i) Changes in Accounting Policies

Consolidated Financial Statements

Effective November 1, 2013, CWB retrospectively adopted IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosures of Interests in Other Entities*, which establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, and new disclosure requirements for all forms of interests in other entities. As a result of the application of IFRS 10, CWB has changed its accounting policy for determining whether it has control over its investees and, consequently, has de-consolidated Canadian Western Bank Capital Trust (the Trust) through which certain regulatory capital instruments are issued. In accordance with the transitional provisions, CWB has applied IFRS 10 retrospectively and comparative figures have been restated to reflect the de-consolidation of the Trust. The de-consolidation of the Trust resulted in a $105,000 decrease in CWB Capital Trust Capital Securities Series 1 (WesTS) previously classified as non-controlling interest and an increase of $105,000 in deposit liabilities, and reclassification of the associated distribution, which totalled $6,744 for the year ended October 31, 2013, from non-controlling interest to interest expense. The annual disclosures required by IFRS 12 are included in Notes 14, 20 and 33.

Accounting for internal direct leasing costs

IAS 17 *Leases* requires that the lessor capitalize initial direct leasing costs in the initial measurement of the lease, and defines initial direct costs as incremental costs directly attributable to negotiating and arranging a lease. Prior to 2014, CWB capitalized costs of certain employees and other internal costs directly attributable to arranging new leases within initial direct leasing costs on initial measurement of a lease. During 2014, the IFRS Interpretations Committee issued clarification that certain internal costs do not qualify as incremental costs. As a result, during the year CWB changed its accounting policy to expense, rather than capitalize, non-incremental internal costs for negotiating and arranging new leases as incurred. CWB has applied this accounting policy retrospectively, resulting in a decrease of $9,453 in loans, an increase in other assets of $2,533 for deferred income taxes and a decrease of $6,920 in retained earnings for all presented comparative periods. This change did not result in a change to the consolidated statements of income.

Fair value measurement

Effective November 1, 2013, CWB adopted IFRS 13 *Fair Value Measurement*, which applies to other IFRS standards that require or permit fair value measurements or disclosures about fair value measurements and sets out a framework on how to measure fair value using the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. In accordance with the transitional provisions of IFRS 13, CWB has applied the new fair value measurement guidance prospectively. This new standard had no impact on the measurement of CWB's assets and liabilities. Additional disclosures required by IFRS 13 are included in Note 30.

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. CWB is currently reviewing these standards to determine the impact on the financial statements.

IFRS 9 – Financial Instruments

During 2014, the IASB issued the complete version of IFRS 9. Under the finalized guidance, IFRS 9 specifies that financial assets be classified into one of three categories: financial assets measured at amortized cost, financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income. IFRS 9 introduces changes to measuring an entity's own credit risk in the valuation of financial liabilities. The final standard also introduces a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements that align more closely with an entity's risk management model. IFRS 9 will be mandatorily effective for CWB's fiscal year beginning on November 1, 2018, and early adoption is permitted. OSFI is currently assessing whether it will require federally regulated Canadian banks, including CWB, to early adopt IFRS 9 effective November 1, 2017.

IFRS 15 – Revenue from Contracts with Customers

During 2014, the IASB established principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for CWB's fiscal year beginning November 1, 2017, with earlier adoption permitted.

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

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, 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 2014 Annual Report.

Income and expenses are classified as to source, either securities or loans for income, and deposits or debt for expense. Gains on the sale of securities, net, and fair value changes in certain derivatives and contingent consideration fair value changes are classified to non-interest income.

3. CASH RESOURCES

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, and include highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value.

Included in deposits with regulated financial institutions are available-for-sale financial instruments reported on the consolidated balance sheets at the fair value of $491,255 (October 31, 2013 – $258,466), which is $91 (October 31, 2013 – $569) higher than amortized cost.

4. SECURITIES

Securities have been designated as available-for-sale, 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 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 securities designated as available-for-sale 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. In addition, for an equity security, a significant or prolonged decline in fair value below amortized cost is objective evidence of impairment.

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 on securities, net'. The reclassified amount is the difference between the amortized 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. However, if, in a subsequent period, the fair value of an impaired available-for-sale equity security increases, the recovery is recognized in other comprehensive income until the equity security is sold or redeemed.

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

	Maturities				As at	As at
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	October 31 2014	October 31 2013
Securities issued or guaranteed by						
Canada	$ 140,017	$ 274,565	$ 349,631	$ –	$ 764,213	$ 927,077
A province or municipality	16,906	72,370	370,897	100,309	560,482	410,984
Other debt securities	102,487	154,097	19,978	13,800	290,362	367,961
Equity securities						
Preferred shares	80,168	106,882	119,916	14,251	321,217	379,141
Common shares(1)	–	–	–	152,931	152,931	147,169
Total	$ 339,578	$ 607,914	$ 860,422	$ 281,291	$ 2,089,205	$ 2,232,332

(1) Common shares have no maturity date.

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

	As at October 31, 2014				As at October 31, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities issued or guaranteed by								
Canada	$ 763,866	$ 426	$ 79	$ 764,213	$ 926,445	$ 652	$ 20	$ 927,077
A province or municipality	559,923	659	100	560,482	410,823	227	66	410,984
Other debt securities	289,490	949	77	290,362	366,781	1,284	104	367,961
Equity securities								
Preferred shares	325,051	2,222	6,056	321,217	395,442	1,444	17,745	379,141
Common shares	154,359	5,830	7,258	152,931	140,512	8,119	1,462	147,169
Total	$ 2,092,689	$ 10,086	$ 13,570	$ 2,089,205	$ 2,240,003	$ 11,726	$ 19,397	$ 2,232,332

The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares. For the year ended October 31, 2014, CWB assessed the securities with unrealized losses and, based on available objective evidence, $1,200 (2013 – nil) of pre-tax impairment charges were included in gains on securities, net.

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

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.

6. LOANS

Loans, including leases, are recorded at amortized cost and stated net of unearned income, unamortized premiums and allowance for credit losses (Note 7). 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, 2014				As at October 31, 2013			
	Gross Amount	**Impaired Amount[2]**	**Gross Specific Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount[2]	Specific Allowance	Net Impaired Loans
Personal	**$ 2,841,154**	**$ 15,294**	**$ 518**	**$ 14,776**	$ 2,502,295	$ 17,052	$ 748	$ 16,304
Business								
Real estate[1]	**6,810,834**	**26,058**	**909**	**25,149**	5,829,225	31,937	6,349	25,588
Commercial	**4,263,501**	**6,544**	**631**	**5,913**	4,091,371	4,612	293	4,319
Equipment financing and energy	**3,690,208**	**14,224**	**3,465**	**10,759**	3,230,335	10,610	2,179	8,431
Total	**$ 17,605,697**	**$ 62,120**	**$ 5,523**	**56,597**	$ 15,653,226	$ 64,211	$ 9,569	54,642
Collective allowance[3]				**(90,075)**				(76,217)
Net impaired loans after collective allowance				**$ (33,478)**				$ (21,575)

(1) Multi-family residential mortgages are included in real estate loans.
(2) Gross impaired loans include foreclosed assets with a carrying value of $2,393 (October 31, 2013 – $12,407). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit loss is not allocated by loan type.

During the year, interest recognized as income on impaired loans totalled $1,264 (2013 – $2,582).

