Bank Trust Wealth Management

2017 ANNUAL REPORT

PHIL REID, Managing Director
Reid's Birch Island Resort

MIKE MCAULAY, AVP & Branch Manager
Winnipeg Downtown Branch

CWB FINANCIAL GROUP

Welcome to CWB Financial Group's Annual Report. The online pdf version of the report has been enhanced with navigation and task buttons to help you explore the document and find the information you want more quickly. The table of contents, highlighted page references and URLs link to pages and sections within the document as well as to outside websites. The task buttons provide quick access to search, print, save to disk and view options, but may not work on all browsers or tablets.

NAVIGATION AND TASK BUTTONS

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Five Year Financial Summary

($ thousands, except per share amounts)

	2017	2016	2015	2014	2013
Results from Continuing Operations[1]					
Net interest income (teb)[2]	$ 644,652	$ 588,464	$ 549,052	$ 506,308	$ 463,938
Less teb adjustment	2,262	3,240	5,580	6,743	7,174
Net interest income per financial statements	642,390	585,224	543,472	499,565	456,764
Non-interest income	84,245	72,672	67,948	84,305	70,051
Pre-tax, pre-provision income (teb)[3]	390,991	353,843	328,059	325,720	294,647
Total revenues (teb)	728,897	661,136	617,000	590,343	533,989
Total revenues	726,635	657,896	611,420	583,600	526,815
Common shareholders' net income	214,277	177,761	208,064	205,288	177,467
Earnings per share					
Basic	2.43	2.13	2.59	2.57	2.24
Diluted	2.42	2.13	2.59	2.54	2.23
Adjusted cash[4]	2.63	2.26	2.63	2.59	2.27
Return on common shareholders' equity[5]	10.1%	9.3%	12.4%	13.9%	13.5%
Adjusted return on common shareholders' equity[6]	11.0	9.9	12.6	14.2	13.7
Return on average total assets[7]	0.85	0.73	0.97	1.05	1.02
Efficiency ratio (teb)[8]	46.4	46.5	46.8	44.8	44.8
Efficiency ratio[8]	46.5	46.7	47.3	45.4	45.4
Net interest margin (teb)[9]	2.57	2.43	2.56	2.59	2.66
Net interest margin[9]	2.56	2.41	2.53	2.56	2.62
Number of full-time equivalent staff	2,058	1,966	1,928	1,788	1,715
Results from Combined Operations[1]					
Common shareholders' net income	$ 214,277	$ 177,761	$ 319,701	$ 218,549	$ 187,163
Earnings per share					
Basic	2.43	2.13	3.97	2.73	2.36
Diluted	2.42	2.13	3.97	2.70	2.35
Adjusted cash[4]	2.63	2.26	4.01	2.76	2.39
Return on common shareholders' equity[5]	10.1%	9.3%	19.1%	14.8%	14.2
Adjusted return on common shareholders' equity[6]	11.0	9.9	19.3	15.1	14.4
Return on average total assets[7]	0.85	0.73	1.48	1.10	1.06
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[4]	-	-	1.38	0.17	0.12
Per Common Share					
Average common shares outstanding (thousands)	88,297	83,411	80,442	80,034	79,147
Cash Dividends	$ 0.93	$ 0.92	$ 0.86	$ 0.78	$ 0.70
Book value	24.82	23.58	22.18	19.52	17.45
Market price					
High	37.36	29.30	38.16	43.30	33.75
Low	23.68	19.26	21.04	32.61	27.04
Close	36.34	25.45	25.13	37.75	33.44
Balance Sheet and Off-Balance Sheet Summary					
Assets	$26,447,453	$25,222,549	$22,838,527	$20,635,046	$18,527,742
Cash resources, securities and repurchase agreements	2,708,783	2,791,968	2,994,534	2,697,185	2,580,327
Loans	23,229,239	21,961,348	19,475,383	17,536,489	15,581,842
Deposits	21,902,982	21,194,553	19,365,407	17,373,014	15,631,040
Debt	1,476,336	1,268,198	1,187,623	1,036,990	820,650
Shareholders' equity	2,461,045	2,342,040	1,910,907	1,693,527	1,598,507
Assets under administration	10,408,012	10,689,398	9,293,683	10,101,698	8,423,972
Assets under management	2,114,861	1,924,181	1,882,736	1,795,975	1,901,146
Capital Adequacy[10]					
Common equity Tier 1 ratio	9.5%	9.2%	8.5%	8.0%	8.0%
Tier 1 ratio	10.8	11.0	9.7	9.3	9.7
Total ratio	12.5	13.1	12.7	12.8	13.9
Other Information					
Provision for credit losses as a percentage of average loans	0.23%	0.38%	0.17%	0.15%	0.19%
Net impaired loans as a percentage of total loans	0.14	-	(0.11)	(0.19)	(0.14)
Number of bank branches	42	42	41	41	41

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

(2) 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 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.

(3) Pre-tax, pre-provision income is calculated as total revenue (teb) less non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax. Excluded items are not considered to be indicative of ongoing business performance.

(4) Adjusted cash earnings per common share is calculated as diluted earnings per common share excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax. Excluded items are not considered to be indicative of ongoing business performance.

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

(6) Adjusted return on common shareholders' equity is calculated as common shareholders' net income excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax, divided by average common shareholders' equity.

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

(8) Efficiency ratio is calculated as non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, 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.

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

(10) Capital adequacy is calculated in accordance with Basel III guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI).

Performance Dashboard[1]

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

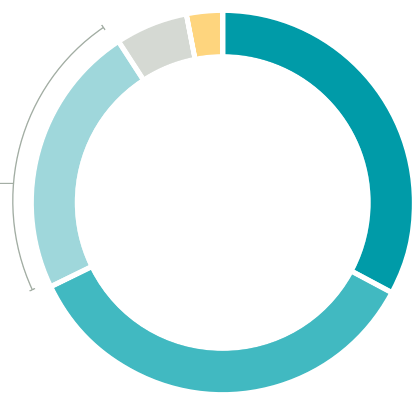
EMPLOYEES
~2,100
2007 – ~1,200

CWB BRANCHES
42
2007 – 35

ASSETS UNDER ADMINISTRATION
$10.4B
2007 – $4.3B
9% 10yr CAGR[5]

ASSETS UNDER MANAGEMENT
$2.1B
2007 – nil

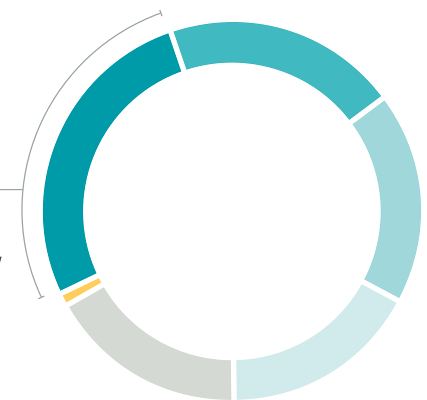
DIVERSIFYING LOANS BY PROVINCE (%)



Growing a more balanced geographic footprint through targeted growth in Ontario

	2007	2017
Alberta	54	33
British Columbia	35	35
Ontario and other	4	23
Saskatchewan	4	6
Manitoba	3	3

DIVERSIFYING LOANS BY LENDING SECTOR (%)

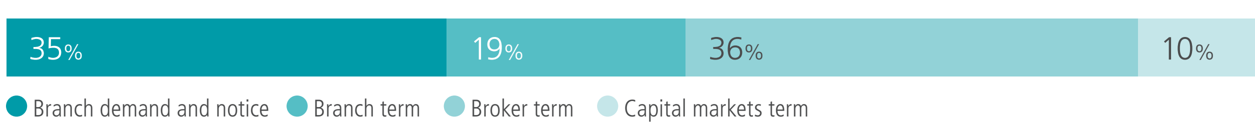


Growing a more balanced industry mix through targeted growth of full-service relationships with business owners

	2007	2017
General commercial loans	23	27
Personal loans and mortgages	13	20
Commercial mortgages	20	18
Real estate project loans	21	17
Equipment financing and leasing	18	17
Oil and gas production loans	5	1

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

54% Total branch-raised deposits



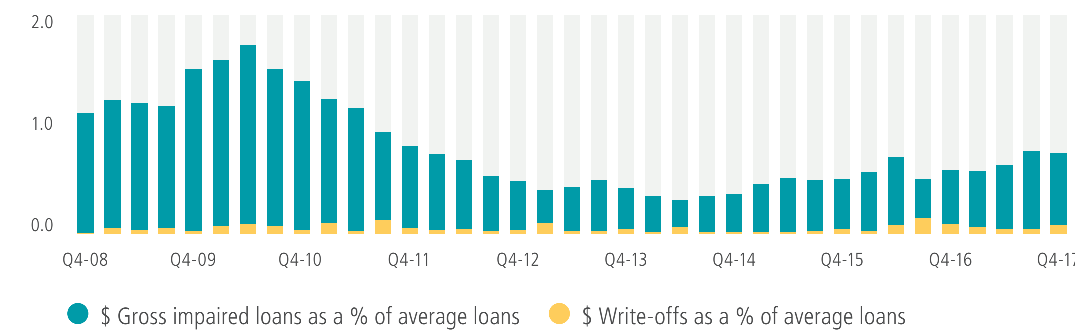
STRONG REGULATORY CAPITAL RATIOS BASED ON THE *STANDARDIZED* APPROACH (CWB | regulatory minimum)

9.5% | 7.0%	10.8% | 8.5%	12.5% | 10.5%	8.3% | 3.0%
Common equity Tier 1 capital (CET1)	Tier 1 capital	Total capital	Basel III leverage ratio

