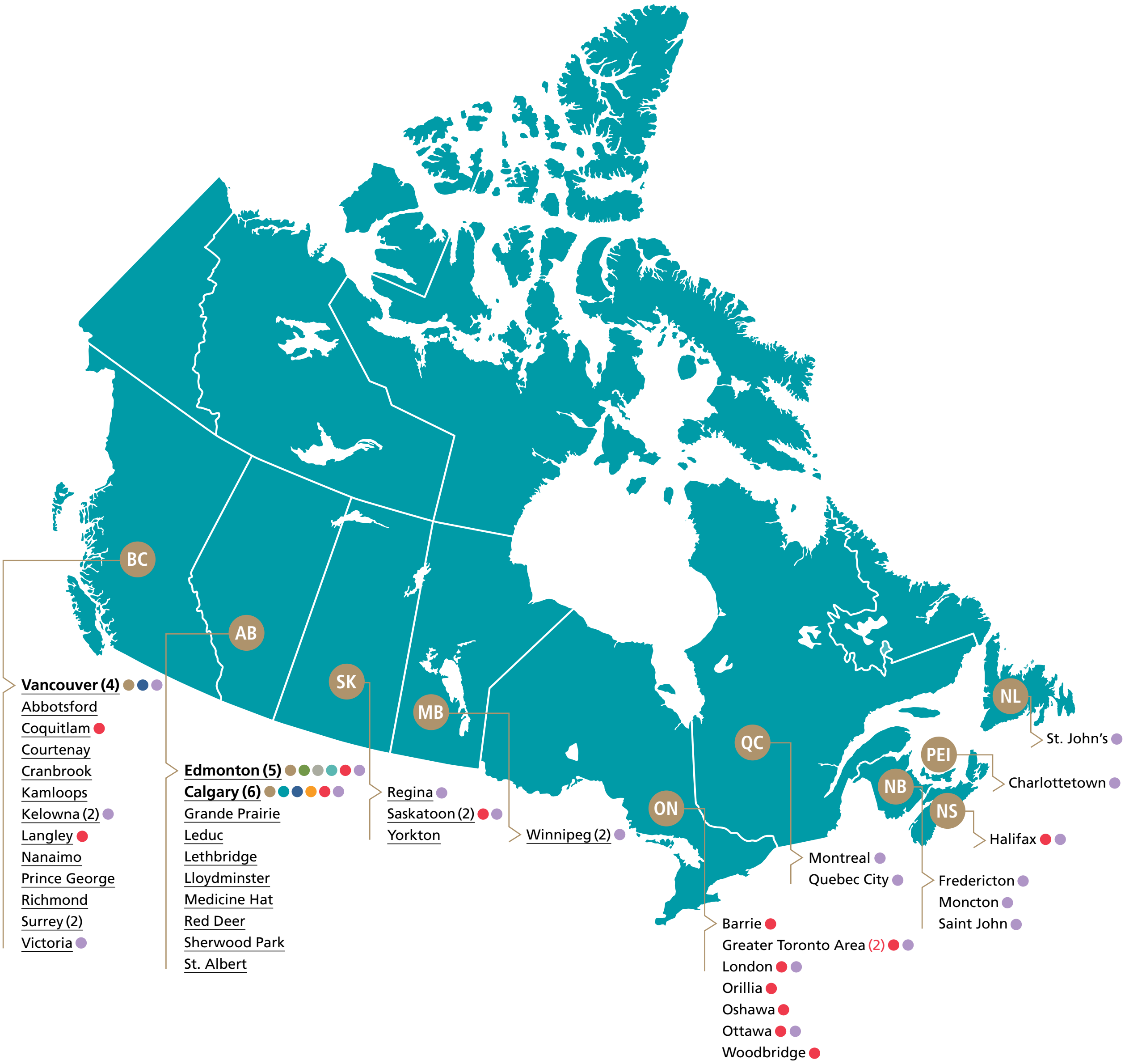
CWB

CANADIAN WESTERN BANK GROUP

ANNUAL REPORT 2015

Bank Trust Wealth Management

Locations



- Regional Offices
- Canadian Western Bank Branch Locations
- Equipment Financing
- Canadian Direct Financial®
- Canadian Western Trust
- Optimum Mortgage
- Adroit Investment Management
- McLean & Partners Wealth Management
- National Leasing Group
- Canadian Western Financial

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

	2015	2014	2013
Results from Combined Operations[1]			
Net interest income (teb)[2]	$ 552,927	$ 513,196	$ 470,757
Less teb adjustment	5,993	7,676	8,138
Net interest income	546,934	505,520	462,619
Other income	79,664	113,409	94,982
Net gain on sale of businesses	107,808	–	–
Total revenues (teb)	740,399	626,605	565,739
Total revenues	734,406	618,929	557,601
Common shareholders' net income	319,701	218,549	187,163
Earnings per share			
Basic	$ 3.97	$ 2.73	$ 2.36
Diluted	3.97	2.70	2.35
Adjusted cash[3]	4.01	2.76	2.39
Return on common shareholders' equity[4]	19.1%	14.8%	14.2%
Return on average total assets[5]	1.48	1.10	1.06
Efficiency ratio (teb)[6]	41.1	46.0	46.4
Efficiency ratio	41.4	46.6	47.1
Net interest margin (teb)[7]	2.56	2.59	2.66
Net interest margin	2.53	2.55	2.62
Number of full-time equivalent staff[8]	1,928	2,094	2,037
Results from Continuing Operations[1]			
Net interest income (teb)[2]	$ 549,052	$ 506,308	$ 463,938
Less teb adjustment	5,580	6,743	7,174
Net interest income per financial statements	543,472	499,565	456,764
Other income	67,310	83,035	70,051
Total revenues (teb)	616,362	589,343	533,989
Total revenues	610,782	582,600	526,815
Common shareholders' net income	208,064	205,288	177,467
Earnings per share			
Basic	$ 2.59	$ 2.57	$ 2.24
Diluted	2.59	2.54	2.23
Adjusted cash[3]	2.63	2.59	2.27
Return on common shareholders' equity[4]	12.4%	13.9%	13.5%
Return on average total assets[5]	0.97	1.05	1.02
Efficiency ratio (teb)[6]	47.6	45.6	45.6
Efficiency ratio	48.0	46.2	46.3
Net interest margin (teb)[7]	2.56	2.59	2.66
Net interest margin	2.53	2.56	2.62
Number of full-time equivalent staff	1,928	1,788	1,715
Results from Discontinued Operations[1]			
Common shareholders' net income	$ 111,637	$ 13,261	$ 9,696
Earnings per share			
Basic	1.38	0.16	0.12
Diluted	1.38	0.16	0.12
Adjusted cash[3]	1.38	0.17	0.12
Per Common Share			
Average common shares outstanding (thousands)	80,442	80,034	79,147
Cash Dividends	0.86	0.78	0.70
Book value	22.18	19.52	17.45
Market price			
High	38.16	43.30	33.75
Low	21.04	32.61	27.04
Close	25.13	37.75	33.44
Balance Sheet and Off-Balance Sheet Summary			
Assets	$ 22,838,527	$ 20,635,046	$ 18,527,742
Cash resources, securities and repurchase agreements	2,994,534	2,697,185	2,580,327
Loans	19,475,383	17,536,489	15,581,842
Deposits	19,365,407	17,373,014	15,631,040
Debt	1,187,623	1,036,990	820,650
Shareholders' equity	1,910,907	1,693,527	1,598,507
Assets under administration	9,293,683	10,101,698	8,423,972
Assets under management	1,882,736	1,795,975	1,901,146
Capital Adequacy			
Common equity Tier 1 ratio	8.5%	8.0%	8.0%
Tier 1 ratio	9.7	9.3	9.7
Total ratio	12.7	12.8	13.9
Other Information			
Provision for credit losses as a percentage of average loans	0.17	0.15	0.19
Net impaired loans as a percentage of total loans	(0.11)	(0.19)	(0.14)
Number of bank branches	41	41	41

(1) On May 1, 2015, CWB sold its property and casualty insurance subsidiary and CWB's stock transfer business. The contributions of both the insurance and stock transfer businesses, including gains on sale, are defined as "Discontinued Operations", the remaining operations are defined as "Continuing Operations", and the total Continuing Operations and Discontinued Operations are defined as "Combined Operations". Return on shareholders' equity reflects equity from Combined Operations. All other measures reflect either Continuing or Combined Operations as indicated.

(2) 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 dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by International Financial Reporting Standards (IFRS) and, therefore, may not be comparable to similar measures presented by other financial institutions.

(3) Adjusted cash EPS is diluted EPS excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges and are not considered indicative of ongoing business performance.

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

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

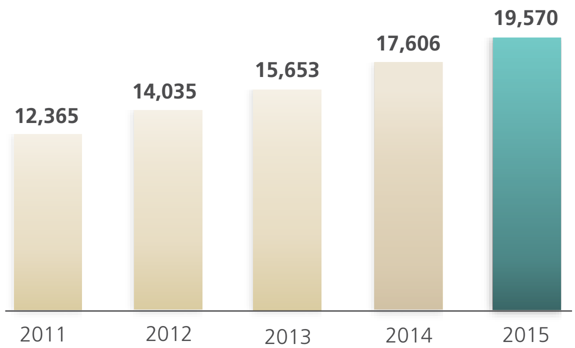
(6) Efficiency ratio is calculated as non-interest expenses divided by total revenues, including the net gain related to the sales of the property and casualty insurance subsidiary and CWB's stock transfer business and excluding the non-tax deductible change in fair value of contingent consideration.

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

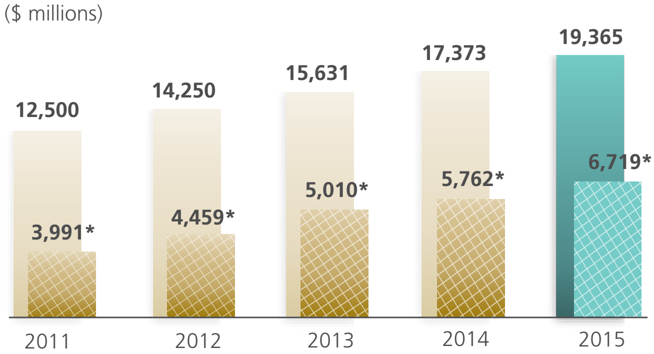
(8) The decline in the number of full-time equivalent staff for combined operations during 2015 was related to the sale of the property and casualty insurance subsidiary and stock transfer business.

Financial Performance Summary

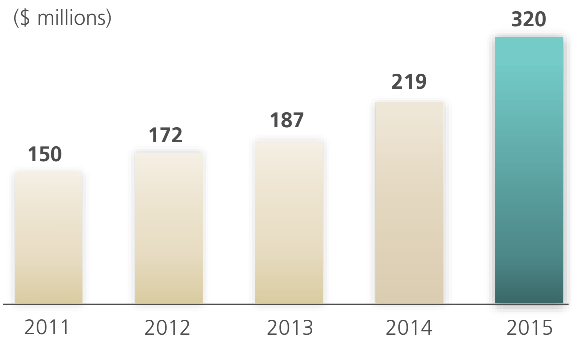
Total Loans
(Excluding to the Allowance for Credit Losses)
($ millions)



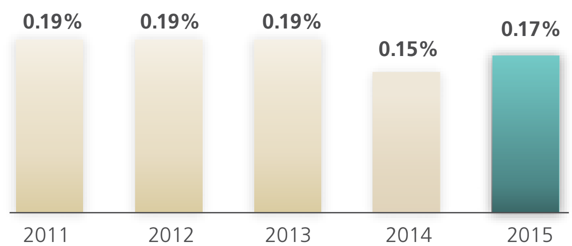
Total Deposits
($ millions)
Total Notice and Demand Deposits*
($ millions)



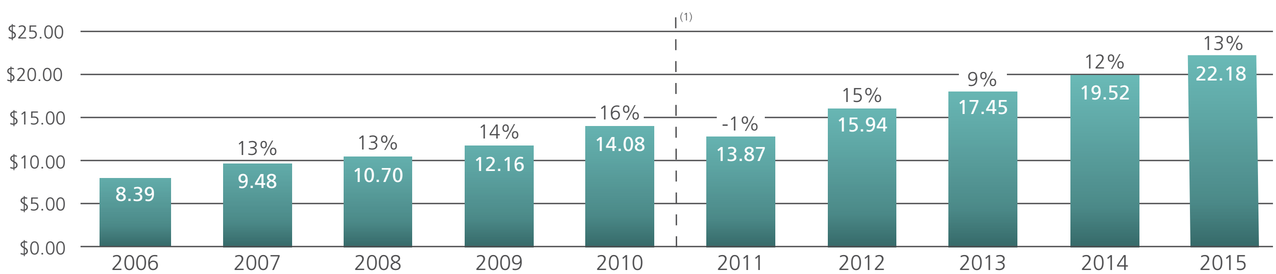
Common Shareholders' Net Income from Combined Operations
($ millions)



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

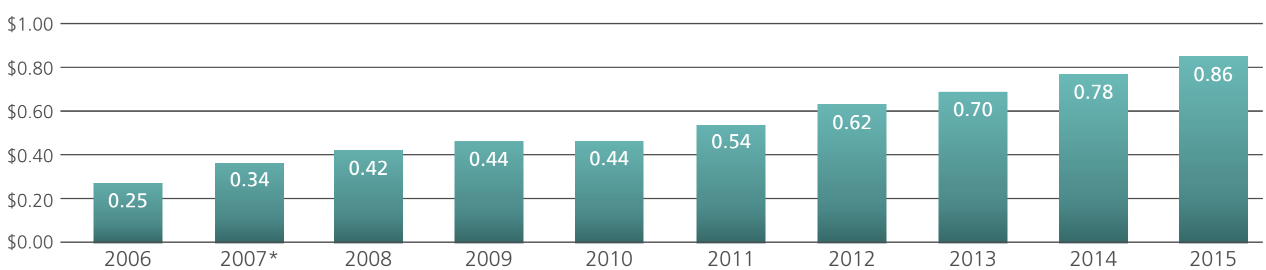


Book Value Per Share and Growth Percentage



(1) As of 2011, financial results are reported under IFRS, as opposed to GAAP, and are not directly comparable.

Dividends Paid Per Common Share
*Values adjusted to reflect 2 for 1 stock dividend paid in 2007



About CWB Group

Canadian Western Bank Group (TSX:CWB) is a diversified financial services organization providing specialized service in business and personal banking, equipment financing and leasing, trust services, and wealth management for businesses and individuals.

With headquarters in Edmonton, Alberta, CWB Group is recognized for its in-depth industry knowledge and unique brand of personal service, and has grown to become the 7th largest publicly traded schedule 1 bank in Canada in terms of market capitalization. Banking and wealth management services are offered primarily across the four western provinces, while equipment financing and leasing and trust services are available across Canada. Online banking services and residential mortgages are available nationwide, with the exception of Quebec.

Table of Contents

Our Strategic Direction

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. We will continue to deliver responsive service and sensible solutions while preserving our fundamental identity as a conservative, growth-oriented organization built on a results-oriented culture. In doing so, we maintain a supportive environment for employees, provide strong long-term returns for shareholders and give back in the communities where we live and work.

CWB Group's strategic direction extends from our cross-functional, group-wide approach to strategic management. We focus on key activities 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 an emphasis on four inter-dependent pillars within CWB Group's strategic direction, summarized as follows:

Clients	Be the trusted financial partner.
People	Invest in our people and live our values.
Support	Drive operational excellence, balance risk and reward and build funding sources.
Financial	Sustain profitable growth, maintain our efficiency and build revenue sources.

Business Highlights and Opportunities

Financial Highlights

- Completed strategic divestitures of Canadian Direct Insurance and the stock transfer business of Valiant Trust, contributing $1.33 to earnings per diluted common share from combined operations.
- Achieved double-digit loan growth on a percentage basis for the 25th time in 26 years.
- Maintained CWB's strong track record for consistent profitability with our 111th consecutive profitable quarter.
- Sustained CWB's track record for solid credit quality with a provision for credit losses at the low end of management's target range.
- Diversified CWB's funding mix with very strong growth in preferred types of branch-raised deposits.

Non-financial Highlights

- Relocated to significantly expanded branch premises in both Prince George, BC, and Medicine Hat, AB.
- Introduced CWB Core Funds, our first proprietary mutual funds managed in-house for distribution through CWB branches.
- Introduced our Community Banking Program, offering special rates and incentives for charitable and community organizations.
- Completed build and functional testing phases of CWB's new core banking system. Initated system integration testing and user training.
- Launched the CWB Group Ethics Program, providing employees with a comprehensive guide for conducting our business legally, ethically, responsibly, and in accordance with our values.
- Donated Over $405,000 to Big Brothers Big Sisters through the ongoing success of the Greater Interest GIC, bringing total program donations to $2.1 million since inception.
- Commenced enterprise-wide enhancement of a Three Lines of Defense risk governance framework.

Strategic Opportunities

- Redeployment of divestiture proceeds through strategic and accretive opportunities, with a focus on equipment financing and leasing, and wealth management.
- Increased use of technology for improved client service and banking convenience, as well as cross-sell opportunities and overall efficiency within the branch network.
- Further optimization of CWB's funding mix through ongoing growth in preferred types of branch-raised deposits and capital markets funding.
- Progress toward eventual transition to the *Advanced* approach for calculating risk-weighted assets, with expected benefits to risk management processes, capital flexibility and overall profitability for shareholders.

Lines of Business

BANKING

We set ourselves apart through our commitment to service excellence, coupled with our in-depth understanding of the markets where our clients do business. We specialize in business banking services and equipment financing for small- to medium-sized businesses, and offer a full complement of personal banking products and services. We pride ourselves on offering relevant products that help our clients manage all aspects of their business and personal finances.

Business Banking

Canadian Western Bank's targeted complement of products and services assist businesses with their operating and capital needs. We specialize in general commercial banking, financing for commercial real estate and real estate construction, and energy lending.

Personal Banking

Canadian Western Bank offers a full complement of personal banking services including chequing and savings accounts, mortgages, home equity lines of credit, personal loans and investment products through our branch network across Western Canada.

Optimum Mortgage, our broker-sourced alternative mortgage provider, offers personalized borrowing solutions for clients who fall outside of traditional lending guidelines. This year Optimum was awarded six out of ten gold medals and earned the highest overall average score in Canadian Mortgage Professional Magazine's ninth annual Brokers on Lenders Survey.

Equipment Financing and Leasing

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

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

Our Calgary-based Broker Buying Centre selectively acquires loan portfolios from the finance divisions of original equipment manufacturers.

CWB CANADIAN WESTERN BANK

CWB EQUIPMENT FINANCING

NATIONAL LEASING

CWB OPTIMUM MORTGAGE

Canadian Direct Financial

TRUST SERVICES

We administer our clients' financial assets on their behalf with great attention to detail. We provide service that our clients can trust, while offering customized and sensible solutions. We offer personalized pension, trustee and custodial solutions for individuals and businesses through Canadian Western Trust.

CWB CANADIAN WESTERN TRUST

WEALTH MANAGEMENT

Rooted in planning ahead to make the most of every opportunity, CWB Wealth Management takes a unified approach to deliver sound service, helpful solutions and ongoing support to help clients achieve their vision for the future.

Financial planning and investment products are offered at Canadian Western Bank branches through our licensed mutual fund representatives. Under the Canadian Western Financial banner, clients have access to a range of investment products from Canada's leading mutual fund companies including CWB's proprietary Core funds.

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

CWB WEALTH MANAGEMENT

CWB ADROIT INVESTMENT MANAGEMENT

CWB CANADIAN WESTERN FINANCIAL

MCLEAN & PARTNERS WEALTH MANAGEMENT

Awards and Accolades

Optimum Mortgage ranked as the top alternative lender, earning six out of ten gold medals and the highest overall average score
Awarded by Canadian Mortgage Professionals Magazine

National Leasing named One of Manitoba's Top Employers, One of Canada's 10 Most Admired Corporate Cultures and One of Canada's Best Small and Medium Employers
Awarded by Canada's Top 100, Waterstone Human Capital and Aon Hewitt, respectively

Governance Gavel Award for Best Disclosure of Governance Practices and Approach to Executive Compensation by a Small-Cap Issuer
Awarded by the Canadian Coalition for Corporate Governance

Philanthropy Awards in the areas of Community Enrichment, Education and Health
Awarded by the Edmonton Association of Fundraising Professionals

Named to the Best Employers in Canada list for the 10th consecutive year
Awarded by Aon Hewitt

Award of Excellence and Award of Merit for communications
Awarded by IABC Edmonton

Interview with Chris Fowler, President and CEO

CWB had an eventful year in 2015 – what stands out the most for you?

The magnitude of change in 2015 is what really stands out for me, both internally and within our operating environment. The change over which we were in full control was the implementation of a significant refinement in CWB's strategic direction through the sales of Canadian Direct Insurance and the stock transfer business of Valiant Trust. These divestitures represented an important shift for us, and we implemented them with great care.

With respect to our operating environment, the world today looks quite different than it did last year. Most importantly, we are faced with a significant change in the economic outlook for parts of Western Canada due to the drop in the price of oil. We also have a new provincial government in Alberta, and more recently a new federal government in Ottawa. In their own way, each of these changes was relatively unexpected and the way they will each shape the future remains uncertain. I'm very proud of the way our people have stepped up to address the important opportunities and challenges presented through each of these changes, and I'm grateful for the extraordinary effort put forward by our teams throughout the organization.

Having said all that, CWB's collaborative spirit is not the only thing which remained consistent. Once again, we delivered very strong financial performance and continued to build long-term value for stakeholders. In that way 2015 was much like many of the years which came before. Also unchanged was our commitment to CWB's core values and the behaviours which set us apart from our competitors, including personal service, responsiveness, caring and a common-sense approach to doing business. With this in mind as we look to the future, I believe we're well positioned to open a new chapter in CWB's growth story.

How do this year's divestitures align with CWB's strategic direction?

It's important to recognize that these were purposeful, strategic business decisions directly aligned with CWB's long-term strategy. Our process to evaluate the best mix of businesses to extend and deepen our client relationships started well over a year before the divestiture announcements. We remain determined to create the right opportunities to grow our businesses and deliver long-term value for shareholders, and we took significant time to determine the potential future growth for each Group company. Ultimately we concluded that home and auto insurance, and the stock transfer line of business were better suited to other industry participants.

We realized a very strong return from these transactions, and the proceeds have enabled us to focus on investing in our core areas of banking, including equipment financing and alternative mortgages, trust services and wealth management. We are also better equipped to support ongoing investment in improved technology, training and other initiatives to ensure we have a robust foundation for growing our business.

What are your primary strategic priorities as CEO?

I can assign CWB's main strategic priorities to four categories: people, technology, funding, and capital.

Banking is, at its heart, a human endeavour. It's about using our expertise to help our clients achieve their financial goals, and cultivating a workplace that our employees want to be a part of. More than our ability to understand numbers, it's our ability to understand our clients that differentiates us from our competitors. Knowing what clients care about, and knowing how to help is the key. To maintain this competitive advantage, we are providing tools, training and development opportunities to support our clear strategy for achievement of profitable growth. Our success is determined by measuring how our client relationships grow and how our people grow and evolve within our culture.

Our focus on people integrates directly with our investment in technology. A key goal in 2016 is to deliver the technological functionality and capabilities of our new core banking system. Our goal is to enhance our client relationships and the way we manage our business. This new system will provide better access to the financial tools and accounts our clients have with CWB, and allow us to provide targeted solutions to enhance the potential in each relationship. But the system alone won't get us where we want to go. To achieve our goals we must use our improved systems in unique ways. In other words, the new system is very powerful in its own right, but success will be up to us.

Our investment in technology also directly integrates with our strategic focus on funding and capital management. Funding diversification is among the key benchmarks through which we will determine whether we're truly getting the most from the intersection of our client relationships and our technology. Within our current competitive and regulatory environments, it is imperative that we further diversify funding sources and shift our funding mix to emphasize preferred types of branch-raised deposits. Lower cost funding is a key support for profitable growth. I'm pleased to report that we delivered very strong 17% growth in branch-raised notice and demand deposits this year, and there's certainly more we can do. Our new banking system enables us to continue to build on the expanded range of business and personal financial services we can offer, including cash management for businesses and wealth management for individuals, both of which have significant potential to support our funding diversification objectives.

The new banking system also provides us with a pathway for leveling the playing field with respect to capital management. We will have the technology necessary to facilitate our eventual transition from the *Standardized* approach to the advanced internal ratings based (AIRB) approach for calculating risk weighted assets. The *AIRB* approach will put us on more equal footing with our competition by adding risk sensitivity to CWB's framework for capital management, increasing our risk quantification processes, improving our risk-based pricing and economic capital estimations, and enhancing our ability to fully comply with new accounting standards. We made significant progress this year on data preparation, initial model development, design and implementation of risk management platforms for related technology systems and the establishment of program governance activities. Our transition is still a few years out, but we look forward to further articulating the potential benefits down the road.

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

When we announced our divestitures early in fiscal 2015 we communicated our intention to redeploy excess capital toward strategic and accretive acquisitions with a preference for opportunities in equipment financing and leasing, and wealth management. We remain committed to pursuing this strategy, with our appetite for acquisitions balanced against the need to maintain prudent levels of capital in view of ongoing macroeconomic uncertainty and the constraints placed on organic capital generation by the persistent low interest rate environment.

In addition to a strong economic and strategic fit, it has also always been CWB's priority to ensure a strong cultural alignment when pursuing acquisitions. It's not enough for the math to work. An attractive culture for us is one which resembles ours, where people are passionately engaged, where they are inclined to serve clients and eager to lend a hand when called upon, without losing the capacity for having fun. Finding such a fit within the financial services industry is easier said than done. Until the appropriate opportunities are identified, we are comfortable carrying our current levels of regulatory capital and confident in our ability to continue to build long-term shareholder value through our existing group of companies.

What are you currently seeing in your markets as it relates to competition?

When the western Canadian economy has been affected by commodity price corrections or other factors in the past, banks based elsewhere tended to pull back from our markets. In fact this tendency laid the groundwork for the formation of CWB by a group of Alberta entrepreneurs back in the early 1980's. Our founders envisioned a bank that would provide levels of personal service unheard of at other financial institutions. Management practices would be nimble and non-bureaucratic, with local decision-making based on prudence and common sense. They believed the big banks tended to overreact to economic downturns in Western Canada and passed up good business as a result.

Our founders set out to attract business from the solid companies that could weather the storms. They succeeded, and we continue to build on that legacy by winning the same type of business today.

So far in this cycle we haven't seen our competitors repeat their past behaviour. To me this indicates their agreement that Western Canada is an attractive place to do business and the region presents many exciting growth opportunities for the future. We know there is value in staying in the market through the cycle. It builds loyalty with clients and ensures we're well positioned to thrive when external challenges are resolved. We expect our ongoing commitment through the current cycle will pay dividends down the road.

While other parts of Western Canada seem to be performing well, Alberta and Saskatchewan have been affected by the oil price correction. What is your business outlook for the coming year in view of this change in economic leadership?

While we expect modest growth opportunities in Alberta and Saskatchewan in 2016, we expect a more positive outlook for BC, Manitoba and for our growing markets outside of Western Canada. We have a strong pipeline of new business across our geographic footprint and within each of our key portfolios. Our relatively conservative expectations for loan growth reflect our intention to maintain a prudent approach to growth in view of current macroeconomic challenges and our reluctance to sacrifice quality in favour of balance sheet expansion.

In fact, the macroeconomic environment has presented us with an excellent opportunity to contemplate the meaning of growth. To be sure, growth is a powerful word for CWB. We can point with pride to double-digit loan growth in 25 of our past 26 years. That's remarkable, and so consistent that it has become our signature. It's no wonder when we speak of growth we tend to focus on this particular metric.

However, we believe growth should be measured not only by magnitude, but also by impact. We know that loans alone won't get us where we want to go. As we continue our evolution, we are determined to focus on metrics which measure dimensions of our growth that have the greatest long-term impact on stakeholder value. This is why we have elected to migrate from target ranges for annual financial performance which put loan growth in the foreground, to medium-term target ranges which emphasize measures of financial performance reflective of the objectives embedded within CWB's strategic direction and a time horizon more consistent with the interests of our stakeholders. By no means are we abandoning our long-term objective to deliver industry-leading high quality loan growth funded through a stable deposit franchise. However, by shifting our key performance benchmarks from immediate growth in loans to longer-term growth of earnings power and profitability, along with measures of capital strength and shareholder return, we intend to demonstrate our ability to sustain meaningful growth in manner that is not wholly dependent on size.