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

	As at October 31, 2014			As at October 31, 2013		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 17,742	$ 2,508	$ 15,234	$ 38,886	$ 7,475	$ 31,411
British Columbia	32,862	1,039	31,823	17,904	476	17,428
Ontario	6,336	877	5,459	2,886	728	2,158
Saskatchewan	1,968	384	1,584	1,861	381	1,480
Manitoba	1,695	152	1,543	1,214	146	1,068
Other	1,517	563	954	1,460	363	1,097
Total	$ 62,120	$ 5,523	56,597	$ 64,211	$ 9,569	54,642
Collective allowance[1]			(90,075)			(76,217)
Net impaired loans after collective allowance			$ (33,478)			$ (21,575)

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

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

As at October 31, 2014	1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Personal	$ 11,661	$ 13,672	$ 2,363	$ 2,259	$ 29,955
Business	24,190	22,236	2,049	40	48,515
	$ 35,851	$ 35,908	$ 4,412	$ 2,299	$ 78,470
As at October 31, 2013	$ 24,710	$ 48,102	$ 2,075	$ 2,400	$ 77,287

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

October 31, 2014 ($ millions)	BC	AB	ON	SK	MB	Other	Total	Composition Percentage Oct. 31 2014	Composition Percentage Oct. 31 2013
Personal	$ 875	$ 1,121	$ 565	$ 178	$ 83	$ 19	$ 2,841	16%	16%
Business									
Real estate	2,960	2,736	500	442	119	54	6,811	39	37
Commercial	1,560	1,887	376	210	145	86	4,264	24	26
Equipment financing and energy[1]	605	1,551	653	336	131	414	3,690	21	21
	5,125	6,174	1,529	988	395	554	14,765	84	84
Total Loans[2]	$ 6,000	$ 7,295	$ 2,094	$ 1,166	$ 478	$ 573	$ 17,606	100%	100%
Composition Percentage									
October 31, 2014	34%	41%	12%	7%	3%	3%	100%		
October 31, 2013	35%	42%	11%	7%	2%	3%	100%		

(1) Includes securitized leases reported on-balance sheet of $465 (October 31, 2013 – $230).
(2) This table does not include an allocation of the allowance for credit losses.

7. 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 assessed collectively (collective allowance). The adequacy of the allowance for credit losses is reviewed at least quarterly. The allowance for credit losses is deducted from the outstanding loan balance. 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 6 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:

	2014			2013		
	Specific Allowance	**Collective Allowance**	**Total**	Specific Allowance	Collective Allowance	Total
Balance at beginning of year	**$ 9,569**	**$ 76,217**	**$ 85,786**	$ 14,379	$ 67,344	$ 81,723
Provision for credit losses	**11,199**	**13,858**	**25,057**	18,973	8,873	27,846
Write-offs	**(17,069)**	**–**	**(17,069)**	(26,652)	–	(26,652)
Recoveries	**1,824**	**–**	**1,824**	2,869	–	2,869
Balance at end of year	**$ 5,523**	**$ 90,075**	**$ 95,598**	$ 9,569	$ 76,217	$ 85,786

8. 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
- 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, 2013	**$ 62,025**	**$ 23,748**	**$ 27,731**	**$ 34,712**	**$ 148,216**
Additions	**6,975**	**55**	**3,342**	**3,553**	**13,925**
Disposals	**–**	**(5,264)**	**–**	**(569)**	**(5,833)**
Balance at October 31, 2014	**69,000**	**18,539**	**31,073**	**37,696**	**156,308**
Accumulated depreciation and impairment					
Balance at November 1, 2013	**31,342**	**6,308**	**20,845**	**23,074**	**81,569**
Depreciation for the year	**5,216**	**583**	**2,915**	**3,036**	**11,750**
Disposals	**–**	**(3,061)**	**–**	**(207)**	**(3,268)**
Balance at October 31, 2014	**36,558**	**3,830**	**23,760**	**25,903**	**90,051**
Net carrying amount at October 31, 2014	**$ 32,442**	**$ 14,709**	**$ 7,313**	**$ 11,793**	**$ 66,257**
Cost					
Balance at November 1, 2012	$ 59,172	$ 23,615	$ 24,250	$ 32,518	$ 139,555
Additions	2,853	133	3,586	2,227	8,799
Disposals	–	–	(105)	(33)	(138)
Balance at October 31, 2013	62,025	23,748	27,731	34,712	148,216
Accumulated depreciation and impairment					
Balance at November 1, 2012	26,373	5,657	18,220	20,367	70,617
Depreciation for the year	4,969	651	2,730	2,740	11,090
Disposals	–	–	(105)	(33)	(138)
Balance at October 31, 2013	31,342	6,308	20,845	23,074	81,569
Net carrying amount at October 31, 2013	$ 30,683	$ 17,440	$ 6,886	$ 11,638	$ 66,647

9. 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 accumulated 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:

- National Leasing Group Inc. (NL);
- Canadian Direct Insurance Incorporated (CDI);
- Valiant Trust Company (VTC);
- Adroit Investment Management Ltd. (AIM); and,
- McLean & Partners Wealth Management Ltd. (M&P).

	NL	CDI	VTC	AIM	M&P	Total
Balance at November 1, 2013	**$ 35,776**	**$ 3,254**	**$ 3,679**	**$ 2,827**	**$ 3,888**	**$ 49,424**
Business acquisition	**–**	**–**	**–**	**984**	**–**	**984**
Goodwill impairment	**–**	**–**	**–**	**–**	**–**	**–**
Balance at October 31, 2014	**$ 35,776**	**$ 3,254**	**$ 3,679**	**$ 3,811**	**$ 3,888**	**$ 50,408**
Balance at November 1, 2012	$ 35,776	$ 3,254	$ 3,679	$ 2,827	$ –	$ 45,536
Business acquisition	–	–	–	–	3,888	3,888
Goodwill impairment	–	–	–	–	–	–
Balance at October 31, 2013	$ 35,776	$ 3,254	$ 3,679	$ 2,827	$ 3,888	$ 49,424

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 intangible assets with finite useful lives is reported in other expenses on the consolidated statements of income and provided on a straight-line basis from the date at which it is available for use as follows:

- Customer relationships: 10 to 15 years;
- Computer software: 3 to 15 years;
- Non-competition agreements: 4 to 5 years; and,
- Other: 3 to 5 years.

	Customer Relationships	Computer Software	Non-competition Agreements	Trademarks	Other	Total
Cost						
Balance at November 1, 2013	$ 42,710	$ 65,403	$ 9,719	$ 2,709	$ 3,730	$ 124,271
Business acquisition	486	–	–	102	–	588
Additions	–	23,337	–	–	950	24,287
Balance at October 31, 2014	43,196	88,740	9,719	2,811	4,680	149,146
Accumulated amortization						
Balance at November 1, 2013	13,192	33,873	5,231	–	1,778	54,074
Amortization	3,043	5,130	1,417	–	345	9,935
Balance at October 31, 2014	16,235	39,003	6,648	–	2,123	64,009
Net carrying amount at October 31, 2014	$ 26,961	$ 49,737	$ 3,071	$ 2,811	$ 2,557	$ 85,137
Cost						
Balance at November 1, 2012	$ 37,515	$ 48,528	$ 5,593	$ 2,191	$ 1,900	$ 95,727
Business acquisition	5,195	–	4,126	518	–	9,839
Additions	–	16,875	–	–	1,830	18,705
Balance at October 31, 2013	42,710	65,403	9,719	2,709	3,730	124,271
Accumulated amortization						
Balance at November 1, 2012	10,425	29,805	3,858	–	1,680	45,768
Amortization	2,767	4,068	1,373	–	98	8,306
Balance at October 31, 2013	13,192	33,873	5,231	–	1,778	54,074
Net carrying amount at October 31, 2013	$ 29,518	$ 31,530	$ 4,488	$ 2,709	$ 1,952	$ 70,197

Impairment

The carrying amounts of CWB's goodwill and 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 cost to sell, 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 their value in use. Value in use for each unit 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 four-year future business plan. Cash flows for a further 16-year period were extrapolated using a constant growth rate of 3%, which is based on the long-term forecast Canadian gross domestic product growth rates. The forecast period is based on CWB's long-term perspective with respect to the operation of these cash-generating units; and,
- A pre-tax discount rate of 8.6% 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 2014 or 2013.