STRONG CREDIT QUALITY

0.51%
5yr Average gross impaired loans as a % of average loans

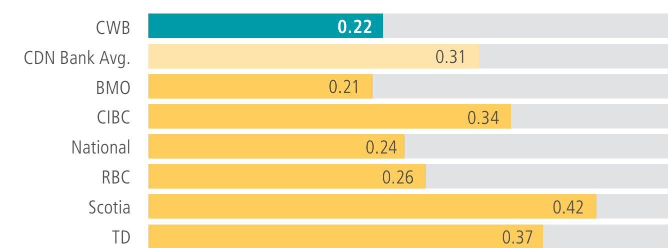
0.17%
5yr Average write-offs as a % of average loans



LOW PROVISION FOR CREDIT LOSSES

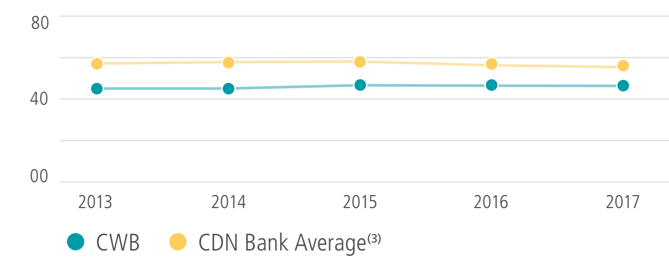
(5 yr average as a % of average loans)

0.22%



STRONG EFFICIENCY RATIO[2]

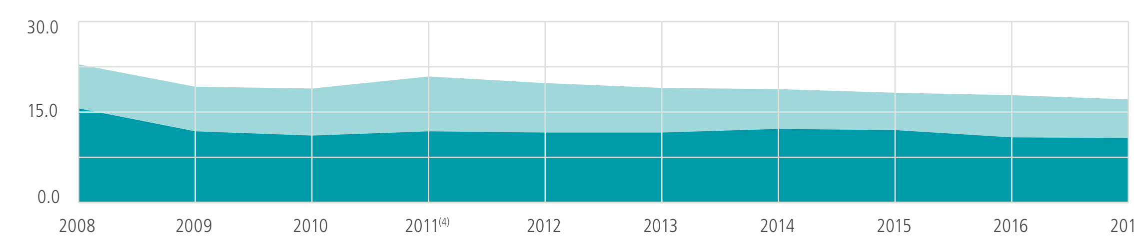
46.4% | 55.1%



LOW LEVERAGE (total assets-to-equity)

10.7x
Canadian Western Bank

17.1x
Canadian Bank Average[3]



INVESTMENT GRADE CREDIT RATINGS (DBRS) - STABLE TREND (confirmed November 29, 2017)

A (low)	R-1 (low)	BBB (high)	Pfd-3
Long-term deposits / Long-term senior debt	Short-term instruments	Subordinated debt	Preferred shares

TOTAL ASSETS

$26.4B

2007 – $9.5B

11% 10yr CAGR(5)

TOTAL LOANS
(excluding the allowance for credit losses)

$23.2B

2007 – $7.4B

12% 10yr CAGR(5)

TOTAL DEPOSITS

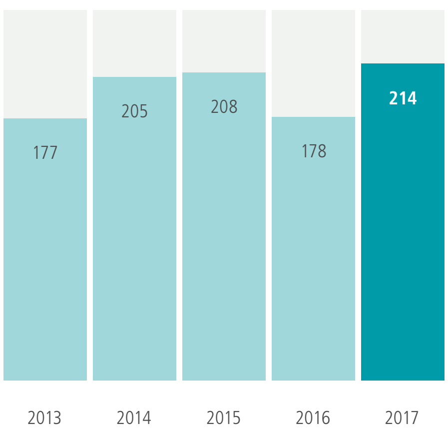
$21.9B

2007 – $8.3B

10% 10yr CAGR(5)

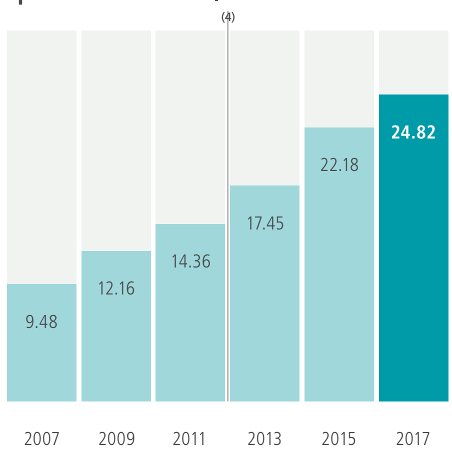
COMMON SHAREHOLDERS' NET INCOME ($ millions)

$214



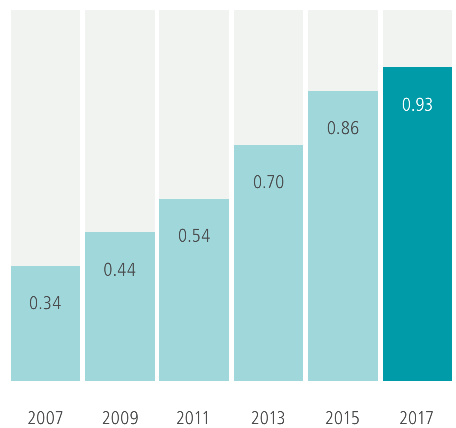
CONSISTENT GROWTH OF BOOK VALUE / SHARE

$24.82 | 10% 10yr CAGR(5)



CONSISTENT GROWTH OF DIVIDENDS PAID / COMMON SHARE

$0.93 | 11% 10yr CAGR(5)



MEDIUM-TERM PERFORMANCE TARGET RANGES

	Medium-term Performance Target Ranges(6)	Fiscal 2017 Performance
Adjusted cash earnings per common share growth	7-12%	Exceeded target at 16%.
Adjusted return on common shareholders' equity	12-15%	Delivered 11.0%, with significant improvement from 9.9% in 2016.
Operating leverage	Positive	Met target at positive 0.3%.
Common equity Tier 1 capital ratio under the Standardized approach	Strong	Exceeded target with a very strong ratio of 9.5%.
Common share dividend payout ratio	~30%	Delivered 38%, with an annual common share dividend increase for the 25th consecutive year.

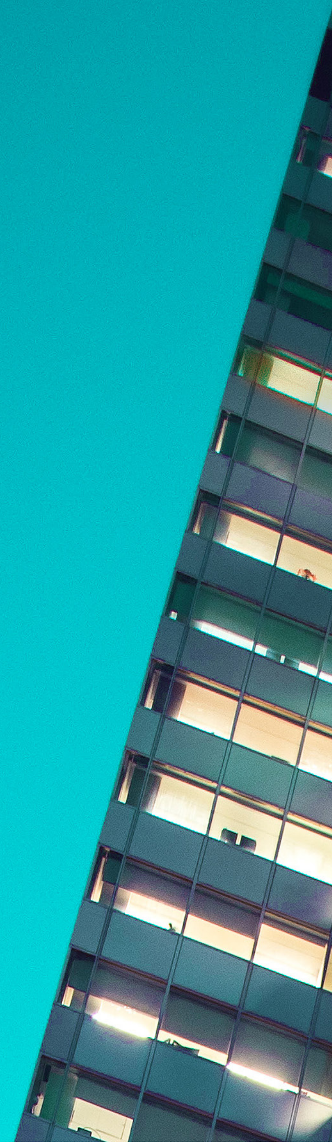
(1) Financial results presented include certain metrics which do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.
(2) Efficiency ratio is calculated as non-interest expenses, excluding the pre-tax amortization of acquisition related intangible assets, 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.
(3) "CDN Bank Average" is calculated based on information contained in the publicly available company reports of Canada's six largest banks (TSX trading symbols: BMO, CM, NA, RY, BNS, TD).
(4) As of 2011, financial results are reported under IFRS, as opposed to GAAP, and are not directly comparable.
(5) CAGR - compound annual growth rate.
(6) See page 20 for definitions and discussion of non-IFRS measures.

About CWB Financial Group

CWB Financial Group (CWB) operates with a clear focus to meet the unique financial needs of business owners. We understand that a business owner's dreams, vision and ambition extend beyond a set of financial statements, and that business owners require a specialized approach to fully serve their combined business, personal banking and wealth management needs.

Our clients recognize CWB for our in-depth knowledge of targeted segments within Canada's commercial banking industry, our uncommon brand of personal service and our full suite of relevant financial solutions. Shareholders value CWB's strong track record of high-quality balance sheet and dividend growth, conservative approach to risk management and consistent profitability.

At the heart of CWB Financial Group, Canadian Western Bank (TSX:CWB) has grown to become the seventh largest publicly traded Schedule 1 bank in Canada in terms of market capitalization by taking a relationship-based approach within targeted segments of the financial services industry. In addition to full-service business and personal banking under the CWB Bank brand, we offer highly responsive specialized financing solutions through CWB Equipment Financing, National Leasing, CWB Maxium Financial, CWB Franchise Finance and CWB Optimum Mortgage, trust services through Canadian Western Trust and comprehensive wealth advisory services through CWB Wealth Management.