As we go forward, growth is about expanding our influence within our targeted markets. Growth is about enhancing the capabilities of our organization to help our clients succeed and to continue to support a culture in which our people are able to come into their own. This is an exciting time for CWB. We are on the front end of an important transformation in technology and the way we approach our balance sheet, which will enable more robust relationships with our clients, a higher sustainable growth rate and further profitable growth opportunities. In positioning ourselves to serve our clients more fully and more efficiently, I believe that CWB is becoming more of what people wish their financial institution could be.

That said, amidst all this change, our values remain the same. To sum them up, and to emphasize the ongoing importance of growth to our identity, I'll repeat the advice given to me by Tracey Ball, CWB's long-serving Chief Financial Officer who retired last year. It's simple common sense and it remains a great recommendation today: grow, be nimble, don't bet the farm, always remember the bottom line and never give up.

Message from Allan Jackson, Chair of the Board

Success in a challenging year

Most companies do well in a strong economy. The test of a great company is how well it does during downturns. It is a source of great pride for CWB that, since its beginning in 1984, it has grown profitably through every downturn. The year 2015 will be remembered by Canadians for a long time. The price of petroleum collapsed, which had its greatest impact on the oil producing provinces, but also briefly took all of Canada into recession. This year will also be remembered by CWB as yet another in which we profitably and responsibly grew our businesses.

A refined strategic direction

Our strategic vision is *to be seen as crucial to our clients' futures*. Eighteen months ago, the Board worked with management to thoroughly evaluate each Group company to determine the best mix of business lines to help us to achieve this vision. We concluded further investment in Canadian Direct Insurance and the stock transfer business of Valiant Trust, although both impressive, well-managed companies, would no longer support our vision. The decision was made that they should be sold and the capital redeployed. We sold both businesses during 2015 and we are very pleased with the prices achieved, establishing new valuation benchmarks in both industries.

We believe that directing our focus toward targeted and complementary offerings in banking, trust and wealth management is the best way for CWB to achieve its vision and the strategic objectives which support it. We are evolving to better meet our clients' needs through investment in our people and technology, and through enhanced product and service offerings. We are also expanding our services in more Canadian markets outside of the West, and continue to look for opportunities to add new, aligned companies to the Group. However, as we do so we are not changing the way we do business. Our focus on exceptional client service and common-sense decisions continue to be a hallmark of our business model.

A continuous pursuit of governance best practices

At CWB, we have always placed significant value on strong board governance and we continually assess the most appropriate manner of incorporating best practices into our governance activities. We believe in honest, transparent communication, both internally and externally, to ensure that stakeholders have the opportunity to fully comprehend the decisions being made and to know who is making them. I'm proud to say that the CWB Board received the 2015 Governance Gavel Award for "Best Disclosure of Governance Practices and Approach to Executive Compensation" from the Canadian Coalition for Good Governance.

An ongoing focus on our approach to risk management

As a bank, CWB is in the business of taking risk. If we take too little risk, we do not grow profitably. If we take too much risk, we can lose money and potentially endanger the business. Managing risk is thus one of the most important responsibilities of a successful bank, and it has always been a major objective for CWB. In support of this objective, we have developed an enterprise-wide risk framework and welcomed Bogie Ozdemir to CWB's executive team as Chief Risk Officer. Mr. Ozdemir is a risk management leader in Canadian banking and takes us to the next level in risk management, a critical achievement as our businesses continues to grow and become more complex. In addition, the Directors' Loans Committee has been transitioned into a Board Risk Committee, inclusive of a loan adjudication panel, with additional responsibility for specific oversight previously fulfilled by the entire Board. As a result, the Board can now focus more of its energy on strategic and operational issues that are fundamental to the continuing success of CWB.

Looking ahead

This annual report represents my fifth and final year as Chair of the Board for CWB, and my 31st year as a Director of CWB and its predecessor, the Bank of Alberta. It's difficult to comprehend the magnitude of CWB's achievements during that time. I am immensely proud of what we have accomplished, the team we've built, the value we've created for shareholders, the jobs we've supported and the considerable economic impact we've had in Canada.

As I prepare to hand over the reins to our incoming chair, Bob Phillips, I know that CWB is in good hands. We operate in a rapidly changing world, and to remain relevant, we must evolve to accommodate the future. However, some things will never change. CWB will continue to operate from an unshakeable foundation of honesty, integrity and the desire to do the right thing for our people, our clients, our shareholders and the communities in which we work.

CWB's story is truly unique in the history of Canadian banking, and I believe the best is yet to come.

Thank you from CWB

In March 2016, at CWB's 32nd annual shareholders' meeting, our Chairman, Allan Jackson, will retire from the Board of Directors after 31 years of strong stewardship and unfailing commitment to CWB Group, including the past five years as Chair. Allan first demonstrated his support as a founding shareholder and director of CWB's predecessor institution in 1984. He has consistently exemplified the highest standard of personal integrity, and has played an important role in many major business decisions during his tenure. Allan has made invaluable contributions to this organization's culture and success, and has helped to create a strong footing upon which CWB will continue to grow.

Allan, please accept our highest praise for your many years of dedication and service. We are truly thankful.

Corporate Governance

At CWB Group, we strive to earn and maintain 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 and the transparency of disclosure 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 for 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 CWB has continued to grow in size and complexity, the Board has created a risk committee, which came into effect on September 4, 2015, that assists the Board in satisfying its risk oversight responsibilities. The Risk Committee balances risks versus rewards while ensuring management has policies, processes and procedures in place to identify and effectively manage the significant risks to which CWB Group is exposed.

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. After the March 5, 2015 annual general meeting, the Board was comprised of twelve business and community leaders who guided and monitored implementation of CWB Group's strategy. Eleven of the twelve 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, the Board has developed a skills and competency self-evaluation process. Results are reviewed annually, and are used as a guiding factor in the overall Board succession plan. In addition, in alternating years, the effectiveness of the Board and the contributions of individual directors are assessed by a third party 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 risk management, committees made up of directors are given specific oversight roles in which they report back to the Board as a whole. Mandates of the Board and each committee are available in the Corporate Governance section at cwb.com.

Board Committees*

Audit Committee
(Robert A. Manning, Chair, Linda M.O. Hohol, Allan W. Jackson, Robert L. Phillips, Raymond J. Protti, H. Sanford Riley and Alan M. Rowe)

- Reviews and discusses CWB Group's financial disclosures with management and external auditors
- Recommends the external auditor to shareholders
- Oversees organization's internal controls

Governance Committee
(Albrecht W.A. Bellstedt, Chair, Allan W. Jackson, Raymond J. Protti and Ian M. Reid)

- 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
(Alan M. Rowe, Chair, Andrew J. Bibby, Allan W. Jackson, Robert A. Manning, Sarah A. Morgan-Silvester, Robert L. Phillips and H. Sanford Riley)

- 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

Risk Committee
(Sarah A. Morgan-Silvester, Chair, Albrecht W.A. Bellstedt, Andrew J. Bibby, Linda M.O. Hohol, Allan W. Jackson and Ian M. Reid, Chair of Risk Committee's Loan Adjudication Panel)

- Oversees risk management
- Establishes lending policies and guidelines for CWB Group and establishes lending limits for management
- The Risk Committee's Loan Adjudication Panel evaluates and approves loan applications that exceed management's lending limits

** The Risk Committee was formed effective September 4, 2015. The membership of the Board's committees was revised on that date.*

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.

The CWB Group Code of Conduct, called Living our Values, guides our decision-making and sets the standards of integrity, honesty and accountability that CWB Group teams and individuals are expected to follow. Every director and employee commits to Living our Values each year by making an acknowledgment that they have read, understood and complied with the Code of Conduct. Our policy encourages employees to raise concerns about ethical conduct and ensures they can speak without fear of retaliation by enabling anonymous reporting of concerns through the CWB Group Ethics Hotline. All concerns and complaints, however raised, are investigated and appropriate action taken.

Board of Directors

Board of Directors from left to right (October 31, 2015): Raymond J. Protti, *Corporate Director;* Robert L. Phillips, *President, R.L. Phillips Investments Inc.;* Linda M.O. Hohol, *Corporate Director;* H. Sanford Riley, *President and CEO, Richardson Financial Group Limited;* Ian M. Reid, *Corporate Director;* Chris H. Fowler, *President and CEO, Canadian Western Bank;* Allan W. Jackson *(Chair), President and CEO, ARCI Ltd.;* Alan M. Rowe, *Partner Crown Realty Partners;* Sarah A. Morgan-Silvester, *Corporate Director;* Robert A. Manning, *President, Cathton Investments Ltd.;* Albrecht W. A. Bellstedt, *President, A.W.A. Bellstedt Professional Corporation;* Andrew J. Bibby, *CEO and Director, Grosvenor Americas Partners.*

Compensation Programs

CWB Group's director and executive compensation policies are strongly aligned with governance best practices. For the past four years, CWB has asked shareholders to vote on CWB's approach to executive compensation and has received support. To further ensure that compensation is competitive and fair, the Human Resources Committee seeks 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 ensure excellence in corporate governance, and the Board is committed to continuous improvement of governance policies and procedures. Some of the best practices adopted by the Board include:

- Creation of diversity targets with the objective of having at least 25% of both the Board and the Executive Committee consist of female members by 2018;
- 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 at every meeting.

Governance Recognition

CWB's commitment to provide responsible governance and transparent disclosure to shareholders has been recognized by the Canadian Coalition for Corporate Governance (CCCG). In 2015, CWB was honoured to receive the CCCG award for Best Disclosure of Governance Practices and Approach to Executive Compensation by a Small-Cap Issuer.

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 corporate governance practices is available in the Corporate Governance section at cwb.com.

Shareholders are also welcome to attend CWB's annual shareholder meeting in March 2016 to meet with directors and senior management, and hear about CWB's future direction. Shareholders are encouraged to review CWB's management proxy circular for information on how they can attend and participate in the annual shareholder meeting.

Corporate Management

Chris H. Fowler
President and Chief Executive Officer

Chris Fowler became president and chief executive officer of Canadian Western Bank Group in March 2013, concurrent with his appointment as chair of CWB's Executive Committee and his election to the Board of Directors. Prior to this appointment, Mr. Fowler served as president and chief operating officer, where he was primarily responsible for banking operations and credit risk management.

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

Carolyn Graham plays a lead role in all financial and regulatory matters, as well as strategic planning and other initiatives. Her primary responsibilities currently include finance, treasury, capital management, investor relations, communications, internal audit, and legal services.

H. Bogie Ozdemir
Executive Vice President and Chief Risk Officer

H. Bogie Ozdemir is responsible for providing executive leadership, vision and direction regarding CWB's overall approach to risk management and compliance. In his role, Mr. Ozdemir oversees credit risk management, credit analytics, group risk and regulatory compliance.

Randy W. Garvey, FCPA, FCMA, CFA, CDir
Executive Vice President, Corporate Services

Randy Garvey is responsible for information services, marketing, operations, centralized services and facilities management. He also provides executive oversight for CWB's trust and wealth management businesses.

Greg Sprung
Executive Vice President, Banking

Greg Sprung is responsible for all branch operations, including personnel, new branch locations, business and personal banking, equipment financing, and real estate lending. He also provides executive oversight for the business operations of Optimum Mortgage, CWB's broker-sourced mortgage business.

Kelly Blackett
Executive Vice President, Human Resources

Kelly Blackett is responsible for providing executive leadership, vision and direction regarding CWB's overall approach to Human Resources, including Learning and Development. Ms. Blackett also contributes at the executive level to a range of strategic planning and other initiatives.

Management's Discussion and Analysis (MD&A)

TABLE OF CONTENTS

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), 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 operates in the financial services areas of banking, trust and wealth management. With a focus on mid-market commercial banking, real estate and construction financing, and equipment financing and leasing, CWB's strategy is based on building strong customer relationships and providing value-added services to businesses and individuals in Western Canada and targeted markets in other provinces. CWB 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. 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) underwrites and administers residential mortgages sourced through an extensive network of mortgage brokers located in Western Canada, Ontario and Atlantic Canada. Both Adroit and McLean & Partners specialize in discretionary wealth management primarily for high net-worth individuals. Third-party mutual funds and proprietary CWB Core Funds are offered with financial and investment planning advice in bank branches through CWF, CWB's mutual fund dealer subsidiary.

Canadian Direct Financial® (CDF) is CWB's Internet-based division offering a range of deposit and registered savings products directly to customers in all provinces and territories except Quebec.

Strategic Transactions

On May 1, 2015, CWB completed the divestitures of its property and casualty insurance subsidiary, Canadian Direct Insurance (CDI), and the stock transfer business of Valiant Trust. These transactions resulted from a strategic assessment initiated in 2014, and the combined gains on sale contributed $1.33 of earnings per diluted common share. Total sales proceeds represented approximately 15 times the combined normalized annual earnings contributions of divested operations.

Revenue, expenses and gains on sale associated with the businesses sold have been classified as "Discontinued Operations" in CWB's consolidated statements of income for all periods. The remaining operations are defined as "Continuing Operations" and the total of Discontinued Operations and Continuing Operations are defined as "Combined Operations".

Details of divestiture gains and financial results of Discontinued Operations are provided in Note 3 to the annual consolidated financial statements. The proceeds of sale may be subject to further post-closing adjustments and costs.

CWB intends to deploy capital generated from these transactions in due course for strategic and accretive opportunities aligned with its strategic direction and management is actively pursuing opportunities for investment and/or acquisitions. CWB's primary areas of interest in this respect are equipment finance and leasing, and wealth management.

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. CWB will continue to deliver 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, CWB maintains a supportive environment for employees, aims to provide strong long-term returns for shareholders and gives back in the communities where employees and clients live and work.

CWB's strategic direction extends from the organization's cross-functional, group-wide approach to strategic management. CWB's leaders focus on key activities 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 an emphasis on four inter-dependent pillars within CWB's strategic direction, summarized as follows:

Clients	Be the trusted financial partner.
People	Invest in our people and live our values.
Support	Drive operational excellence, balance risk and reward and build funding sources.
Financial	Sustain profitable growth, maintain our efficiency and build revenue sources.

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, the volatility and level of various commodity prices, changes in monetary policy, changes in economic and political conditions, legislative and regulatory developments, legal developments, the level of competition, the occurrence of 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 over the forecast horizon and how it will affect CWB's businesses are material factors considered when setting organizational objectives and targets. In determining our expectations for economic growth, we primarily consider economic data and forecasts provided by the Canadian government and its agencies, as well as an average of certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the Outlook sections of this MD&A.

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 2015 adjustment to taxable equivalent basis from Combined Operations of $6.0 million (2014 – $7.7 million), and from Continuing Operations of $5.6 million (2014 – $6.7 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 (see calculation below). 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;
- Basel III 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); and,
- Average balances – average daily balances.

Adjusted common shareholders' net income (Combined Operations)(1)

($ thousands)

	2015	2014
Common shareholders' net income	$ 319,701	$ 218,549
Adjustments:		
Amortization of acquisition-related intangible assets (after tax)	3,006	3,527
Contingent consideration fair value change	638	1,000
Adjusted common shareholders' net income	$ 323,345	$ 223,076

Adjusted common shareholders' net income (Continuing Operations)(1)

($ thousands)

	2015	2014
Common shareholders' net income	$ 208,064	$ 205,288
Adjustments:		
Amortization of acquisition-related intangible assets (after tax)	3,006	3,453
Contingent consideration fair value change	638	1,000
Adjusted common shareholders' net income	$ 211,708	$ 209,741

(1) On May 1, 2015, CWB sold its property and casualty insurance subsidiary and CWB's stock transfer business as described in Note 3 of the annual consolidated financial statements. Revenues, expenses and gains on sale associated with the businesses sold are defined and classified on the consolidated statements of income for all periods as "Discontinued Operations". The remaining operations are defined as "Continuing Operations", and the total of Continuing Operations and Discontinued Operations are defined as "Combined Operations". Return on shareholders' equity reflects equity from Combined Operations. All other measures reflect either Continuing or Combined Operations as indicated.

GROUP FINANCIAL PERFORMANCE

OVERVIEW

Highlights of 2015 for Combined Operations (compared to 2014)

- Common shareholders' net income of $319.7 million, up 46%, including $111.6 million from Discontinued Operations.
- Diluted earnings per common share of $3.97, up 47%, and adjusted cash earnings per common share of $4.01, up 45%.
- Completed divestitures of Canadian Direct Insurance and the stock transfer business of Valiant Trust Company on May 1st, with gains on sale contributing approximately $1.33 to earnings per diluted common share.
- Return on common shareholders' equity of 19.1% and return on assets of 1.48%, compared to 14.8% and 1.10%, respectively, in 2014.

Highlights of 2015 for Continuing Operations (compared to 2014)

- Record common shareholders' net income of $208.1 million, up 1%.
- Record diluted and adjusted cash earnings per common share of $2.59 and $2.63, respectively, both up 2%.
- Return on common shareholders' equity of 12.4%, down 150 basis points – partly reflecting the impact of divestiture gains on total shareholders' equity – and return on assets of 0.97%, down 8 basis points.
- Strong loan growth of 11%, marking the achievement of double-digit loan growth in 25 of the past 26 years.
- Strong deposit growth of 11%, including 17% growth in branch-raised notice and demand deposits.
- Solid credit quality as evidenced by the provision for credit losses measured as a percentage of average loans of 17 basis points, up two basis points.
- Cash dividends paid to common shareholders of $0.86 per share, up 10%.
- Strong Basel III capital ratios under the *Standardized* approach for calculating risk-weighted assets of 8.5% common equity Tier 1 (CET1), 9.7% Tier 1, and 12.7% total capital.
- Completed build and functional testing phases of CWB's new core banking system. Commenced system integration testing and user training programs, with deployment scheduled for mid-fiscal 2016 based on a revised budget of $71 million.

Table 1 – Select Annual Financial Information[1]

($ thousands, except per share amounts)

	2015	2014	2013	Change from 2014 $	Change from 2014 %
Key Performance Indicators (Combined Operations)[2]					
Total revenues (teb)	**$ 740,399**	$ 626,605	$ 565,739	$ 113,794	18%
Total revenues	**734,406**	618,929	557,601	115,477	19
Net income available to common shareholders	**319,701**	218,549	187,163	101,152	46
Earnings per share					
Basic	**3.97**	2.73	2.36	1.24	45
Diluted	**3.97**	2.70	2.35	1.27	47
Adjusted cash[1]	**4.01**	2.76	2.39	1.25	45
Provision for credit losses as a percentage of average loans	**0.17%**	0.15%	0.19%		2bp[3]
Net interest margin (teb)[1]	**2.56**	2.59	2.66		(3)
Net interest margin	**2.53**	2.55	2.62		(2)
Efficiency ratio (teb)[1][4]	**41.1**	46.0	46.4		(490)
Efficiency ratio	**41.4**	46.6	47.1		(520)
Return on common shareholders' equity	**19.1**	14.8	14.2		430
Return on assets	**1.48**	1.10	1.06		38
Key Performance Indicators (Continuing Operations)[2]					
Total revenues (teb)	**$ 616,362**	$ 589,343	$ 533,989	$ 27,019	5%
Total revenues	**610,782**	582,600	526,815	28,182	5
Net income available to common shareholders	**208,064**	205,288	177,467	2,776	1
Earnings per share					
Basic	**2.59**	2.57	2.24	0.02	1
Diluted	**2.59**	2.54	2.23	0.05	2
Adjusted cash[1]	**2.63**	2.59	2.27	0.04	2
Net interest margin (teb)[1]	**2.56**	2.59	2.66		(3)bp[3]
Net interest margin	**2.53**	2.56	2.62		(3)
Efficiency ratio (teb)[1][4]	**47.6**	45.6	45.6		200
Efficiency ratio	**48.0**	46.2	46.3		180
Return on common shareholders' equity	**12.4**	13.9	13.5		(150)
Return on assets	**0.97**	1.05	1.02		(8)
Other Financial Information (Combined Operations)[2]					
Total assets	**$ 22,838,527**	$ 20,635,046	$ 18,527,742	$ 2,203,481	11%
Debt	**1,187,623**	1,036,990	820,650	150,633	15
Dividends per common share	**0.86**	0.78	0.70	0.08	10

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

(2) On May 1, 2015, CWB sold its property and casualty insurance subsidiary and CWB's stock transfer business as described in Note 3 of the annual consolidated financial statements. Revenues, expenses and gains on sale associated with the businesses sold are defined and classified on the consolidated statements of income for all periods as "Discontinued Operations". The remaining operations are defined as "Continuing Operations", and the total of Continuing Operations and Discontinued Operations are defined as "Combined Operations". Total revenues from Combined Operations include $107.8 million of divestiture gains. Return on shareholders' equity reflects equity from Combined Operations. All other measures reflect either Continuing or Combined Operations as indicated.

(3) bp – basis points.

(4) A decrease in the ratio reflects improved efficiency, while an increase reflects deterioration.

Summary of Combined Operations

Common shareholders' net income increased 46% over 2014 to $319.7 million, including divestiture gains of $107.8 million, while diluted earnings per common share of $3.97 ($3.97 basic) was up 47% from $2.70 ($2.73 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 $4.01, up 45%. Earnings growth resulted from the combination of divestiture gains, higher net interest income and lower dividends paid on CWB preferred shares, partly offset by lower non-interest income, increased non-interest expenses and a higher provision for credit losses. Growth in net interest income was driven by strong 11% loan growth, partially offset by the impact of a three basis point reduction in net interest margin (teb) to 2.56%. Increases in most categories of non-interest income were more than offset by an $18 million decrease in the contribution from net gains/losses on securities, the absence of operating contributions from divested businesses in the second half of this year, and a $3.4 million decrease in 'other' non-interest income reflecting the gain on sale of CWB's former Edmonton Main Branch premises last year. Net losses on securities of $4.3 million (2014 – gain of $13.6 million) primarily resulted from active risk management in view of macroeconomic conditions and changes in the pricing and liquidity of the Canadian preferred share market. The increase in non-interest expenses primarily reflects higher salaries and benefits, mainly resulting from annual salary increments and the implementation this year of a short-term incentive plan for non-executive employees, as well as increased premises and other expenses to facilitate business growth. The annual provision for credit losses of 17 basis points was at the low end of management's target range of 17 – 22 basis points, reflecting ongoing stable credit quality.

Summary of Continuing Operations

Record common shareholders' net income of $208.1 million increased 1% compared to 2014, while diluted and adjusted cash earnings per common share were both up 2% to $2.59 and $2.63, respectively. Earnings growth primarily resulted from the same factors discussed above, excluding divestiture gains. 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 47.6% increased 200 basis points from last year, as 5% growth in total revenues (teb) was offsetby a 9% increase in non-interest expenses. Higher total revenues reflect the changes in net interest income and non-interest income discussed above. The increase in non-interest expenses also reflects the above-mentioned factors.

Return on common shareholders' equity of 12.4% was down 150 basis points while return on assets decreased eight basis points to 0.97%. Lower return on common shareholders' equity partly resulted from the increase in common shareholders' equity related to divestiture gains. Total cash dividends paid to common shareholders of $0.86 per share increased 10% from $0.78 per share paid in the prior year, and resulted in a dividend payout ratio of 33% of total common shareholders' net income from Continuing Operations.

Total assets increased 11% to reach $22,839 million. Loans and deposits each grew 11% in the year to reach $19,475 million and $19,365 million, respectively. Total branch-raised deposits increased 9%, while the demand and notice component within branch-raised deposits was up 17%. 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 branch-raised deposits represented 54% of total deposits at October 31, 2015, relatively unchanged from 55% last year. The demand and notice component comprised 35% of total deposits, up from 33% last year. The balance of deposits raised through the capital markets was $351 million lower compared to October 31, 2014, while personal fixed rate term deposits raised through the deposit broker network increased $1,452 million reflecting comparative pricing advantages within the deposit broker channel this year. The ratio of total deposits to total loans at October 31, 2015 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. Inclusive of contributions from divestiture gains of 60 – 70 basis points, the Basel III common equity Tier 1 (CET1), Tier 1 and total capital ratios at October 31, 2015 of 8.5%, 9.7% and 12.7%, respectively, were above both internal and regulatory minimums. OSFI's minimum Basel III regulatory capital ratios for CWB, which include a 250 basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1 and 10.5% total capital.

2015 Performance Target Ranges

Gains on sale from the transactions involving CDI and Valiant Trust contributed $1.33 of earnings per diluted common share. Including these gains, growth in adjusted cash earnings per common share and performance compared to the target ranges for key profitability ratios surpassed expectations established at the start of the year. Recognizing the positive impacts of divestiture gains and the absence of earnings contributions from CDI and Valiant Trust in the second half of 2015, performance target ranges established for the fiscal year are not meaningful for Continuing Operations with the exception of targets related to loan growth and the provision for credit losses.

Table 2

2015 Target Ranges for Performance from Combined Operations	2015 Performance
Adjusted cash earnings per share growth of 5 – 8%	45%
Loan growth of 10 – 12%	11%
Provision for credit losses between 0.17 – 0.22% of average loans	0.17%
Efficiency ratio (teb) of 47% or less	41.1%
Return on common shareholders' equity of 14.0 – 15.0%	19.1%
Return on assets of 1.07 – 1.12%	1.48%

Medium-term Performance Target Ranges

Commencing in fiscal 2016, CWB will issue medium-term performance target ranges reflecting key areas of shareholder value. These measures of financial performance reflect the objectives embedded within CWB's strategic direction and a medium-term time horizon consistent with the longer-term interests of CWB shareholders. CWB's performance target ranges for key financial metrics over a three to five year time horizon are presented in the following table:

Table 3	Medium-term Target Ranges
Annual adjusted cash earnings per common share growth(1)	7 – 12%
Annual return on common shareholders' equity	12 – 15%
Operating leverage	Positive
Common equity Tier 1 capital ratio under the Standardized approach	Strong
Common share dividend payout ratio	~30%

(1) Adjusted cash earnings per common share calculated as net income available to common shareholders, excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible charge for the fair value of contingent consideration, divided by the average number of common shares.

Medium-term performance target ranges are based on expectations for moderate economic growth in Canada over the forecast horizon. Achievement of overall financial performance consistent with target ranges will be largely driven by management's commitment to continue to deliver ongoing strong loan growth at levels relatively consistent with CWB's recent performance, further optimization of CWB's funding mix, stable credit quality, effective expense management in consideration of revenue growth opportunities, and prudent capital management.

Outlook for Continuing Operations

CWB Group has a positive outlook for 2016 despite increased caution related to the portions of our businesses in Alberta and Saskatchewan that are directly affected by materially lower energy and other commodity prices. Financial performance will continue to benefit from an expanding geographic footprint with increased business diversification, as well as ongoing success in other key strategic initiatives to build core funding sources, enhance client offerings, and leverage current and future investment in technology.

The impacts of elevated economic uncertainty and slower economic growth compared to prior years will affect overall financial performance, with general profitability and earnings growth expected to be toward the low end of medium-term target ranges over the early part of the forecast horizon.

CWB will continue to focus on prudent growth of secured loans that offer an appropriate return and acceptable risk profile. Net interest margin pressure is expected to persist as continued success toward improving CWB's funding mix and emphasis on growing preferred types of branch-raised deposits will only partially offset the impacts of ongoing very low interest rates, a flat interest rate curve and competitive influences. The achievement of 2016 loan growth equivalent to recent levels in Alberta and Saskatchewan is expected to be challenging in view of the economic impact of low oil prices. However, CWB's direct exposure to the energy industry is relatively small at approximately 5 – 6% of total loans outstanding. Management expects to deliver solid overall loan growth at levels relatively consistent with recent performance, primarily based on higher relative contributions from non-oil producing provinces across CWB's growing geographic footprint.

Overall credit quality is expected to continue to reflect CWB's secured lending business model, strong underwriting practices and proactive loan management, coupled with the management experience and financial stability of CWB's client base. CWB is closely monitoring all accounts with particular focus on those located within the oil-exporting provinces as the impact of low oil prices works its way through all facets of the economy in 2016. Expectations for ongoing stable credit quality allow for increases in both gross impaired loans as a percentage of total loans and the provision for credit losses as a percentage of average loans, with the 2016 provision as a percentage of average loans expected to fall within a range of 18 – 23 basis points.

Based on the results of stress tests simulating severe economic conditions in Alberta and Saskatchewan in combination with very challenging economic conditions throughout the rest of CWB's geographic footprint over a multi-year time frame, management is confident CWB will continue to deliver positive earnings for shareholders while maintaining financial stability and a strong capital position. This expectation is supported through stress tests that included the assumption of 150% of CWB's historical peak loss rates across all lending segments occurring simultaneously within Alberta and Saskatchewan, and 100% of peak loss rates occurring simultaneously in all other regions, and persisting over a three year period. The stress test assumptions also include a persistent low interest rate environment and significantly slower loan growth to reflect lower assumed levels of economic activity that may be attributed to a protracted period of very low oil prices, as well as increased competition for deposits and much higher levels of gross impaired loans that result in significant compression of net interest margin.