10. INSURANCE-RELATED OTHER ASSETS

	As at October 31 2014	As at October 31 2013
Instalment premiums receivable	**$ 38,622**	$ 36,615
Deferred policy acquisition costs	**12,250**	11,905
Recoverable on unpaid claims	**9,679**	8,167
Reinsurers' share of unpaid claims and adjustment expenses	**4,587**	6,760
Due from reinsurers	**626**	918
Total	**$ 65,764**	$ 64,365

11. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate, foreign exchange 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 the earnings volatility from restricted share units linked to CWB's common share price. Foreign exchange contracts are only used for the purposes of meeting needs of clients or day-to-day business.

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;
- 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 credit worthiness) and maximum notional limits. Approved counterparties are limited to rated financial institutions or their associated parent/affiliate with a minimum rating of A high or equivalent.

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 that have not yet vested. 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 should the counterparty default.

Designated Hedges

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

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 income statements.

When a forecasted 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 income statements.

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 hedge, a derivative not designated as a hedge and all other derivative financial instruments are reported in 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. 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 weighted according to the credit worthiness of the counterparty as prescribed by OSFI. Additional discussion of OSFI's capital adequacy requirements is provided within the Capital Management section of Management's Discussion and Analysis.

	As at October 31, 2014					As at October 31, 2013				
	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	$ 1,725,000	$ 1,612	$ 7,421	$ 9,033	$ 1,807	$ 800,000	$ 367	$ 1,494	$ 1,861	$ 372
Equity swaps	22,959	3,785	50	3,835	767	17,470	4,131	45	4,176	835
Foreign exchange contracts	1,964	23	20	43	14	1,235	11	12	23	10
Total	$ 1,749,923	$ 5,420	$ 7,491	$ 12,911	$ 2,588	$ 818,705	$ 4,509	$ 1,551	$ 6,060	$ 1,217

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, 2014				As at October 31, 2013			
	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 hedges	$ 1,675,000	$ 1,612	$ 50,000	$ (27)	$ 675,000	$ 367	$ 125,000	$ (32)
Equity swaps designated as hedges	9,255	3,785	9,950	(246)	17,470	4,131	–	–
Equity swaps not designated as hedges	–	–	3,754	(101)	–	–	–	–
Foreign exchange contracts	1,204	23	760	(12)	784	11	451	(4)
Total	$ 1,685,459	$ 5,420	$ 64,464	$ (386)	$ 693,254	$ 4,509	$ 125,451	$ (36)

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:

		2014		2013
Favourable derivative financial instruments (assets)	**$**	**6261**	$	1,955
Unfavourable derivative financial instruments (liabilities)	**$**	**130**	$	76

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

	As at October 31, 2014				As at October 31, 2013			
	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 hedges[1]	**$ 375,000**	**1.31%**	**$ 1,350,000**	**1.40%**	$ 525,000	1.24%	$ 275,000	1.33%
Equity swaps designated as hedges[2]	**9,201**	**2.30%**	**10,004**	**2.27%**	8,215	2.37%	9,255	2.45%
Equity swaps not designated as hedges[3]	**3,754**	**2.03%**	**–**	**–**	–	–	–	–
Foreign exchange contracts[4]	**1,964**		**–**		1,235		–	
Total	**$ 389,919**		**$ 1,360,004**		$ 534,450		$ 284,255	

(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 hedges outstanding at October 31, 2014 mature between December 2014 and July 2017.
(2) Equity swaps designated as hedges outstanding at October 31, 2014 mature between June 2015 and June 2017.
(3) Equity swaps not designated as hedges outstanding at October 31, 2014 mature June 2015.
(4) Foreign exchange contracts mature between November 2014 and July 2015. The contractual interest rate is not meaningful for foreign exchange contracts.

During the year, $3,372 net unrealized after-tax gains (2013 – $2,332) were recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges, and no amounts (2013 – nil) were recorded in non-interest income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged items affect income. During the year, $3,575 of net gains after tax (2013 – $1,255) were reclassified to net income.

At October 31, 2014, hedged cash flows are expected to occur and affect profit or loss within the next three years.

12. OTHER ASSETS

		As at October 31 2014	As at October 31 2013
Accrued interest receivable		$ 48,242	$ 44,698
Accounts receivable		36,856	28,358
Deferred tax asset	(Note 25)	26,349	21,857
Prepaid expenses		8,468	7,410
Income taxes receivable		1,336	2,011
Financing costs[1]		5,874	6,019
Other		1,261	78
Total		$ 128,386	$ 110,431

(1) Amortization for the year amounted to $2,261 (2013 – $2,108).

13. 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, 2014		
	Individuals	Business and Government	Total
Payable on demand	$ 33,060	$ 637,025	$ 670,085
Payable after notice	2,957,970	2,134,295	5,092,265
Payable on a fixed date	6,841,639	4,769,025	11,610,664
Total	$ 9,832,669	$ 7,540,345	$ 17,373,014

	As at October 31, 2013		
	Individuals	Business and Government	Total
Payable on demand	$ 30,337	$ 615,166	$ 645,503
Payable after notice	2,741,951	1,622,400	4,364,351
Payable on a fixed date	6,648,466	3,972,720	10,621,186
Total	$ 9,420,754	$ 6,210,286	$ 15,631,040

14. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITY

In 2006, CWB arranged for the issuance of innovative capital instruments, CWB Capital Trust Capital Securities Series 1 (WesTS), through Canadian Western Bank Capital Trust (CWB Capital Trust), a structured entity with a December 31 year end. CWB Capital Trust, an open-end trust, issued non-voting WesTS and the proceeds were used to purchase a senior deposit note from CWB. The deposit note of $105,000 (2013 – $105,000) is included in Deposits in the consolidated balance sheets.

Based on the guidance provided in IFRS 10 *Consolidated Financial Statements*, CWB has determined that it does not control, and consequently does not consolidate, CWB Capital Trust. However, CWB Capital Trust qualifies as an unconsolidated structured entity under the guidance of IFRS 12 *Disclosure of Interests in Other Entities* and, accordingly, additional disclosures regarding CWB Capital Trust are provided herein.

Holders of WesTS are eligible to receive semi-annual non-cumulative fixed cash distributions. No cash distributions will be payable by CWB Capital Trust on WesTS if CWB fails to declare regular dividends on its preferred shares or, if no preferred shares are outstanding, on its common shares. In this case, the net distributable funds of CWB Capital Trust will be distributed to CWB as holder of the residual interest in CWB Capital Trust.

Should CWB Capital Trust fail to pay the semi-annual distributions in full, CWB has contractually agreed not to declare dividends of any kind on any of the preferred or common shares for a specified period of time.

The following information presents the outstanding WesTS:

Issuance date	August 31, 2006
Distribution dates	June 30, December 31
Annual yield	6.199%
Earliest date redeemable at the option of the issuer	December 31, 2011
Earliest date exchangeable at the option of the holder	Any time
Trust capital securities outstanding	105,000
Principal amount	$105,000

The significant terms and conditions of the WesTS are:

1) Subject to the approval of OSFI, CWB Capital Trust may, in whole (but not in part), on the redemption date specified above, and on any distribution date thereafter, redeem the WesTS without the consent of the holders.

2) Subject to the approval of OSFI, upon occurrence of a special event as defined, prior to the redemption date specified above, CWB Capital Trust may redeem all, but not part, of the WesTS without the consent of the holders.

3) The WesTS may be redeemed for cash equivalent to (i) the early redemption price if the redemption occurs prior to December 31, 2016 or (ii) the redemption price if the redemption occurs on or after December 31, 2016. Redemption price refers to an amount equal to one thousand dollars plus the unpaid distributions to the redemption date. Early redemption price refers to an amount equal to the greater of (i) the redemption price and (ii) the price calculated to provide an annual yield, equal to the yield on a Government of Canada bond issued on the redemption date with a maturity date of December 31, 2016, plus 0.50%.