BC 18

Vancouver (4)
Abbotsford
Coquitlam
Courtenay
Cranbrook
Kamloops
Kelowna (2)
Langley
Nanaimo
Prince George
Richmond
Surrey (2)
Victoria

AB 18

Edmonton (5)
Calgary (6)
Grande Prairie
Leduc
Lethbridge
Medicine Hat
Red Deer
Sherwood Park
St. Albert

SK 5

Regina
Saskatoon (2)
Yorkton
Lloydminster

MB 2

Winnipeg (2)

ON 10

Barrie
Toronto (2)
London
Orillia
Oshawa
Ottawa
Mississauga
Richmond Hill
Woodbridge

QC 3

Montreal
Quebec City (2)

NB 3

Fredericton
Moncton
Saint John

NS 3

Halifax (3)

PEI 1

Charlottetown

NL 1

St. John’s

“CWB isn’t just a financial institution where you’re putting money in and taking money out. You don’t feel like a number. They’re hands-on, working one-on-one with you every step of the way and looking out for your business interests as if they were their own. You really feel that you have a partner.”

PHIL REID, Managing Director, Reid’s Birch Island Resort

Contents

"The team at CWB is genuinely interested in our business and in supporting us – very much demonstrating relationship style banking. And at the same time, CWB's products are very competitive with the bigger banks. I recommend them all the time to colleagues and friends."

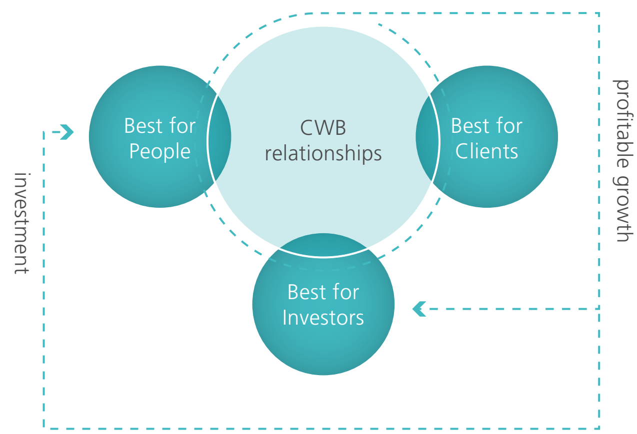
Left to right: **LISA PORTEOUS WONG,** Senior Cash Management Officer, Nanaimo Branch; **LEN THOMSON**, Business Owner, Paradise Island Foods; **KEVIN WILSON,** AVP & District Manager, Vancouver Island.

CWB's Balanced Growth Strategy

Operating from our corporate headquarters in Edmonton, Alberta, CWB is the trusted financial partner to a growing community of business owners. Our focus is to deliver a unique combination of business banking, personal banking and wealth management offerings tailored for business owners, their employees and their families. We deliver responsive service and relevant financial solutions, and we remain committed to our fundamental identity as a conservative, growth-oriented organization. For our people, we drive a collaborative, performance-based culture within a well-defined performance management framework. We aim to provide strong long-term returns for shareholders and give back in the communities where we live and work.

Further geographic and business sector diversification within targeted segments of Canada's commercial banking industry is the foundation of CWB's Balanced Growth strategy. Ongoing strong growth of both loans and funding sources remain important strategic objectives, along with specific goals related to risk and capital management.

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



Strategic Objectives and Highlights

Balanced Growth Objectives	Strategic Execution
Full-service client growth with a focus on business owners, including further geographic and industry diversification	• 6% loan growth, including 11% growth outside of Alberta, with higher net interest margin and a normalized credit experience. • Increased proportion of loan portfolio outside of Western Canada to 23% from 19%, including Ontario up to 19% from 15%. • Increased business diversification with 12% overall growth of general commercial loans, including 18% growth outside of Alberta. • Further growth with increased geographic and industry diversification forthcoming through acquisition of approximately $900 million of assets concentrated outside of Western Canada, to close January 31, 2018.
Growth and diversification of funding sources	• Maintained stable balances of relationship-based, branch-raised demand and notice deposits. • Continued to expand securitization capabilities with the addition of a second securitization funding partner and inaugural participation in the Canada Mortgage Bond (CMB) program. • Delivered a record year for funding through capital markets with total issuance of $950 million of Senior Deposit Notes through three successful transactions.
Optimized capital management through transition to the *Advanced Internal Ratings Based* (AIRB) approach	• On track for full transition to the AIRB approach in 2020, subject to regulatory approval.

Financial Highlights

Strong Financial Performance

- Very strong operating performance with common shareholders' net income of $214 million, up 21%, and record core pre-tax, pre-provision income (teb) of $391 million, up 10%.
- Diluted and adjusted cash earnings per common share of $2.42 and $2.63, up 14% and 16%, respectively.
- Record total revenue (teb) from core operations of $729 million, up 10%, including 10% growth of net interest income (teb) and 16% higher non-interest income.
- Positive operating leverage of 0.3%.
- Net interest margin (teb) of 2.57%, up 14 basis points, with sequential increases in every quarter.
- Normalized credit experience with a provision for credit losses as a percentage of average loans of 23 basis points, down from 38 basis points.
- Increased CWB's annual common share dividend for the 25th consecutive year.
- Announced an agreement to acquire for cash, on January 31, 2018, approximately $900 million of equipment loans and leases, and general commercial lending assets.

Non-financial Highlights

Client Experience and Business Transformation

- Improved clients' digital banking experience through strategic improvements to CWBdirect® Online Banking.
- Improved clients' online wire transfer experience, expanded desktop foreign exchange capabilities and introduced a fully integrated, omni-channel payment technology for business owners through strategic external partnerships.
- Created a new 'centre of excellence' for commercial real estate and specialized lending to better serve targeted business owners with complex financial needs.
- Initiated realignment of CWB's credit support operations to make key lending processes faster and easier.
- Launched Motive Financial, a new brand for CWB's online bank, with a focus to create valuable savings opportunities for clients across a broad geographic footprint.

Awards and Community Investment

- Recognized for leadership in turning raw data into business insights as a recipient of the *SAS Innovation Award* – Presented by SAS Canada, a global leader in data analytics.
- Gave back $2 million to charitable and community organizations through CWB's Community Investment Program.
- Surpassed United Way campaign targets, raising more than $320,000 through special events, employee pledges and corporate matching.
- Contributed $250,000 to assist in emergency relief efforts related to BC wildfires.

Lines of Business

Banking

We set ourselves apart through our commitment to provide a best-in-class client experience for business owners, coupled with our deep understanding of the markets where our clients do business. 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 through 42 branches and online banking services provided by Motive Financial (formerly Canadian Direct Financial).

Business Banking

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

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

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

Equipment Financing and Leasing

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

With operations across Canada, our equipment leasing subsidiary, 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, and golf and turf.

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

Personal banking for business owners, their families and employees

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

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

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

Trust Services

We offer personalized pension, trustee and custodial solutions for individuals and businesses through Canadian Western Trust (CWT). CWT has a proven reputation for delivering value and service. We build trusted business relationships and work with clients to offer a flexible, solutions-oriented approach.

Wealth Management

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

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

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

Message from Chris Fowler, President and CEO

Strong execution of our Balanced Growth strategy

At CWB Financial Group, our Balanced Growth strategy has provided an incredible opportunity to deepen relationships with business owners and expand our footprint from coast-to-coast. I'm excited about the road ahead and confident that continued execution of our well-defined plan will sustain and build on CWB's history of consistent, profitable growth.

CWB has always been focused on business owners. This year, we sharpened that focus even further. We know that successful business owners have unique financial needs, and our targeted approach to meeting those needs has been at the heart of CWB's growth story for more than thirty years.

I want to share a story that bears this out. Phil Reid operates Reid's Birch Island Resort, a successful fishing lodge just outside of Minaki in Northwestern Ontario. Service is everything in Phil's business. To be successful, he knows that his clients need to feel welcome and looked after. Phil recognizes these same values in CWB. Working with CWB's Mike McAulay, Branch Manager at one of CWB's two Winnipeg locations, he's found a fresh perspective and attention to detail he'd never encountered with another bank.

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

"We know that successful business owners have unique financial needs. Our targeted approach to meeting those needs has been at the heart of CWB's growth story for more than thirty years."

The best choice for business owners

Success for CWB means delivering best-in-class client experiences for business owners. To deliver on this commitment for Phil Reid, and for many others like him, we use every tool at our disposal – from the way our people dig deeper to truly understand our clients' growth opportunities, to the way our technology makes business banking easier, and more convenient.

This year we celebrated the first anniversary of our successful core banking system transformation. This new technology has allowed us to focus our efforts to develop broader and deeper client relationships that go beyond highly-valued lending solutions. We expect continued investment in technology to enhance the power and convenience of our suite of business and personal banking tools, and to enable clients in remote locations like Minaki, Ontario, to do more of their business banking without having to visit a physical branch.

To be sure, increased use of technology will be a permanent feature of our business model going forward. But for us, personal service will remain at the heart of our differentiated client experiences. Our work with Len Thomson, of Paradise Island Foods on Vancouver Island, perfectly illustrates this commitment. Len's father started the company in 1978. Since that time, the family has steadily grown their production of high quality dairy products using environmentally conscious production and distribution methods. Len has found CWB to be a much better fit for him than other financial institutions. Len appreciates that Lisa Porteous Wong, Senior Cash Management Officer, and Kevin Wilson, District Manager, Vancouver Island, have teamed up to find flexible and creative ways to support his business. Together, Lisa and Kevin have delivered customized banking solutions from our Nanaimo branch that work for Len. In fact, Len has been so impressed with our personalized service that he consolidated all of his business and personal banking with CWB.

The best choice for top talent

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

We know that our future success will depend on strong collaboration between engaged, well-trained and empowered CWB teams. In the same way technology transformation is required for CWB to be the best choice for clients, it is also required for us to compete for the top talent in our industry. To support this capability, we made significant progress this year toward implementation of a contemporary Human Resources Information System (HRIS). With full implementation planned for 2018, our HRIS will streamline decision making capabilities for strategic people-related processes and information.