In view of necessary investment in people, technology and infrastructure underway to facilitate ongoing implementation of CWB's strategic direction, as well as the low probability of meaningful short-term improvement in net interest margin, management expects CWB's efficiency ratio to fluctuate at levels moderately higher than the recent past. Positive operating leverage is expected over the medium-term, but is likely to be slightly negative in the short-term. Management is committed to disciplined control of all discretionary expenses.

With its strong capital position under the more conservative Standardized approach for calculating risk-weighted assets and a targeted dividend payout ratio of approximately 30%, CWB remains well positioned to support continued long-term shareholder returns through growth in both earnings and common share dividends. Ongoing support and development of each of CWB Group's core businesses will remain a key priority, while potential strategic acquisitions continue to be evaluated with a preference for opportunities in equipment financing and leasing, and wealth management. Future common share dividend increases will be evaluated against the dividend payout ratio target, and will be influenced by capital requirements to support expected asset growth under the *Standardized* approach for calculating risk-weighted assets. The impacts on earnings growth from challenges related to macroeconomic uncertainty and persistent net interest margin pressure will also be considered in the evaluation of future dividend increases. On November 30, 2015, CWB redeemed all $300 million outstanding 4.389% subordinated debentures. The redemption resulted in an $80 million reduction to CWB's total regulatory capital, however, CWB's total capital ratio remains strong.

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

Unless otherwise noted, the following sections of this MD&A refer to financial performance from, and the outlook for, Continuing Operations.

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 2015

- Net interest income (teb) increased 8% to a record $549.1 million primarily based on strong 11% loan growth.
- Net interest margin (teb) of 2.56% was down three basis points as the combined benefits of reduced deposit costs, lower average balances of cash and securities as a percentage of total assets, and beneficial changes in deposit mix were more than offset by lower asset yields.

Table 4 – Net Interest Income (teb)[1]

($ thousands)

	2015				2014			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	$ 2,597,920	12%	$ 48,142	1.85%	$ 2,554,723	13%	$ 49,750	1.95%
Securities purchased under resale agreements	46,359	–	341	0.74	43,495	–	419	0.96
Loans								
Personal	3,027,366	14	119,358	3.94	2,674,108	14	106,832	4.00
Business	15,470,444	72	736,009	4.76	13,960,477	71	693,077	4.96
	18,497,810	86	855,367	4.62	16,634,585	85	799,909	4.81
Total interest bearing assets	21,142,089	98	903,850	4.28	19,232,803	98	850,078	4.42
Other assets	339,097	2	–	0.00	308,576	2	–	0.00
Total Assets	$ 21,481,186	100%	$ 903,850	4.21%	$ 19,541,379	100%	$ 850,078	4.35%
Liabilities								
Deposits								
Personal	$ 10,614,819	50%	$ 205,776	1.94%	$ 9,926,667	51%	$ 204,035	2.06%
Business and government	7,579,692	35	110,774	1.46	6,836,427	35	107,147	1.57
	18,194,511	85	316,550	1.74	16,763,094	86	311,182	1.86
Other liabilities	332,050	2	288	0.09	226,266	1	36	0.02
Debt	1,150,251	5	37,960	3.30	887,737	5	32,552	3.67
Shareholders' equity	1,803,047	8	–	0.00	1,663,248	8	–	0.00
Non–controlling interests	1,327	–	–	0.00	1,034	–	–	0.00
Total Liabilities and Equity	$ 21,481,186	100%	$ 354,798	1.65%	$ 19,541,379	100%	$ 343,770	1.76%
Total Assets/Net Interest Income	$ 21,481,186		$ 549,052	2.56%	$ 19,541,379		$ 506,308	2.59%

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

Net interest income (teb) increased 8% to reach a record $549.1 million driven by 10% growth in average interest earning assets. Growth in average interest earning assets resulted from a combination of strong 11% growth in average loans and a 2% increase in average balances of cash and securities.

Following each of two interest rate cuts by the Bank of Canada in 2015, CWB lowered its prime lending interest rate by 15 basis points resulting in average prime rate of 2.84% for the year (2014 – 3.00%). Generally, decreases in the prime rate negatively impact net interest margin because prime-based loans reprice more quickly than deposits, which subsequently compresses the interest spread earned on CWB's assets. The yield on CWB's average loans fell by 19 basis points in 2015, and the yield on average cash, securities and deposits with regulated financial institutions was down 10 basis points. The latter change reflects both the lower interest rate environment and an increase in the proportion of cash and debt securities held compared to higher yielding preferred shares and common equities. However, net interest margin compression was relatively modest as average deposit costs fell 12 basis points, management maintained lower average balances of cash and securities as a percentage of total assets, and CWB realized beneficial changes in deposit mix, partly through strong growth in branch-raised notice and demand deposits.

Outlook for Net Interest Income and Net Interest Margin

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 highly competitive markets for both loans and deposits is expected to result in further pressure on net interest margin compared to the 2.56% level realized in fiscal 2015. Management expects to sustain positive momentum toward beneficial changes in deposit mix through strong growth in preferred types of branch-raised deposits and ongoing development of new funding channels; however, 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's projections for 2016 assume no change in the prime rate. Competitive factors, particularly in certain business areas, are expected to result in continued downward pressure on loan pricing and upward pressure on overall deposit costs. 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 expects to maintain average balances of cash and securities at prudent levels relatively consistent with 2015.

NON-INTEREST INCOME

Highlights of 2015

- Non-interest income of $67.3 million, down 19%.
- Strong growth in credit related and retail services income.
- Non-interest income represented 11% of total revenues (teb), down from 14% in 2014.

Table 5 – Non-interest Income

($ thousands)

			Change from 2014	
	2015	2014	$	%
Credit related	$ 27,855	$ 25,014	$ 2,841	11%
Wealth management	14,448	13,871	577	4
Retail services	13,697	11,398	2,299	20
Trust services	10,816	10,920	(104)	(1)
Gains (losses) on securities, net	(4,324)	13,615	(17,939)	nm
Other(1)	4,818	8,217	(3,399)	(41)
Total Non-interest Income	$ 67,310	$ 83,035	$ (15,725)	(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.
nm – not meaningful

Non-interest income of $67.3 million was down 19% as the combined benefit of strong growth in credit related income and retail services fees, as well as higher wealth management revenues, were more than offset by a $17.9 million decrease in net gains/losses on securities and lower 'other' non-interest income. Growth in credit related and retail services income of 11% and 20%, respectively, was consistent with strong lending activity and the ongoing development of CWB's branch-raised deposit gathering franchise. Net losses on securities reflect management of the securities portfolio through less favourable market conditions this year, active risk management in view of macroeconomic challenges, and changes in the pricing and liquidity of the Canadian preferred share market. The 41% decrease in 'other' non-interest income mainly reflects the gain on sale of CWB's former Edmonton Main Branch premises last year.

Non-interest income as a percentage of total revenues (net interest income and other income) was 11%, down from 14% in 2014.

Outlook for Non-interest Income

Growth of non-interest income is expected to reflect the extension and deepening of CWB's relationships with both new and existing clients. Increases are expected across most categories of non-interest income reflecting CWB's continued focus on strong, high quality loan growth with associated fee income, as well as enhanced transactional capabilities in cash management and other retail services, including CWB's branch-raised deposit franchise. Net gains/losses on securities are not expected to contribute materially to non-interest income in 2016; however, the magnitude and timing of gains or losses are dependent on market factors that are difficult to predict. Solid growth is expected from Trust Services in 2016, resulting from increased market share and ongoing business development. Management expects further increases in core wealth management revenues to result from strong organic growth at McLean & Partners and Adroit, as well as the introduction of discretionary investment services to more CWB banking clients. The appointment of a President and Chief Executive Officer for CWB Wealth Management and further development of CWB's regional wealth management specialist channel is expected to improve CWB Wealth Management's ability to attract new clients through enhanced delivery of value-added financial and investment planning services. CWB's branch-based mutual fund dealer, Canadian Western Financial (CWF), also continues to perform well within this segment. Management expects CWF to leverage the introduction of proprietary CWB Core Funds within CWB's branch network in support of further growth in, and profitability of, assets under management. 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 2015

- The efficiency ratio (teb) of 47.6% increased 200 basis points compared to 2014, primarily reflecting the combined impact of higher non-interest expenses and constrained growth in total revenues due to lower contributions from non-interest income and pressure on net interest margin.

Table 6 – Non-interest Expenses and Efficiency Ratio

($ thousands)

			Change from 2014	
	2015	2014	$	%
Salaries and Employee Benefits				
Salaries	**$ 160,352**	$ 146,528	$ 13,824	9%
Employee benefits	**30,937**	29,095	1,842	6
	191,289	175,623	15,666	9
Premises				
Rent	**18,434**	17,989	445	2
Depreciation	**6,293**	5,774	519	9
Other	**3,130**	3,236	(106)	(3)
	27,857	26,999	858	3
Equipment and Software				
Depreciation	**9,362**	8,495	867	10
Other	**10,259**	8,273	1,986	24
	19,621	16,768	2,853	17
General				
Professional fees and services	**8,731**	8,628	103	1
Marketing and business development	**7,880**	7,341	539	7
Banking charges	**4,987**	3,921	1,066	27
Regulatory costs	**4,748**	3,756	992	26
Amortization of acquisition-related intangible assets	**4,548**	5,125	(577)	(11)
Postage and stationery	**2,756**	2,819	(63)	(2)
Travel	**2,668**	2,769	(101)	(4)
Loan-related credit reports	**2,525**	2,138	387	18
Community investment	**2,224**	2,127	97	5
Employee training	**1,894**	1,753	141	8
Communications	**1,810**	1,709	101	6
Staff relations	**1,606**	1,519	87	6
Capital and business taxes	**1,195**	992	203	20
General insurance	**919**	892	27	3
Employee recruitment	**802**	439	363	83
Other	**5,429**	4,182	1,247	30
	54,722	50,110	4,612	9
Total Non-interest Expenses	**$ 293,489**	$ 269,500	$ 23,989	9%
Efficiency Ratio (teb)(1)(2)	**47.6%**	45.6%		200 bp(3)

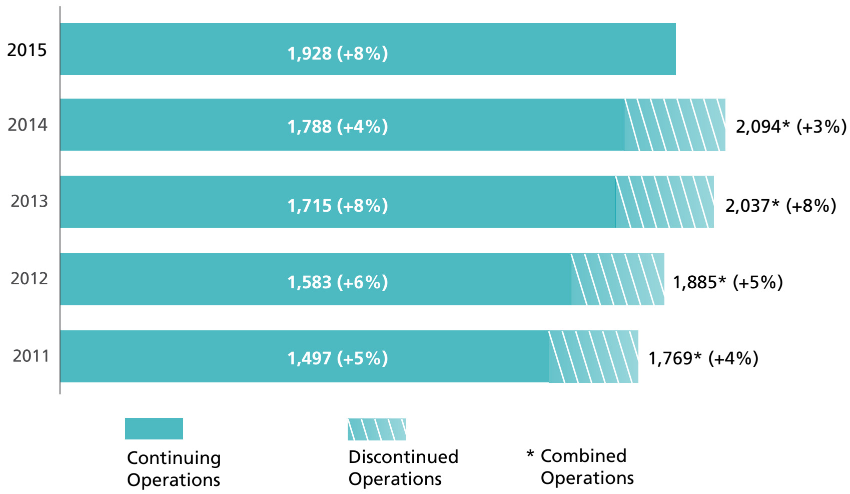
(1) Non-interest expenses as a percentage of total revenues (net interest income (teb) plus non-interest income) excluding the non-tax deductible change in fair value of contingent consideration. See page 3 for a discussion of non-IFRS measures.
(2) A decrease in this ratio reflects improved efficiency, while an increase reflects deterioration.
(3) bp – basis points.

Total non-interest expenses of $293.5 million were up 9% reflecting a 9% increase in salary and benefit costs due to a combination of hiring activity in support of business growth, annual salary increments and the implementation this year of a short-term incentive plan for non-executive employees. The number of full-time equivalent employees (FTEs) related to Continuing Operations grew 8% (140 FTEs) in 2015 to support the banking transformation project, and to meet requirements for added client-facing services, corporate support and other business expansion. Premises expense was relatively stable, up only 2% excluding depreciation, while equipment expenses increased 24% excluding depreciation, reflecting the impact of resource improvements in support of business growth.

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 9% due to increases in most areas, including $1.2 million higher 'other' general expenses reflecting a $1.1 million increase in banking fees and small increases in various categories.

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 47.6%, compared to 45.6% last year, primarily reflecting the combined impact of higher non-interest expenses and constrained growth in total revenues due to lower contributions from non-interest income and pressure on net interest margin.

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 profitable 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.

Changes to non-executive compensation were implemented in 2015 to enable CWB to continue to attract and retain qualified employees who fit the organization's culture. These changes are expected to be relatively cost-neutral going forward.

The major program to implement a new core banking system is progressing as planned. Following completion of comprehensive build phases, system testing and user training programs are underway. Implementation is scheduled for mid-fiscal 2016 based on a budget of $71 million, revised from earlier estimates. The implementation schedule was revised this year from early- to mid-fiscal 2016 to accommodate management's rigorous program control requirements related to system testing. The core banking and other technology investments are expected to provide considerable efficiencies in the future, including improved client relationship management capabilities and enhanced data management. While the beneficial impact of these efficiencies on CWB's cost structure and revenues will be realized over time, training costs will continue to be incurred in the near-term and amortization expense is expected to commence in the third quarter of 2016.

Certain technology investments, including loan origination and lease management systems, as well as the core banking system, are also key requirements to facilitate an eventual transition to an advanced methodology for calculating risk-weighted assets and regulatory capital.

CWB completed relocations to expanded premises of its branches in Medicine Hat, Alberta, and Prince George, British Columbia, 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 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 direction over the medium-term. However, in consideration of ongoing investment in growth initiatives, 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, periods of negative operating leverage may occur over the short term. Management remains committed to disciplined management of all discretionary expenses based on total revenue growth, and has targeted positive operating leverage over a medium-term, three-to five-year time horizon.

INCOME TAXES

The 2015 effective income tax rate (teb) was 26.3% compared to 26.0% in 2014, while the effective tax rate before the teb adjustment was 24.9%, compared to 24.2% last year. 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.

CWB recognized the benefit of all previous capital losses carried forward (2014 – $8.2 million) through current income taxes related to Discontinued Operations. The tax benefit of these losses had not been previously recognized in the consolidated financial statements. The 20% increase in Alberta's provincial corporate income tax rate, from 10% to 12%, effective July 1, 2015, did not have a material impact on common shareholders' net income in fiscal 2015, as the increase was offset by a recovery on the related deferred tax asset revaluation.

Outlook for Income Taxes

CWB's expected income tax rate (teb) for fiscal 2016 is approximately 27.5%, or 26.9% before the teb adjustment, with the increase from 2015 primarily reflecting the higher corporate tax rate in Alberta. The impact of higher Alberta taxes on common shareholders' net income is expected to be approximately $0.06 per share in 2016.

RESULTS OF DISCONTINUED OPERATIONS

Detailed financial results for Discontinued Operations are provided within Note 3 to the annual consolidated financial statements. The components of net income from Discontinued Operations included in the consolidated statements of income, which are attributable entirely to CWB common shareholders, follow. Results for 2015 include operating contributions from November 1, 2014 to April 30, 2015 compared to twelve full months in fiscal 2014:

	2015	2014	Change from 2014 $	Change from 2014 %
Non-interest income (teb)	**$ 3,875**	$ 6,888	$ (3,013)	(44)%
Non-interest Income				
Net earned premiums	**66,262**	130,410	(64,148)	(49)
Commissions and processing fees	**742**	1,580	(838)	(53)
Net claims and adjustment expenses	**(44,451)**	(85,997)	41,546	(48)
Policy acquisition costs	**(13,137)**	(25,079)	11,942	(48)
Insurance revenues, net	**9,416**	20,914	(11,498)	(55)
Trust services	**3,221**	9,076	(5,855)	(65)
Gains (losses) on securities, net	**(283)**	384	(667)	nm
Non-interest income	**12,354**	30,374	(18,020)	(59)
Total revenue (teb)	**16,229**	37,262	(21,033)	(56)
Non-interest expenses	**11,104**	19,472	(8,368)	(43)
Net income before income taxes	**5,125**	17,790	(12,665)	(71)
Income taxes (teb)	**1,296**	4,529	(3,233)	(71)
Net Income from Discontinued Operations before Net Gains on Sale	**3,829**	13,261	(9,432)	(71)
Net gains on sale, after tax	**107,808**	–	107,808	nm
Common Shareholders' Net Income from Discontinued Operations	**$ 111,637**	$ 13,261	$ 98,376	nm
Earnings per common share				
Basic	**$ 1.38**	$ 0.16	$ 1.22	nm
Diluted	**1.38**	0.16	1.22	nm
Adjusted cash	**1.38**	0.17	1.21	nm

nm = not meaningful

Common shareholders' net income from Discontinued Operations for 2015 was $111.6 million, or $1.38 per common share, comprising $107.8 million, or $1.33 per common share, of divestiture gains and six months of operating contributions from the divested businesses.

Outlook for Discontinued Operations

Although the proceeds of sale may be subject to further post-closing adjustments and costs, contributions to common shareholders' net income from Discontinued Operations are not expected to be material in 2016.

COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes. CWB's OCI includes changes in unrealized gains and losses on available-for-sale cash and securities, and fair value changes for derivative instruments designated as cash flow hedges. The 2015 increase in comprehensive income was primarily driven by 41% ($95.3 million) higher net income from Combined Operations, primarily reflecting $107.8 million of divestiture gains from Discontinued Operations, partially offset by a $17.9 million decrease in realized gains/losses on securities from Continuing Operations, before tax. Net losses on securities compare to $10.3 million of gains, net of tax in 2014. OCI was $43.9 million lower, mainly due to a $72.5 million reduction in fair value of available-for-sale securities, net of tax, partially offset by reclassifications to net income of derivatives designated as cash flow hedges and 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 7 – Comprehensive Income

($ thousands)

	2015	2014	Change from 2014
Net Income from Continuing Operations	$ 214,965	$ 218,038	$ (3,073)
Common Shareholders' Net Income from Discontinued Operations	111,637	13,261	98,376
Net Income from Combined Operations	326,602	231,299	95,303
Other Comprehensive Income (Loss)			
Available-for-sale securities			
Gains (losses) from change in fair value, net of tax	(59,593)	12,882	(72,475)
Reclassification to net income, net of tax	6,612	(10,287)	16,899
	(52,981)	2,595	(55,576)
Derivatives designated as cash flow hedges			
Gains from change in fair value, net of tax	7,846	3,372	4,474
Reclassification to net income, net of tax	3,640	(3,575)	7,215
	11,486	(203)	11,689
Other Comprehensive Income (Loss), net of tax	(41,495)	2,392	(43,887)
Total Comprehensive Income	$ 285,107	$ 233,691	$ 51,416

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements totalled $2,995 million at October 31, 2015, compared to $2,697 million one year ago. 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. Total net unrealized losses before tax recorded on the balance sheet at October 31, 2015 were $76.2 million, compared to $3.4 million last year. Net unrealized gains or losses are reflected in Table 8.

Table 8 – Unrealized Gains (Losses) on Available-for-Sale Cash and Securities

($ thousands)

	As at October 31, 2015			As at October 31, 2014		
	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
Deposits with regulated financial institutions	$ 413,145	$ (377)	$ 412,768	$ 491,164	$ 91	$ 491,255
Securties issued or guaranteed by:						
Government of Canada	1,373,476	(8,614)	1,364,862	763,866	347	764,213
A province or municipality	626,300	(5,396)	620,904	559,923	559	560,482
Other debt securities	347,322	(1,023)	346,299	289,490	872	290,362
Preferred shares	198,325	(54,457)	143,868	325,051	(3,834)	321,217
Common shares	81,528	(6,349)	75,179	154,359	(1,428)	152,931
Total	$ 3,040,096	$ (76,216)	$ 2,963,880	$ 2,583,853	$ (3,393)	$ 2,580,460

The significant increase in unrealized losses on securities compared to 2014 primarily relates to a general repricing of the Canadian preferred share market resulting from changes in interest rates and liquidity, as well as the negative impact on pricing within the debt securities market of interest rate changes. The level of unrealized losses on securities is regularly reviewed. Impairment charges on common shares are reflected in net gains/losses on securities based on available objective evidence. At October 31, 2015, CWB assessed the securities with unrealized losses and based on available objective evidence, no impairment charges were included in net gains (losses) on securities, net (2014 – $1.2 million). Impairment charges on debt securities and preferred shares are reflected in net gains/losses on securities only in the case of an issuer credit event. CWB has no direct investment in any non-Canadian sovereign debt or other securities issued outside of Canada or the United States.

Net losses on securities of $4.3 million were realized in 2015, compared to net gains of $13.6 million in the prior year. Net realized losses in 2015 were mainly attributed to management of the securities portfolio through less favourable market conditions, active risk management in view of macroeconomic challenges and changes in the pricing and liquidity of the Canadian preferred share market.

See Table 26 – 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 2016, is included in the Liquidity Management discussion of this MD&A.

LOANS

Highlights of 2015

- Strong 11% loan growth, within the 2015 performance target range of 10 – 12%, largely driven by very strong performance in personal loans and mortgages, real estate project loans and equipment financing and leasing.
- Double-digit loan growth achieved in 25 of the past 26 years (the exception being 2009 when loan growth during the global credit crisis was 7%).

Table 9 – Outstanding Loans by Portfolio

($ millions)

	2015	2014	Change from 2014 $	Change from 2014 %
Commercial mortgages	$ 3,839	$ 3,574	$ 265	7%
General commercial loans	3,805	3,525	280	8
Equipment financing and leasing	3,772	3,394	378	11
Personal loans and mortgages	3,318	2,841	477	17
Real estate project loans	3,266	2,871	395	14
Corporate lending(1)	1,257	1,147	110	10
Oil & gas production loans	313	254	59	23
Total Outstanding Loans	$ 19,570	$ 17,606	$ 1,964	11%

(1) Corporate lending represents a diversified portfolio that is centrally sourced and administered through a designated lending group located in Edmonton. These loans include participation in select syndications that are structured and led primarily by the major Canadian banks, but exclude participation in various other syndicated facilities sourced through relationships developed at CWB branches.

Total loans before the allowance for credit losses increased 11% to reach $19,570 million at year end. Measured in dollars and by loan type as shown in Table 9, growth in personal loans and mortgages of 17% represented the strongest source, followed by real estate project loans at 14%, and equipment financing and leasing at 11%. Of note, nearly one quarter of CWB's overall 2015 loan growth was originated outside of Western Canada.

Personal loans and mortgages include CWB's broker-sourced residential mortgage business, Optimum, and lending activity in banking branches. Total loans of $1,925 million in Optimum represented net growth of 31%. Over half of Optimum's new business was originated in Ontario, which now accounts for 44% of Optimum's overall loan exposure by geography. Adjusting for $29 million (2014 – $36 million) of residential mortgages sold during the year, Optimum's annual loan growth was 33%. 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 88% (2014 – 85%) of Optimum's total portfolio. Management remains committed to the ongoing development of this business, including further expansion in Ontario and Atlantic Canada, as it continues to produce solid returns while maintaining an acceptable risk profile.

Growth in real estate project loans remained strong as CWB has continued to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels. Total exposure to real estate remains within CWB's established risk appetite.

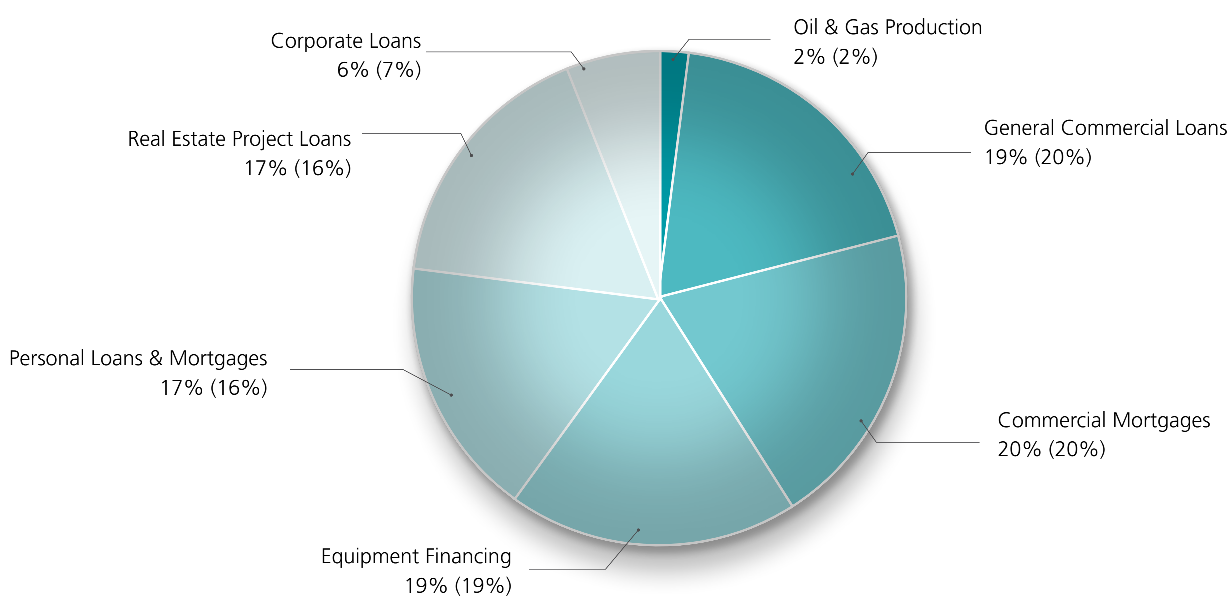
The balance of loans in equipment financing and leasing includes the Bank's heavy equipment financing business and the small- and mid-ticket leasing business of National Leasing. Very strong growth of 23% within National Leasing reflects the company's solid market position and coast-to-coast footprint. Areas outside of Western Canada account for more than half of National Leasing's leasing exposure by geography.

General commercial loans increased 8%. 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, along with management's ongoing efforts to emphasize the strategic relevance of this area in support of CWB's funding diversification objectives, reinforce expectations for strong relative growth in this portfolio over time. 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 9.

The balance of oil and gas production loans, which represent a relatively small percentage of the total portfolio, was up 23%, primarily driven by increased usage of existing credit facilities.

The mix of the portfolio (see Figure 2) shifted very slightly during the year as strong growth in personal loans and mortgages, and real estate project loans led to a slight decrease in the proportion of general commercial loans and corporate lending. Based on the location of security (see Figure 3), Alberta and BC represented 41% and 33% of total loans at year end, compared to 41% and 34%, respectively, in 2014, with the slight shift resulting from strong relative growth outside of Western Canada.

Figure 2 – Outstanding Loans by Portfolio
(October 31, 2014 in brackets)



Outlook for Loans

Growth in Canada's domestic economy is expected to continue at a moderate pace in 2016, with expectations for particular strength in British Columbia, Ontario and Manitoba. Taken together, these three provinces account for greater than half of CWB's geographic exposure, and the current overall outlook for generating new business opportunities continues to be positive. 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, especially BC, Ontario and Manitoba. The ongoing U.S. economic recovery, along with export opportunities to Asian markets is expected to support the continuation of solid forestry sector activity in BC. Manitoba's economy is diverse with positive economic growth contributions mainly expected from agricultural and manufacturing exports.

Management believes ongoing strong overall loan growth at levels relatively consistent with CWB's recent performance will be supported over the medium-term primarily through further geographic diversification and the combined positive influences of an expanded market presence, increased brand awareness, and the effective execution of CWB's strategic plan focused on targeted client solutions and superior customer service.

Overall activity in Alberta continues to be supported by maintenance expenditures related to long-term capital investment in the oil sands. Following a contraction related to the oil price shock, economic performance within Alberta and Saskatchewan is expected to improve modestly from 2015 on the basis of a moderate recovery in commodity prices. However, a protracted period of low energy and other commodity prices poses a risk to the outlook for economic growth in Canada overall, and Alberta and Saskatchewan in particular. Although CWB's direct exposure to the energy industry is small relative to its overall portfolio at approximately 5 – 6% of total loans outstanding, and despite ongoing maintenance expenditures in the oil sands, the level of overall capital expenditure within the energy industry has undergone a material contraction, with resulting negative impacts on employment, in-migration, housing sector activity and consumer spending in the oil-producing provinces. In view of these factors, the achievement of 2016 loan growth equivalent to recent historical levels in Alberta and Saskatchewan is expected to be challenging. CWB's direct exposure to the energy industry includes direct loans to energy producers of approximately 2% and direct lending to service-related companies representing an additional 3 – 4%.