4) Holders of WesTS may, at any time, exchange each one thousand dollars of principal for 40 First Preferred Shares Series 1 of CWB. CWB's First Preferred Shares Series 1 pay semi-annual non-cumulative cash dividends with an annual yield of 4.00% and will be redeemable at the option of CWB, with OSFI approval, on or after December 31, 2011, but not at the option of the holders. This exchange right will be effected through the conversion by CWB Capital Trust of the corresponding amount of the deposit note of CWB. The WesTS exchanged for CWB's First Preferred Shares Series 1 will be cancelled by CWB Capital Trust.

5) Each WesTS will be exchanged automatically without the consent of the holders for 40 non-cumulative redeemable CWB First Preferred Shares Series 2 upon occurrence of any one of the following events: (i) proceedings are commenced for the winding up of CWB, (ii) OSFI takes control of CWB, (iii) CWB has a Tier 1 capital ratio of less than 5% or Total capital ratio of less than 8%, or (iv) OSFI has directed CWB to increase its capital or provide additional liquidity and CWB elects such automatic exchange or CWB fails to comply with such direction. Following the occurrence of an automatic exchange, CWB would hold all of the Special Trust Securities and all of the WesTS, and the primary asset of CWB Capital Trust would continue to be the senior deposit note. CWB's First Preferred Shares Series 2 pay semi-annual non-cumulative cash dividends with an annual yield of 5.25% and will be redeemable at the option of CWB, with OSFI approval, on or after December 31, 2011, but not at the option of the holders.

6) For regulatory capital purposes, all of the outstanding WesTS amounts are currently included in Tier 1 capital.

7) The non-cumulative cash distribution on the WesTS will be 6.199% paid semi-annually until December 31, 2016 and, thereafter, at the CDOR 180-day Bankers' Acceptance rate plus 2.55%.

15. INSURANCE-RELATED OTHER LIABILITIES

		As at October 31 2014	As at October 31 2013
Unpaid claims and adjustment expenses	(Note 22)	**$ 85,526**	$ 89,742
Unearned premiums		**77,408**	75,481
Due to insurance companies and policyholders		**2,378**	2,033
Unearned commissions		**591**	560
Total		**$ 165,903**	$ 167,816

16. OTHER LIABILITIES

		As at October 31 2014	As at October 31 2013
Accounts payable		$ 137,084	$ 112,500
Accrued interest payable		115,014	104,866
Deferred tax liability	(Note 25)	9,838	10,360
Income taxes payable		11,242	1,663
Deferred revenue		3,507	3,431
Leasehold inducements		3,370	3,840
Acquisition contingent consideration	(Note 30)	2,679	1,679
Other		210	600
Total		$ 282,944	$ 238,939

17. DEBT

a) 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.

Each of 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 2014	As at October 31 2013
4.389%[(1)]	November 30, 2020	November 30, 2015	$ 300,000	$ 300,000
3.463%[(2)]	December 17, 2024	December 17, 2019	250,000	250,000
5.571%[(3)]	March 21, 2022	March 22, 2017	75,000	75,000
Total			$ 625,000	$ 625,000

(1) These conventional debentures have a 10-year term with a fixed interest rate for the first five years. Thereafter, the interest rate will be reset quarterly at the 3-month Canadian dollar CDOR rate plus 193 basis points.
(2) 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 CDOR rate plus 160 basis points.
(3) These conventional debentures have a 15-year term with a fixed interest rate for the first 10 years. Thereafter, the interest rate will be reset quarterly at the Canadian dollar CDOR 90-day Bankers' Acceptance rate plus 180 basis points.

b) Debt Securities

CWB securitizes leases to third parties. These securitizations do not qualify for derecognition as CWB continues to be exposed to certain risks associated with the leases, including an obligation to remit contractual cash flow payments regardless of whether the underlying cash flows are collected from lessees and, therefore, has not transferred substantially all of the risk and rewards of ownership. As the leases do not qualify for derecognition, the assets are not removed from the balance sheet and a securitization liability is recognized for the cash proceeds received.

The carrying amount of the liability as at October 31, 2014 was $411,990 (October 31, 2013 – $195,650), and the associated carrying amount of the lease assets recorded on the balance sheet was $464,809 (October 31, 2013 – $230,353), which does not include an allocation of the allowance for credit losses.

18. 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:

	2014 Number of Shares	2014 Amount	2013 Number of Shares	2013 Amount
Preferred Shares - Series 5				
Outstanding at beginning of year	–	$ –	–	$ –
Issued	5,000,000	125,000	–	–
Outstanding at end of year	5,000,000	125,000	–	–
Preferred Shares - Series 3				
Outstanding at beginning of year	8,352,596	208,815	8,390,000	209,750
Redeemed	(8,352,596)	(208,815)	–	–
Purchased for cancellation	–	–	(37,404)	(935)
Outstanding at end of year	–	–	8,352,596	208,815
Common Shares				
Outstanding at beginning of year	79,619,595	510,282	78,742,812	490,218
Issued under dividend reinvestment plan	437,331	16,467	509,969	14,404
Issued on exercise or exchange of options	312,379	1,066	366,814	1,674
Transferred from share-based payment reserve on exercise or exchange of options	–	5,223	–	3,986
Outstanding at end of year	80,369,305	533,038	79,619,595	510,282
Share Capital		$ 658,038		$ 719,097

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. In addition, should CWB Capital Trust fail to pay the semi-annual distributions in full on the CWB Capital Trust Securities Series 1 (see Note 14), CWB has contractually agreed to not declare dividends on any of its common and preferred shares for a specified period of time. These limitations do not restrict the current level of dividends.

a) Dividends

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

	2014	2013
$0.78 per common share (2013 – $0.70)	$ 62,408	$ 55,374
$0.79 per preferred share – Series 5	3,940	–
$0.91 per preferred share – Series 3 (2013 – $1.81)	7,570	15,183
Total	$ 73,918	$ 70,557

Subsequent to October 31, 2014, the Board of Directors of CWB declared a dividend of $0.21 per common share payable on January 8, 2015 to shareholders of record on December 16, 2014 and a dividend of $0.275 per Series 5 preferred share payable on January 31, 2015 to shareholders of record on January 23, 2015. With respect to these dividend declarations, no liability was recorded in the balance sheet at October 31, 2014.

b) Preferred Shares

Series 5 Preferred Shares

On February 10, 2014, CWB issued five million non-cumulative, five year rate reset First Preferred Shares Series 5 (Series 5 Preferred Shares) at $25.00 per share, for gross proceeds of $125 million. Holders of Series 5 Preferred Shares are entitled to receive a non-cumulative fixed dividend in the amount of $1.10 annually, payable quarterly, as and when declared by the Board of Directors of CWB, for the initial period ending April 30, 2019. The quarterly dividend represents an annual yield of 4.40% based on the stated issue price per share. Thereafter, the dividend rate will reset every five years at a level of 276 basis points over the then five year Government of Canada bond yield.

CWB maintains the right to redeem, subject to the approval of OSFI, up to all of the then outstanding Series 5 Preferred Shares on April 30, 2019, and on April 30 every five years thereafter at a price of $25.00 per share. Should CWB choose not to exercise its right to redeem the Series 5 Preferred Shares, holders of these shares will have the right to convert their shares into an equal number of non-cumulative, floating rate First Preferred Shares Series 6 (Series 6 Preferred Shares), subject to certain conditions, on April 30, 2019, and on April 30 every five years thereafter. Holders of the Series 6 Preferred Shares will be entitled to receive quarterly floating dividends, as and when declared by the Board of Directors of CWB, equal to the 90-day Government of Canada Treasury Bill rate plus 276 basis points.