We are investing in people-related infrastructure because we are committed to being an employer of choice. We want top talent like Mike, Lisa and Kevin to continue to choose CWB because they know they can thrive in a collaborative, performance-based environment that is fair, fun, progressive, diverse and opportunity-rich.

The best choice for investors

We believe that if we are truly the best choice for business owners like Phil Reid and Len Thomson, and the best choice for top talent in the industry, best-in-class financial results will follow. Our strong financial performance in 2017 demonstrates the benefits of this focus. This year we delivered record total revenues from core operations, record core pre-tax, pre-provision income, very strong growth of earnings per share, increased return on common shareholders' equity and positive operating leverage. We maintained a very strong common equity Tier 1 regulatory capital ratio, and increased our annual common share dividend for the 25th consecutive year.

This year we were also ranked by *The Banker* magazine as the soundest bank in Canada, as measured by the capital to assets ratio. The balance sheet strength reflected by this ranking has provided us with the flexibility to create value for shareholders through a range of strategic initiatives. In fiscal 2017, these included continued organic loan growth and an agreement to acquire nearly $1 billion of equipment finance loans and leases, and general commercial lending assets by the end of January 2018. This portfolio acquisition will be our largest asset purchase to date and represents a highly accretive and strategic investment of shareholders' capital. The addition of this portfolio is entirely consistent with our Balanced Growth strategy, and we're excited to get to work for these new clients.

Along with the 2016 acquisitions of CWB Maxium and the CWB Franchise Finance portfolio, the newly acquired assets represent our third acquisition in the past two years with a direct focus on business owners. In each case, more than 70% of the respective client relationships are located outside of Western Canada. In combination, these acquisitions will help us make significant progress toward our strategic goal to grow CWB's Ontario exposures to a third of our total. They also improve the balance of our overall business mix, with increased exposure to general commercial loans and equipment financing and leasing.

As we look forward, I'm pleased to report that our transition to an internal models-enabled methodology for managing regulatory capital is on track. We made significant progress in 2017 and we expect to complete our application for full transition to the *Advanced Internal Ratings Based* (AIRB) approach by the end of fiscal 2019. We expect the impact of this transition to be significant, and to benefit shareholders by putting CWB on more equal footing with our competition.

Creating the best full-service bank for business owners in Canada

So what does it mean to be the best choice for our clients, for our people and for investors? What does it all add up to for CWB Financial Group? We believe that continued execution of our Balanced Growth strategy will create the best full-service bank for business owners in Canada. This is an ambitious goal, and it will take time. But I believe we can get there through continued disciplined execution of our plan.

I want to thank our clients and our shareholders for their continued trust in us, and I want to thank our people for their passion and commitment to help CWB achieve our strategic goals. Today, we have an incredible opportunity to create exceptional client experiences from Vancouver Island to Northwestern Ontario and beyond. There is no doubt in my mind that CWB's future looks more exciting than ever before. And thanks to our tremendous people, I am very confident in our ability to achieve our full potential together.

Message from Robert Phillips, Chair of the Board

Your Board of Directors is responsible to oversee development and implementation of the strategic direction for CWB Financial Group and to maintain an effective governance framework. Our focus is to ensure CWB continues to deliver strong, profitable growth for investors, exceptional client experiences and a positive, rewarding and collaborative environment for CWB's people. I'm pleased to report that CWB's financial performance in 2017 was excellent as we continue to deliver on our Balanced Growth strategy.

Strategic Transformation

Every year the Board of Directors works with CWB's management team to revisit the strategic direction and adapt the plan to set the stage for the next phase of CWB's growth. As part of this year's strategic planning process, your Board increased collaboration with management, including a focused, multi-day strategy session with a goal to further define CWB's place in Canada's financial landscape. The outcome was a clear endorsement of CWB's focus on meeting the full scope of banking, trust services and wealth management needs for business owners across Canada.

CWB has historically demonstrated unique capabilities in serving mid-market commercial enterprises primarily in Western Canada. Clarifying the purpose of CWB as a bank for business owners provides the focus necessary to guide targeted investments in support of CWB's ongoing transformation to a leading, full-service business banking brand with the most relevant technology and a national presence. We expect CWB's ambitious transformation to deliver significant value to investors. As a board, we are committed to providing effective oversight every step of the way.

Risk Management Culture

Part of this oversight ensures that CWB continues to develop its enterprise risk management framework and maintains a strong organizational risk management culture. We are pleased with the progress of our transition to the *Advanced Internal Ratings Based* (AIRB) methodology for managing regulatory capital. We are on track with our targeted three year delivery timeframe and anticipate advancing our final application by the end of fiscal 2019.

The AIRB approach will provide CWB with critical insight to achieve balanced and sustainable growth, and risk measurement under the AIRB approach will support effective capital deployment to maximize shareholder return. Your Board is committed to providing diligent oversight of this important transformation as we seek to balance within our risk culture the benefits of quantitative sophistication with the value of common sense.

Our Focus on Diversity

CWB remains committed to The 30% Club, a global organization which aims to promote more women to senior corporate roles. The ultimate goal is to increase the proportion of women represented on boards of directors to 30% over time. With women now representing 27% of CWB's independent directors, we have surpassed our interim goal of 25% by 2018 one year early. I'm also pleased to report that women represent 29% of our Executive Committee.

Over the course of my career as a director, I have experienced first-hand the way an organization can benefit from the addition of new skills and new perspectives to the board. This year, your Board was pleased to welcome Margaret J. Mulligan, FCA as our newest director. Ms. Mulligan brings to CWB's Board an impressive track record in management and as a corporate director, including experience overseeing technology and operations at the executive level for one of Canada's large banks. I'm pleased to say Ms. Mulligan has already made us a better board in her short time with us.

Our Bright Future

In 2017 we took meaningful steps to broaden CWB's reach as a bank for business owners. I am very proud of the many things our people have accomplished throughout the year. That said, there is more work to do as our transformation is not complete. In fact, with the pace of technology-driven change apparent all around us, it's fair to say that transformation is set to be a permanent feature of our business.

I believe that a strong board has to get two things right: strategy and people. I'm pleased to report that your Board fully supports CWB's Balanced Growth strategy. We believe our strategic focus on business owners will continue to set us apart, and we are very confident in our excellent management team. Together we are working to ensure CWB is well-suited for the change to come. I can speak for CWB's entire Board of Directors in saying we are all very excited for what lies ahead.

A tribute to Robert L. Phillips Q.C., F.ICD

On behalf of the entire management team and all of CWB's tremendous people, I would like to recognize Bob Phillips' induction as a 2017 Fellow of the Institute of Corporate Directors. This honour recognizes Bob's three decade contribution as a director to an impressive array of leading Canadian corporations, including Canadian National Railway Co., Maxar Technologies Ltd. (formerly MacDonald Dettwiler & Associates Ltd.), Precision Drilling Corp., West Fraser Timber Co. Ltd., and of course, CWB Financial Group.

I am grateful for the opportunity to collaborate with Bob as we guide CWB Financial Group forward. We are very fortunate to enjoy Bob's leadership and the depth of his insight as the Chair of our Board of Directors. I can attest from my personal experience that this prestigious award is well-deserved.

- Chris Fowler

Board of Directors

Albrecht W. A. Bellstedt

President,
A.W.A. Bellstedt Professional Corporation

Andrew J. Bibby

CEO and Director,
Grosvenor Americas Partners

Chris H. Fowler

President and CEO,
Canadian Western Bank

Linda M.O. Hohol

Corporate Director

Robert A. Manning

President,
Cathton Investments Ltd.

Sarah A. Morgan-Silvester

Corporate Director

Corporate Governance

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

Oversight of our Business

Our Board of Directors (Board) provides overall stewardship of CWB Financial Group. This includes overseeing the development and implementation of our strategic direction, reviewing and approving our risk management framework, and fostering an ethical culture. Members of the Board have been carefully selected for their judgment, integrity, leadership ability, and extensive experience, and bring a range of perspectives to our business. CWB's management proxy circular for the 2018 Annual Meeting sets out the director nominees proposed for election as well as detailed information regarding the Board's committees and activities over the past year.

Board Independence

The Chair of the Board and all of our directors, other than CWB's President and CEO, are independent of management. In addition, a portion of every Board meeting includes time for the independent directors to meet without management and non-independent directors present.

Margaret J. Mulligan

Corporate Director

Robert L. Phillips

(Chair), President and CEO,
R.L. Phillips Investments Inc.

Raymond J. Protti

Corporate Director

Ian M. Reid

Corporate Director

H. Sanford Riley

President and CEO,
Richardson Financial Group Limited

Alan M. Rowe

Partner,
Crown Realty Partners

Our Focus on Ethical Conduct

At CWB Financial Group, ethical conduct is not only a legal and regulatory requirement, but a core value that facilitates the development of strong relationships with our clients and other stakeholders. The CWB Financial Group Code of Conduct, called Living our Values, guides our decision-making and sets out the standards of integrity, accountability, respect, common sense, and caring that apply to every CWB Financial Group team member. 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 Commitment to Diversity

A diversity of experience and perspectives is essential to the Board's successful oversight of our business, and helps us make better decisions. Our Corporate Governance Policies promote effective governance by requiring the Board to consider gender, ethnic, and geographic diversity when assessing potential director nominees. Our policies also include the goal that women comprise at least one-quarter of our independent directors by 2018. We achieved this target one year early, in March 2017.