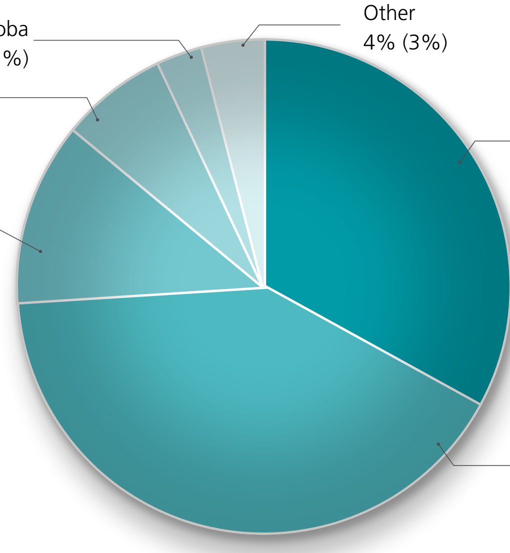
Canadian residential real estate markets, including those within Alberta, have been resilient. Housing sector activity has been particularly strong in BC and Ontario, with softer conditions beginning to materialize in other provinces. Affordability in most geographic areas remains within historical ranges, largely reflecting very low interest rates. However, Canada Mortgage and Housing Corporation (CMHC) has stated that Canada's housing market is modestly overvalued at the national level, with Toronto, Winnipeg and Regina being the markets most at risk of a correction. 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 and Toronto. Reduced housing sector activity is apparent in Alberta and Saskatchewan, and a protracted period of low energy prices would be expected to further dampen activity compared to the recent past.

Potential risks that could have a material adverse impact on loan growth expectations include further material weakening of energy and other commodity prices compared to average levels observed in prior years, a slowing rate of economic growth in the U.S., 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, 2014 in brackets)



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

Table 10 – Total Advances Based on Industry Sector(1)

(% at October 31)

	2015	2014
Construction	**22%**	22%
Real estate operations	**21**	22
Consumer loans and residential mortgages(2)	**16**	15
Transportation and storage	**7**	7
Finance and insurance	**6**	5
Health and social services	**4**	5
Hotel/motel	**4**	4
Oil and gas service	**3**	3
Oil and gas production	**2**	2
Manufacturing	**2**	2
Retail trade	**2**	2
Wholesale trade	**2**	2
Other services	**2**	2
Logging/forestry	**2**	2
All other	**5**	5
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 with the exception of oil and gas production loans. While relatively stronger economic activity in BC and increased lending exposure in Ontario, Quebec 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, 2015. 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 2015 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. CWB maintains its long-term objective to deliver further industry and geographic diversification, and management will continue with initiatives to develop and/or acquire complementary sources of high quality growth with a preference for acquisition opportunities in equipment financing and leasing.

CREDIT QUALITY

Highlights of 2015

- Continued strong credit quality and an acceptable level of write-offs.
- Gross impaired loans increased 53% from very low levels last year and, as a percentage of total loans, represented 49 basis points, compared to 35 basis points one year ago.
- The provision for credit losses of $31.0 million represented 17 basis points of average loans, equivalent to the low end of the 2015 target range of 17 to 22 basis points, and up from an unusually low level of 15 basis points in the prior year.

Impaired Loans

The loan portfolio is delineated through the assignment of internal risk ratings to each borrower. The rating is based on assessments of key evaluation factors for the nature of the exposure applied on a consistent basis across the portfolio. The current rating system has 12 levels of risk and ratings are updated at least annually for all loans, with the exception of consumer loans and single-unit residential mortgages.

As shown in the table below, gross impaired loans totalled $94.9 million and represented 0.49% of total loans, compared to $62.1 million or 0.35% at the end of 2014. Gross impaired loans in Alberta increased $24.0 million, primarily reflecting impairments within oil and gas production loans and the equipment financing and leasing portfolio. Taken together, the increase in gross impaired loans within Alberta and Saskatchewan accounted for 66% of the overall annual increase in impairments. The ten largest accounts classified as impaired, measured by dollars outstanding, represented approximately 59% of total gross impaired loans at year end, up from 50%. New formations of impaired loans totalled $120.3 million, compared to $63.8 million last year.

Table 11 – Change in Gross Impaired Loans

($ thousands)

			Change from 2014	
	2015	2014	$	%
Gross impaired loans, beginning of period	**$ 62,120**	$ 64,211	$ (2,091)	(3)%
New formations	**120,338**	63,840	56,498	88
Reductions, impaired accounts paid down or returned to performing status	**(71,744)**	(48,862)	(22,882)	47
Write-offs	**(15,809)**	(17,069)	1,260	(7)
Total, end of period(1)	**$ 94,905**	$ 62,120	$ 32,785	53
Balance of the ten largest impaired accounts	**$ 55,665**	$ 31,308	$ 24,357	78
Total number of accounts classified as impaired(2)	**117**	120	(3)	(3)
Total number of accounts classified as impaired under $1 million(2)	**104**	110	(6)	(5)
Gross impaired loans as a percentage of total loans(3)	**0.49%**	0.35%		14bp(4)

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $979 (2014 – $2,393). 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 increase in gross impaired loans is consistent with management's expectations established last year. 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 higher balance of gross impaired loans reflects the increase in new formations, partially offset by the success of ongoing loan realization efforts and work-out programs. Actual credit losses as a percentage of total loans continue to demonstrate the benefits of CWB's 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 $15.8 million at year end, compared to $5.5 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 2015 dollar provision for credit losses of $31.0 million increased 24%, reflecting both portfolio growth and the unusually low provision in the previous year. Growth in the collective allowance of 11% was consistent with the level of overall loan growth. The total allowance for credit losses as a percentage of gross impaired loans (coverage ratio) was 122%, down from 154% in 2014.

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. Through the third quarter of 2015, an impaired loans report was reviewed quarterly by the Loans Committee of the Board of Directors. Commencing in the fourth quarter of 2015, this report was reviewed by the newly formed Board Risk Committee. Please see the Risk Management section of this MD&A for further information.

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 underpins management's view that overall credit quality will remain sound. Gross impaired loans are expected to increase from the current level reflecting normal fluctuations of the credit cycle and the prospect of weaker near-term economic performance within the oil producing provinces in Western Canada. With respect to residential mortgage exposure through Optimum Mortgage, management believes Optimum's underwriting internal controls adequately mitigate the key risk factors associated with broker-sourced lending. Although gross impaired loans within Optimum are expected to increase in view of softer housing market conditions, particularly in Alberta, Optimum is expected to continue to deliver strong credit performance with an attractive risk profile through ongoing selective underwriting in all of its markets, including manual adjudication of each loan application. Management remains confident in the strength, diversity and underwriting structure of the overall loan portfolio and lending exposures will continue to be closely monitored.

Potential risks that could have a material impact on the level of impaired loans include further material weakening of energy and other commodity prices compared to average levels observed in prior years, a slowing rate of economic growth in the U.S., a significant and sustained deterioration in Canadian residential real estate prices, or a significant disruption in major global economies.

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 12 – Allowance for Credit Losses

($ thousands)

	2015 Opening Balance	Provision for Credit Losses	Write-Offs, net of Recoveries[1]	**2015 Ending Balance**
Specific Allowance				
Commercial	$ 631	$ 417	$ (920)	**$ 128**
Real estate	909	540	321	**1,770**
Equipment financing and energy	3,465	20,036	(9,855)	**13,646**
Consumer and personal	518	478	(734)	**262**
	5,523	21,471	(11,188)	**15,806**
Collective Allowance	90,075	9,538	–	**99,613**
Total	$ 95,598	$ 31,009	$ (11,188)	**$ 115,419**
Represented by:				
Loans				**$ 94,401**
Committed but undrawn credit exposures[2]				**21,018**
Total				**$ 115,419**

(1) Recoveries in 2015 totalled $4,622.
(2) The collective allowance for credit losses related to committed but undrawn credit exposures is included in Other Liabilities on the consolidated balance sheets.

Allowances for credit losses are maintained to absorb both identified and unidentified losses in the loan portfolio and, at October 31, 2015, consisted of $15.8 million (2014 – $5.5 million) of specific allowances and $99.6 million (2014 – $90.1 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.

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. As such, the level of specific allowances may increase as a result of relative economic weakness within the oil producing provinces in Western Canada. The collective allowance is expected to fluctuate as a result of portfolio growth and normal progress through the credit cycle. 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 17 basis points of average loans in 2015 (see Table 13), up two basis points from the previous year. Net new specific provisions represented 12 basis points of average loans, compared to seven basis points in 2014. CWB has a long history of strong credit quality and low loan losses, both of which compare very favourably to the Canadian banking industry. Macroeconomic and other external factors that may impact core geographic regions and/or industry sectors in which CWB customers operate are continually analyzed.

Table 13 – Provision for Credit Losses

($ thousands)

	IFRS				Canadian GAAP
	2015	2014	2013	2012	2011
Provision for credit losses[1]	**0.17%**	0.15%	0.19%	0.19%	0.19%
Net new specific provisions (net of recoveries)[2]	**0.12**	0.07	0.13	0.14	0.20
Collective allowance	**$ 99,613**	$ 90,075	$ 76,217	$ 67,344	$ 61,330
Coverage ratio[3]	**122%**	154%	134%	122%	74%

(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.

Outlook for the Provision for Credit Losses

With its transition to medium-term performance target ranges emphasizing growth in overall shareholder value through measures of earnings power, profitability, capital strength and shareholder return, management has elected to discontinue setting an annual performance target range for the provision for credit losses.

Credit quality is expected to continue to reflect CWB's secured lending business model and disciplined underwriting processes. Based on CWB's current economic outlook, management's assessment of the overall quality of the portfolio and its underlying security, and the adequacy of the collective allowance for credit losses, management expects the provision for credit losses to increase moderately in the near-term, with the 2016 provision as a percentage of average loans expected to fall within a range of 18 – 23 basis points. The assessment process is continuous and updated expectations are communicated no less than quarterly.

Potential risks that could have a material impact on the provision for credit losses include further material weakening of energy and other commodity prices compared to average levels observed in the latter half of fiscal 2015, a slowing rate of economic growth in the U.S., a significant and sustained deterioration in Canadian residential real estate prices, or a significant disruption in major global economies.

DEPOSITS

Highlights of 2015

- Branch-raised demand and notice deposits increased 17%.
- Branch-raised deposits were 54% of total deposits, relatively consistent with 55% in 2014.
- Capital markets deposits were reduced to 10% of total deposits by source (2014 – 14%), while broker deposits increased to 36% (2014 – 31%), reflecting current deposit pricing advantages in the latter funding market.

Table 14 – Deposits

($ thousands)

	Demand	Notice	Term	2015 Total	% of Total
Personal	$ 33,129	$ 3,188,276	$ 8,195,216	$ 11,416,621	59%
Business and government	590,411	2,907,597	2,431,917	5,929,925	31
Capital markets	–	–	2,018,861	2,018,861	10
Total Deposits	$ 623,540	$ 6,095,873	$ 12,645,994	$ 19,365,407	100%
% of Total	3%	32%	65%	100%	

	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%	

Total deposits of $19,365 million increased 11% over 2014 reflecting 16% growth in personal deposits, which include those issued through the deposit broker network, and 15% growth in business and government deposits, partially offset by a 15% decrease in capital markets deposits outstanding.

Table 15 – Deposits by Source

(as a percentage of total deposits at October 31)

	2015	2014
Branches	54%	55%
Deposit brokers	36	31
Capital markets	10	14
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 Trust's deposit-taking franchise. 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 became even more important under the Basel III rules governing liquidity 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 customers in all provinces and territories except Quebec. Client deposits in CDF at October 31, 2015 totalled $356 million, a 4% decrease compared to a year earlier. Management has elected to emphasize client retention over growth within this channel in the near term as pricing competition from new and existing market participants continues to be very intense. Valiant's status as a federal deposit-taking institution accounts for CWB's third Canada Deposit Insurance Corporation (CDIC) licence, provides an additional channel to raise insured deposits, and is separate from Valiant's stock transfer business which was sold this year. 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 9% in 2015, while the demand and notice component within branch-raised deposits increased by a very strong 17%. Demand and notice deposits, which include lower cost funding sources, comprised 35% of total deposits at year end, up from 33% in the previous year. Branch-raised deposits comprised 54% of total deposits, relatively unchanged from 55% in 2014. 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 2015 included securitization of $371 million of equipment leases (2014 – $332 million), maintenance of CWB's bearer deposit note program, whole loan sales of $29 million (2014 – $36 million) of residential mortgages and issuance of $300 million of senior deposit notes in the capital markets.

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 targeted staffing initiatives, 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. CWB will also commence securitization of residential mortgages in 2016 through the National Housing Act Mortgage Backed Securities (NHA MBS) program. Management's initial residential mortgage securitization target is $100 million per quarter.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2015 totalled $369 million (2014 – $401 million). Insurance related other assets were nil at October 31, 2015 due to the sale of Canadian Direct Insurance, compared to $66 million last year. The amount of goodwill and intangible assets recorded on the balance sheet at October 31, 2015 was $44 million (2014 – $50 million) and $106 million (2014 – $85 million), respectively. The increase in intangible assets primarily relates to investment in CWB's core banking system.

Other liabilities totalled $374 million at October 31, 2015 (2014 – $530 million). Insurance related other liabilities were nil, compared to $166 million last year.

LIQUIDITY MANAGEMENT

Highlights of 2015

- Maintained a prudent liquidity position and conservative investment profile.
- Implemented OSFI's Liquidity Adequacy Requirement Guideline.

A schedule outlining the consolidated securities portfolio at October 31, 2015 is provided in Note 5 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 on the composition of the securities portfolio were provided to the full Board up to the fourth quarter of 2015. Commencing in the fourth quarter, these reports are provided to the Board Risk Committee. The Board annually reviews and approves investment policies at least annually.

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 16 – High Quality Liquid Assets

($ thousands)

	2015	2014	Change from 2014
Cash and non-interest bearing deposits with financial institutions	$ 23,949	$ 13,320	$ 10,629
Deposits with regulated financial institutions	412,768	491,255	(78,487)
Cheques and other items in transit	6,705	3,839	2,866
Total Cash Resources	443,422	508,414	(64,992)
Government of Canada treasury bills	–	134,383	(134,383)
Government of Canada, provincial and municipal debt, term to maturity 1 year or less	33,007	22,541	10,466
Government of Canada, provincial and municipal debt, term to maturity more than 1 year	1,952,759	1,167,771	784,988
Other debt securities	346,299	290,363	55,936
Common shares[1]	33,707	n/a	33,707
Securities purchased under resale agreements	–	99,566	(99,566)
Total Securities Purchased Under Resale Agreements and Marketable Securities	$ 2,365,772	$ 1,714,624	$ 651,148
Total Liquid Assets	$ 2,809,194	$ 2,223,038	$ 586,156
Total Assets	$ 22,838,527	$ 20,635,046	$ 2,203,481
Liquid Assets as a Percentage of Total Assets	12%	11%	100 bp
Total Deposit Liabilities	$ 19,365,407	$ 17,373,014	$ 1,992,393
Liquid Assets as a Percentage of Total Deposit Liabilities	15%	13%	200 bp[2]

(1) Represents the portion of the common share portfolio which supports compliance with the OSFI Liquidity Adequacy Requirements, effective January 1, 2015.
(2) bp – basis point change

As shown in Table 16, high quality liquid assets, as defined by OSFI, comprised of cash, deposits, securities purchased (or sold) under resale agreements and marketable securities totalled $2,809 million at October 31, 2015, an increase of 26% compared to a year earlier. High quality liquid assets represented 12% (2014 – 11%) of total assets and 15% (2014 – 13%) of total deposit liabilities at year end.

The composition of total high quality liquid assets supports ongoing compliance with the OSFI Liquidity Adequacy Requirements, which became effective January 1, 2015.

Key changes in the composition of liquid assets at October 31, 2015 compared to the prior year include:

- maturities within one year comprising 18% (2014 – 19%);
- Government of Canada, provincial and municipal debt securities increasing to 70% (2014 – 60%);
- deposits with regulated financial institutions decreasing to 15% (2014 – 22%); and,
- other marketable securities, including common shares, increasing to 14% (2014 – 13%).

Additional sources of liquidity and funding in 2015 included $371 million of equipment leases securitized (2014 – $332 million) and $29 million (2014 – $36 million) of residential mortgages sold via whole loan sales. The primary source of incremental new funding was branch-raised deposits supported by the issuance of personal fixed term deposits through the broker deposit market. A summary of all outstanding deposits by contractual maturity date is presented in Tables 17 and 18.

Table 17 – Deposit Maturities Within One Year

($ millions)

October 31, 2015	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
Demand deposits	$ 623	$ –	$ –	$ 623
Notice deposits	6,096	–	–	6,096
Deposits payable on a fixed date	608	893	4,739	6,240
Total	**$ 7,327**	**$ 893**	**$ 4,739**	**$ 12,959**
October 31, 2014 Total	$ 6,919	$ 1,297	$ 3,754	$ 11,970

Table 18 – Total Deposit Maturities

($ millions)

October 31, 2015	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	$ 623	$ –	$ –	$ –	$ –	$ –	$ 623
Notice deposits	6,096	–	–	–	–	–	6,096
Deposits payable on a fixed date	6,240	3,582	1,369	726	729	–	12,646
Total	**$ 12,959**	**$ 3,582**	**$ 1,369**	**$ 726**	**$ 729**	**$ –**	**$ 19,365**
October 31, 2014 Total	$ 11,970	$ 2,375	$ 1,605	$ 843	$ 580	$ –	$ 17,373

A breakdown of deposits by source is provided in Table 15. 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 16 of the consolidated financial statements for additional information).

A summary of subordinated debentures outstanding is presented in the following table.

Table 19 – Subordinated Debentures Outstanding
($ thousands)

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2015	As at October 31 2014
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 had a 10-year term with a fixed interest rate for the first five years. Thereafter, the interest rate would have reset quarterly at the Canadian dollar CDOR 90-day Bankers' Acceptance rate plus 193 basis points. These debentures were fully redeemed at par on November 30, 2015.
(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.

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 2016 while maintaining compliance with the OSFI Liquidity Adequacy Requirement.

Highlights of 2015

- Strong Basel III common equity Tier 1, Tier 1 and total capital adequacy ratios of 8.5%, 9.7% and 12.7%, respectively.
- Divestiture gains resulted in 60 – 70 basis point increases to capital ratios.
- Cash dividends of $0.86 per share paid to common shareholders, up 10%.
- Very conservative Basel III leverage ratio of 7.9%, compared to the regulatory minimum of 3%.

Subsequent Highlights

- On November 30, 2015, CWB redeemed all $300 million outstanding 4.389% subordinated debentures at par plus accrued interest to, but excluding, the redemption date. The redemption resulted in an $80 million reduction to CWB's total regulatory capital; however, CWB's total capital ratio remains strong.
- In December 2015, the Board of Directors declared a quarterly cash dividend of $0.23 per common share, an increase of 5% over the prior quarter and 10% 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 MANAGEMENT

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 18 to the consolidated financial statements details the number of options outstanding, the weighted average exercise price and the amounts exercisable at year end. Holders of CWB common shares and holders of any other class of shares deemed eligible by the Board are offered the choice to direct cash dividends paid toward the purchase of common shares through a dividend reinvestment plan (DRIP). Further details regarding CWB's DRIP are available at cwb.com/investor_relations.

Basel III Capital Adequacy Accord

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

CWB's minimum Basel III regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1 and 10.5% total capital, and a 3.0% leverage ratio. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules are phased in between 2013 and 2019. 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 2015.

Table 20 – Capital Structure and Basel III Regulatory Ratios at Year End

($ thousands)

	2015	2014
Regulatory capital, net of deductions		
Common equity Tier 1	**$ 1,636,718**	$ 1,443,841
Tier 1	**1,866,873**	1,673,996
Total	**2,439,022**	2,304,108
Capital ratios		
Common equity Tier 1	**8.5%**	8.0%
Tier 1	**9.7**	9.3
Total	**12.7**	12.8
Leverage ratio(1)	**7.9**	n/a
Asset to capital multiple(1)	**n/a**	8.8x

(1) The leverage ratio came into effect January 31, 2015 and replaced the asset to capital multiple.

Increases in the 2015 capital ratios reflect 60 – 70 basis points from divestiture gains, which have not yet been redeployed. The required amortization relating to the phase out of existing, non-qualifying subordinated debentures largely offset the increase in the total capital ratio related to gains on business sales. In fiscal 2016, the redemption of $300 million outstanding 4.389% subordinated debentures will reduce CWB's total capital by $80 million and decrease the total capital ratio by approximately 40 basis points, however, the total capital ratio will remain strong. Management will maintain all capital ratios at least 50 basis points over the regulatory minimum.

Table 21 – Regulatory Capital

($ thousands)

	2015	2014
Common equity Tier 1 capital instruments and reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	**$ 566,721**	$ 558,377
Retained earnings	**1,261,678**	1,011,147
Accumulated other comprehensive income and other reserves	**(55,667)**	(2,822)
Common equity Tier 1 capital before regulatory adjustments	**1,772,732**	1,566,702
Regulatory adjustments to Common equity Tier 1(1)	**(136,014)**	(122,861)
Common equity Tier 1 capital	**1,636,718**	1,443,841
Additional Tier 1 capital instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	**125,000**	125,000
Directly issued capital instruments subject to phase out from Additional Tier 1(2)	**105,000**	105,000
Additional Tier 1 instruments issued by subsidiaries and held by third parties	**155**	155
Additional Tier 1 capital	**230,155**	230,155
Tier 1 capital	**1,866,873**	1,673,996
Tier 2 Capital instruments and allowances		
Directly issued capital instruments subject to phase out from Tier 2(2)	**472,500**	540,000
Tier 2 instruments issued by subsidiaries and held by third parties	**36**	37
Collective allowance for credit losses	**99,613**	90,075
Tier 2 capital before regulatory adjustments	**572,149**	630,112
Total capital	**$ 2,439,022**	$ 2,304,108

(1) CET1 deductions include goodwill and intangible assets, net of related tax.
(2) Basel III capital balances exclude 30% (2014 – 20%) of the balance of non-common equity instruments outstanding at January 1, 2013 that do not include non-viability contingent capital clauses. At October 31, 2015 and 2014, there was no exclusion from Tier 1 regulatory capital related to the Innovative Tier 1 capital (disclosed in deposits). At October 31, 2015, $153 million of outstanding subordinated debentures (October 31, 2014 – $85 million) were excluded from regulatory capital.

Table 22 – Risk-Weighted Assets
($ thousands)

				2015	
	Cash, Securities and Resale Agreements	Loans	Other Items	Total	Risk–Weighted Assets
Corporate	$ 157,834	$ 13,015,673	$ –	$ 13,173,507	$ 13,091,883
Sovereign	2,171,902	31,024	–	2,202,926	8,209
Bank	433,888	53,090	–	486,978	144,439
Retail residential mortgages	14,568	3,206,709	–	3,221,277	1,162,923
Other retail					
Excluding small business entities	–	210,534	–	210,534	152,726
Small business entities	–	2,442,163	–	2,442,163	1,865,409
Equity	219,415	–	–	219,415	219,415
Undrawn commitments	–	375,437	–	375,437	367,543
Operational risk	–	–	84,005	84,005	1,050,057
Securitization risk	–	66,974	–	66,974	837,175
Other	–	109,149	355,748	464,897	298,313
As at October 31, 2015	**$ 2,997,607**	**$ 19,510,753**	**$ 439,753**	**$ 22,948,113**	**$ 19,198,092**
As at October 31, 2014	$ 2,521,848	$ 17,728,329	$ 468,062	$ 20,718,239	$ 18,025,822

Table 23 – Risk-Weighting Category
($ thousands)

								2015	
	0%	20%	35%	50%	75%	100%	150% and greater	Balance	Weighted
Corporate	$ 17,092	$ 64,859	$ –	$ 75,681	$ –	$ 12,965,484	$ 50,391	$ 13,173,507	$ 13,091,883
Sovereign	2,161,882	41,044	–	–	–	–	–	2,202,926	8,209
Bank	–	418,651	–	15,237	–	53,090	–	486,978	144,439
Retail residential mortgages	311,220	–	2,565,052	–	319,401	25,604	–	3,221,277	1,162,923
Other retail									
Excluding small business entities	6,032	1,274	–	–	203,161	–	67	210,534	152,726
Small business entities	5,025	709	–	–	2,304,434	122,103	9,892	2,442,163	1,865,409
Equity	–	–	–	–	–	219,415	–	219,415	219,415
Undrawn commitments	–	–	–	–	31,575	343,862	–	375,437	367,543
Operational risk	–						84,005	84,005	1,050,057
Securitization risk	–						66,974	66,974	837,175
Other	180,157	36,892	–	–	20,242	200,189	27,417	464,897	298,313
As at October 31, 2015	**$ 2,681,408**	**$ 563,429**	**$ 2,565,052**	**$ 90,918**	**$ 2,878,813**	**$ 13,929,747**	**$ 238,746**	**$ 22,948,113**	**$ 19,198,092**
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

Outlook for Capital Management

CWB will maintain strong capital ratios under the *Standardized* approach for calculating risk-weighted assets, above its target thresholds and OSFI's required minimums, and is well positioned to manage future business growth and unexpected events. Target capital ratios, including an appropriate capital buffer over the prescribed OSFI minimums, are reconfirmed regularly through CWB's Annual Regulatory Capital Plan. 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 CWB's medium-term performance target range for a strong common equity Tier 1 ratio, generally at least 50 basis points over the regulatory minimum. With a very conservative Basel III leverage ratio of 7.9% at October 31, 2015, CWB is not constrained by OSFI's stated requirement for banks to maintain a minimum leverage ratio of 3%.

Based on the results of stress tests simulating severe economic conditions in Alberta and Saskatchewan in combination with very challenging economic conditions throughout the rest of CWB's geographic footprint over a multi-year time frame, management is confident CWB will continue to deliver positive earnings for shareholders while maintaining financial stability and a strong capital position under the *Standardized* approach for calculating risk-weighted assets. This outcome was validated through stress tests that included the assumption of 150% of CWB's historical peak loss rates across all lending segments occurring simultaneously within Alberta and Saskatchewan, and the experience of 100% of peak loss rates occurring simultaneously in all other regions, and persisting over a three-year period. The stress test assumptions also include a persistent low interest rate environment and significantly slower loan growth to reflect lower assumed levels of economic activity that may be attributed to protracted period of very low oil prices, as well as increased competition for deposits and much higher levels of gross impaired loans that result in significant compression of net interest margin.

The resilience of CWB's capital position under the severe conditions assumed within its stress tests reflects both CWB's commercial lending focus and its use of the *Standardized* approach for calculating risk-weighted assets. Under the *Standardized* approach, most of CWB's commercial lending exposures are risk-weighted at 100%. In view of the assumption for constrained loan growth in the stress scenario, incremental increases in risk-weighted assets mainly result from a 50% increase in risk weights on loans assumed to be in default. This increase is effectively offset by the runoff of CWB's relatively short duration portfolio, resulting in stable regulatory capital ratios over a multi-year time frame.

Management continues to evaluate alternatives to deploy capital for the long-term benefit of CWB shareholders, which includes a medium-term target range for the common share dividend payout ratio of approximately 30% and the potential for strategic acquisitions with a preference for opportunities in equipment financing and leasing, and wealth management. A detailed project plan related to CWB's transition to an *AIRB* methodology for managing credit risk and calculating risk-weighted assets will be finalized in 2016. Preliminary analysis supports a multi-year time frame which requires OSFI approval. Implementation of CWB's new core banking system is scheduled for mid-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. CWB commenced initial development of models in support of the *AIRB* transition this year, and further development will continue in 2016.

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 24 – Derivative Financial Instruments
($ thousands)

	2015	2014
Notional Amounts		
Interest rate contracts designated as accounting hedges[1]	$ 2,805,000	$ 1,725,000
Equity swaps designated as accounting hedges[2]	19,860	19,205
Equity swaps not designated as accounting hedges[3]	3,024	3,754
Foreign exchange contracts[4]	233,129	1,964
Total	$ 3,061,013	$ 1,749,923

(1) Interest rate contracts are used as hedging devices to manage interest rate risk. The outstanding contracts mature between November 2015 and July 2020.
(2) Equity swaps designated as hedges mature between June 2016 and June 2018. 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 between March 2016 and June 2016. 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 2015 and April 2016.

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 into on the basis of industry standard contracts with approved counterparties subject to periodic and at least annual review, including an assessment of the credit worthiness of the counterparty. Policies regarding the use of derivative financial instruments are approved, reviewed and monitored on a regular basis by ALCO, and are reviewed and approved by the Board no less than annually.

ACQUISITIONS

No material acquisitions were completed in 2015.

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 $9,294 million at October 31, 2015, compared to $10,102 million one year ago, with the decrease primarily reflecting divestiture of the stock transfer business of Valiant Trust.

Assets under management held within Adroit and McLean & Partners were $1,883 million at year end, compared to $1,796 million last year.

Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit). CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Note 20 of the audited 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 25. In general, CWB's performance reflects a consistent growth trend, although the second quarter contains three fewer revenue-earning days. Results from Combined Operations for the third quarter of 2015 reflect the impact of divestiture gains.

Quarterly financial results were subject to some fluctuation due to exposure to property and casualty insurance prior to the divestiture of Canadian Direct Insurance, completed on May 1, 2015. Insurance operations, which were primarily reflected in non-interest income within the results of Combined Operations, were subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes.

Net gains on securities, reflected in non-interest income, of $13.6 million in 2014 compared to net losses on securities of $4.3 million in 2015. The level of net gains on securities in 2014 resulted from favourable market conditions. Net losses on securities in the third quarter of 2015 reflected management of the securities portfolio through less favourable market conditions, active risk management in view of macroeconomic challenges, and changes in the pricing and liquidity of the Canadian preferred share market.

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

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

Table 25 – Quarterly Financial Highlights[1]

($ thousands, except per share amounts)

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Results from Combined Operations								
Net interest income (teb)	$ 141,096	$ 140,503	$ 134,886	$ 136,442	$ 132,479	$ 131,751	$ 123,727	$ 125,239
Less teb adjustment	1,377	1,280	1,650	1,686	1,709	1,888	1,989	2,090
Net interest income per financial statements	139,719	139,223	133,236	134,756	130,770	129,863	121,738	123,149
Non-interest income	17,949	13,269	25,024	23,422	27,057	28,027	29,794	28,531
Net gain on sale of businesses, after tax	169	107,639	–	–				
Total revenues (teb)	159,214	261,411	159,910	159,864	159,536	159,778	153,521	153,770
Total revenues	157,837	260,131	158,260	158,178	157,827	157,890	151,532	151,680
Common shareholders' net income	53,138	158,809	53,545	54,209	58,150	56,580	51,191	52,628
Earnings per common share								
Basic	0.66	1.97	0.67	0.67	0.72	0.71	0.64	0.66
Diluted	0.66	1.97	0.67	0.67	0.72	0.70	0.63	0.65
Adjusted cash	0.67	1.98	0.68	0.69	0.73	0.71	0.65	0.67
Return on common shareholders' equity (ROE)	11.9%	36.3%	13.6%	13.5%	15.0%	14.9%	14.4%	14.8%
Return on average total assets (ROA)	0.94	2.90	1.02	1.03	1.12	1.11	1.07	1.11
Efficiency ratio (teb)	47.6	28.5	48.3	48.0	47.2	45.9	46.0	45.1
Efficiency ratio	48.0	28.6	48.8	48.5	47.7	46.4	46.6	45.7
Net interest margin (teb)	2.49	2.57	2.58	2.60	2.56	2.58	2.59	2.64
Net interest margin	2.47	2.55	2.55	2.57	2.53	2.54	2.55	2.60
Provision for credit losses as a percentage of average loans	0.18	0.17	0.17	0.16	0.09	0.16	0.16	0.19
Results from Continuing Operations								
Net interest income (teb)	$ 141,096	$ 140,503	$ 133,064	$ 134,389	$ 130,563	$ 130,022	$ 122,205	$ 123,518
Less teb adjustment	1,377	1,280	1,455	1,468	1,505	1,652	1,744	1,842
Net interest income per financial statements	139,719	139,223	131,609	132,921	129,058	128,370	120,461	121,676
Non-interest income	17,949	13,269	18,097	17,995	22,484	19,704	20,292	20,555
Total revenues (teb)	159,045	153,772	151,161	152,384	153,047	149,726	142,497	144,073
Total revenues	157,668	152,492	149,706	150,916	151,542	148,074	140,753	142,231
Common shareholders net income	52,969	51,170	51,520	52,405	56,859	52,690	46,673	49,066
Earnings per common share								
Basic	0.66	0.64	0.64	0.65	0.71	0.66	0.58	0.62
Diluted	0.66	0.64	0.64	0.65	0.70	0.65	0.58	0.61
Adjusted cash	0.67	0.65	0.65	0.66	0.71	0.67	0.59	0.62
Return on common shareholders' equity (ROE)	11.9%	11.7%	13.1%	13.1%	14.6%	13.9%	13.1%	13.8%
Return on average total assets (ROA)	0.94	0.94	1.00	1.01	1.11	1.05	0.99	1.05
Efficiency ratio (teb)	47.6	48.4	47.1	47.1	46.1	45.7	46.0	44.7
Efficiency ratio	48.1	48.8	47.6	47.5	46.5	46.3	46.6	45.3
Net interest margin (teb)	2.49	2.57	2.57	2.59	2.55	2.58	2.59	2.64
Net interest margin	2.47	2.55	2.54	2.56	2.52	2.54	2.56	2.60
Results from Discontinued Operations								
Total revenues (teb)	$ 169	$ 107,639	$ 8,749	$ 7,480	$ 6,489	$ 10,052	$ 11,024	$ 9,697
Total revenues	169	107,639	8,554	7,262	6,285	9,816	10,779	9,449
Common shareholders' net income								
Earnings per common share								
Basic	–	1.33	0.03	0.02	0.01	0.05	0.06	0.04
Diluted	–	1.33	0.03	0.02	0.02	0.05	0.05	0.04
Adjusted cash	–	1.33	0.03	0.03	0.02	0.04	0.06	0.05

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

FOURTH QUARTER OF 2015

Overview of Continuing Operations

Q4 2015 vs. Q4 2014

Common shareholders' net income of $53.0 million compares to $56.9 million a year ago. Diluted earnings per common share of $0.66 and 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, of $0.67 each declined 6%. An 8% increase in net interest income was more than offset by the combined impact of higher non-interest expenses, an increase in the provision for credit losses and lower non-interest income, resulting in lower earnings. Higher net interest income resulted from the benefit of strong 11% loan growth, partially offset by a six basis point decrease in net interest margin (teb) to 2.49%. Increased non-interest expenses primarily relate to higher salaries and benefits reflecting the combined impact of hiring activity in support of business growth, annual salary increments and the implementation this year of a short-term incentive plan for non-executive employees. The provision for credit losses was at the low end of management's target range of 17 – 22 basis points. The year-over-year increase to 18 basis points reflects normalization from last year when a provision of nine basis points resulted from unusually low levels of specific allowances. With the exception of the fourth quarter last year, the quarterly provision for credit losses has ranged from 16 – 20 basis points over the past four years. Growth in almost all categories of non-interest income was more than offset by a decrease in 'other' non-interest income, and lower net gains on securities. 'Other' non-interest income last year included a one-time gain on the sale of CWB's former Edmonton Main Branch location. Lower net gains on securities reflect management of the securities portfolio through less favourable market conditions.

Q4 2015 vs. Q3 2015

Common shareholders' net income increased 4% ($1.8 million) mainly due to higher non-interest income, partially offset by increased non-interest expenses. Diluted and adjusted cash earnings per common share both increased 3%. Non-interest income was 35% ($4.7 million) higher as the positive impact of nil net gains on securities, compared to net losses on securities of $5.0 million last quarter, was partially offset by small decreases in other categories. Net interest income was relatively unchanged as the benefit of 2% loan growth was offset by an eight basis point decline in net interest margin. Non-interest expenses increased 2% ($1.3 million) as lower salaries and benefits and decreased premises expense were more than offset by higher other expenses.

ROE and ROA

The quarterly return on common shareholders' equity (ROE) of 11.9% decreased 270 basis points from a year earlier and increased 20 basis points from the prior quarter. Fourth quarter return on assets (ROA) was 0.94%, compared to 1.11% last year and was unchanged from the previous quarter.

Net Interest Margin

Fourth quarter net interest margin (teb) of 2.49% declined six basis points compared to last year, primarily due to lower asset yields as CWB's annual average prime lending interest rate fell 16 basis points to 2.84% following successive interest rate cuts by the Bank of Canada, partially offset by more favourable deposit costs and beneficial changes in deposit mix. Net interest margin (teb) was down eight basis points from the prior quarter reflecting similar factors as well as the negative influence of higher average balances of cash and securities. Higher average balance sheet liquidity partly reflected preparation for redemption of $300 million of subordinated debentures on November 30, 2015.

Efficiency ratio

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 47.6%, up from 46.1% a year earlier, reflecting the combined impact of higher non-interest expenses, partly related to the implementation this year of a short-term incentive plan for non-executive employees, decreased non-interest income reflecting lower net gains on securities and elevated 'other' non-interest income last year from the sale of CWB's former Edmonton Main Branch premises, and the revenue impact of lower net interest margin.

Overview of Combined Operations

Q4 2015 vs. Q4 2014

Common shareholders' net income of $53.1 million was down 9% from a year ago, while diluted earnings per common share of $0.66 and adjusted cash earnings per common share of $0.67 were both down 8%. Lower earnings mainly reflect the same factors discussed within the overview of Continuing Operations above, as well as the absence of operating contributions from divested businesses in the current period.

Q4 2015 vs. Q3 2015

Common shareholders' net income of $53.1 million compares to $158.8 million last quarter when divestiture gains contributed $107.8 million. Excluding the impact of divestiture gains, common shareholders' net income was up 4% sequentially, reflecting the factors discussed above.

ROE and ROA

The quarterly return on common shareholders' equity (ROE) of 11.9% decreased 310 basis points from a year earlier, with the decrease primarily reflecting the impact of divestiture gains on total common shareholders' equity, and compares to 36.3% last quarter when divestiture gains were realized. Fourth quarter return on assets (ROA) of 0.94% compares to 1.12% last year and 2.90% in the previous quarter.

Overview of Discontinued Operations

	For the three months ended			
	October 31 2015	July 31 2015	October 31 2014	Change from October 31 2014
Net interest income (teb)	**$ –**	$ –	$ 1,916	(100)%
Non-interest income	**–**	–	4,573	(100)
Total revenue (teb)	**–**	–	6,489	(100)
Non-interest expenses	**–**	–	4,753	(100)
Net income before income taxes	**–**	–	1,736	(100)
Income taxes (teb)	**–**	–	445	(100)
Net income before gain on sale	**–**	–	1,291	(100)
Gain on sale, net of tax	**169**	107,639	–	100
Common shareholders' net income	**$ 169**	$ 107,639	$ 1,291	(87)
Earnings per common share				
Basic	**$ –**	$ 1.33	$ 0.01	(100)%
Diluted	**–**	1.33	0.02	(100)
Adjusted cash	**–**	1.33	0.02	(100)

Common shareholders' net income from Discontinued Operations of $0.2 million compared to $107.6 million comprised of divestiture gains in the prior quarter. Common shareholders' net income of $1.3 million in the fourth quarter last year was comprised of operating contributions from divested businesses.

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, 2015 CWB's total allowance for credit losses was $115.4 million (2014 – $95.6 million) which included specific allowances of $15.8 million (2014 – $5.5 million) and a collective allowance of $99.6 million (2014 – $90.1 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 8 to the consolidated financial statements.

Provision for Unpaid Insurance Claims and Adjustment Expenses

Until CDI was sold on May 1, 2015, a provision for unpaid claims was 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 was also maintained, which represented the estimated expected costs of investigating, resolving and processing these claims. Estimated recoveries of these costs from reinsurance ceded were included in other assets. The computation of these provisions took 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 involved 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 were periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. Changes in circumstances could cause assessments of unpaid claims and adjustment expenses in subsequent periods to be significantly different than current assessments and could require increases or decreases in the provision. In estimating the provision for unpaid claims and adjustment expenses, a number of uncertainties were taken into account and assumptions made, which made it difficult to estimate a range for the provision. Further, as noted above, the provision included a margin for adverse deviations in assumptions. At October 31, 2015 the provision for unpaid claims and adjustment expenses was nil (2014 – $85.5 million).

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 26 – Valuation of Financial Instruments

($ thousands)

			Valuation Technique	
As at October 31, 2015	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash resources	**$ 443,422**	**$ 27,939**	**$ 415,483**	**$ –**
Securities	**2,551,112**	**219,041**	**2,332,071**	**–**
Loans	**19,889,076**	**–**	**–**	**19,889,076**
Derivative related	**23,245**	**–**	**23,245**	**–**
Total Financial Assets	**$ 22,906,855**	**$ 246,980**	**$ 2,770,799**	**$ 19,889,076**
Financial Liabilities[1]				
Deposits	**$ 19,457,102**	**$ –**	**$ 19,457,102**	**$ –**
Debt	**1,206,101**	**–**	**1,206,101**	**–**
Other liability	**650**	**–**	**–**	**650**
Derivative related	**4,503**	**–**	**4,503**	**–**
Total Financial Liabilities	**$ 20,668,356**	**$ –**	**$ 20,667,706**	**$ 650**

			Valuation Technique	
As at October 31, 2014[2]	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 508,413	$ 14,033	$ 494,381	$ –
Securities	2,089,205	614,144	1,475,061	–
Securities purchased under resale agreements	99,565	–	99,565	–
Loans	17,571,250	–	–	17,571,250
Derivative related	5,420	–	5,420	–
Total Financial Assets	$ 20,273,854	$ 628,177	$ 2,074,428	$ 17,571,250
Financial Liabilities[1]				
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

(1) Level 3 financial liabilities at October 31, 2015 are comprised of the contingent consideration related to the sale of Valiant's stock transfer business. At October 31, 2014, Level 3 financial liabilities were comprised of the contingent consideration related to the acquisition of McLean & Partners Wealth Management Ltd.
(2) Comparative figures reclassfied to conform to current year's presentation.

Notes 2, 4, 5, 6, 11 and 27 to the consolidated financial statements provide additional information regarding these financial instruments.

CHANGES IN ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

New and amended accounting pronouncements issued by the International Accounting Standards Board (IASB) did not result in a change in CWB's accounting policies during 2015.

Held for Sale Classification and Discontinued Operations

On May 1 2015, CWB sold its property and casualty insurance subsidiary, CDI, and the stock transfer business of Valiant Trust, as described in Note 3 of the consolidated financial statements. In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities of these businesses were classified as held for sale in the consolidated balance sheets prospectively from January 31, 2015 until their disposal on May 1, 2015. No writedowns to carrying amounts of the assets were required upon classification as held for sale. The consolidated statements of income have been restated to show the results of discontinued operations separately from Continuing Operations for all periods presented.

Discontinued Operations are presented if the operations and cash flows can be clearly distinguished operationally and financially from the rest of CWB, and if it represents a separate major line of business or geographic area of operations that either has been disposed of, is classified as held for sale, or is part of a single coordinated plan of disposal.

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

The IASB has issued the complete version of IFRS 9, which will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and liabilities, impairment and hedge accounting.

Under the finalized guidance, IFRS 9 specifies that financial assets be classified into one of three categories (amortized cost, fair value through profit or loss or fair value through other comprehensive income) based on the cash flow characteristics and the business model under which the assets are held. Classification of financial liabilities is unchanged, but for financial liabilities measured at fair value, changes in fair value of an entity's own credit risk will be recognized in other comprehensive income rather than in profit or loss. The final standard also introduces a new "expected credit loss" model for calculating impairment on all financial assets classified at amortized cost or fair value through comprehensive income, with the most significant impact being to loans. Specifically, IFRS 9 requires entities to recognize 12-month expected credit losses from the date a financial asset is first recognized and to recognize lifetime expected credit losses if there is a significant increase in credit risk since inception. IFRS 9 also introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management.

IFRS 9 will be mandatorily effective for CWB's fiscal year beginning on November 1, 2018, and early adoption is permitted. In January 2015, OSFI determined that D-SIBs should adopt IFRS 9 beginning November 1, 2017, while early adoption is permitted but not required for other federally regulated Canadian banks with October year ends, such as CWB. CWB has not yet determined if it will early adopt this standard.

During 2015, CWB commenced its IFRS 9 transition project and established a formal project governance structure, including a Steering Committee, to monitor the progress and critical decisions during the transition to IFRS 9. The Steering Committee is led by Finance and consists of senior level management and personnel from Treasury, Credit Risk Management and Finance.

The transition project focuses on the three main areas of IFRS 9: classification and measurement, impairment, and hedge accounting. IFRS 9 training for affected stakeholders has been and will continue to be delivered on an ongoing basis throughout the transition. Regular reporting is provided by the project team to the Steering Committee and Audit Committee of the Board. The transition impact of IFRS 9 on CWB's consolidated financial statements has not been determined. Further details will be provided as the project progresses.

IFRS 15 – Revenue from Contracts with Customers

The IASB has 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 contracts with customers. The new standard does not apply to financial instruments or lease contracts, which fall in the scope of other IFRSs. In 2015, the IASB announced that the IFRS 15 mandatory adoption date would be deferred for one year. As such, the standard will be effective for CWB's fiscal year beginning November 1, 2018, 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 and leases) 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 54 to 64 of this MD&A form an integral part of the audited consolidated financial statements for the year ended October 31, 2015.

Our Approach to Risk Management

Maintenance of an integrated and disciplined approach to risk management is a key success factor for CWB. Our risk management framework guides us in prudent, balanced and measured risk-taking aligned with CWB's business strategy. The Enterprise Risk Management (ERM) group develops CWB's risk metrics, risk appetite, risk policies and limits, and provides independent review and oversight across the enterprise on risk-related issues.

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. CWB's 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's strategy, risk appetite and regulatory/legal requirements. We consciously accept risks to add value for stakeholders and support the responsible and efficient delivery of products and services provided those risks:

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

Highlights of 2015

Several enhancements to CWB's risk management framework were undertaken in 2015 as part of the ongoing development and implementation of CWB's risk management processes. Key initiatives included:

- Appointment of an executive Chief Risk Officer (CRO) and approval of the expanded CRO mandate;
- Formation of the Board Risk Committee effective September 1st, with assumption of responsibilities previously completed by the other committees of the Board or the full Board of Directors;
- Initial development of certain models in support of CWB's eventual transition to the *AIRB* approach for calculating risk-weighted assets. Development of *AIRB* models and eventual transition to the *AIRB* approach is expected to enhance CWB's competitive position and facilitate risk-based pricing, enable further optimization of capital allocation, and enhance CWB's risk quantification and stress testing capabilities;
- Development of an information services and data platform for risk management to leverage the upcoming implementation of CWB's new core banking system in mid-fiscal 2016;
- Commenced enterprise-wide enhancement of a Three Lines of Defense risk governance framework; and,
- Enhancement of Risk Appetite Statements with the addition of various quantitative metrics by the second line of defense.

Outlook for Risk Management

With further enhancement of CWB's enterprise-wide risk management framework in 2016, ERM will establish market risk metrics on which the risk appetite and the limits are based, and be responsible for measuring and aggregating structural market risk exposures, as well as monitoring and reporting market risk exposures against the risk appetite and limits independent of the first line of defense.

Further development of *AIRB* models will be undertaken in support of CWB's eventual transition to the *AIRB* approach.

RISK MANAGEMENT OVERVIEW

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

As with all financial institutions, CWB is in the business of managing risk and is therefore exposed to various risk factors that could adversely affect its operating environment, financial condition and financial performance. Exposure to risk may also influence a client's decision to 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 Strengths

- In-depth knowledge of our clients;
- Secured lending business model;
- Disciplined underwriting with demonstrated strength through multiple credit cycles;
- Increasing geographic diversification;
- Low average duration of lending portfolios;
- Relatively low exposure to economically sensitive retail lending portfolios; and,
- Strong risk culture with robust risk management framework which addresses risks throughout CWB.

Risk Management Challenges

- Ongoing global macroeconomic volatility, especially the persistence of low oil prices and related economic challenges within parts of Western Canada;
- Increasing volume and complexity of regulatory requirements and expectations; and,
- Capital requirements under the *Standardized* approach decoupled from the underlying economic risk.

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 preventative 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; and,
- Ongoing commitment to a three lines of defense risk governance framework with independent oversight and effective challenge from the second line.

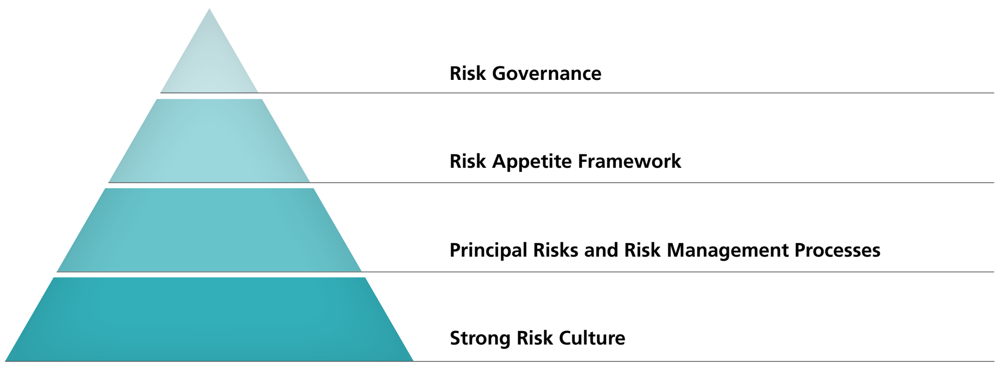
The mandate of CWB's Group Risk Management function is to enhance existing processes and structure to help identify and appropriately mitigate risks on a group-wide basis. The intent is to provide a suitable framework for CWB to properly balance risk and reward while ensuring risk management practices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

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

Figure 5 – Risk Management Framework



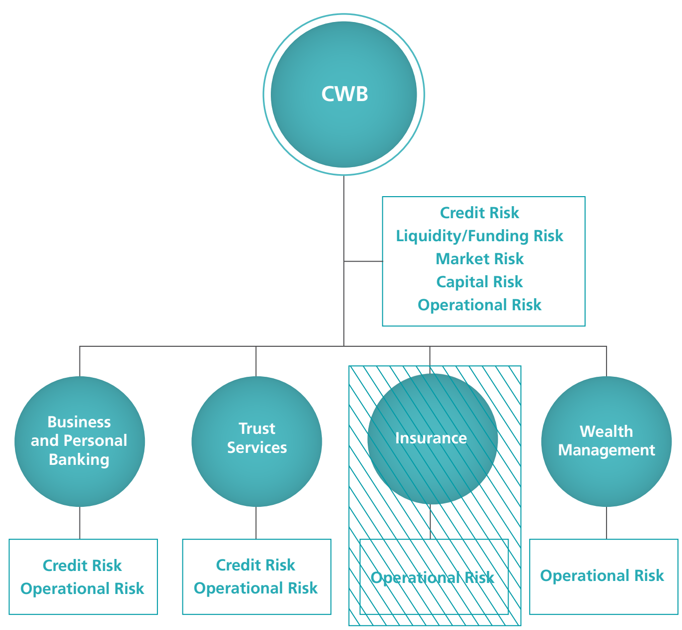
Risk Culture

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 inter relationships and potential impacts of risks. CWB's strong risk culture starts with an appropriate "tone at the top" that demonstrates and sends consistent and clear messages throughout the organization. Risk culture is communicated throughout CWB 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



CWB was exposed to insurance risk through its property and casualty insurance subsidiary, Canadian Direct Insurance (CDI), until CDI was sold on May 1, 2015.

Reputational risk is also a principal risk, which arises as a consequence of not managing other risks effectively. Regulatory, technology, cyber security, people and fiduciary risks are significant subsets of Operational Risk.

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

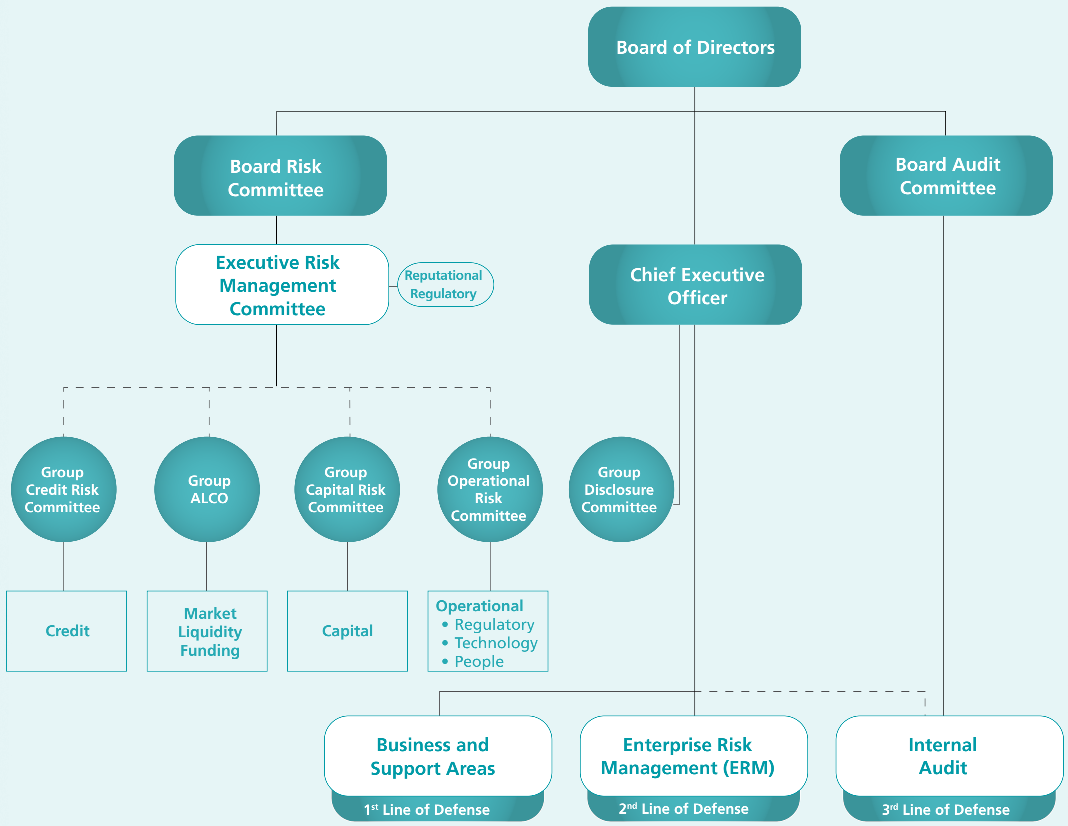
Our Risk Appetite Framework consists of our Risk Appetite Statement, as well as all supporting key risk metrics and corporate policies and standards, including limits. Our risk appetite defines the amount of risk that CWB is willing to assume for all risk types, given our guiding risk management principles and capital capacity. Key attributes of CWB's overall risk appetite include the following:

- A conservative risk culture that is prevalent throughout CWB, from the Board to senior management to front-line staff;
- 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;
- A philosophy of only taking risks that are transparent and understood, and that can be measured, monitored and managed. 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;
- 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;
- Maintenance of investment grade credit ratings to allow for competitive access to funding;
- Maintenance of effective policies, procedures, guidelines, compliance standards and controls, training and oversight to guide the business practices and risk-taking activities of all employees in support of CWB's reputation and adherence to all legal and regulatory obligations; and,
- Risk appetites for key risk types are established based on both quantitative and qualitative risk types by ERM as the second line of defense, endorsed by senior management and ultimately approved by the Board.

Risk Management Governance Structure

The foundation of our enterprise-wide risk management framework is a governance framework which includes a robust committee structure and a comprehensive set of corporate policies and limits approved by the Board of Directors or its committees, as well as supporting corporate standards and operating guidelines. This enterprise-wide risk management framework is governed through a hierarchy of committees and individual responsibilities as outlined in the diagram below:

Figure 7 – Enterprise-Wide Risk Management Framework



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

Board Risk Committee – formed in the fourth quarter of 2015. Assists the Board in fulfilling its oversight responsibilities in relation to CWB's identification and management of risk, adherence to corporate risk management policies and procedures, and compliance with risk-related regulatory requirements. Prior to formation of this committee, its responsibilities were owned either by the full Board or other committees of the Board. The Board Risk Committee includes a loan adjudication panel with specific responsibility formerly held by the Loans Committee of the Board, which was discontinued upon formation of the Board Risk Committee.

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

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

Chief Risk Officer – directly accountable to the Chief Executive Officer. As head of ERM, the Chief Risk Officer is responsible for providing independent review and oversight of enterprise-wide risks and leadership on risk issues, developing and maintaining a risk management framework which includes key risk metrics and risk policies and fostering a strong risk culture across the enterprise. The Chief Risk Officer reports functionally to the Board Risk Committee.

Executive Risk Management Committee – CWB's senior risk committee provides risk oversight and governance at the highest levels of management. The Executive Risk Management Committee reviews and discusses significant risk issues and action plans that arise in executing the enterprise-wide strategy. The Committee is chaired by the Chief Risk Officer and membership includes the Chief Financial Officer (CFO).

Subcommittees of the Executive Risk Management Committee – The Executive Risk Management Committee and its subcommittees provide oversight of the processes whereby the risks assumed across the enterprise are identified, measured, monitored, held within delegated limits and reported in accordance with policy guidelines. They include:

Group Credit Risk Committee – Approves loans within delegated limits and is responsible for ensuring that appropriate credit policies are in place. 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 operational policies and programs for liquidity management and control, funding sources, investments, foreign exchange risk, structural interest rate risk and derivatives risk.