Upon the occurrence of a trigger event (as defined by OSFI), each Series 5 or 6 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).

Series 3 Preferred Shares

On April 30, 2014, CWB redeemed all outstanding Series 3 Preferred Shares at $25.00 per share. Holders of the Series 3 preferred shares were entitled, with OSFI approval, to receive non-cumulative quarterly fixed dividends for the initial five-year period ending April 30, 2014 of 7.25% per annum, payable quarterly, as and when declared by the Board of Directors.

c) 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 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% at CWB's discretion. CWB also has the option to fund the plan through the open market at market prices. During the year, 437,331 (2013 – 509,969) common shares were issued under the plan from CWB's treasury at a 2% (2013 – 2%) discount.

19. 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 6,830,580 common shares (2013 – 5,542,959) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 4,743,277 shares (2013 – 4,217,908) are issued and outstanding. The 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. All options expire within five years of date of grant. Outstanding options expire from December 2014 to June 2019.

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

	2014			2013		
Options	**Number of Options**		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance at beginning of year	**4,217,908**	**$**	**26.96**	3,441,100	$	24.51
Granted	**1,422,357**		**38.58**	1,810,899		28.30
Exercised or exchanged	**(769,865)**		**24.44**	(824,068)		18.80
Expired	**–**		**–**	(162,075)		31.18
Forfeited	**(127,123)**		**30.59**	(47,948)		27.64
Balance at end of year	**4,743,277**	**$**	**30.76**	4,217,908	$	26.96
Exercisable at end of year	**469,910**	**$**	**28.76**	501,579	$	20.50

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
$22.09 to $23.43	94,034	0.5	$	23.10	94,034	$	23.10
$25.46 to $29.42	3,051,399	2.9		27.43	164,750		29.42
$30.76 to $39.42	1,597,844	4.0		37.55	211,126		30.76
Total	4,743,277	3.2	$	30.76	469,910	$	28.76

Until March 1, 2014, the terms of the share incentive plan allowed the holders of vested options two alternatives whereby the option holder could either (a) elect to receive shares by delivering cash to CWB in the amount of the option exercise price or (b) elect to receive the number of shares equivalent to the excess of the market value of the shares under option, determined at the exercise date, over the exercise price (cashless settlement). Effective March 1, 2014, all exercised options are settled via cashless settlement. Of the 769,865 (2013 – 824,068) options exercised or exchanged, option holders exchanged the rights to 723,373 (2013 – 737,653) options and received 265,887 (2013 – 280,399) shares in return under the cashless settlement alternative.

Salary expense of $5,930 (2013 – $6,150) was recognized relating to the estimated fair value of options granted. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 1.5% (2013 – 1.4%), (ii) expected option life of 4.0 (2013 – 4.0) years, (iii) expected volatility of 18% (2013 – 22%), and (iv) expected annual dividends of 2.1% (2013 – 2.5%). 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 $4.61 (2013 – 3.93) per share.

During the year, $5,223 (2013 – $3,986) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 769,865 (2013 – 824,068) 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 holder to receive the cash equivalent of the market value of CWB's common shares at the vesting date and an amount equivalent to the dividends paid on the common shares during the vesting period. RSUs vest on each anniversary of the grant in equal one-third 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 $10,217 (2013 – $9,796) was recognized related to RSUs. As at October 31, 2014, the liability for the RSUs held under this plan was $13,709 (October 31, 2013 – $12,111). 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	**2014**	2013
Balance at beginning of year	**650,791**	594,455
Granted	**266,561**	354,491
Vested and paid out	**(142,555)**	(281,564)
Forfeited	**(26,777)**	(16,591)
Balance at end of year	**748,020**	650,791

c) Deferred Share Units

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

During the year, other non-interest expenses included $629 (2013 – $745) related to the DSUs. As at October 31, 2014, the liability for DSUs held under this plan was $3,858 (October 31, 2013 – $2,782). 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	**2014**	2013
Balance at beginning of year	**83,350**	78,761
Granted	**24,236**	9,059
Paid out	**(10,420)**	(4,470)
Balance at end of year	**97,166**	83,350

d) Performance Share Units

During 2014, CWB introduced a Performance Share Unit (PSU) plan, which is offered to certain employees 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. Notional dividends accrue to the holder of the PSU during the life of the PSU. Under the PSU plan, each PSU vests at the end of a three year period and is settled in cash.

For PSUs granted in fiscal 2014, at the end of each specified performance period, a multiplier 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. The multiplier is determined by comparing the total shareholder return (TSR) of CWB's common shares against the TSR of comparator companies during various performance periods.

Number of PSUs	**2014**	2013
Balance at beginning of year	**–**	–
Granted	**25,305**	–
Paid out	**–**	–
Balance at end of year	**25,305**	–

20. NON-CONTROLLING INTERESTS

Non-controlling interests are comprised of the following:

	As at October 31 2014	As at October 31 2013
McLean & Partners Wealth Management Ltd.	$ 913	$ 790
Adroit Investment Management Ltd.	153	272
Total	$ 1,066	$ 1,062

21. 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.

	As at October 31 2014	As at October 31 2013
Credit instruments		
Guarantees and standby letters of credit	$ 407,681	$ 354,083
Commitments to extend credit	4,611,311	3,877,989
Total	$ 5,018,992	$ 4,232,072

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.

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 $2,526,808 (October 31, 2013 – $2,085,452) and authorized but unfunded loan commitments of $2,084,503 (October 31, 2013 – $1,792,537). 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. 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.

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:

2015	$ 12,121
2016	11,796
2017	9,955
2018	8,799
2019	8,058
2020 and thereafter	46,178
Total	$ 96,907

c) 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.

d) 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.

22. INSURANCE OPERATIONS

Insurance Contracts – Classification

Contracts where CWB accepts significant insurance risk from another party by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiaries are classified as insurance contracts.

Premiums Earned and Deferred Policy Acquisition Costs

Insurance premiums are included in other income on a daily pro rata basis over the terms of the underlying insurance policies. Unearned premiums represent the portion of premiums written that relate to the unexpired term of the policies in force and are included in other liabilities. Insurance premiums are shown before deduction of commissions and are gross of any taxes and dues levied on premiums.

Policy acquisition costs are those expenses incurred in the acquisition of insurance business. Acquisition costs comprise advertising and marketing expenses, insurance advisor salaries and benefits, broker commissions, premium taxes and other expenses directly attributable to the production of business. Policy acquisition costs related to unearned premiums are only deferred, and included in other assets, to the extent that they are expected to be recovered from unearned premiums and are amortized to income over the periods in which the premiums are earned. If the unearned premiums are not sufficient to pay expected claims and expenses (including policy maintenance expenses and unamortized policy acquisition costs), a premium deficiency is said to exist. Anticipated investment income is considered in determining whether a premium deficiency exists. Premium deficiencies are recognized by writing down the deferred policy acquisition cost asset.

Liability Adequacy Test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related deferred policy acquisition costs (DPAC). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting the provisions, are used. Any deficiency is immediately charged to profit or loss by writing off DPAC and, if required, establishing a provision for losses arising from liability adequacy tests (the premium deficiency).

Unpaid Claims and Adjustment Expenses

The provision for unpaid claims represents the amounts needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred but not been settled on or before each balance sheet date. The provision for adjustment expenses represents the estimated ultimate expected costs of investigating, resolving and processing these claims. These provisions are included in other liabilities and their computation takes into account the time value of money using discount rates based on projected investment income from the assets supporting the provisions.

The process of determining the provision for unpaid claims and adjustment expenses necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit provisions for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development and recoverability of reinsurance balances.

The provisions are periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the current period.