Our Approach to Director and Executive Compensation

CWB Financial Group's director and executive compensation policies follow best practices. Our executive compensation practices are designed to reward pay for performance and discourage unreasonable risk taking. Directors and senior officers are required to maintain a minimum level of share ownership to encourage decision-making that aligns with the interests of our shareholders.

Shareholder Engagement

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 Financial Group's corporate governance practices is available in the Corporate Governance section at **cwb.com**.

Shareholders are encouraged to review CWB's management proxy circular for information on how they can attend and participate in the annual shareholder meeting on April 5, 2018.

Executive Committee from left to right: DARRELL JONES, Executive Vice President and Chief Information Officer; **H. BOGIE OZDEMIR**, Executive Vice President and Chief Risk Officer; **KELLY BLACKETT**, Executive Vice President, Human Resources and Corporate Communications; **CAROLYN GRAHAM**, Executive Vice President and Chief Financial Officer; **CHRIS FOWLER**, President and Chief Executive Officer; **STEPHEN MURPHY**, Executive Vice President, Banking; **GLEN EASTWOOD**, Executive Vice President, Business Transformation.

Executive Committee

Chris Fowler

President and Chief Executive Officer

Chris Fowler became President and Chief Executive Officer of CWB in March 2013. He is responsible for the overall leadership and direction of CWB, as well as for defining, communicating, and implementing its strategic direction.

Carolyn Graham

Executive Vice President and Chief Financial Officer

Carolyn Graham is responsible for financial and capital management for CWB in addition to overseeing strategy and investor relations, legal services and treasury.

Kelly Blackett

Executive Vice President, Human Resources and Corporate Communications

Kelly Blackett is responsible for human resources, internal communications, public relations and community investment, with a focus on building CWB's reputation as an employer and financial services firm of choice.

Glen Eastwood

Executive Vice President, Business Transformation

Glen Eastwood is responsible for business transformation activities that leverage our people, technology and practices in the pursuit of exceptional client experiences. He is also responsible for oversight of CWB Wealth Management and Canadian Western Trust.

Darrell Jones

Executive Vice President and Chief Information Officer

Darrell Jones is responsible for delivery of technology and information services across CWB. He is also responsible for leading the infrastructure management function across the enterprise.

Stephen Murphy

Executive Vice President, Banking

Stephen Murphy is responsible for all branch banking operations (which includes retail and commercial, equipment finance, real estate and specialized lending), as well as CWB Maxium, CWB Franchise Finance, National Leasing, and CWB Optimum Mortgage.

H. Bogie Ozdemir

Executive Vice President and Chief Risk Officer

Bogie Ozdemir is responsible for providing independent review and oversight of enterprise-wide risk management which includes credit risk, market risk, operational risk, and regulatory compliance risk, including privacy and anti-money laundering.

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BUSINESS PROFILE

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

	Business Line	Client Offering	Geographic Footprint
CWB Financial Group	CWB Bank	Full-service banking for business owners, their employees and their families	42 branches from Vancouver Island to Winnipeg, with growing digital capabilities to offer full-service banking beyond CWB's branch footprint; full-service online personal banking provided through Motive Financial in all provinces except Quebec
	CWB Real Estate and Specialized Lending	Commercial real estate activities and loans and leases to franchised hotels and restaurants	Real estate activity primarily in Western Canada with targeted participation in Ontario; CWB Franchise Finance activity in all provinces, with a head office in Montreal, Quebec
	National Leasing Group Inc. (National Leasing)	Small- and mid-sized commercial equipment leases	All provinces with a head office in Winnipeg, Manitoba
	CWB Equipment Finance	Larger-ticket standard industrial equipment loans and leases	Primarily in Western Canada with a growing presence in Ontario
	CWB Maxium Financial Inc. (CWB Maxium)	Commercial loans, leases and structured financing	Primarily concentrated in Ontario, with a head office in Richmond Hill
	CWB Optimum Mortgage (CWB Optimum)	Residential mortgages sourced through an extensive network of mortgage brokers	Ontario, Western Canada and Atlantic Canada, with a head office in Edmonton, Alberta
	Canadian Western Trust Company (CWT)	Personalized pension, trustee and custodial solutions for businesses and individuals	All provinces except Quebec, with a head office in Vancouver, BC
	CWB Wealth Management Ltd. including McLean & Partners Wealth Management Ltd. (McLean & Partners) and Canadian Western Financial Ltd. (CWF)	Comprehensive wealth advisory services, including discretionary wealth management primarily for high net-worth individuals, as well as third-party and proprietary funds offered with financial and investment planning advice	Primarily in Western Canada

BALANCED GROWTH STRATEGY

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

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

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

We maintain a supportive environment for our people within a results-oriented culture. We empower our people to deliver exceptional client experiences and accelerate growth of full-service client relationships.

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

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

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

FISCAL 2017 STRATEGIC HIGHLIGHTS

Table 1 – Execution of CWB's Balanced Growth Strategy

Balanced Growth objective	Strategic execution during fiscal 2017
Full-service client growth with a focus on business owners, including further geographic and industry diversification	• 6% loan growth, including 11% growth outside of Alberta, with higher net interest margin and a normalized credit experience. • Increased proportion of loan portfolio outside of Western Canada to 23% from 19%, including Ontario up to 19% from 15%. • Increased business diversification with 12% overall growth of general commercial loans, including 18% growth outside of Alberta. • Further growth with increased geographic and industry diversification forthcoming through acquisition of approximately $900 million of assets concentrated outside of Western Canada, to close January 31, 2018.
Growth and diversification of funding sources	• Maintained stable balances of relationship-based, branch-raised demand and notice deposits. • Continued to expand securitization capabilities with the addition of a second securitization funding partner and inaugural participation in the Canada Mortgage Bond (CMB) program. • Delivered a record year for funding through capital markets with total issuance of $950 million of Senior Deposit Notes through three successful transactions.
Optimized capital and risk management through transition to the *Advanced Internal Ratings Based* (AIRB) approach	• On track for transition to the AIRB approach in 2020, subject to regulatory approval.

Strategic Transactions

On October 30, 2017, CWB announced a definitive asset purchase agreement to acquire for cash approximately $900 million of equipment loans and leases, and general commercial lending assets. The loans and leases to be acquired are fully aligned with CWB's Balanced Growth strategy, including strategic objectives for industry and geographic diversification. The portfolio is primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with approximately three quarters of the exposures distributed outside of Western Canada. The transaction is expected to close on January 31, 2018. CWB expects the transaction to be immediately accretive to earnings per common share and return on common shareholders' equity, with positive contributions in fiscal 2018 to net interest margin and operating leverage. Management expects the acquired portfolio to contribute at least $0.10 of adjusted cash earnings per common share in both fiscal 2018 and 2019, while contributing to a slight increase in the provision for credit losses as a percentage of average loans.

CWB's common equity Tier 1 capital (CET1) ratio will remain in a very strong position upon closing, with approximately 30 basis points of existing CET1 capital to be deployed. Management expects to fund the portfolio primarily through its securitization facilities.

On August 16, 2017, CWB announced that CWT will focus its activities within business lines that are most aligned with the strategic objectives of CWB Financial Group, and will no longer offer self-directed account services to holders of exempt market securities. CWT appointed a successor trustee effective September 30, 2017. As a result of the agreement, CWB realized an after-tax gain on sale of $0.06 per share in 2017 and annual revenues from trust services are expected to be approximately $4 million lower next year. Approximately $71 million of branch-raised deposits and $1.3 billion of assets under administration transferred to the successor trustee on the closing date.

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 expectations for economic growth, management primarily considers 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 2017 adjustment to taxable equivalent basis of $2.3 million (2016 – $3.2 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, pre-tax, pre-provision earnings, return on common shareholders' equity, adjusted return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, common equity Tier 1, Tier 1 and total capital adequacy ratios, operating leverage, common share dividend payout ratio 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.
- Pre-tax, pre-provision income – total revenue (teb) less non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets (see Table 3).
- Adjusted cash earnings per common share – diluted earnings per common share excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax. Excluded items are not considered to be indicative of ongoing business performance.
- Return on common shareholders' equity – common shareholders' net income divided by average common shareholders' equity.
- Adjusted return on common shareholders' equity – common shareholders' net income excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax (see Table 2), divided by average common shareholders' equity.
- Return on assets – common shareholders' net income divided by average total assets.
- Efficiency ratio – non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets (see Table 2), divided by total revenues.
- Net interest margin – net interest income divided by average total assets.
- Basel III common equity Tier 1, Tier 1 and total capital ratios under the *Standardized* approach for calculating risk-weighted assets – in accordance with guidelines issued by Office of the Superintendent of Financial Institutions Canada (OSFI).
- Operating leverage – total revenue (teb) growth over the past twelve months, less non-interest expense growth over the past twelve months, excluding the pre-tax amortization of acquisition-related intangible assets.
- Common share dividend payout ratio – common share dividends declared during year divided by common shareholders' net income.
- Average balances – average daily balances.
- References to core common shareholders' net income, core pre-tax, pre-provision income (teb), and total revenues (teb) from core operations exclude divestiture gains recorded in fiscal 2015.