Group Capital Risk Committee – Responsible for the oversight of capital adequacy, CWB's regulatory capital plan, Internal Capital Adequacy and Assessment Process (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.

CWB's risk management framework is anchored in the Three Lines of Defense approach to managing risk, which is fundamental to our operating model, as described below:

Table 27 – Three Lines of Defense

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

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

Regulatory Compliance – Establishes risk-based processes to actively manage known and emerging risks related to applicable regulatory requirements. The group is headed by the Chief Compliance Risk Officer (CCRO). In 2015, responsibilities of the CCRO were fulfilled by the CRO, and the CRO will continue to act in this capacity in 2016.

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 on finance related issues, tax and accounting-related functions. The CFO reports functionally to the Audit Committee.

REPORT ON PRINCIPAL RISKS

While CWB's operations are exposed to numerous types of risk, certain risks, identified as principal, have the greatest potential to materially impact operations and financial performance:

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, prior to formation of the Board Risk Committee in the fourth quarter of 2015, to the Loans Committee of the Board for approval. Commencing in the fourth quarter of 2015, such credit requests are referred to the Group Credit Risk Committee or the Board Risk Committee's loan adjudication panel.

Risk Management

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

- Oversight provided by the Loans Committee of the Board up to the third quarter of 2015; commencing in the fourth quarter of 2015, oversight provided by the Board Risk Committee;
- Delegated lending authorities that are clearly communicated to lenders and other personnel engaged in the credit granting process;
- Credit policies, guidelines and directives which are communicated within all branches, business lines and to officers whose activities and responsibilities include credit granting and risk assessment;
- Appointment of personnel engaged in credit granting who are both qualified and experienced;
- A standard credit risk-rating classification established for all credits;
- A review at least annually of credit risk-rating classifications and individual credit facilities (except consumer loans and single-unit residential mortgages);
- Quarterly review of risk diversification by geographic area, industry sector and product measured against assigned portfolio limits;
- Ongoing development of 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 was reviewed on a quarterly basis by the Loans Committee or Risk Committee of the Board in 2015.

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 $100 million. CWB clients with larger borrowing requirements can be accommodated through loan syndications with other financial institutions.

Environmental Risk

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

Reports on environmental inspections and findings are provided quarterly to the Board or, commencing in the fourth quarter of 2015, the Board Risk Committee. Where financing is provided, Internal Audit will sample test loan files to ensure environmental studies required as a condition of financing are in place, including review for a transmittal letter from the author of the environmental study indicating that it may be relied upon for financing purposes.

Portfolio Quality

CWB's strategy is to maintain a quality, secured and diversified loan portfolio by engaging experienced personnel who provide a hands-on approach in credit granting, account management and timely action when problems develop. Lending 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 National Leasing's representation across all provinces of Canada, residential mortgages underwritten and serviced by Optimum in select regions of Ontario and Atlantic Canada, and participation in syndicated lending facilities primarily led by other Canadian banks.

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

MARKET RISK

Market risk is the impact on earnings and on economic value of equity resulting from changes in financial market variables such as interest rates and foreign exchange rates. Market risk is comprised of structural interest rate risk on the banking book, investment risk on the discretionary portfolios and liquidity and funding risk.

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 have a trading book; it does not undertake market activities such as market making, arbitrage or proprietary trading and, therefore, does not have direct risks related to those activities. A diversified cash and securities portfolio is maintained that is primarily comprised of high quality debt instruments, 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

Market risk is managed in accordance with Board approved market risk policy and the corresponding operational policies. As the first line of defense, Treasury owns and manages the market risk on a daily basis. ALCO provides tactical and strategic direction and is responsible for ongoing oversight, and reviews and endorses the operational policies.

Subcategories of Market Risk

Interest Rate Risk

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

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

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

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

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

- earnings volatility and volatility in the value of CWB's equity;
- risk and return (e.g. increasing duration increases the exposure to rising interest rates, but also enables an interest income pick-up from a positively sloping yield curve); and,
- expected interest rate movements.

While management of the benchmark duration is the responsibility of the first line of defense (recommended by Treasury and approved by ALCO) and detailed in the operational policies, it is important that the resulting risk exposures stay within CWB's risk appetite.

Risk Metrics

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

Earnings at Risk

Earnings at risk (EaR) is defined as the potential reduction in net interest income due to adverse interest rate movements over a one-year horizon. It is measured both against stress scenarios historically observed (historical simulation or historical Value at Risk (VaR)) and standard parallel interest shocks (interest rate sensitivity).

Economic Value of Equity at Risk

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

CWB's Interest Rate Risk Exposures

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods. This is supplemented by historical VaR for economic value of CWB's equity, estimated by applying historical interest rate scenarios to interest sensitive assets and interest sensitive liabilities. These analyses are supplemented by stress testing of the asset liability portfolio structure, duration analysis and dollar estimates of net interest income sensitivity for periods of up to one year after treasury hedging activity. The interest rate gap is measured at least monthly. Note 26 to the consolidated financial statements shows the gap position at October 31, 2015 for select time intervals.

The analysis in Note 26 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 3.5% of total assets at October 31, 2015, down from negative 0.7% one year ago, while the one-month and under cumulative gap was negative 1.5%, compared to 2.7% 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 28. 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 28 – 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	**2015**	2014
90 days	**$ (518)**	$ 2,411
1 year	**(2,989)**	9,185
1 year percentage change	**(0.61)%**	1.98%

Impact of 1% decrease in interest rates		
Period	**2015**	2014
90 days	**$ (43)**	$ (4,889)
1 year	**(201)**	(18,221)
1 year percentage change	**0.04%**	(3.93)%

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, 2015 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 $90.1 million, net of tax (October 31, 2014 – $36.6 million); it is estimated that a one percentage point decrease in all interest rates at October 31, 2015 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 $87.1 million, net of tax (October 31, 2014 – $37.3 million).

Management maintains the asset liability structure and interest rate sensitivity within CWB's established policies through pricing and product initiatives, as well as the use of interest rate swaps and other appropriate strategies. Differences in the respective sensitivity of net interest income and other comprehensive income to changes in interest rates compared to last year primarily reflect the increased use of interest rate swaps to maintain management's targeted asset liability structure and interest rate sensitivity.

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 customers, CWB has assets and liabilities denominated in U.S. dollars. At October 31, 2015, assets denominated in U.S. dollars were 1.0% (2014 – 1.0%) of total assets and U.S. dollar liabilities were 1.0% (2014 – 1.1%) 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. Commencing in the fourth quarter of 2015, the Risk Committee of the Board approves market risk management policies and delegates liquidity risk authorities to senior management.

As the first line of defense, Treasury is responsible for managing the liquidity and funding risk. ALCO oversees the treasury function and provides tactical and strategic guidance. ERM, as the second line of defense, is responsible for independent oversight.

Risk Management

CWB has a comprehensive liquidity risk management policy. Responsibilities assigned to the Board Risk Committee commencing in the fourth quarter of 2015 were previously under the purview of the full Board. 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, Executive Risk Committee and, commencing in the fourth quarter of 2015, the Board Risk Committee. Limit setting establishes acceptable thresholds for liquidity risk;
- Monitoring – Trends and behaviours regarding how clients manage their deposits and loans are monitored to determine appropriate liquidity levels. Active monitoring of the external environment is performed using a wide range of sources and economic barometers;
- Measurement and modeling – CWB's liquidity model measures and forecasts cash inflows and outflows, including any cash flows related to applicable off-balance sheet activities over various risk scenarios;
- Reporting – Treasury oversight of all significant liquidity risks that support analysis, risk measurement, stress testing, monitoring and reporting to both ALCO and, commencing in the fourth quarter of 2015, the Board Risk Committee;
- 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 Requirement. Stress test results are reviewed by ALCO and considered in making liquidity management decisions. Liquidity stress testing has many purposes, including, but not limited to:
  - helping the Board Risk Committee and senior management understand the potential behaviour of various positions on CWB's balance sheet in circumstances of stress; and,
  - facilitating the development of effective funding, risk mitigation and contingency plans.
- Contingency planning – A liquidity contingency plan is maintained that defines a liquidity event and specifies the desired approaches for analyzing and responding to actual and potential liquidity events. The plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential countermeasures to be considered at various stages of an event;
- Funding diversification – CWB actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. Supplementary funding sources currently include securitization, capital market issuance and whole loan sales; and,
- Core liquidity – CWB maintains a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company-specific events.

Since its introduction on January 1, 2015, CWB has remained in compliance with OSFI's Liquidity Coverage Ratio (LCR) and the Net Cumulative Cash Flow monitoring tool.

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, 2015:

Table 29 – Contractual Obligations

($ thousands)

	Within 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years	Total
Lease commitments	$ 12,123	$ 19,196	$ 16,497	$ 40,479	$ 88,295
Purchase obligations for operating and capital expenditures	4,931	3,486	2,931	–	11,348
October 31, 2015	**$ 17,054**	**$ 22,682**	**$ 19,428**	**$ 40,479**	**$ 99,643**
October 31, 2014	$ 15,253	$ 24,607	$ 19,534	$ 46,178	$ 105,572

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, 2015.

Table 30 – Credit Ratings

	The following CWB ratings issued by DBRS, along with the corresponding outlook, were last confirmed on October 29, 2015.				
	Long-term senior debt and deposits	**Short-term debt**	**Subordinated debentures**	**Preferred shares**	**Outlook**
DBRS	A (low)	R1 (low)	BBB (high)	Pfd-3	Stable

CAPITAL RISK

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

Risk Overview

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

- Capital management involves a dynamic and ongoing process to determine, allocate and maintain appropriate amounts of capital.
- The optimal amount and composition of capital must consider regulatory 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 approves the annual regulatory capital plan, Internal Capital Adequacy Assessment Process (ICAAP) and capital management policies. The Group Capital Risk Committee is responsible for capital risk management. The Chief Financial Officer (CFO) as the head of Finance is responsible for the available capital as the supply side, whereas the CRO as the head of Risk is responsible for risk capital as the demand side. In addition, Finance, Risk, Strategy and Communications, and Credit Analytics comprise the ICAAP core team and are closely involved in capital management. The core team 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 annual regulatory capital plan, inclusive of the capital management policy and three-year capital projections;
- A quarterly regulatory capital risk update delivered to the Board;
- Consolidated forecast models used to analyze the likely capital impact of projected operations, stress testing and/or significant transactions; and,
- Regulatory capital ratios reported to senior management and the Board on a monthly basis.

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

OPERATIONAL RISK

Operational risk is 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, up to May 1, 2015, 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 2015 or 2014.

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 as the first line of defense 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 commencing in the fourth quarter of 2015 by the Board Risk Committee, formerly by the full Board, the Executive Risk Management Committee and senior management. ERM, as the second line of defense is responsible for the continual enhancement of the Group Operational Risk Framework and supporting policies. The Board Risk Committee has ultimate oversight and approves the Group's Operational Risk Management Framework with support from other 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).

Subcategories of Operational Risk

Regulatory Compliance Risk

Regulatory compliance 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 timeframes 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. CWB has intensified its efforts for regulatory compliance risk management. A number of initiatives are underway to further its compliance risk management capabilities.

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 mid-fiscal 2016), which further increase risk exposure related to information systems and technology.

Cyber Security Risk

Cyber security risk is related to the ongoing threat that systems and their data may be attacked, damaged or subject to unauthorized access.

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

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 its 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 was exposed to insurance risk through its wholly owned subsidiary, CDI, which offered home and auto insurance to customers in BC and Alberta until CDI was sold on May 1, 2015. Accordingly, CWB's operations were subject to uncertainties and fluctuations in earnings based on elements of risk associated with these lines of business. These elements included cyclical patterns in the industry and unpredictable developments, including weather-related and other natural catastrophes. CDI carried 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 were established to manage insurance-related risk, as well as other categories of risk to which CWB was 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, was mitigated by reinsurance treaties that protected 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 performed financial due diligence on prospective reinsurers and only purchases coverage from a list of reviewed and approved companies.

CDI was exposed to regulatory risk as the insurance business is regulated by both federal and provincial authorities. This risk was 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 risk up to May 1, 2015, 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 30, 2015, there were 80,526,763 common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 5,222,320 common shares for maximum proceeds of $158 million. On December 2, 2015, CWB's Board of Directors declared a cash dividend of $0.23 per common share, payable on January 7, 2016 to shareholders of record on December 15, 2015. The Board of Directors also declared a cash dividend of $0.275 per Series 5 Preferred Share payable on January 31, 2016 to shareholders of record on January 22, 2016.

CONTROLS AND PROCEDURES

As of October 31, 2015, 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, 2015, 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.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued the 2013 Internal Controls – Integrated Framework effective December 15, 2014, which is an updated version of the 1992 Internal Controls – Integrated Framework. Management's evaluations at October 31, 2015 were conducted in accordance with the framework and criteria established in the 2013 Internal Controls – Integrated Framework, and the requirements of National 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.

There were no changes in CWB's internal controls over financial reporting that occurred during the year ended October 31, 2015 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 2, 2015.

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

We, as CWB's Chief Executive Officer and Chief Financial Officer, will certify CWB's annual filings with the CSA as required by National Instrument 52-109 (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 Financial Officer, 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

Chris Fowler
President and Chief Executive Officer

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

December 2, 2015

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, 2015 and October 31, 2014, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Western Bank as at October 31, 2015 and October 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
Edmonton, Canada

December 2, 2015

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2015	As at October 31 2014[1]
Assets			
Cash Resources	(Note 4)		
Cash and non-interest bearing deposits with financial institutions		**$ 23,949**	$ 13,320
Interest bearing deposits with regulated financial institutions		**412,768**	491,255
Cheques and other items in transit		**6,705**	3,839
		443,422	508,414
Securities	(Note 5)		
Issued or guaranteed by Canada		**1,364,862**	764,213
Issued or guaranteed by a province or municipality		**620,904**	560,482
Other debt securities		**346,299**	290,362
Preferred shares		**143,868**	321,217
Common shares		**75,179**	152,931
		2,551,112	2,089,205
Securities Purchased under Resale Agreements	(Note 6)	**–**	99,566
Loans	(Note 7)		
Personal		**3,318,254**	2,841,154
Business		**16,251,530**	14,764,543
		19,569,784	17,605,697
Allowance for credit losses	(Note 8)	**(94,401)**	(69,208)
		19,475,383	17,536,489
Other			
Property and equipment	(Note 9)	**61,356**	66,257
Goodwill	(Note 10)	**43,781**	50,408
Intangible assets	(Note 10)	**106,103**	85,137
Derivative related	(Note 11)	**23,245**	5,420
Other assets	(Note 12)	**134,125**	128,386
Insurance related	(Note 3)	**–**	65,764
		368,610	401,372
Total Assets		**$ 22,838,527**	$ 20,635,046
Liabilities and Equity			
Deposits	(Note 13)		
Personal		**$ 11,416,621**	$ 9,832,669
Business and government		**7,948,786**	7,540,345
		19,365,407	17,373,014
Other			
Cheques and other items in transit		**60,258**	54,826
Derivative related	(Note 11)	**4,503**	386
Other liabilities	(Note 15)	**308,837**	309,334
Insurance related	(Note 3)	**–**	165,903
		373,598	530,449
Debt	(Note 16)		
Subordinated debentures		**625,000**	625,000
Debt securities		**562,623**	411,990
		1,187,623	1,036,990
Equity			
Preferred shares	(Note 17)	**125,000**	125,000
Common shares	(Note 17)	**537,511**	533,038
Retained earnings		**1,261,678**	1,011,147
Share-based payment reserve		**29,210**	25,339
Other reserves		**(42,492)**	(997)
Total Shareholders' Equity		**1,910,907**	1,693,527
Non-controlling interests	(Note 19)	**992**	1,066
Total Equity		**1,911,899**	1,694,593
Total Liabilities and Equity		**$ 22,838,527**	$ 20,635,046

(1) Comparative information has been restated to reflect the presentation of the allowance for credit losses related to committed but undrawn credit exposures, as described in Note 31.

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)

		2015	2014(1)
Interest Income			
Loans		$ 855,367	$ 799,909
Securities		40,381	38,434
Deposits with regulated financial institutions		2,522	4,992
		898,270	843,335
Interest Expense			
Deposits		316,838	311,218
Debt		37,960	32,552
		354,798	343,770
Net Interest Income		543,472	499,565
Provision for Credit Losses	(Note 8)	31,009	25,057
Net Interest Income after Provision for Credit Losses		512,463	474,508
Non-interest Income			
Credit related		27,855	25,014
Wealth management		14,448	13,871
Retail services		13,697	11,398
Trust services		10,816	10,920
Gains (losses) on securities, net		(4,324)	13,615
Other		4,818	8,217
		67,310	83,035
Net Interest and Non-interest Income		579,773	557,543
Non-interest Expenses			
Salaries and employee benefits		191,289	175,623
Premises and equipment		47,478	43,767
Other expenses		54,722	50,110
		293,489	269,500
Net Income before Income Taxes from Continuing Operations		286,284	288,043
Income Taxes	(Note 22)	71,319	70,005
Net Income from Continuing Operations		214,965	218,038
Net Income Attributable to Non-controlling Interests		1,401	1,240
Shareholders' Net Income from Continuing Operations		213,564	216,798
Preferred share dividends		5,500	11,510
Common Shareholders' Net Income from Continuing Operations		208,064	205,288
Common Shareholders' Net Income from Discontinued Operations	(Note 3)	111,637	13,261
Common Shareholders' Net Income		$ 319,701	$ 218,549
Average number of common shares (in thousands)		80,442	80,034
Average number of diluted common shares (in thousands)		80,582	80,955
Earnings Per Common Share	(Note 23)		
Basic - Combined Operations		$ 3.97	$ 2.73
- Continuing Operations		2.59	2.57
- Discontinued Operations		1.38	0.16
Diluted - Combined Operations		3.97	2.70
- Continuing Operations		2.59	2.54
- Discontinued Operations		1.38	0.16

(1) Comparative information has been restated to reflect the presentation of Discontinued Operations as described in Note 3.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended October 31
($ thousands)

	2015	2014
Net Income from Continuing Operations	**$ 214,965**	$ 218,038
Common Shareholders' Net Income from Discontinued Operations	**111,637**	13,261
Net Income from Combined Operations	**326,602**	231,299
Available-for-sale securities		
Gains (losses) from change in fair value(1)	**(59,593)**	12,882
Reclassification to net income(2)	**6,612**	(10,287)
	(52,981)	2,595
Derivatives designated as cash flow hedges		
Gains from change in fair value(3)	**7,846**	3,372
Reclassification to net income(4)	**3,640**	(3,575)
	11,486	(203)
Other Comprehensive Income (Loss), Net of Tax, for the Year	**(41,495)**	2,392
Comprehensive Income for the Year	**$ 285,107**	$ 233,691
Comprehensive income for the year attributable to:		
Shareholders of CWB	**$ 283,706**	$ 232,451
Non-controlling interests	**1,401**	1,240
Comprehensive Income for the Year	**$ 285,107**	$ 233,691

(1) Net of income tax of $22,033 (2014 – $4,697).
(2) Net of income tax of $2,403 (2014 – $3,712).
(3) Net of income tax of $2,887 (2014 – $1,139).
(4) Net of income tax of $1,339 (2014 – $1,208).

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)

		2015	2014
Retained Earnings			
Balance at beginning of year		$ 1,011,147	$ 858,167
Shareholders' net income from Continuing Operations		213,564	216,798
Common shareholders' net income from Discontinued Operations		111,637	13,261
Dividends - Preferred shares	(Note 17)	(5,500)	(11,510)
- Common shares	(Note 17)	(69,170)	(62,408)
Issuance costs on preferred shares		–	(3,161)
Balance at end of year		1,261,678	1,011,147
Other Reserves			
Balance at beginning of year		(997)	(3,389)
Changes in available-for-sale securities		(52,981)	2,595
Changes in derivatives designated as cash flow hedges		11,486	(203)
Balance at end of year		(42,492)	(997)
Preferred Shares	(Note 17)		
Balance at beginning of year		125,000	208,815
Shares issued		–	125,000
Shares redeemed		–	(208,815)
Balance at end of year		125,000	125,000
Common Shares	(Note 17)		
Balance at beginning of year		533,038	510,282
Issued under dividend reinvestment plan		3,650	16,467
Transferred from share-based payment reserve on the exercise or exchange of options		823	5,223
Issued on exercise of options		–	1,066
Balance at end of year		537,511	533,038
Share-Based Payment Reserve	(Note 18)		
Balance at beginning of year		25,339	24,632
Amortization of fair value of options		4,694	5,930
Transferred to common shares on the exercise or exchange of options		(823)	(5,223)
Balance at end of year		29,210	25,339
Total Shareholders' Equity		1,910,907	1,693,527
Non-Controlling Interests			
Balance at beginning of year		1,066	1,062
Net income attributable to non-controlling interests		1,401	1,240
Dividends to non-controlling interests		(1,376)	(1,139)
Partial ownership increase		(99)	(97)
Balance at end of year		992	1,066
Total Equity		$ 1,911,899	$ 1,694,593

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended October 31
($ thousands)

		2015	2014
Cash Flows from Operating Activities			
Net income from Continuing Operations		$ 214,965	$ 218,038
Common shareholders' net income from Discontinued Operations		111,637	13,261
Adjustments to determine net cash flows:			
Gains on sale of Discontinued Operations	(Note 3)	(107,808)	–
Provision for credit losses		31,009	25,057
Depreciation and amortization		21,417	21,685
Current income taxes receivable and payable		1,054	10,254
Amortization of fair value of employee stock options		4,694	5,930
Accrued interest receivable and payable, net		3,157	6,604
Gain on securities, net		4,607	(13,999)
Deferred taxes, net		(4,589)	(5,014)
Gain on disposal of property and equipment		–	(4,698)
Change in operating assets and liabilities			
Deposits, net		1,992,393	1,741,974
Loans, net		(1,969,903)	(1,967,717)
Securities purchased under resale agreements, net		99,566	(99,566)
Other items, net		(8,911)	13,327
		393,288	(34,864)
Cash Flows from Financing Activities			
Common shares issued	(Note 17)	3,650	17,533
Preferred shares issued, net of issuance costs	(Note 17)	–	121,839
Preferred shares redeemed	(Note 17)	–	(208,815)
Debt securities issued		371,336	332,261
Debt securities repaid		(220,703)	(115,922)
Dividends		(74,670)	(73,918)
Distributions to non-controlling interests		(1,376)	(1,139)
		78,237	71,839
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		44,411	(232,766)
Securities, purchased		(6,663,035)	(6,779,305)
Securities, sales proceeds		4,979,789	4,329,567
Securities, matured		1,001,632	2,604,572
Proceeds from disposal of Discontinued Operations	(Note 3)	215,710	–
Proceeds from disposal of property and equipment		–	7,263
Property, equipment and intangibles		(41,153)	(38,212)
Partial ownership increase		(816)	–
		(463,462)	(108,881)
Change in Cash and Cash Equivalents		8,063	(71,906)
Cash and Cash Equivalents at Beginning of Year		(37,667)	34,239
Cash and Cash Equivalents at End of Year *		$ (29,604)	$ (37,667)
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		$ 23,949	$ 13,320
Cheques and other items in transit (included in Cash Resources)		6,705	3,839
Cheques and other items in transit (included in Other Liabilities)		(60,258)	(54,826)
Cash and Cash Equivalents at End of Year		$ (29,604)	$ (37,667)
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		$ 918,485	$ 845,603
Interest paid		345,762	333,479
Income taxes paid		81,455	68,362

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

a) Reporting Entity

Canadian Western Bank (CWB) is a publicly traded 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 2, 2015.

b) Basis of Consolidation

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

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

c) Statement of Compliance

These consolidated financial statements of CWB have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with subsection 308 (4) of the Bank Act and the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of OSFI, are summarized below and in the following notes.

d) Use of Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires CWB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements as well as the reported amount of revenues and expenses during the period. Key areas of estimation where CWB has made subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the allowance for credit losses, fair value of financial instruments, goodwill and intangible assets, provisions 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.

e) Significant Judgments

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

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

f) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the acquisition date. Contingent consideration is considered a financial instrument and, as such, is remeasured each period thereafter with the adjustment recorded to 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) Held for Sale Classification and Discontinued Operations

Assets and liabilities subject to a plan of disposal are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when a sale is highly probable and the assets are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of this nature. For a sale to be highly probable, management must be committed to sell the assets and liabilities within one year from the date of classification. Assets and liabilities classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is recognized as a reduction to the carrying amount of the assets held for sale.

Discontinued Operations are presented if the operations and cash flows can be clearly distinguished operationally and financially from the rest of CWB, and if it represents a separate major line of business or geographic area of operations that either has been disposed of, is classified as held for sale, or is part of a single coordinated plan of disposal.

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

i) Provisions and Contingent Liabilities

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

j) Insurance Operations

On May 1, 2015, CWB sold its insurance subsidiary, Canadian Direct Insurance (Note 3). Significant accounting policies related to insurance operations prior to the sale included:

Insurance Contracts – Classification

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

Premiums Earned and Deferred Policy Acquisition Costs

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

Policy acquisition costs were those expenses incurred in the acquisition of insurance business. Acquisition costs comprised 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 were only deferred, and included in other assets, to the extent that they were expected to be recovered from unearned premiums and were amortized to income over the periods in which the premiums were earned. If the unearned premiums were not sufficient to pay expected claims and expenses (including policy maintenance expenses and unamortized policy acquisition costs), a premium deficiency was said to exist. Anticipated investment income was considered in determining whether a premium deficiency exists. Premium deficiencies were recognized by writing down the deferred policy acquisition cost asset.

Liability Adequacy Test

At the end of each reporting period, liability adequacy tests were performed to ensure the adequacy of the contract liabilities, net of related deferred policy acquisition costs (DPAC). In performing these tests, best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting the provisions, were used. Any deficiency was 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 represented the amounts needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that had occurred but not been settled on or before each balance sheet date. The provision for adjustment expenses represented the estimated ultimate expected costs of investigating, resolving and processing these claims. These provisions were included in other liabilities and their computation accounted for 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 involved risks that the actual results would deviate from the best estimates made. These risks varied 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 were required to include explicit provisions for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development and recoverability of reinsurance balances.

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

Reinsurance Ceded

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

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

Reinsurance assets were assessed for impairment on an annual basis. If there was objective evidence that the reinsurance asset was impaired, the carrying amount of the reinsurance asset was reduced to its recoverable amount and the impairment loss was recognized in the income statement. Objective evidence that a reinsurance asset was impaired was 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
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from the reinsurance asset since its initial recognition.

Underwriting Policy and Reinsurance Ceded

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

Reinsurance with a limit of $320,000 (2014 – $320,000) was obtained to protect against certain catastrophic losses. Retention on catastrophic events was $5,000 (2014 – $5,000), on property per risk events was $1,000 (2014 – $1,000) and on casualty events was $2,000 (2014 – $2,000). For the British Columbia automobile insurance product, retentions were further reduced by the underlying mandatory coverage provided by the provincially governed Crown corporation. Reinsurance coverage was 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 had a minimum rating of A- from Standard & Poor's or A.M. Best. In addition, reinsurance treaties had a special termination clause allowing CWB to change a reinsurer during the term of the agreement if the reinsurer's rating fell below a specified level.

k) Specific Accounting Policies

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

Note	**Topic**
2	Financial instruments
3	Strategic transactions
4	Cash resources
5	Securities
6	Securities purchased under resale agreements
7	Loans
8	Allowance for credit losses
9	Property and equipment
10	Goodwill and intangible assets
11	Derivative financial instruments
12	Other assets
13	Deposits
14	Interest in unconsolidated structured entity
15	Other liabilities
16	Debt
17	Capital stock
18	Share-based payments
19	Non-controlling interests
20	Contingent liabilities and commitments
21	Employee future benefits
22	Income taxes
23	Earnings per common share
24	Assets under administration and management
25	Related party transactions
26	Interest rate sensitivity
27	Fair value of financial instruments
28	Risk management
29	Capital management
30	Subsidiaries
31	Comparative figures

l) 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

The IASB has issued the complete version of IFRS 9, which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses classification and measurement of financial assets and liabilities, impairment and hedge accounting.

Under the finalized guidance, IFRS 9 specifies that financial assets be classified into one of three categories (amortized cost, fair value through profit or loss or fair value through other comprehensive income) based on the cash flow characteristics and the business model under which the assets are held. Classification of financial liabilities is unchanged, but for financial liabilities measured at fair value, changes in fair value of an entity's own credit risk will be recognized in other comprehensive income rather than in profit or loss. The final standard also introduces a new "expected credit loss" model for calculating impairment on all financial assets classified at amortized cost or fair value through comprehensive income, with the most significant impact being to loans. Specifically, IFRS 9 requires entities to recognize 12-month expected credit losses from the date a financial asset is first recognized and to recognize lifetime expected credit losses if there is a significant increase in credit risk since inception. IFRS 9 also introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management.