Reinsurance Ceded

Earned premiums and claims expenses are recorded net of amounts ceded to, and recoverable from, reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims and adjustment expenses are recorded in other assets separately from estimated amounts payable to policyholders. Amounts recoverable from reinsurers are estimated in a manner consistent with the liabilities associated with the reinsured policies.

These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

Reinsurance assets are assessed for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and the impairment loss is recognized in the income statement. Objective evidence that a reinsurance asset is impaired is gathered using observable data about the following criteria:

- Significant financial difficulty of the reinsurer;
- A breach of contract, such as default or delinquency in payments; and,
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from the reinsurance asset since its initial recognition.

a) Insurance Revenues, Net

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

	2014	2013
Net earned premiums	**$ 130,410**	$ 126,825
Commissions and processing fees	**1,580**	1,787
Net claims and adjustment expenses	**(85,997)**	(87,008)
Policy acquisition costs	**(25,079)**	(25,325)
Insurance revenues, net	**$ 20,914**	$ 16,279

b) Unpaid Claims and Adjustment Expenses

Nature of Unpaid Claims

The establishment of the provision for unpaid claims and adjustment expenses and the related reinsurers' share is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a large variety of factors. These factors include experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity, and claims frequency patterns.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the claims department personnel and independent adjusters retained to handle individual claims, quality of the data used for projection purposes, existing claims management practices, including claims handling and settlement practices, effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions, economic conditions and public attitudes. In addition, time can be a critical part of the provision determination since, the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as liability claims.

Consequently, the establishment of the provision for unpaid claims and adjustment expenses relies on the judgment and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

Provision for Unpaid Claims and Adjustment Expenses

An annual evaluation of the adequacy of unpaid claims is completed at the end of each financial year. This evaluation includes a re-estimation of the liability for unpaid claims relating to each preceding financial year compared to the liability that was originally established. The results of this comparison and the changes in the provision for unpaid claims and adjustment expenses follow:

	2014	2013
Unpaid claims and adjustment expenses, net, beginning of year	**$ 74,815**	$ 74,295
Claims incurred		
In the current year	**87,917**	86,087
In prior periods	**(1,920)**	921
Claims paid during the year	**(89,552)**	(86,488)
Unpaid claims and adjustment expenses, net, end of year	**71,260**	74,815
Reinsurers' share of unpaid claims and adjustment expenses	**4,587**	6,760
Recoverable on unpaid claims	**9,679**	8,167
Unpaid claims and adjustment expenses, net, end of year	**$ 85,526**	$ 89,742

The provision for unpaid claims and adjustment expenses and related reinsurance recoveries are discounted using rates based on the projected investment income from the assets supporting the provisions, and reflecting the estimated timing of payments and recoveries. The investment rate of return used for all cash flow periods and all lines of business was 2.47% (2013 – 2.50%).

However, that rate was reduced by a 0.50% (2013 – 0.50%) provision for adverse deviation in discounting the provision for unpaid claims and adjustment expenses and related reinsurance recoveries. The impact of this provision for adverse deviation results in an increase of $575 (2013 – $585) in unpaid claims and adjustment expenses and related reinsurance recoveries.

Policy balances, included in insurance-related other assets and other liabilities, analyzed by major lines of business are as follows:

	2014				2013			
		Automobile		**Home**		Automobile		Home
Unpaid claims and adjustment expenses	**$**	**66,943**	**$**	**18,583**	$	68,532	$	21,210
Reinsurers' share of unpaid claims and adjustment expenses		**2,495**		**2,092**		4,169		2,591
Unearned premiums		**50,874**		**26,534**		50,500		24,981

c) Underwriting Policy and Reinsurance Ceded

Reinsurance contracts with coverage up to maximum policy limits are entered into to protect against losses in excess of certain amounts that may arise from automobile, personal property and liability claims.

Reinsurance with a limit of $320,000 (2013 – $300,000) is obtained to protect against certain catastrophic losses. Retention on catastrophic events is $5,000 (2013 – $5,000), on property per risk events is $1,000 (2013 – $1,000) and on casualty events is $2,000 (2013 – $2,000). For the British Columbia automobile insurance product, retentions are further reduced by the underlying mandatory coverage provided by the provincially governed Crown corporation. Reinsurance coverage is diversified across many reinsurers in order to spread risk and reduce reinsurer concentration risk in the event of a very large loss, such as an earthquake. The reinsurers selected to participate in the program have a minimum rating of A- from Standard & Poor's or A.M. Best. In addition, reinsurance treaties have a special termination clause allowing CWB to change a reinsurer during the term of the agreement if the reinsurer's rating falls below a specified level.

At October 31, 2014, $4,587 (October 31, 2013 – $6,760) of unpaid claims and adjustment expenses were recorded as recoverable from reinsurers. Failure of a reinsurer to honour its obligation could result in losses. The financial condition of reinsurers is regularly evaluated to minimize the exposure to significant losses from reinsurer insolvency.

The amounts shown in other income are net of the following amounts relating to reinsurance ceded to other insurance companies.

		2014		2013
Premiums earned reduced by	**$**	**11,132**	$	9,976
Claims incurred reduced by		**3,425**		3,732

23. DISCLOSURES ON RATE REGULATION

Canadian Direct Insurance Incorporated (Canadian Direct), a wholly owned subsidiary, is licensed under insurance legislation in the provinces in which it conducts business. Automobile insurance is a compulsory product and is subject to different regulations across the provinces in Canada, including those with respect to rate setting. Rate setting mechanisms vary across the provinces, but they generally fall under three categories: "use and file", "file and use" and "file and approve". Under "use and file", rates are filed following use. Under "file and use", insurers file their rates with the relevant authorities and wait for a prescribed period of time and then implement the proposed rates. Under "file and approve", insurers must wait for specific approval of filed rates before they may be used.

The authority that regulates automobile insurance rates, in the province in which Canadian Direct is writing that business, is listed below. Automobile direct written premiums in Alberta totalled $47,200 in 2014 (2013 – $46,400) and represented 53% (2013 – 52%) of direct automobile premiums written.

Province	**Rate Filing**	**Regulatory Authority**
Alberta	File and approve	Alberta Automobile Insurance Rate Board

While regulatory authorities generally approve rates and rate adjustments prospectively, in some circumstances retroactive rate adjustments in respect of historical results may be required, which could result in a regulatory asset or liability for CWB. As at October 31, 2014 and October 31, 2013, CWB had no such regulatory asset or liability.

24. 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 totalled $12,154 (2013 – $11,685).

25. 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:

		2014		2013
Consolidated statements of income				
Current	$	78,615	$	58,545
Deferred		(5,014)		5,507
		73,601		64,052
Other comprehensive income				
Tax expense related to:				
Unrealized gains (losses) on available-for-sale securities		985		(4,800)
Gains on derivatives designated as cash flow hedges		(69)		364
		916		(4,436)
Total	$	74,517	$	59,616

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:

	2014			2013		
Combined Canadian federal and provincial income taxes and statutory tax rate	$	77,255	25.3%	$	67,884	25.4%
Increase (decrease) arising from:						
Tax-exempt income		(6,285)	(2.1)		(6,072)	(2.2)
Stock-based compensation		1,495	0.5		1,547	0.6
Other		1,136	0.4		693	0.2
Provision for income taxes and effective tax rate	$	73,601	24.1%	$	64,052	24.0%

Deferred tax balances are comprised of the following:

		2014		2013
Deferred tax assets				
Allowance for credit losses	$	19,978	$	16,618
Deferred loan fees		10,832		9,357
Deferred deposit broker commission		(4,056)		(3,659)
Leasing income		(3,335)		536
Other temporary differences		2,930		(995)
	$	26,349	$	21,857
Deferred tax liabilities				
Intangible assets	$	7,995	$	9,197
Other temporary differences		1,843		1,163
	$	9,838	$	10,360

CWB has approximately $8,234 (2013 – $11,140) of capital losses that are available to apply against future capital gains and have no expiry date. The tax benefit of these losses has not been recognized in the consolidated financial statements.