Table 2 – Adjusted Financial Measures

($ thousands)

		2017		2016
Non-interest expenses	$	345,466	$	313,647
Adjustments (pre-tax):				
Amortization of acquisition-related intangible assets		(7,560)		(6,354)
Adjusted non-interest expenses	$	337,906	$	307,293
Common shareholders' net income	$	214,277	$	177,761
Adjustments (after-tax):				
Acquisition-related fair value changes		13,402		5,775
Amortization of acquisition-related intangible assets		5,572		4,682
Adjusted common shareholders' net income	$	233,251	$	188,218

Table 3 – Pre-tax, Pre-provision (PTPP) Income

($ thousands)

		2017		2016
Total revenue (teb)	$	728,897	$	661,136
Less:				
Adjusted non-interest expenses (see Table 2)		337,906		307,293
Pre-tax, pre-provision income	$	390,991	$	353,843

CWB FINANCIAL GROUP PERFORMANCE

OVERVIEW

Highlights of 2017 (compared to 2016)

- Very strong operating performance with common shareholders' net income of $214 million, up 21%, and record core pre-tax, pre-provision income (teb) of $391 million, up 10%.
- Diluted and adjusted cash earnings per common share of $2.42 and $2.63, up 14% and 16%, respectively.
- Record total revenue (teb) from core operations of $729 million, up 10%, including 10% growth of net interest income (teb) and 16% higher non-interest income.
- The gain on sale related to the appointment of a successor trustee for CWT's exempt market securities business contributed $0.06 to 2017 adjusted cash earnings per common share.
- Net interest margin of 2.57%, up 14 basis points, with sequential increases in every quarter.
- Provision for credit losses as a percentage of average loans of 23 basis points, down from 38 basis points.
- Positive operating leverage of 0.3%.
- Loan growth of 6%, with 11% growth outside of Alberta and 18% growth of non-Alberta general commercial loans.
- Strong execution of CWB's funding diversification strategy, including record issuance of senior deposit notes in capital markets, growth of securitization capabilities, and stable branch-raised deposits.
- Gross impaired loans represented 0.72% of total loans, compared to 0.58% last year.
- Very strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 9.5% common equity Tier 1 (CET1), 10.8% Tier 1 and 12.5% Total capital.
- Significant progress toward transition to the *Advanced Internal Ratings Based* (AIRB) approach for capital and risk management, with application for regulatory approval anticipated by the end of fiscal 2019.
- Increased CWB's annual common share dividend for the 25th consecutive year.
- Announced an agreement to acquire for cash, on January 31, 2018, approximately $900 million of equipment loans and leases, and general commercial lending assets.

Table 4 – Select Annual Financial Information[1]

($ thousands, except per share amounts)

	2017	2016	2015	Change from 2016 $	Change from 2016 %
Key Performance Indicators (Continuing Operations)[2]					
Total revenues (teb)	$ 728,897	$ 661,136	$ 617,000	$ 67,761	10%
Total revenues	726,635	657,896	611,420	68,739	10
Pre-tax, pre-provision income (teb)	390,991	353,843	328,059	37,148	10
Common shareholders' net income	214,277	177,761	208,064	36,516	21
Earnings per share					
Basic	2.43	2.13	2.59	0.30	14
Diluted	2.42	2.13	2.59	0.29	14
Adjusted cash	2.63	2.26	2.63	0.37	16
Return on common shareholders' equity	10.1%	9.3%	12.4%		80 bp[3]
Adjusted return on common shareholders' equity	11.0	9.9	12.6		110
Return on assets	0.85	0.73	0.97		12
Efficiency ratio (teb)[4]	46.4	46.5	46.8		(10)
Efficiency ratio[4]	46.5	46.7	47.3		(20)
Net interest margin (teb)	2.57	2.43	2.56		14
Net interest margin	2.56	2.41	2.53		15
Operating leverage	0.3	0.8	(5.0)		(50)
Provision for credit losses as a percentage of average loans	0.23	0.38	0.17		(15)
Key Performance Indicators (Combined Operations)[2]					
Common shareholders' net income	$ 214,277	$ 177,761	$ 319,701	$ 36,516	21%
Earnings per share					
Basic	2.43	2.13	3.97	0.30	14
Diluted	2.42	2.13	3.97	0.29	14
Adjusted cash	2.63	2.26	4.01	0.37	16
Return on common shareholders' equity	10.1%	9.3%	19.1%		80 bp[3]
Adjusted return on common shareholders' equity	11.0	9.9	19.3		110
Return on assets	0.85	0.73	1.48		12
Key Performance Indicators (Discontinued Operations)[2]					
Common shareholders' net income	$ -	$ -	$ 111,637	$ -	-%
Earnings per share					
Basic	-	-	1.38	-	-
Diluted	-	-	1.38	-	-
Adjusted cash	-	-	1.38	-	-
Other Financial Information					
Total assets	$ 26,447,453	$ 25,222,549	$ 22,838,527	$ 1,224,904	5%
Dividends per common share	0.93	0.92	0.86	0.01	1

(1) See page 20 for a discussion of teb and non-IFRS measures.
(2) On May 1, 2015, CWB sold its property and casualty insurance subsidiary and stock transfer business. Revenues, expenses and gains on sale associated with the businesses sold are defined and classified on the consolidated statements of income in 2015 as "Discontinued Operations". The remaining operations are defined as "Continuing Operations", and the total Continuing Operations and Discontinued Operations are defined as "Combined Operations". Total revenues from Combined Operations include $107.8 million of divestiture gains in 2015. Return on shareholders' equity reflects equity from Combined Operations. All other measures reflect either Continuing or Combined Operations as indicated.
(3) bp – basis points.
(4) A decrease in the ratio reflects improved efficiency, while an increase reflects deterioration.

Summary of Operations

Fiscal 2017 was a very strong year for CWB, both in terms of strategic execution and financial performance. In respect to execution of CWB's Balanced Growth strategy, CWB expanded its geographic footprint, delivered increased industry diversification with a continued focus on business owners, and made significant progress toward the upcoming transition to the *Advanced Internal Ratings Based* (AIRB) approach for risk and capital management. Highlights of financial performance included record total revenues (teb) from core operations and record core pre-tax, pre-provision income (teb), higher net interest margin in every quarter, positive operating leverage, strong credit quality, and the 25th consecutive annual increase to CWB's common share dividend. CWB closed the year with the announcement of a highly strategic and accretive acquisition of equipment loans and leases, and general commercial lending assets, while maintaining a very strong common equity Tier 1 (CET1) capital ratio.

CWB recorded double-digit percentage growth in several key financial metrics: record total revenue (teb) from core operations of $729 million increased 10%; record core pre-tax, pre-provision income (teb) of $391 million was up 10%; and, common shareholders' net income of $214 million was 21% higher. Very strong earnings growth resulted from both the increase in total revenue (teb) and a normalized provision for credit losses.

Net interest income (teb) of $645 million was up 10% from 2016, reflecting the combined positive impact of 6% loan growth and a 14 basis point increase in net interest margin (teb) to 2.57%. The significant improvement in net interest margin (teb) resulted from a number of factors including higher asset yields, favourable changes in funding mix, and favourable changes in asset mix, partially offset by incrementally higher funding costs.

Non-interest income of $84 million increased 16% ($12 million), primarily due to net gains on securities of $1 million compared to net losses of $3 million last year, higher credit related fees, the CWT-related gain on sale within 'other' non-interest income, and higher wealth management fees.

The annual provision for credit losses as a percentage of average loans was 23 basis points. This is consistent with CWB's traditional range of 18 – 23 basis points, and slightly better than management's previously stated expectation for the full-year provision to fall in a range between 25 and 35 basis points. The annual provision last year was abnormally high at 38 basis points due to the impact of energy-related losses.

These factors were partially offset within common shareholders' net income by 10% ($32 million) higher non-interest expenses, a $10 million increase in acquisition-related fair value changes reflecting a full year of strong performance from CWB Maxium, compared to only a portion of last year, and a $4 million increase in preferred share dividends. The increase in non-interest expenses reflects an 8% ($16 million) increase in salaries and benefits, 15% ($9 million) higher 'other' expenses, and a 15% ($8 million) increase in costs related to premises and equipment. Of note, the addition of CWB Maxium and CWB Franchise Finance, both acquired in 2016, contributed approximately 35% of the increase in salaries and benefits, with the remainder attributed to annual salary increases and additional staff to support business growth. Also of note, premises and equipment expenses include costs associated with the new core banking system beginning in the third quarter last year.

Diluted earnings per common share of $2.42 and adjusted cash earnings per common share of $2.63 were up 14% and 16%, respectively. The CWT-related gain on sale contributed $0.06 to adjusted cash earnings per common share.

Adjusted return on common shareholders' equity (ROE) of 11% increased 110 basis points from last year. This was primarily driven by very strong growth of common shareholders' net income, reflecting both strong business growth and the impact of energy-related provisions last year. These factors were partially offset by the impact of common shares issued in the third quarter of 2016. Total cash dividends paid to common shareholders of $0.93 per share increased 1% ($0.01), resulting in CWB's 25th consecutive annual dividend increase. The dividend payout ratio was 38% of total common shareholders' net income in fiscal 2017, down from 43% last year.

Total assets increased 5% to reach $26,447 million. Total loans, including the allowance for credit losses, of $23,229 million increased 6%. Excluding CWB's Alberta portfolio, where growth has been constrained by the lagging impacts of the 2015 – 2016 regional recession, overall loan growth was 11%. Loan growth was consistent with CWB's Balanced Growth strategy, including strategic objectives to achieve a more balanced geographic footprint and further industry diversification with a continued focus on business owners. Ontario continued to lead loan growth by province and now accounts for 19% of CWB's total loan portfolio, up from 15% last year. This result was underpinned by strong performance from CWB's businesses that have a national footprint, including CWB Maxium, CWB Optimum, CWB Franchise Finance and National Leasing. Annual growth within the strategically targeted general commercial category was 12% overall, and 18% outside of Alberta. This portfolio now represents 27% of CWB's overall portfolio, compared to 26% in 2016.