IFRS 9 will be mandatorily effective for CWB's fiscal year beginning on November 1, 2018, and early adoption is permitted. In January 2015, OSFI determined that Domestic Systemically Important Banks (D-SIBs) should adopt IFRS 9 beginning November 1, 2017, while early adoption is permitted but not required for other federally regulated Canadian banks with October year ends, such as CWB. CWB has not yet determined if it will early adopt this standard.

During 2015, CWB commenced its IFRS 9 transition project focused on the three main areas of IFRS 9: classification and measurement, impairment, and hedge accounting. CWB is analyzing the impact of the accounting policy changes under IFRS 9 on its consolidated financial statements and further details will be provided as the project progresses.

IFRS 15 – Revenue from Contracts with Customers

The IASB has 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 contracts with customers. The new standard does not apply to financial instruments or lease contracts, which fall in the scope of other IFRSs. In 2015, the IASB announced that the IFRS 15 mandatory adoption date would be deferred for one year. As such, the standard will be effective for CWB's fiscal year beginning November 1, 2018, 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 and leases) 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 2015 Annual Report.

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

3. STRATEGIC TRANSACTIONS

The sales of CWB's property and casualty insurance subsidiary, Canadian Direct Insurance (CDI), and the stock transfer business of its subsidiary, Valiant Trust Company, closed effective May 1, 2015. The transactions consisted of the sale of 100% of the shares of CDI as well as the transfer of certain operating assets, systems and employees that supported the stock transfer business. The assets and liabilities included in the sales were not classified as held for sale prior to the announcement of the strategic transactions in early 2015 and no impairment losses were recognized related to the assets.

Revenues, expenses and gains on sale associated with the businesses sold are reflected in common shareholders' net income from Discontinued Operations in the consolidated income statements.

The gain, which reflects sales proceeds less the net carrying value of the assets and liabilities sold and related transaction costs, is calculated as follows:

	2015
Sale proceeds(1)	$ 220,943
Transaction costs	5,233
Net proceeds	215,710
Net assets sold	81,493
Net Gain on Sale Before Income Taxes and Reclassification of Unrealized Losses from Other Comprehensive Income (OCI)	134,217
Income taxes	22,955
Net Gain on Sale Before Reclassification of Unrealized Losses from OCI	111,262
Unrealized losses reclassified from OCI, net of tax	3,454
Net Gain on Sale	$ 107,808

(1) The sale proceeds may be subject to further post-closing adjustments and costs which are expected to be completed in 2016.

The components of the net assets sold are comprised of the following:

	As at May 1, 2015
Assets Sold	
Cash Resources	
Interest-bearing deposits with regulated financial institutions(1)	$ 34,790
Securities(2)	123,724
Other	
Insurance related	60,927
Goodwill and intangible assets	9,376
Property and equipment	1,780
Other assets	9,144
	81,227
Total Assets Sold	239,741
Liabilities Transferred	
Insurance related	151,274
Other liabilities	6,974
Total Liabilities Transferred	158,248
Net Assets Sold	$ 81,493

(1) Includes unrealized gains on interest-bearing deposits with regulated financial institutions of $405.
(2) Includes unrealized losses on securities of $4,795.

The consolidated statements of income have been restated to show the results of Discontinued Operations separately from Continuing Operations for all periods. The components of net income from Discontinued Operations, which are attributable entirely to CWB common shareholders, are as follows:

	2015(1)	2014
Interest Income		
Securities	$ 3,389	$ 5,662
Deposits with regulated financial institutions	73	293
	3,462	5,955
Non-interest Income		
Net earned premiums	66,262	130,410
Commissions and processing fees	742	1,580
Net claims and adjustment expenses	(44,451)	(85,997)
Policy acquisition costs	(13,137)	(25,079)
Insurance revenues, net	9,416	20,914
Trust services	3,221	9,076
Gains (losses) on securities, net	(283)	384
	12,354	30,374
Net Interest and Non-interest Income	15,816	36,329
Non-interest Expenses		
Salaries and employee benefits	6,596	12,247
Premises and equipment	2,572	5,300
Other expenses	1,936	1,925
	11,104	19,472
Net Income from Discontinued Operations before Income Taxes	4,712	16,857
Income taxes	883	3,596
Net Income from Discontinued Operations before Net Gain on Sale	3,829	13,261
Net gain on sale	107,808	–
Common Shareholders' Net Income from Discontinued Operations	$ 111,637	$ 13,261

(1) Fiscal 2015 results include operations from November 1, 2014 to April 30, 2015 compared to twelve full months in fiscal 2014.

The details of the cash flows from Discontinued Operations, excluding the net proceeds of $215,710, included in the consolidated statements of cash flows are as follows:

	2015	2014
Net cash provided by (used in) operating activities	$ (13,975)	$ 10,770
Net cash provided by (used in) financing activities	(8,000)	(6,000)
Net cash provided by (used in) investing activities	22,028	(4,772)
Increase (Decrease) in Cash and Cash Equivalents	$ 53	$ (2)

4. CASH RESOURCES

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

Interest-bearing deposits with regulated financial institutions included in cash resources have been designated as available-for-sale and are reported on the consolidated balance sheets at fair value with changes in fair value reported in other comprehensive income, net of income taxes. At October 31, 2015, the fair value of deposits with regulated financial institutions was $412,768 (October 31, 2014 – $491,255), which is $377 lower (October 31, 2014 – $91 higher) than amortized cost.

5. SECURITIES

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

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

At each reporting date, CWB assesses whether there is objective evidence that available-for-sale securities are impaired. Objective evidence that a security is impaired can include significant financial difficulty of the issuer, indications that an issuer will enter bankruptcy or the lack of an active market for a security. In addition, for certain equity securities, a significant or prolonged decline in fair value below 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 (losses) on securities, net'. The reclassified amount is the difference between the cost, net of any principal repayment and amortization, and the fair value, less any impairment previously recognized in net income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss is reversed, with the reversal recognized in net income. However, if, in a subsequent period, the fair value of an impaired available-for-sale equity security increases, the recovery is recognized in accumulated other comprehensive income until the equity security is sold or redeemed.

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

	Maturities				As at	As at
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	October 31 2015	October 31 2014
Securities issued or guaranteed by						
Canada	$ 18,010	$ 100,021	$ 1,190,753	$ 56,078	$ 1,364,862	$ 764,213
A province or municipality	14,997	51,119	395,481	159,307	620,904	560,482
Other debt securities	107,075	185,563	53,661	–	346,299	290,362
Preferred shares	27,371	34,874	81,623	–	143,868	321,217
Common shares(1)	–	–	–	75,179	75,179	152,931
Total	$ 167,453	$ 371,577	$ 1,721,518	$ 290,564	$ 2,551,112	$ 2,089,205

(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, 2015				As at October 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities issued or guaranteed by								
Canada	$ 1,373,476	$ 296	$ 8,910	$ 1,364,862	$ 763,866	$ 426	$ 79	$ 764,213
A province or municipality	626,300	84	5,480	620,904	559,923	659	100	560,482
Other debt securities	347,322	12	1,035	346,299	289,490	949	77	290,362
Preferred shares	198,325	–	54,457	143,868	325,051	2,222	6,056	321,217
Common shares	81,528	800	7,149	75,179	154,359	5,830	7,258	152,931
Total	$ 2,626,951	$ 1,192	$ 77,031	$ 2,551,112	$ 2,092,689	$ 10,086	$ 13,570	$ 2,089,205

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. As at October 31, 2015, CWB assessed the securities with unrealized losses and based on available objective evidence, no impairment charges were included in gains (losses) on securities, net (2014 – $1,200). Unrealized losses related to these instruments resulted from changes in interest rates and not from deterioration in the creditworthiness of the issuers and it has been determined that there is no additional significant impairment.

6. 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.

7. LOANS

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

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

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

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

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

	As at October 31, 2015				As at October 31, 2014			
	Gross Amount	Gross Impaired Amount[(2)]	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount[(2)]	Specific Allowance	Net Impaired Loans
Personal	$ 3,318,254	$ 16,145	$ 262	$ 15,883	$ 2,841,154	$ 15,294	$ 518	$ 14,776
Business								
Real estate[(1)]	7,460,414	32,541	1,770	30,771	6,810,834	26,058	909	25,149
Commercial	4,658,219	3,870	128	3,742	4,263,501	6,544	631	5,913
Equipment financing and energy	4,132,897	42,349	13,646	28,703	3,690,208	14,224	3,465	10,759
Total	$19,569,784	$ 94,905	$ 15,806	79,099	$ 17,605,697	$ 62,120	$ 5,523	56,597
Collective allowance[(3)]				(99,613)				(90,075)
Net impaired loans after collective allowance				$ (20,514)				$ (33,478)

(1) Multi-family residential mortgages are included in real estate loans.
(2) Gross impaired loans include foreclosed assets with a carrying value of $979 (2014 – $2,393). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit loss includes amounts related to committed but undrawn credit exposures and is not allocated by loan type.

During the year, interest recognized as income on impaired loans totalled $2,019 (2014 – $1,264).

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

	As at October 31, 2015			As at October 31, 2014		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 41,749	$ 11,020	$ 30,729	$ 17,742	$ 2,508	$ 15,234
British Columbia	30,539	1,932	28,607	32,862	1,039	31,823
Ontario	9,256	1,019	8,237	6,336	877	5,459
Saskatchewan	8,437	606	7,831	1,968	384	1,584
Manitoba	1,539	240	1,299	1,695	152	1,543
Other	3,385	989	2,396	1,517	563	954
Total	$ 94,905	$ 15,806	79,099	$ 62,120	$ 5,523	56,597
Collective allowance[(1)]			(99,613)			(90,075)
Net impaired loans after collective allowance			$ (20,514)			$ (33,478)

(1) The collective allowance for credit loss includes amounts related to committed but undrawn credit exposures and 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, 2015	1 - 30 days	31 - 60 days	61 - 90 days	90 days	Total
Personal	$ 21,516	$ 16,470	$ 3,160	$ 1,336	$ 42,482
Business	59,953	30,253	5,714	2,159	98,079
	$ 81,469	$ 46,723	$ 8,874	$ 3,495	$ 140,561
As at October 31, 2014	$ 53,610	$ 35,908	$ 4,412	$ 2,299	$ 96,229

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

October 31, 2015								Composition Percentage	
($ millions)	BC	AB	ON	SK	MB	Other	Total	Oct. 31 2015	Oct. 31 2014
Personal	$ 938	$ 1,210	$ 830	$ 189	$ 92	$ 59	$ 3,318	17%	16%
Business									
Real estate	3,204	3,226	376	476	116	63	7,461	38	39
Commercial	1,713	1,999	414	239	185	108	4,658	24	24
Equipment financing and energy(1)	684	1,643	718	399	147	542	4,133	21	21
	5,601	6,868	1,508	1,114	448	713	16,252	83	84
Total Loans(2)	$ 6,539	$ 8,078	$ 2,338	$ 1,303	$ 540	$ 772	$ 19,570	100%	100%
Composition Percentage									
October 31, 2015	33%	41%	12%	7%	3%	4%	100%		
October 31, 2014	34%	41%	12%	7%	3%	3%	100%		

(1) Includes securitized leases reported on-balance sheet of $635 (2014 – $465).
(2) This table does not include an allocation of the allowance for credit losses.

8. ALLOWANCE FOR CREDIT LOSSES

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

Specific Allowance

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

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

Collective Allowance

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

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

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

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

	2015			2014		
	Specific Allowance	**Collective Allowance**	**Total**	Specific Allowance	Collective Allowance	Total
Balance at beginning of year	**$ 5,523**	**$ 90,075**	**$ 95,598**	$ 9,569	$ 76,217	$ 85,786
Provision for credit losses	**21,471**	**9,538**	**31,009**	11,199	13,858	25,057
Write-offs	**(15,810)**	**–**	**(15,810)**	(17,069)	–	(17,069)
Recoveries	**4,622**	**–**	**4,622**	1,824	–	1,824
Balance at end of year	**$ 15,806**	**$ 99,613**	**$ 115,419**	$ 5,523	$ 90,075	$ 95,598
Represented by:						
Loans	**$ 15,806**	**$ 78,595**	**$ 94,401**	$ 5,523	$ 63,685	$ 69,208
Committed but undrawn credit exposures[1] (Note 15)	**–**	**21,018**	**21,018**	–	26,390	26,390
Total allowance	**$ 15,806**	**$ 99,613**	**$ 115,419**	$ 5,523	$ 90,075	$ 95,598

(1) Comparative information has been restated to reflect the presentation of the allowance for credit losses related to committed but undrawn credit exposures, as described in Note 31.

9. 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, 2014	**$ 69,000**	**$ 18,539**	**$ 31,073**	**$ 37,696**	**$ 156,308**
Additions	**3,213**	**124**	**2,179**	**2,770**	**8,286**
Disposals	**–**	**–**	**–**	**(578)**	**(578)**
Sale of businesses (Note 3)	**(3,419)**	**–**	**(7,207)**	**(2,774)**	**(13,400)**
Balance at October 31, 2015	**68,794**	**18,663**	**26,045**	**37,114**	**150,616**
Accumulated depreciation and impairment					
Balance at November 1, 2014	**36,558**	**3,830**	**23,760**	**25,903**	**90,051**
Depreciation for the year	**5,542**	**588**	**2,418**	**2,859**	**11,407**
Disposals	**–**	**–**	**–**	**(578)**	**(578)**
Sale of businesses (Note 3)	**(3,008)**	**–**	**(6,325)**	**(2,287)**	**(11,620)**
Balance at October 31, 2015	**39,092**	**4,418**	**19,853**	**25,897**	**89,260**
Net carrying amount at October 31, 2015	**$ 29,702**	**$ 14,245**	**$ 6,192**	**$ 11,217**	**$ 61,356**
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

10. 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);
- McLean & Partners Wealth Management Ltd. (M&P);
- Adroit Investment Management Ltd. (AIM);
- Valiant Trust Company (VTC); and,
- Canadian Direct Insurance Incorporated (CDI).

		NL	M&P	AIM	VTC	CDI	Total
Balance at November 1, 2014		**$ 35,776**	**$ 3,888**	**$ 3,811**	**$ 3,679**	**$ 3,254**	**$ 50,408**
Sale of businesses	(Note 3)	**–**	**–**	**–**	**(3,679)**	**(3,254)**	**(6,933)**
Partial ownership change		**–**	**306**	**–**	**–**	**–**	**306**
Balance at October 31, 2015		**$ 35,776**	**$ 4,194**	**$ 3,811**	**$ –**	**$ –**	**$ 43,781**
Balance at November 1, 2013		$ 35,776	$ 3,888	$ 2,827	$ 3,679	$ 3,254	$ 49,424
Partial ownership change		–	–	984	–	–	984
Balance at October 31, 2014		$ 35,776	$ 3,888	$ 3,811	$ 3,679	$ 3,254	$ 50,408

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
- Other: 3 to 5 years

	Computer Software	Customer Relationships	Non-competition Agreements	Trademarks and Trade Names	Other	Total
Cost						
Balance at November 1, 2014	**$ 88,740**	**$ 43,196**	**$ 9,719**	**$ 2,811**	**$ 4,680**	**$ 149,146**
Additions	**32,867**	**–**	**–**	**–**	**–**	**32,867**
Partial ownership change	**–**	**330**	**181**	**41**	**–**	**552**
Sale of businesses (Note 3)	**(10,798)**	**(3,950)**	**(130)**	**(300)**	**(200)**	**(15,378)**
Disposals	**(1,395)**	**–**	**–**	**–**	**–**	**(1,395)**
Balance at October 31, 2015	**109,414**	**39,576**	**9,770**	**2,552**	**4,480**	**165,792**
Accumulated amortization						
Balance at November 1, 2014	**39,003**	**16,235**	**6,648**	**–**	**2,123**	**64,009**
Amortization	**5,540**	**2,971**	**1,007**	**–**	**492**	**10,010**
Sale of businesses (Note 3)	**(8,655)**	**(3,950)**	**(130)**	**–**	**(200)**	**(12,935)**
Disposals	**(1,395)**	**–**	**–**	**–**	**–**	**(1,395)**
Balance at October 31, 2015	**34,493**	**15,256**	**7,525**	**–**	**2,415**	**59,689**
Net carrying amount at October 31, 2015	**$ 74,921**	**$ 24,320**	**$ 2,245**	**$ 2,552**	**$ 2,065**	**$ 106,103**

	Computer Software	Customer Relationships	Non-competition Agreements	Trademarks and Trade Names	Other	Total
Cost						
Balance at November 1, 2013	$ 65,403	$ 42,710	$ 9,719	$ 2,709	$ 3,730	$ 124,271
Partial ownership change	–	486	–	102	–	588
Additions	23,337	–	–	–	950	24,287
Balance at October 31, 2014	88,740	43,196	9,719	2,811	4,680	149,146
Accumulated amortization						
Balance at November 1, 2013	33,873	13,192	5,231	–	1,778	54,074
Amortization	5,130	3,043	1,417	–	345	9,935
Balance at October 31, 2014	39,003	16,235	6,648	–	2,123	64,009
Net carrying amount at October 31, 2014	$ 49,737	$ 26,961	$ 3,071	$ 2,811	$ 2,557	$ 85,137

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 2%, 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.
- A pre-tax discount rate of 10.0% 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 2015 or 2014.

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 used for the purposes of meeting the needs of clients, day-to-day business and liquidity management.

Use of Derivatives

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

Derivative financial instruments primarily used by CWB include:

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

Interest rate swaps are used as hedging instruments to manage interest rate risk. CWB enters into these interest rate derivative instruments only for its own account and does not act as an intermediary in this market. The credit risk is limited to the amount of any adverse change in interest rates applied on the notional contract should the counterparty default. The Asset Liability Committee (ALCO) of CWB establishes and monitors approved counterparties (including an assessment of creditworthiness) 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 and any re-invested dividends should the counterparty default.

In addition to monitoring the creditworthiness of counterparties, CWB limits its exposure to credit losses related to derivative financial instruments by entering into Credit Support Annexes that provide for the exchange of collateral between parties where the fair value of the outstanding transactions exceeds an agreed upon threshold. At October 31, 2015, the Bank held $9,870 (October 31, 2014 – $nil) of cash collateral related to derivative financial instruments with a positive fair value.

Designated Accounting Hedges

When designated as accounting hedges by CWB, certain derivative financial instruments are designated as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a 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 statements of income. 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 statements of income.

Embedded Derivatives

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

Fair Value

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

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

	As at October 31, 2015					As at October 31, 2014				
	Notional Amount	**Replacement Cost**	**Future Credit Exposure**	**Credit Risk Equivalent**	**Risk-Weighted Balance**	Notional Amount	Replacement Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-Weighted Balance
Interest rate swaps	**$2,805,000**	**$ 24,193**	**$ 8,775**	**$ 32,968**	**$ 6,594**	$1,725,000	$ 1,612	$ 7,421	$ 9,033	$ 1,807
Equity swaps	**22,884**	**–**	**1,576**	**1,576**	**315**	22,959	3,785	50	3,835	767
Foreign exchange contracts	**233,129**	**3,178**	**2,330**	**5,508**	**1,108**	1,964	23	20	43	14
Total	**$3,061,013**	**$ 27,371**	**$ 12,681**	**$ 40,052**	**$ 8,017**	$1,749,923	$ 5,420	$ 7,491	$ 12,911	$ 2,588

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, 2015				As at October 31, 2014			
	Favourable Contracts		**Unfavourable Contracts**		Favourable Contracts		Unfavourable Contracts	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps designated as accounting hedges	**$ 2,330,000**	**$ 20,073**	**$ 475,000**	**$ (733)**	$ 1,675,000	$ 1,612	$ 50,000	$ (27)
Equity swaps designated as accounting hedges	**–**	**–**	**19,860**	**(3,317)**	9,255	3,785	9,950	(246)
Equity swaps not designated as accounting hedges	**–**	**–**	**3,024**	**(307)**	–	–	3,754	(101)
Foreign exchange contracts	**213,183**	**3,172**	**19,946**	**(146)**	1,204	23	760	(12)
Total	**$ 2,543,183**	**$ 23,245**	**$ 517,830**	**$ (4,503)**	$ 1,685,459	$ 5,420	$ 64,464	$ (386)

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:

	2015	2014
Favourable derivative financial instruments (assets)	**$ 16,621**	$ 6,261
Unfavourable derivative financial instruments (liabilities)	**$ 3,477**	$ 130

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

	As at October 31, 2015				As at October 31, 2014			
	Maturity				Maturity			
	1 Year or Less		**More than 1 Year**		1 Year or Less		More than 1 Year	
	Notional Amount	**Contractual Interest Rate**	**Notional Amount**	**Contractual Interest Rate**	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate
Interest rate swaps designated as accounting hedges(1)	**$1,050,000**	**1.32%**	**$1,755,000**	**1.23%**	$ 375,000	1.31%	$ 1,350,000	1.40%
Equity swaps designated as accounting hedges(2)	**9,736**	**1.72%**	**10,124**	**1.65%**	9,201	2.30%	10,004	2.27%
Equity swaps not designated as accounting hedges(3)	**3,024**	**1.44%**	**–**	**–**	3,754	2.03%	–	–
Foreign exchange contracts(4)	**233,129**		**–**		1,964		–	
Total	**$1,295,889**		**$1,765,124**		$ 389,919		$ 1,360,004	

(1) CWB receives interest at a fixed contractual rate and pays interest on the one-month (30-day) Canadian Bankers' Acceptance rate. Interest rate swaps designated as accounting hedges outstanding at October 31, 2015 mature between November 2015 and July 2020.

(2) Equity swaps designated as accounting hedges outstanding at October 31, 2015 mature between June 2016 and June 2018.

(3) Equity swaps not designated as accounting hedges outstanding at October 31, 2015 mature in March and June 2016.

(4) Foreign exchange contracts mature between November 2015 and April 2016. The contractual interest rate is not meaningful for foreign exchange contracts.

During the year, $7,846 net unrealized after-tax gains (2014 – $3,372) 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 (2014 – 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, $3,640 of net losses after tax (2014 – $3,575 of net gains after tax) were reclassified to net income.

At October 31, 2015, hedged cash flows are expected to occur and affect profit or loss within the next five years (2014 – three years).

12. OTHER ASSETS

		As at October 31 2015	As at October 31 2014
Accrued interest receivable		**$ 52,666**	$ 48,242
Accounts receivable		**34,640**	36,856
Deferred tax asset	(Note 22)	**27,417**	26,349
Prepaid expenses		**10,943**	8,468
Financing costs(1)		**4,423**	5,874
Other		**4,036**	2,597
Total		**$ 134,125**	$ 128,386

(1) Amortization for the year amounted to $2,246 (2014 – $2,261).

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, 2015		
	Individuals	**Business and Government**	**Total**
Payable on demand	**$ 33,129**	**$ 590,411**	**$ 623,540**
Payable after notice	**3,188,276**	**2,907,597**	**6,095,873**
Payable on a fixed date	**8,195,216**	**4,450,778**	**12,645,994**
Total	**$ 11,416,621**	**$ 7,948,786**	**$ 19,365,407**

	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

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

	October 31 2015	October 31 2014
Within 1 year	**$ 6,240,394**	$ 6,208,200
1 to 2 years	**3,582,039**	2,374,729
2 to 3 years	**1,369,497**	1,604,966
3 to 4 years	**725,558**	843,244
4 to 5 years	**728,506**	579,525
Total	**$ 12,645,994**	$ 11,610,664

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 (2014 – $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. OTHER LIABILITIES

		As at October 31 2015	As at October 31 2014[1]
Accounts payable		$ 125,184	$ 137,084
Accrued interest payable		124,050	115,014
Provisions for committed but undrawn credit exposures	(Note 8)	21,018	26,390
Income taxes payable		10,970	11,242
Derivative collateral payable	(Note 11)	9,870	–
Deferred tax liability	(Note 22)	8,354	9,838
Deferred revenue		3,816	3,507
Leasehold inducements		2,871	3,370
Contingent consideration	(Note 27)	650	2,679
Other		2,054	210
Total		**$ 308,837**	$ 309,334

(1) Comparative information has been restated to reflect the presentation of the allowance for credit losses related to committed but undrawn credit exposures, as described in Note 31.

16. 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. On November 30, 2015, CWB redeemed all outstanding 4.389% subordinated debentures due November 30, 2020 at par plus accrued interest to, but excluding, the redemption date.

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	**As at October 31 2015**	As at October 31 2014
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 had a 10-year term with a fixed interest rate for the first five years. Thereafter, the interest rate would have 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, 2015 was $562,623 (October 31, 2014 – $411,990), and the associated carrying amount of the lease assets recorded on the balance sheet was $634,754 (October 31, 2014 – $464,809), which does not include an allocation of the allowance for credit losses.

17. CAPITAL STOCK

Authorized:

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

Issued and fully paid:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 5				
Outstanding at beginning of year	5,000,000	$ 125,000	–	$ –
Issued	–	–	5,000,000	125,000
Outstanding at end of year	5,000,000	125,000	5,000,000	125,000
Preferred Shares - Series 3				
Outstanding at beginning of year	–	–	8,352,596	208,815
Redeemed	–	–	(8,352,596)	(208,815)
Outstanding at end of year	–	–	–	–
Common Shares				
Outstanding at beginning of year	80,369,305	533,038	79,619,595	510,282
Issued under dividend reinvestment plan	133,321	3,650	437,331	16,467
Issued on exercise or exchange of options	23,443	–	312,379	1,066
Transferred from share-based payment reserve on exercise or exchange of options	–	823	–	5,223
Outstanding at end of year	80,526,069	537,511	80,369,305	533,038
Share Capital		$ 662,511		$ 658,038

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:

	2015	2014
$0.86 per common share (2014 – $0.78)	$ 69,170	$ 62,408
$1.10 per preferred share - Series 5 (2014 – $0.79)	5,500	3,940
$0.00 per preferred share - Series 3 (2014 – $0.91)	–	7,570
Total	$ 74,670	$ 73,918

Subsequent to October 31, 2015, the Board of Directors of CWB declared a dividend of $0.23 per common share payable on January 7, 2016 to shareholders of record on December 15, 2015 and a dividend of $0.275 per Series 5 preferred share payable on January 31, 2016 to shareholders of record on January 22, 2016. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheet at October 31, 2015.

b) Preferred Shares

Series 5 Preferred Shares

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).

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, 133,321 (2014 – 437,331) common shares were issued under the plan from CWB's treasury with no discount charged (2014 – 2%).

18. SHARE-BASED PAYMENTS

a) Stock Options

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

CWB has authorized 6,807,137 common shares (2014 – 6,830,580) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 5,232,366 shares (2014 – 4,743,277) are issued and outstanding. The outstanding options vest within three years and are exercisable at a fixed price equal to the average of the market price on the day of and the four days preceding the grant date. All options expire within five years of date of grant. Outstanding options expire from December 2015 to March 2020.

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

	2015			2014		
Options	**Number of Options**		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance at beginning of year	**4,743,277**	**$**	**30.76**	4,217,908	$	26.96
Granted	**705,725**		**26.13**	1,422,357		38.58
Exercised or exchanged	**(128,100)**		**24.23**	(769,865)		24.44
Forfeited	**(82,001)**		**32.77**	(127,123)		30.59
Expired	**(6,535)**		**28.99**	–		–
Balance at end of year	**5,232,366**	**$**	**30.26**	4,743,277	$	30.76
Exercisable at end of year	**1,488,783**	**$**	**26.90**	469,910	$	28.76

Further details relating to stock options outstanding and exercisable follow:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
$23.43 to $26.40	1,827,106	2.6	$	25.95	1,121,381	$	25.83
$28.09 to $29.42	1,849,096	2.2		28.39	161,173		29.42
$30.76 to $39.42	1,556,164	3.0		37.55	206,229		30.76
Total	5,232,366	2.6	$	30.26	1,488,783	$	26.90

Since March 1, 2014, all exercised options are settled via cashless settlement, which provides the option holder the number of shares equivalent to the excess of the market value of the shares under option, determined at the exercise date, over the exercise price. Prior to March 1, 2014, option holders could also elect to receive shares by delivering cash to CWB in the amount of the option exercise price. During fiscal 2015, option holders exchanged the rights to 128,100 (2014 – 769,865) options and received 23,443 (2014 – 265,887) shares in return by way of the cashless settlement.