26. 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:

		2014		2013
Numerator				
Net income available to common shareholders	**$**	**218,549**	$	187,163
Denominator				
Weighted average of common shares outstanding – basic		**80,033,646**		79,147,496
Dilutive instruments:				
Stock options(1)		**921,221**		396,532
Weighted average number of common shares outstanding – diluted		**80,954,867**		79,544,028
Earnings per common share				
Basic	**$**	**2.73**	$	2.36
Diluted		**2.70**		2.35

(1) At October 31, 2014 and 2013, there were no employee stock options with an average adjusted exercise price, adjusted for unrecognized stock-based compensation, that was greater than the average market price.

27. ASSETS UNDER ADMINISTRATION AND MANAGEMENT

Assets under administration of $10,101,698 (October 31, 2013 – $8,423,972) and assets under management of $1,795,975 (October 31, 2013 – $1,901,146) represent the fair value of assets held for personal, corporate and institutional clients as well as third-party leases and residential mortgages subject to service agreements. These assets are kept separate from CWB's own assets. Assets under administration and management are not reflected in the consolidated balance sheets.

28. RELATED PARTY TRANSACTIONS

Transactions with and between subsidiary entities are made at normal market prices and are 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 $114,508 (October 31, 2013 – $106,085). 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 $264,936 (October 31, 2013 – $256,136).

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:

		2014		2013
Salaries, benefits and directors' compensation	**$**	**5,775**	$	6,129
Share-based payments (stock options, RSUs and DSUs)(1)		**3,219**		3,644
Total	**$**	**8,994**	$	9,773

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

Loans outstanding with key management personnel totalled $589 as at October 31, 2014 (October 31, 2013 – $146). CWB's policies preclude lending to CWB's independent directors.

29. 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 forecasting core balance trends. The repricing profile of these assets and liabilities has been incorporated in the table following showing 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, 2014	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	$ 468	$ 758	$ 272	$ 1,498	$ 1,022	$ 173	$ 4	$ 2,697
Loans	8,284	897	2,263	11,444	6,025	113	(72)	17,510
Other assets[2]	–	–	–	–	–	–	401	401
Derivative financial instruments[1]	–	75	313	388	1,360	–	2	1,750
Total	8,752	1,730	2,848	13,330	8,407	286	335	22,358
Liabilities and Equity								
Deposits	6,395	1,315	3,838	11,548	5,841	–	(16)	17,373
Other liabilities[2]	4	8	34	46	31	9	418	504
Debt[3]	12	24	106	142	895	–	–	1,037
Equity	–	–	–	–	–	–	1,694	1,694
Derivative financial instruments[1]	1,748	–	–	1,748	–	–	2	1,750
Total	$ 8,159	$ 1,347	$ 3,978	$ 13,484	$ 6,767	$ 9	$ 2,098	$ 22,358
Interest Rate Sensitive Gap	$ 593	$ 383	$ (1,130)	$ (154)	$ 1,640	$ 277	$ (1,763)	$ –
Cumulative Gap	$ 593	$ 976	$ (154)	$ (154)	$ 1,486	$ 1,763	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	2.7%	4.4%	(0.7)%	(0.7)%	6.6%	7.9%	–	–

October 31, 2013								
Cumulative Gap	$ 1,289	$ 1,785	$ 240	$ 240	$ 1,499	$ 1,541	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	6.7%	9.2%	1.2%	1.2%	7.8%	8.0%	–	–

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

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

Weighted Average Effective Interest Rates

(%)

October 31, 2014	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total Assets	**3.7%**	**2.6%**	**4.3%**	**3.7%**	**3.9%**	**4.6%**	**3.8%**
Total Liabilities	**1.2**	**1.7**	**2.0**	**1.5**	**2.4**	**–**	**1.8**
Interest Rate Sensitive Gap	**2.5%**	**0.9%**	**2.3%**	**2.2%**	**1.5%**	**4.6%**	**2.0%**
October 31, 2013							
Total Assets	3.8%	2.3%	4.0%	3.6%	4.6%	4.8%	4.0%
Total Liabilities	1.3	1.9	2.0	1.6	2.4	3.3	1.9
Interest Rate Sensitive Gap	2.5%	0.4%	2.0%	2.0%	2.2%	1.5%	2.1%

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 2.0% or $9,185 (October 31, 2013 – 3.3% or $14,545) and decrease other comprehensive income $36,578 (October 31, 2013 – $14,418) 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 3.9% or $18,221 (October 31, 2013 – 5.3% or $23,853) and increase other comprehensive income $37,323 (October 31, 2013 – $14,418), net of tax.

30. 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 and subordinated debentures 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 – *Financial Instruments: Recognition and Measurement* 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, 2014		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 3)	$ –	$ –	$ 508,414	$ 508,414	$ 508,414	$ –
Securities	(Note 4)	–	–	2,089,205	2,089,205	2,089,205	–
Securities purchased under resale agreements		–	–	99,566	99,566	99,566	–
Loans[1]		–	17,582,480	–	17,582,480	17,571,250	(11,230)
Derivative related		5,420	–	–	5,420	5,420	–
Total Financial Assets		$ 5,420	$ 17,582,480	$ 2,697,185	$ 20,285,085	$ 20,273,855	$ (11,230)
Financial Liabilities							
Deposits[1]		$ –	$ 17,388,737	$ –	$ 17,388,737	$ 17,414,150	$ 25,413
Debt		–	1,036,990	–	1,036,990	1,056,234	19,244
Acquisition contingent consideration		–	2,679	–	2,679	2,679	–
Derivative related		386	–	–	386	386	–
Total Financial Liabilities		$ 386	$ 18,428,406	$ –	$ 18,428,792	$ 18,473,449	$ 44,657

October 31, 2013		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 3)	$ –	$ –	$ 347,995	$ 347,995	$ 347,995	$ –
Securities	(Note 4)	–	–	2,232,322	2,232,322	2,232,322	–
Loans[1]		–	15,629,443	–	15,629,443	15,614,937	(14,506)
Derivative related		4,509	–	–	4,509	4,509	–
Total Financial Assets		$ 4,509	$ 15,629,443	$ 2,580,317	$ 18,214,269	$ 18,199,763	$ (14,506)
Financial Liabilities							
Deposits[1]		$ –	$ 15,541,831	$ –	$ 15,541,831	$ 15,553,762	$ 11,931
Debt		–	820,650	–	820,650	835,639	14,989
Acquisition contingent consideration		–	1,679	–	1,679	1,679	–
Derivative related		36	–	–	36	36	–
Total Financial Liabilities		$ 36	$ 16,364,160	$ –	$ 16,364,196	$ 16,391,116	$ 26,920

(1) Loans and deposits exclude deferred premiums and deferred revenue, which are not financial instruments.
(2) For further information on interest rates associated with financial assets and liabilities, including derivative instruments, refer to Note 29.