Total deposits of $21,903 million were up 3%. Relationship-based branch-raised funding increased 2% from last year, including a relatively stable balance of lower-cost demand and notice deposits. Of note, the average balance of branch-raised deposits on a full-year basis was up 7% compared to 2016, including the impact of $71 million of branch-raised deposits transferred to the successor trustee for CWT's accounts holding exempt market securities. Branch-raised deposits represented 54% of total deposits at October 31, 2017, compared to 55% last year. Demand and notice deposits comprised 35% of total deposits, compared to 36% in 2016. The proportion of funding represented by term deposits raised through the broker market was unchanged at 36%.

CWB delivered strong execution against its funding diversification strategy. For example, CWB established a new record for funding through capital markets in fiscal 2017, with total senior deposit note issuance of $950 million across three successful transactions. The proportion of deposits raised through the capital markets increased to 10% of total funding at year end, compared to 9% in the prior year. CWB also increased the use of securitization funding through the addition of a second securitization partner, continued participation in the National Housing Act Mortgage Backed Securities (NHA MBS) program, and inaugural participation in the Canada Mortgage Bond (CMB) program.

The maintenance of solid capital levels is fundamental to CWB's objectives to effectively manage risks and support strong growth. CWB's Basel III common equity Tier 1 (CET1) at October 31, 2017 of 9.5% was very strong. Including CWB's Tier 1 and total capital ratios of 10.8% and 12.5%, respectively, all capital ratios 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. The increase in CWB's CET1 capital ratio from 9.2% last year was primarily driven by strong earnings growth. At 8.3%, the Basel III leverage ratio remains very conservative.

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

Implementation of CWB's new banking system in 2016 has enabled progress toward enhanced client experiences through further development of targeted products and services. For example, this year CWB improved clients' online wire transfer experience, expanded desktop foreign exchange capabilities and introduced CWB PayHQ, a fully integrated, omni-channel payment technology platform, all through strategic external partnerships. Planned delivery of remote deposit capture technology early in calendar 2018 is also on track, which will enable clients to make deposits anywhere, any time. These enhancements will complement the forthcoming introduction of next generation online banking tools for businesses, which will allow clients to house their business and personal banking on a common platform.

Management also executed a strategic realignment of reporting structures to better address the needs of targeted business owner clients. The realignment created a new 'centre of excellence' for commercial real estate and specialized lending, and integrated CWB's vendor-focused equipment lending operations within National Leasing. CWB's new 'centre of excellence' will specialize in working with commercial real estate, corporate lending and franchise finance clients with similar needs, often related to large, complex, syndicated lending opportunities. The new structure is also expected to permit regional branch leadership to focus on growth of targeted mid-market, full-service commercial relationships and deliver on CWB's unique client value proposition. Two new senior leadership roles for brand development, and marketing and sales effectiveness were also created as part of the realignment. The focus of these roles is to contribute to more effective, central support for CWB's frontline teams.

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

Management's business transformation and process improvement efforts are also focused to improve key credit processes to enchance CWB's overall client experience and established sources of competitive advantage. Related initiatives undertaken in 2017 and continuing into the new fiscal year will realign CWB's credit support structure to improve focus and efficiency through standardized processes, clear accountabilities, and effective leverage of CWB's investment in industry-leading technology.

Management expects these product improvements, structural realignments and process improvements to position branch-based teams to more effectively demonstrate CWB's unique brand of personal service and relationship-based approach. Taken together, these are key steps to enhance CWB's full-service banking experience for business owners. Management expects these initiatives to support development of broader, multi-product client relationships, including ongoing loan growth and accelerated growth of branch-raised deposits.

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

CWB's future success will depend on strong collaboration between engaged, well-trained and empowered teams. To support this capability, CWB made significant progress this year toward implementation of a contemporary Human Resources Information System (HRIS). With full implementation planned for 2018, CWB's HRIS will streamline decision-making capabilities for strategic people-related processes and information.

This year CWB also completed a broad-based compensation review with the assistance of external compensation consultants to assess the market competitiveness of CWB's compensation. Where appropriate, adjustments were made for employees whose compensation was not market aligned. In addition, CWB held its inaugural group-wide Ethics Week campaign, and inaugurated a Week of Caring initiative to support community investment. Approximately 600 employees participated in the latter event, contributing more than 1,500 volunteer hours and raising $320,000 for United Way locations across Western Canada.

CWB's Award of Excellence program was expanded in 2017 to include more frequent recognition on a quarterly basis. Pillars of Excellence Awards are a nomination-based program to recognize the importance of employee contributions, award high-quality employee performance, and to motivate employees to achieve excellence. The Pillars of Excellence Awards recognize team-focused individuals who have gone "above and beyond" in contributing to key strategic objectives, and who actively display the qualities for which CWB is known.

Management will continue to invest in improved people-related infrastructure and processes to support CWB's objective to be seen as the best choice for top talent, and to support a collaborative, performance-based environment that is fair, fun, progressive, diverse and opportunity-rich.

Medium-term Performance Target Ranges

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

Table 5 – Medium-term Performance Target Ranges

	Medium-term Performance Target Ranges[1]	Fiscal 2017 Performance
Adjusted cash earnings per common share growth	7 - 12%	Exceeded target at 16%.
Adjusted return on common shareholders' equity	12 - 15%	Delivered 11.0%, with significant improvement from 9.9% in 2016.
Operating leverage	Positive	Met target at positive 0.3%.
Common equity Tier 1 capital ratio under the *Standardized* approach	Strong	Exceeded target with a very strong ratio of 9.5%.
Common share dividend payout ratio	~30%	Delivered 38%, with an annual common share dividend increase for the 25th consecutive year.

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

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

Outlook

Over a three- to five-year timeframe, management expects financial performance to reflect ongoing strong execution of CWB's Balanced Growth strategy and to be relatively consistent with its medium-term targets. Results are expected to benefit from an expanding geographic footprint with increased business diversification; success in key strategic initiatives to enhance client experiences, build core funding sources, and leverage current and future investment in technology; and CWB's planned transition to the AIRB methodology for capital and risk management.

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

CWB remains committed to delivering double-digit annual loan growth whenever prudent, with a continued focus on secured loans that offer an appropriate return and acceptable risk profile. Loan growth accelerated in the second half of fiscal 2017 to a double-digit pace outside of the provinces most affected by the 2015 – 2016 regional recession, and management expects this trend to continue into 2018. Business opportunities within Alberta and Saskatchewan are expected to gain momentum as these provincial economies continue to recover.

CWB's pipeline of new organic growth opportunities across all provinces continues to expand. In addition, the portfolio of equipment loans and leases, and general commercial lending assets to be acquired on January 31, 2018, is expected to support continued progress toward strategic objectives for geographic and industry diversification, and provide CWB with valuable prospects to pursue future growth. The balance of loans and leases to be acquired at closing is expected to be approximately $900 million. With approximately three quarters of the portfolio originated outside of Western Canada, this acquisition will move CWB toward its strategic goal for Ontario exposures to represent a third of the overall portfolio. From an industry perspective, the portfolio is primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with yields and security types generally comparable to CWB's existing exposures within these industries. Related prospecting activity will primarily leverage CWB's well-established specialization in equipment financing and leasing. Management expects strong financial contributions from these assets to contribute to performance against our medium-term performance targets. In view of the acquired portfolio's relatively short duration, CWB is working to quickly identify and execute on high-quality retention and renewal opportunities consistent with management's risk appetite. However, some degree of portfolio run-off in respect to these assets is expected in the near term.

In respect to housing-related growth opportunities, revisions to OSFI's Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* (B-20) could serve to curtail market activity and reduce the pace of home price increases across the country. In particular, the 200 basis point qualifying stress test and limits on co-lending arrangements could make it more difficult for certain prospective buyers to qualify for uninsured mortgages, and have a negative impact on originations within CWB Optimum; however, the changes may also result in increased renewals with existing borrowers, as well as incremental lending opportunities within the alternative mortgage space as all federally-regulated mortgage lenders are affected by revisions to the guideline. Notwithstanding these somewhat offsetting factors, management expects the growth rate for CWB Optimum to more closely resemble overall growth across the rest of the loan portfolio going forward. This includes the expected moderating impact of changes to Guideline B-20, as well as CWB's overall risk appetite for Alt-A mortgages as a proportion of total loans. CWB does not expect changes to Guideline B-20 to have a material impact on growth opportunities within its real estate project lending portfolio.

CWB's strategic focus to grow and diversify funding sources will continue, including a goal to increase relationship-based branch-raised deposits with particular emphasis on demand and notice deposits. This funding segment is typically lower cost and provides associated transactional fee income. Continued growth in the proportion of branch-raised funding is also a key strategic objective because it reflects success in strengthening targeted full-service client relationships. The capabilities of CWB's new core banking system will support various growth initiatives related to branch-raised funding over the medium term. Continued development of new and more effective products, along with an ongoing strategic focus on business transformation and process improvement, are expected to enhance CWB's client experience and strengthen CWB's competitive position. CWB's growing market presence to support strong performance against these goals will include further development of digital banking capabilities and may also include periodic expansion of full-service branches.

Continued diversification of funding sources is also expected to include increased utilization of both debt capital markets and CWB's growing securitization capabilities. CWB added a second securitization funding partner in 2017, continued securitization of residential mortgages through the National Housing Administration Mortgage Backed Security (NHA MBS) program, and initiated participation in the Canada Mortgage Bonds (CMB) program this year. Participation through each of these channels is expected to increase over the medium term.