Salary expense of $4,694 (2014 – $5,930) was recognized relating to the estimated fair value of options granted. The fair value of options granted during the year was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 0.7% (2014 – 1.5%), (ii) expected option life of 4.0 (2014 – 4.0) years, (iii) expected annual volatility of 24% (2014 – 18%), and (iv) expected annual dividends of 3.4% (2014 – 2.1%). Expected volatility is estimated by evaluating historical volatility of the share price over multi-year periods. The weighted average fair value of options granted was estimated at $2.96 (2014 – $4.61) per share.

During the year, $823 (2014 – $5,223) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 128,100 (2014 – 769,865) 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 fiscal 2015, CWB amended its RSU plan to revise the manner in which participating employees receive the equivalent of common share dividends declared and paid during the vesting periods of the plans. Prior to December 2014, employees participating in the RSU plan received a cash equivalent to common share dividends declared and paid during the vesting period. Commencing in December 2014, any common share dividends declared and paid during the vesting period accrue to the employees in the form of additional units of the plans.

During the year, salary expense of $9,498 (2014 – $10,217) was recognized related to RSUs. As at October 31, 2015, the liability for the RSUs held under this plan was $8,372 (October 31, 2014 – $13,709). 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	**2015**	2014
Balance at beginning of year	**590,847**	650,791
Granted	**387,332**	266,561
Vested and paid out	**(318,555)**	(301,433)
Forfeited	**(20,817)**	(25,072)
Balance at end of year	**638,807**	590,847

c) Performance Share Units

During fiscal 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. During fiscal 2015, CWB amended its PSU plan to revise the manner in which participating employees receive the equivalent of common share dividends declared and paid during the vesting periods of the plans. Prior to December 2014, employees participating in the PSU plan received a cash equivalent to common share dividends declared and paid during the vesting period. Commencing in December 2014, any common share dividends declared and paid during the vesting period accrue to the employees in the form of additional units of the plans. Under the PSU plan, each PSU vests at the end of a three year period and is settled in cash.

At the end of each specified performance period, a multiplier 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. For PSUs granted in fiscal 2014, 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. The multiplier for PSUs granted in fiscal 2015 incorporates CWB's three year compound annual growth in adjusted cash earnings per share as well as the relative TSR.

Number of PSUs	**2015**	2014
Balance at beginning of year	**25,305**	–
Granted	**66,099**	25,305
Balance at end of year	**91,404**	25,305

d) 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 $662 (2014 – $1,401) related to the DSUs. As at October 31, 2015, the liability for DSUs held under this plan was $2,893 (October 31, 2014 – $3,858). 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	**2015**	2014
Balance at beginning of year	**101,844**	89,981
Granted	**27,629**	22,283
Paid out	**(14,350)**	(10,420)
Balance at end of year	**115,123**	101,844

19. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

		As at October 31 2015		As at October 31 2014
McLean & Partners Wealth Management Ltd.	**$**	**861**	$	913
Adroit Investment Management Ltd.		**131**		153
Total	**$**	**992**	$	1,066

20. CONTINGENT LIABILITIES AND COMMITMENTS

a) Credit Instruments

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

		As at October 31 2015		As at October 31 2014
Credit instruments				
Commitments to extend credit	**$**	**4,829,622**	$	4,611,311
Guarantees and standby letters of credit		**465,649**		407,681
Total	**$**	**5,295,271**	$	5,018,992

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 $2,547,444 (October 31, 2014 – $2,526,808) and authorized but unfunded loan commitments of $2,282,178 (October 31, 2014 – $2,084,503). In the majority of instances, availability of undrawn commercial commitments is subject to the borrower meeting specified financial tests or other covenants regarding completion or satisfaction of certain conditions precedent. It is also usual practice to include the right to review and withhold funding in the event of a material adverse change in the financial condition of the borrower. The allowance for credit losses related to committed but undrawn credit exposures is included in Other Liabilities on the consolidated balance credit sheets (Note 15). From a liquidity perspective, undrawn credit authorizations will be funded over time, with draws in many cases extending over a period of months. In some instances, authorizations are never advanced or may be reduced because of changing requirements. Revolving credit authorizations are subject to repayment which, on a pooled basis, also decreases liquidity risk.

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

b) Lease Commitments

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

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

2016	$	12,123
2017		10,154
2018		9,042
2019		8,477
2020		8,020
2021 and thereafter		40,479
Total	$	88,295

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.

21. EMPLOYEE FUTURE BENEFITS

All employee future benefits related to CWB's group retirement savings and employee share purchase plans are recognized in the periods during which services are rendered by employees. CWB's contributions to the group retirement savings plan and employee share purchase plan totalled $12,693 (2014 – $12,154) from Combined Operations.

22. INCOME TAXES

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

The provision for income taxes consists of the following:

		2015		2014
Consolidated statements of income				
Current	$	73,784	$	74,859
Deferred		(2,465)		(4,854)
		71,319		70,005
Other comprehensive income				
Tax expense (recovery) related to:				
Available-for-sale securities		(19,630)		985
Derivatives designated as cash flow hedges		4,226		(69)
		(15,404)		916
Total	$	55,915	$	70,921

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:

	2015			2014		
Combined Canadian federal and provincial income taxes and statutory tax rate(1)	$	74,466	26.0%	$	72,984	25.3%
Increase (decrease) arising from:						
Tax-exempt income		(4,141)	(1.4)		(5,389)	(1.9)
Deferred tax related to tax rate increase(1)		(1,753)	(0.6)		-	-
Stock-based compensation		1,209	0.4		1,495	0.5
Other		1,538	0.5		915	0.3
Provision for income taxes and effective tax rate	$	71,319	24.9%	$	70,005	24.2%

(1) The combined statutory tax rate changed during the year as a result of an increase in the Alberta provincial tax rate from 10% to 12% which was substantively enacted effective July 1, 2015.

Deferred tax balances are comprised of the following:

		2015		2014
Deferred tax assets				
Allowance for credit losses	$	24,488	$	19,978
Deferred loan fees		12,730		10,832
Deferred deposit broker commission		(5,102)		(4,056)
Leasing income		(665)		(3,335)
Other temporary differences		(4,034)		2,930
	$	27,417	$	26,349
Deferred tax liabilities				
Intangible assets	$	6,947	$	7,995
Other temporary differences		1,407		1,843
	$	8,354	$	9,838

During the year, CWB has recognized the benefit of all capital losses carried forward through current income taxes (2014 – $8,234 of losses carried forward). The tax benefit was used to offset tax resulting from the gains on sale of Discontinued Operations (Note 3). The tax benefit of these losses had not been previously recognized in the consolidated financial statements.

23. EARNINGS PER COMMON SHARE

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

The calculation of earnings per common share follows:

		2015		2014
Numerator				
Common shareholders' net income from Continuing Operations	$	208,064	$	205,288
Common shareholders' net income from Discontinued Operations		111,637		13,261
Common Shareholders' Net Income	$	319,701	$	218,549
Denominator				
Weighted average of common shares outstanding - basic		80,441,845		80,033,646
Dilutive instruments:				
Stock options(1)		140,205		921,221
Weighted average number of common shares outstanding - diluted		80,582,050		80,954,867
Earnings Per Common Share				
Basic - Combined Operations	$	3.97	$	2.73
- Continuing Operations		2.59		2.57
- Discontinued Operations		1.38		0.16
Diluted - Combined Operations		3.97		2.70
- Continuing Operations		2.59		2.54
- Discontinued Operations		1.38		0.16

(1) At October 31, 2015, the denominator excludes 2,642,435 (2014 – nil) of employee stock options with an average exercise price of $34.59, adjusted for unrecognized stock-based compensation, that is greater than the average market price.

24. ASSETS UNDER ADMINISTRATION AND MANAGEMENT

Assets under administration of $9,293,683 (October 31, 2014 – $10,101,698) and assets under management of $1,882,736 (October 31, 2014 – $1,795,975) 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.

25. RELATED PARTY TRANSACTIONS

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

Preferred Rates and Terms

CWB makes loans, primarily residential mortgages, to its officers and employees at various preferred rates and terms. The total amount outstanding for these types of loans is $113,178 (October 31, 2014 – $114,508). 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 $284,727 (October 31, 2014 – $264,936).

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:

		2015		2014
Salaries, benefits and directors' compensation	**$**	**5,156**	$	5,775
Share-based payments (stock options, RSUs, PSUs and DSUs)(1)		**3,203**		3,219
Termination benefits (included in Discontinued Operations)		**1,244**		-
Total	**$**	**9,603**	$	8,994

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

Loans outstanding with key management personnel totalled $405 as at October 31, 2015 (October 31, 2014 – $589). CWB's policies preclude lending to CWB's independent directors.

26. 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, which contains the gap position at October 31 for select time intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

Asset Liability Gap Positions

($ millions)

October 31, 2015	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	$ 524	$ 259	$ 72	$ 855	$ 1,888	$ 218	$ 34	$ 2,995
Loans	9,189	984	2,863	13,036	6,443	62	(66)	19,475
Other assets[2]	–	–	–	–	–	–	369	369
Derivative financial instruments[1]	25	–	1,038	1,063	1,765	–	233	3,061
Total	9,738	1,243	3,973	14,954	10,096	280	570	25,900
Liabilities and Equity								
Deposits	6,971	1,200	4,347	12,518	6,866	–	(19)	19,365
Other liabilities[2]	–	–	–	–	–	–	374	374
Debt[3]	319	36	159	514	674	–	–	1,188
Equity	–	–	–	–	–	–	1,912	1,912
Derivative financial instruments[1]	2,828	–	–	2,828	–	–	233	3,061
Total	10,118	1,236	4,506	15,860	7,540	–	2,500	25,900
Interest Rate Sensitive Gap	$ (380)	$ 7	$ (533)	$ (906)	$ 2,556	$ 280	$ (1,930)	$ –
Cumulative Gap	$ (380)	$ (373)	$ (906)	$ (906)	$ 1,650	$ 1,930	$ –	$ –
Cumulative Gap as a Percentage of Total Assets	(1.5)%	(1.4)%	(3.5)%	(3.5)%	6.4%	7.5%	–	–
October 31, 2014								
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%	–	–

(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, 2015	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	3.4%	2.7%	3.7%	3.4%	3.4%	1.8%	3.4%
Total Liabilities	1.1	1.7	1.8	1.3	2.3	–	1.6
Interest Rate Sensitive Gap	2.3%	1.0%	1.9%	2.1%	1.1%	1.8%	1.8%
October 31, 2014							
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%

Based on the current interest rate gap position, it is estimated that a one percentage point increase in all interest rates would decrease net interest income by approximately 0.61% or $2,989 (October 31, 2014 – 2.0% or $9,185) and decrease other comprehensive income $90,099 (October 31, 2014 – $36,578) 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 0.04% or $201 (October 31, 2014 – 3.9% or $18,221) and increase other comprehensive income $87,091 (October 31, 2014 – $37,323), net of tax.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Financial Assets and Liabilities by Measurement Basis

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

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

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

The table below provides the carrying amount of financial instruments by category as defined in IAS 39 – *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, 2015(2)		Derivatives	Loans and Receivables, and Non-trading Liabilities	Available-for-sale	Total Carrying Amount	Fair Value	Fair Value Over Carrying Amount
Financial Assets							
Cash resources	(Note 4)	$ –	$ –	$ 443,422	$ 443,422	$ 443,422	$ –
Securities	(Note 5)	–	–	2,551,112	2,551,112	2,551,112	–
Loans(1)		–	19,541,676	–	19,541,676	19,889,076	347,400
Derivative related		23,245	–	–	23,245	23,245	–
Total Financial Assets		$ 23,245	$ 19,541,676	$ 2,994,534	$ 22,559,455	$ 22,906,855	$ 347,400
Financial Liabilities							
Deposits(1)		$ –	$ 19,384,468	$ –	$ 19,384,468	$ 19,457,102	$ 72,634
Debt		–	1,187,623	–	1,187,623	1,206,101	18,478
Contingent consideration		–	650	–	650	650	–
Derivative related		4,503	–	–	4,503	4,503	–
Total Financial Liabilities		$ 4,503	$ 20,572,741	$ –	$ 20,577,244	$ 20,668,356	$ 91,112

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 4)	$ –	$ –	$ 508,414	$ 508,414	$ 508,414	$ –
Securities	(Note 5)	–	–	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
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

(1) Loans and deposits exclude deferred premiums, deferred revenue and allowances for credit losses, which are not financial instruments.
(2) For further information on interest rates associated with financial assets and liabilities, including derivative instruments, refer to Note 26.

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

- Cash resources and securities are reported on the consolidated balance sheets at the fair value disclosed in Notes 4 and 5. Securities purchased under resale agreements are reported at the fair value as disclosed on the consolidated balance sheets. These values are based on quoted market prices, if available. Where a quoted market price is not readily available, other valuation techniques are based on observable market rates used to estimate fair value;
- Fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated and excludes 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 contingent consideration, included in other liabilities, where an active market does not exist, fair value is determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities;

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

As at October 31, 2015	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 443,422	$ 27,939	$ 415,483	$ –
Securities	2,551,112	219,041	2,332,071	–
Loans	19,889,076	–	–	19,889,076
Derivative related	23,245	–	23,245	–
Total Financial Assets	$ 22,906,855	$ 246,980	$ 2,770,799	$ 19,889,076
Financial Liabilities(1)				
Deposits	$ 19,457,102	$ –	$ 19,457,102	$ –
Debt	1,206,101	–	1,206,101	–
Other liability	650	–	–	650
Derivative related	4,503	–	4,503	–
Total Financial Liabilities	$ 20,668,356	$ –	$ 20,667,706	$ 650

As at October 31, 2014(2)	Fair Value	Valuation Technique Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 508,414	$ 14,033	$ 494,381	$ –
Securities	2,089,205	614,144	1,475,061	–
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	$ 628,177	$ 2,074,428	$ 17,571,250
Financial Liabilities(1)				
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

(1) Level 3 financial liabilities at October 31, 2015 are comprised of the contingent consideration related to the business sales described in Note 3. At October 31, 2014, Level 3 financial liabilities were comprised of the contingent consideration related to the acquisition of McLean & Partners Wealth Management Ltd.
(2) Comparative figures reclassified to conform to current year's presentation.

b) Level 3 Financial Instruments Carried at Fair Value

The Level 3 financial liabilities measured at fair value on the consolidated balance sheets are comprised of contingent consideration on business acquisitions and sales. The following table shows a reconciliation of the fair value measurements related to the Level 3 valued instruments:

		2015	2014
Balance at beginning of year, related to a subsidiary acquisition		$ 2,679	$ 1,679
Change in fair value charged to non-interest income		638	1,000
Settlement of contingent consideration related to a subsidiary acquisition		(3,317)	–
Sale of business	(Note 3)	650	–
Balance at end of year		$ 650	$ 2,679

28. RISK MANAGEMENT

As part of CWB's risk management practices, the risks that are significant to the business are identified, monitored and controlled. The most significant risks include credit risk, liquidity risk, market risk, insurance risk until May 1, 2015, 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.

29. 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 18 to the consolidated financial statements details the number of shares under options outstanding, the weighted average exercise price and the amounts exercisable at year end.

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

The required minimum regulatory capital ratios for a bank using the Standardized approach for credit risk, including a 250 basis point capital conservation buffer, are 7.0% common equity Tier 1 (CET1), 8.5% Tier 1 and 10.5% total capital. In addition, effective Q1 2015, OSFI requires banks and trust companies to maintain a minimum leverage ratio of 3%. The leverage ratio provides the ratio of Tier 1 capital to On-Balance Sheet and Off-Balance Sheet exposures.

Basel III rules 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 2015 inclusion of non-qualifying capital instruments in non-common Tier 1 (WesTS) and total capital (subordinated debentures) under Basel III are capped at 70% (October 31, 2014 – 80%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2015, there was no exclusion from regulatory capital related to the WesTS Tier 1 capital (disclosed in deposits). At October 31, 2015, $152,500 (October 31, 2014 – $85,000) of outstanding subordinated debentures were excluded from regulatory capital.

The sale of CDI and the stock transfer business of Valiant Trust Company during fiscal 2015 for net proceeds of $216 million increased the CET1 capital ratio by approximately 70 basis points. In fiscal 2016, the redemption of all outstanding 4.389% subordinated debentures will reduce CWB's total regulatory capital by $80 million and decrease the total capital ratio by approximately 40 basis points; however, the total capital ratio will remain well above the regulatory minimum of 10.5% (Note 16). The redemption has no impact on CET1 or Tier 1 capital ratios. During the year, CWB complied with all internal and external capital requirements.

Capital Structure and Regulatory Ratios

	2015	2014
Regulatory capital, net of deductions		
Common equity Tier 1	$ 1,636,718	$ 1,443,841
Tier 1	1,866,873	1,673,996
Total	2,439,022	2,304,108
Capital ratios		
Common equity Tier 1	8.5%	8.0%
Tier 1	9.7	9.3
Total	12.7	12.8
Leverage ratio(1)	7.9	n/a
Asset to capital multiple(1)	n/a	8.8x

(1) The leverage ratio came into effect January 31, 2015 and replaced the asset to capital multiple.

30. SUBSIDIARIES

Canadian Western Bank Subsidiaries[1]

(annexed in accordance with subsection 308 (3) of the Bank Act)
October 31, 2015

	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 Western Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	19,136
McLean & Partners Wealth Management Ltd.	801 10th Avenue SW Calgary, Alberta	12,593
Adroit Investment Management Ltd.	Suite 1250, 10303 Jasper Avenue Edmonton, Alberta	8,449
Valiant Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, 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
CWB Wealth Management Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	750

(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. (October 31, 2015 – 57.0% ownership, October 31, 2014 – 54.6%).
(2) The carrying value of voting shares is stated at the cost of CWB's equity in the subsidiaries in thousands of dollars.

31. COMPARATIVE FIGURES

During fiscal 2015, the collective allowance for credit losses related to committed but undrawn credit exposures was reclassified from Loans to Other Liabilities on the consolidated balance sheets.

The impact of the change on the prior year comparative figures is as follows:

	As at October 31, 2014			As at November 1, 2013		
	As previously reported	**Adjustment**	**As reclassified**	As previously reported	Adjustment	As reclassified
Assets						
Cash resources, securities and securities purchased under resale agreements	**$ 2,697,185**	**$ –**	**$ 2,697,185**	$ 2,580,327	$ –	$ 2,580,327
Loans before allowance for credit losses	**17,605,697**	**–**	**17,605,697**	15,653,226	–	15,653,226
Allowance for credit losses	**(95,598)**	**26,390**	**(69,208)**	(85,786)	14,402	(71,384)
Other assets	**401,372**	**–**	**401,372**	365,573	–	365,573
Total Assets	**$ 20,608,656**	**$ 26,390**	**$ 20,635,046**	$ 18,513,340	$ 14,402	$ 18,527,742
Liabilities						
Deposits	**$ 17,373,014**	**$ –**	**$ 17,373,014**	$ 15,631,040	$ –	$ 15,631,040
Other liabilities (within "Other")	**504,059**	**26,390**	**530,449**	462,081	14,402	476,483
Debt	**1,036,990**	**–**	**1,036,990**	820,650	–	820,650
Equity	**1,694,593**	**–**	**1,694,593**	1,599,569	–	1,599,569
Total Liabilities	**$ 20,608,656**	**$ 26,390**	**$ 20,635,046**	$ 18,513,340	$ 14,402	$ 18,527,742

Shareholder Information

CWB Group Corporate Headquarters

Suite 3000, 10303 Jasper Avenue NW
Canadian Western Bank Place
Edmonton, AB T5J 3X6
Telephone: (780) 423-8888
Fax: (780) 423-8897
Website: cwb.com

Transfer Agent and Registrar

Computershare
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: (416) 263-9200
Toll-free: 1-800-564-6253
Fax: (888) 453-0330
Website: computershare.com

Stock Exchange Listings

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

Shareholder Administration

Computershare serves as Transfer Agent and Registrar for the common shares and preferred shares of CWB.

For dividend information, change in share registration or address, lost share certificates, tax forms or estate transfers, please write or call the Transfer Agent and Registrar, or inquire online at computershare.com.

Duplicated Communications

If you receive, but do not require, more than one mailing for the same ownership, please contact the Transfer Agent and Registrar to combine the accounts.

Direct Deposit Services

Shareholders may choose to have cash dividends paid on CWB common and preferred shares deposited directly into accounts held at their financial institution. To arrange direct deposit service, please contact the Transfer Agent and Registrar.

Eligible Dividend Designation

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

Dividend Reinvestment Plan

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

Investor Relations

Shareholders, institutional investors or research analysts who would like additional financial information are asked to contact:

Investor Relations Department
Canadian Western Bank
Suite 3000, 10303 Jasper Avenue NW
Canadian Western Bank Place
Edmonton, AB T5J 3X6
Telephone: (800) 836-1886
Fax: (780) 969-8326
E-mail: 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 2015 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 Administrator's website at sedar.com.

2016 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, AB, on March 3, 2016 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
Canadian Western Bank
Suite 3000, 10303 Jasper Avenue N.W.
Edmonton, AB T5J 3X6
Telephone: (780) 969-1525
Fax: (780) 969-1503

Complaints or Concerns regarding Accounting, Internal Accounting Controls or Auditing Matters

Please contact either:

Carolyn J. Graham
Executive Vice President and Chief Financial Officer
Canadian Western Bank
Telephone: (780) 423-8854
Fax: (780) 423-8899
E-mail: carolyn.graham@cwbank.com

or

Robert A. Manning
Chairman of the Audit Committee
c/o 210 – 5324 Calgary Trail
Edmonton, AB T6H 4J8
Telephone: (780) 438-2626
Fax: (780) 438-2632
E-mail: rmanning@shawbiz.ca

SENIOR OFFICERS

Group Executive Officers

Chris H. Fowler
President and Chief Executive Officer

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

H. Bogac (Bogie) Ozdemir
Executive Vice President and Chief Risk Officer

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

Gregory J. Sprung
Executive Vice President, Banking

Kelly S. Blackett
Executive Vice President, Human Resources

Senior Corporate Officers

Niall Boles
Senior Vice President and Treasurer

David L. Thompson
Senior Vice President,
Credit Risk Management

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

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

Allen D. Stephen, CPA, CA
Vice President and
Chief Accountant

Commercial and Retail Banking

Glen Eastwood
Senior Vice President and
Regional General Manager, Prairies

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

Keith D. Hughes
Senior Vice President,
Business and Personal Banking

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

National Leasing

Tom Pundyk
President and Chief Executive Officer

Canadian Western Trust

Matt Colpitts
Vice President and General Manager

Adroit Investment Management

Maria Holowinsky
President and
Chief Executive Officer

McLean & Partners Wealth Management

Kevin Dehod
President and
Chief Executive Officer

Ombudsmen

R. Graham Gilbert

Locations

Canadian Western Bank Regional Offices

British Columbia
2200, 666 Burrard Street
Vancouver
(604) 669-0081
Mario Furlan

Northern Alberta
3000, 10303 Jasper Avenue N.W.
Edmonton
(780) 423-8888
Michael Halliwell

Prairies
606 - 4 Street S.W.
Calgary
(403) 262-8700
Glen Eastwood

Equipment Financing
300, 5222 - 130 Avenue S.E.
Calgary
(403) 257-8235
Michael Docherty

BRANCHES

Alberta

Edmonton
Edmonton Main
100, 12230 Jasper Avenue N.W.
(780) 424-4846
George Bawden

103 Street
10303 Jasper Avenue N.W.
(780) 423-8801
Bruce Young

Old Strathcona
7933 - 104 Street N.W.
(780) 433-4286
Donna Austin

South Edmonton Common
2142 - 99 Street N.W.
(780) 988-8607
Robert Ovics

West Point
17603 - 100 Avenue N.W.
(780) 484-7407
David Hardy

Calgary
Calgary Main
606 - 4 Street S.W.
(403) 262-8700
Jeff Bowling

Calgary Chinook
6606 Macleod Trail S.W.
(403) 252-2299
Lew Christie

Calgary Foothills
6127 Barlow Trail S.E.
(403) 269-9882
Dustin Jones

Calgary Northeast
2810 - 32 Avenue N.E.
(403) 250-8838
June Lavigueur

Calgary South Trail Crossing
300, 5222 - 130 Avenue S.E.
(403) 257-8235
Rick Vandergraaf

Broker Buying Centre
285, 2880 Glenmore Trail S.E.
(403) 720-8960
David Miller

Calgary Westjet Banking Centre
22 Aerial Place N.W.
Westjet Campus
(403) 452-5869
Aaron Phui

Grande Prairie
11226 - 100 Avenue
(780) 831-1888
Todd Kramer

Leduc
5407 Discovery Way
(780) 986-9858
Michael White

Lethbridge
744 - 4 Avenue S
(403) 328-9199
Daryn Wenaas

Lloydminster
C, 6209 - 44 Street
(780) 874-9555
Alan Wells

Medicine Hat
new address
101, 2810 - 13 Avenue S.E.
(403) 527-7321
Daniel Kitching

Red Deer
4822 - 51 Avenue
(403) 341-4000
Don Odell

Sherwood Park
251 Palisades Way
(780) 449-6699
Arden Vos

St. Albert
300 - 700 St. Albert Trail
(780) 458-4001
Blair Zahara

British Columbia

Vancouver
Kitsilano
3190 West Broadway
(604) 732-4262
Demetra Papaspyros

Park Place
100, 666 Burrard Street
(604) 688-8711
Brian Korpan

Vancouver Real Estate
2200, 666 Burrard Street
(604) 669-0081
Scott Weiss

West Broadway
110, 1333 West Broadway
(604) 730-8818
Jules Mihalyi

Abbotsford
100, 2548 Clearbrook Road
(604) 855-4941
Hugh Ellis

Coquitlam
310, 101 Schoolhouse Street
(604) 540-8829
Dave McGregor

Courtenay
200, 470 Puntledge Road
(250) 334-8888
Jean-Marc Jaquier

Cranbrook
202, 828 Baker Street
(250) 426-1140
Mike Eckersley

Kamloops
101, 1211 Summit Drive
(250) 828-1070

Kelowna
Kelowna
1674 Bertram Street
(250) 862-8008
Bob Brown

Kelowna Industrial
101, 1505 Harvey Avenue
(250) 860-0088
Jim Kruiper

Langley
100, 19915 - 64 Avenue
(604) 539-5088
Craig Martin

Nanaimo
101, 6475 Metral Drive
(250) 390-0088
Kevin Wilson

Prince George
300 Victoria Street
(250) 612-0123
Derek Dougherty

Richmond
4991 No. 3 Road
(604) 238-2800
Michael Yeung

Surrey
Panorama Ridge
103, 15230 Highway 10
(604) 575-3783
Scott Bearss

Strawberry Hill
1, 7548 - 120 Street
(604) 591-1898
Bob Duffield

Victoria
1201 Douglas Street
(250) 383-1206
Bob Granger

Saskatchewan

Regina
1866 Hamilton Street
Hill Tower III
(306) 757-8888
Kelly Dennis

Saskatoon
Saskatoon City Centre
244 - 2 Avenue South
(306) 477-8888
Kelly Walker

Saskatoon North Landing
101, 2803 Faithfull Avenue
(306) 244-8008
Byron Eberle

Yorkton
5, 259 Hamilton Road
(306) 782-1002
Kelly Price

Manitoba

Winnipeg
Winnipeg
230 Portage Avenue
(204) 956-4669
Mike McAulay

Winnipeg Kenaston
125 Nature Park Way
(204) 452-0939
Chris Voogt

National Leasing Group

Winnipeg
1525 Buffalo Place
(204) 954-9000
Toll-free: 1-800-882-0560
www.nationalleasing.com
(Representation across all provinces and territories in Canada)

Canadian Direct Financial

Edmonton
3000, 10303 Jasper Avenue N.W.
(780) 441-2249
Toll-free: 1-877-441-2249
www.canadiandirectfinancial.com

Canadian Western Trust

Toll-free: 1-800-663-1124
www.cwt.ca

Calgary
310, 606 - 4 Street S.W.
(403) 717-3145

Vancouver
600, 750 Cambie Street
(604) 685-2081

Optimum Mortgage

Edmonton
#1010, 10303 Jasper Avenue N.W.
(780) 423-9748
Toll-free: 1-866-441-3775
www.optimummortgage.ca
(Representation across Western Canada and in Ontario)

Adroit Investment Management

Edmonton
1250, 10303 Jasper Avenue N.W.
(780) 429-3500
www.adroitinvestments.ca

McLean & Partners Wealth Management

Calgary
801 - 10 Avenue S.W.
(403) 234-0005
Toll-free: 1-888-665-0005
www.mcleanpartners.com

Canadian Western Financial

Edmonton
3000, 10303 Jasper Avenue N.W.
(780) 423-8888
www.canadianwesternfinancial.com

CWB
CANADIAN WESTERN BANK GROUP

2015 Best Employers in Canada By Aon Hewitt

Canada's 10 Most Admired Corporate Cultures
Presented by Waterstone

cwb.com