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 3 and 4. 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;
- Loans reflect changes in the general level of interest rates that have occurred since the loans were originated and are net of 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 acquisition 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, reinsurers' share of unpaid claims and adjustment expenses, deferred tax asset, prepaid and deferred expenses, financing costs, deferred tax liability, deferred revenue, unearned insurance premiums and other items that are not financial instruments;
- 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 the acquisition contingent consideration, included in other liabilities, where an active market does not exist, fair value is determined using valuation techniques that refer to non-market observable inputs;
- 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; and,
- 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, 2014	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash resources	**$ 508,414**	**$ 471,643**	**$ 36,771**	**$ –**
Securities	**2,089,205**	**2,089,205**	**–**	**–**
Securities purchased under resale agreements	**99,566**	**99,566**	**–**	**–**
Loans	**17,571,250**	**–**	**17,571,250**	**–**
Derivative related	**5,420**	**–**	**5,420**	**–**
Total Financial Assets	**$ 20,273,855**	**$ 2,660,414**	**$ 17,613,441**	**$ –**
Financial Liabilities				
Deposits	**$ 17,414,150**	**$ –**	**$ 17,414,150**	**$ –**
Debt	**1,056,234**	**–**	**1,056,234**	**–**
Other liability	**2,679**	**–**	**–**	**2,679**
Derivative related	**386**	**–**	**386**	**–**
Total Financial Liabilities	**$ 18,473,449**	**$ –**	**$ 18,470,770**	**$ 2,679**

		Valuation Technique		
As at October 31, 2013	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 347,995	$ 300,995	$ 47,000	$ –
Securities	2,232,332	2,232,332	–	–
Loans	15,614,937	–	15,614,937	–
Derivative related	4,509	–	4,509	–
Total Financial Assets	$ 18,199,773	$ 2,533,327	$ 15,666,446	$ –
Financial Liabilities				
Deposits	$ 15,553,762	$ –	$ 15,553,762	$ –
Debt	835,639	–	835,639	–
Other liability	1,679	–	–	1,679
Derivative related	36	–	36	–
Total Financial Liabilities	$ 16,391,116	$ –	$ 16,389,437	$ 1,679

b) Level 3 Financial Instrument

The Level 3 financial instrument was comprised of the contingent consideration related to a subsidiary acquisition.

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

		2014		2013
Balance at beginning of year	$	1,679	$	–
Business acquisition		–		1,679
Change in fair value charged to non-interest income		1,000		–
Balance at end of year	$	2,679	$	1,679

31. 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, liquidity risk, market risk, insurance risk, operational risk, and regulatory and legal risk. The nature of these risks and how they are managed is provided in the Risk Management section of Management's Discussion and Analysis (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.

32. CAPITAL MANAGEMENT

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

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 19 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). 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 the Canada Mortgage and Housing Corporation (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. As Canadian Direct Insurance (CDI) is subject to separate OSFI capital requirements specific to insurance companies, CWB's investment in CDI is consolidated and risk-weighted using the equity accounting method and CDI's underlying assets are excluded from the calculation of risk-weighted assets.

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.

Basel III rules 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 2014 inclusion of non-qualifying capital instruments in non-common Tier 1 (WesTS) and total capital (subordinated debentures) under Basel III are capped at 80% (October 31, 2013 – 90%) of the January 1, 2013 outstanding balances. At October 31, 2014, there was no exclusion from regulatory capital related to the WesTS Tier 1 capital (disclosed in deposits). At October 31, 2013, a combined $30,540 of outstanding WesTS Tier 1 capital and Series 3 preferred shares were excluded from regulatory capital. At October 31, 2014, $85,000 (October 31, 2013 – $17,500) of outstanding subordinated debentures were excluded from regulatory capital.

Significant capital transactions during fiscal 2014 include the February 10, 2014 issue of five million Basel III-compliant, non-cumulative, five year rate reset Series 5 Preferred Shares at $25.00 per share for gross proceeds of $125 million, and the April 30, 2014 redemption, with OSFI approval, of all outstanding Series 3 Preferred Shares (see Note 18).

During the year, CWB complied with all internal and external capital requirements.

Capital Structure and Regulatory Ratios

	2014	2013
Regulatory Capital, net of deductions		
Common equity Tier 1	$ 1,443,841	$ 1,285,692
Tier 1	1,673,996	1,560,801
Total	2,304,108	2,243,654
Capital ratios		
Common equity Tier 1	8.0%	8.0%
Tier 1	9.3	9.7
Total	12.8	13.9
Asset to capital multiple	8.8x	8.1x

33. SUBSIDIARIES

Canadian Western Bank Subsidiaries (1)

(annexed in accordance with subsection 308 (3) of the Bank Act)
October 31, 2014

	Address of Head Office	Carrying Value of Voting Shares Owned by the Bank(2)
National Leasing Group Inc.	1525 Buffalo Place Winnipeg, Manitoba	$ 134,458
Canadian Direct Insurance Incorporated	Suite 600, 750 Cambie Street Vancouver, British Columbia	25,766
Canadian Western Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	19,136
McLean & Partners Wealth Management Ltd.	801 10th Avenue SW Calgary, Alberta	11,777
Adroit Investment Management Ltd.	Suite 1250, 10303 Jasper Avenue Edmonton, Alberta	8,449
Valiant Trust Company	Suite 310, 606 4th Street SW Calgary, Alberta	8,080
Canadian Western Bank Capital Trust	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	1,000
Canadian Western Bank Leasing Inc.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	1
Canadian Western Financial Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	1

(1) CWB owns 100% of the voting shares of each entity, with the exception of Adroit Investment Management Ltd. (84.0% ownership) and McLean & Partners Wealth Management Ltd. (54.6% ownership).
(2) The carrying value of voting shares is stated at CWB's equity in the subsidiaries.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

Shareholder Information

CWB Group Corporate Headquarters

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Transfer Agent and Registrar

Valiant Trust Company
Suite 310, 606 - 4th Street S.W.
Calgary, Alberta T2P 1T1
Telephone: (866) 313-1872
Fax: (403) 233-2857
Website: valianttrust.com

Stock Exchange Listings

The Toronto Stock Exchange (TSX)
Common Shares: CWB
Series 5 Preferred Shares: CWB.PR.B

Shareholder Administration

Valiant Trust Company, with offices in Calgary, Edmonton, Vancouver and Toronto, 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 email inquiries@valianttrust.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
Canadian Western Bank
Suite 3000, 10303 Jasper Avenue
Canadian Western Bank Place
Edmonton, Alberta 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 2014 Annual Report, along with our Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular, is available on our website. 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.

2015 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, Alberta, on March 5, 2015, at The Fairmont Hotel Macdonald (Empire Ballroom) at 3:00 p.m. MT (5:00 p.m. ET).

Corporate Secretary

Gail L. Harding, Q.C.
Senior Vice President,
General Counsel and Corporate Secretary
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Complaints or Concerns regarding Accounting, Internal Accounting Controls or Auditing Matters

Please contact either:

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or

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President and Chief Executive Officer

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

Kelly S. Blackett
Executive Vice President, Human Resources

Randy W. Garvey, FCMA
Executive Vice President, Corporate Services

Gregory J. Sprung
Executive Vice President, Banking

Brian J. Young
Executive Vice President

Senior Corporate Officers

Niall Boles
Senior Vice President and Treasurer

Richard R. Gilpin
Senior Vice President,
Credit Risk Management

Gail L. Harding, Q.C.
Senior Vice President, General Counsel and Corporate Secretary

Darrell R. Jones, FCMA
Senior Vice President
and Chief Information Officer

Peter K. Morrison
Senior Vice President,
Business and Personal Banking

Allen D. Stephen, CA
Vice President and Chief Accountant

Commercial and Retail Banking

Glen Eastwood
Senior Vice President and Regional General Manager, Prairies

Michael N. Halliwell
Senior Vice President and Regional General Manager, Northern Alberta

Mario Furlan
Senior Vice President and Regional General Manager, British Columbia

National Leasing

Tom Pundyk
President and Chief Executive Officer

Canadian Western Trust

Matt Colpitts
Vice President and General Manager

Valiant Trust

Jay Campbell
General Manager

Canadian Direct Insurance

Brian J. Young
President and Chief Executive Officer

Adroit Investment Management

Maria Holowinsky
President and Chief Investment Officer

McLean & Partners Wealth Management

Brent McLean
Chief Executive Officer

Kevin Dehod
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Ombudsman

R. Graham Gilbert

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