Incrementally higher net interest margin

CWB's Balanced Growth strategy targets growth of lower-cost funding sources along with selective, geographically diversified loan growth in higher yielding portfolios with an acceptable risk profile. Acceleration of loan growth in 2018 may require increased utilization of the relatively higher-cost broker deposit funding channel, and management may periodically hold higher average balances of cash and securities with a lower average yield in the event of macroeconomic or financial market volatility, as well as in preparation for expected maturities. Competitive pressure on loan yields is expected to remain apparent, and deposit costs are expected to move incrementally higher in 2018, due to both competitive factors and expectations for a lagged impact from the Bank of Canada's rate increases in 2017. However, the combined positive impact of successful strategic execution, including the expected contributions of assets to be acquired at the end of the first quarter, and the higher interest rate environment is expected to support incrementally higher net interest margin in fiscal 2018 compared to the prior year.

Strong credit quality

Overall credit quality is expected to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management. Partially due to the lagging impacts of the regional 2015 – 2016 recession, management expects periodic further increases in the balance of impaired loans across the portfolio; however, the trend in balances of loans classified as past due but not impaired improved late in fiscal 2017, supporting a more positive outlook. Material credit impacts related to the small balance of remaining oil and gas loans are not expected. Gross impaired loans within CWB Optimum may increase in the event of a material correction of residential home prices. Loss rates on current and future impaired loans are expected to be low, reflecting the combined positive impact of CWB's disciplined underwriting, secured lending practices, and proactive account management. This expectation is consistent with CWB's prior experience, where write-offs have typically been low as a percentage of impairments. Management remains confident in the strength, diversity and underwriting structure of the overall loan portfolio and lending exposures continue to be closely monitored. CWB continues to carefully monitor the entire portfolio for signs of weakness. The fiscal 2018 provision for credit losses as a percentage of average loans is expected to be relatively consistent with 2017.

Based on the results of stress tests simulating severe economic conditions across CWB's geographic footprint over a multi-year time frame, including consideration for the impact of a severe housing market correction, management is confident CWB will continue to deliver positive earnings for shareholders while maintaining financial stability and a strong capital position. Stress test assumptions include severe credit losses, a persistent low interest rate environment and significantly slower loan growth to reflect lower assumed levels of economic activity, as well as increased competition for deposits and much higher levels of gross impaired loans that could combine to result in significant compression of net interest margin.

Efficient operations and operating leverage

A key priority for CWB is to deliver consistent increases in adjusted cash earnings per share through business growth and strategic investment while maintaining effective control of costs. Realignment of CWB's credit support structure is expected to improve efficiency over the medium term through development of standardized processes and effective leverage of CWB's investment in industry-leading technology. CWB's ongoing targeted investment in people, technology and infrastructure is expected to contribute to long-term shareholder value through improved financial performance in future periods. In view of the level of necessary future investment to facilitate ongoing business transformation in support of CWB's Balanced Growth strategy, management expects CWB's efficiency ratio to fluctuate within a relatively narrow range around 46% over the near term. Management is committed to disciplined control of all discretionary expenses, and expects to deliver positive operating leverage over the medium-term.

Prudent capital management and dividends

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

Management expects CWB to deploy approximately 30 basis points of CET1 capital to close the acquisition of approximately $900 million of equipment loans and leases, and general commercial lending assets on January 31, 2018.

A normal course issuer bid (NCIB) authorizing CWB to purchase for cancellation prior to September 30, 2018, up to 1,767,000 common shares is in place. Management may choose to activate the NCIB in fiscal 2018 should the appropriate circumstances become apparent.

Common share dividend increases are evaluated every quarter against the dividend payout ratio target of approximately 30% of common shareholders' net income, as well as capital requirements under the *Standardized* approach to support ongoing strong and balanced asset growth.

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

NET INTEREST INCOME

Net interest income is the difference between interest and dividends earned on assets, and interest paid on deposits and other liabilities, including debt. Net interest margin is net interest income as a percentage of average total assets.

Highlights of 2017

- Strong 10% growth of net interest income (teb) to a record $644.7 million, reflecting 6% loan growth and significant improvement in net interest margin (teb).
- Net interest margin (teb) of 2.57% increased 14 basis points from 2016, with sequential improvement in each quarter. Significant improvement in this key metric resulted from a number of factors including higher asset yields, favourable changes in funding mix, and favourable changes in asset mix, partially offset by incrementally higher funding costs.
- Higher asset yields reflect both the impact of Bank of Canada rate increases in July and September, and increased prepayment fees.
- Favourable changes in funding mix reflect strong strategic execution, including the combined positive impact of 7% higher average balances of branch-raised deposits, stable average balances of deposits sourced through the broker market, and redemption of higher-cost capital markets funding instruments.
- Favourable changes in asset mix also reflect strong strategic execution with increased contributions from the relatively higher-yielding CWB Maxium and CWB Franchise Finance portfolios and lower average balances of cash and securities.
- Incorporating the impact on both asset yields and deposit costs, the Bank of Canada rate increases contributed approximately two basis points to the total increase of 14 basis points.

Table 6 - Net Interest Income (teb)(1)

($ thousands)

	2017				2016			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	$ 2,443,633	10%	$ 35,458	1.44%	$ 2,719,327	11%	$ 36,352	1.34%
Securities purchased under resale agreements	25,300	-	138	0.54	131,891	1	620	0.47
Loans								
Personal	4,373,295	17	164,816	3.77	3,659,510	15	141,277	3.86
Business	17,803,589	71	829,134	4.66	17,264,663	71	786,980	4.56
	22,176,884	88	993,950	4.48	20,942,173	86	928,257	4.44
Total interest bearing assets	24,645,817	98	1,029,546	4.18	23,775,391	98	965,229	4.06
Other assets	479,376	2	-	0.00	424,060	2	-	0.00
Total Assets	$ 25,125,193	100%	$ 1,029,546	4.10%	$ 24,199,451	100%	$ 965,229	3.99%
Liabilities								
Deposits								
Personal	$ 13,006,738	52%	$ 236,274	1.82%	$ 12,489,741	52%	$ 231,429	1.85%
Business and government	7,949,443	31	119,002	1.50	7,955,410	33	114,895	1.46
	20,956,181	83	355,276	1.70	20,445,151	85	346,324	1.70
Securities sold under repurchase agreements	42,775	-	245	0.57	44,504	-	174	0.39
Other liabilities	456,340	2	-	0.00	375,379	2	-	0.00
Debt	1,279,283	5	29,373	2.30	1,226,192	5	30,267	2.47
Shareholders' equity	2,389,701	10	-	0.00	2,107,633	8	-	0.00
Non-controlling interests	913	-	-	0.00	592	-	-	0.00
Total Liabilities and Equity	$ 25,125,193	100%	$ 384,894	1.53%	$ 24,199,451	100%	$ 376,765	1.56%
Total Assets/Net Interest Income	$ 25,125,193		$ 644,652	2.57%	$ 24,199,451		$ 588,464	2.43%

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

Net interest income (teb) increased 10% to a record $644.7 million. Strong growth was primarily driven by the 4% increase in average interest earning assets and 14 basis point increase in net interest margin (teb) to 2.57%.

The yield on CWB's average interest-earnings assets increased 12 basis points to 4.18% in 2017 as a result of a number of factors, including: increased contributions from the relatively higher-yielding CWB Maxium and CWB Franchise Finance portfolios, a higher interest rate environment following increases in the Bank of Canada's overnight rate in July and September, increased prepayment fees, and the impact of pricing discipline across the portfolio. The yield on average personal loans was down nine basis points from 2016, primarily reflecting the full-year impact of CWB's NHA MBS- and CMB-related liquidity and funding inititatives.

The yield on average cash, securities and deposits with regulated financial institutions was up 10 basis points from last year, reflecting the higher interest rate environment and steeper yield curve.

Average deposit costs were unchanged from last year and the overall cost of average interest-bearing liabilities and equity fell three basis points to 1.53%. The cost of personal deposits was slightly lower with favourable changes in product mix driven by execution of CWB's Balanced Growth strategy. While business deposit costs increased slightly, mainly due to competitive factors, these deposits comprised a lower portion of overall interest-bearing liabilities and equity. Debt-related costs were 17 basis points lower with redemption of relatively higher-cost subordinated debentures.

Outlook for Net Interest Income and Net Interest Margin

CWB's Balanced Growth strategy targets growth of lower-cost funding sources along with selective, geographically diversified loan growth in higher yielding portfolios with an acceptable risk profile. Acceleration of loan growth in 2018 may require increased utilization of the relatively higher-cost broker deposit funding channel, and management may periodically hold higher average balances of cash and securities with a lower average yield in the event of macroeconomic or financial market volatility, and in preparation for upcoming maturities. Competitive pressure on loan yields is expected to remain apparent, and deposit costs are expected to move incrementally higher in 2018, due to both competitive factors and expectations for a lagged impact from the Bank of Canada's rate increases in 2017. However, the combined positive impact of successful strategic execution, including the expected contributions of assets to be acquired at the end of the first quarter, and the higher interest rate environment is expected to support incrementally higher net interest margin in fiscal 2018 compared to the prior year.

NON-INTEREST INCOME

Highlights of 2017

- Non-interest income of $84.2 million, up 16%.
- Net gains on securities of $0.7 million compared to net losses of $2.8 million last year, higher credit related fees, and wealth management income.
- Higher 'other' non-interest income, due to a $5.7 million pre-tax gain on sale related to the appointment of a successor trustee for CWT's exempt market securities business, to focus CWT's activities within business lines that are most aligned with CWB's strategic objectives.
- Non-interest income represented 12% of total revenues (teb), up from 11% in 2016.
- Improved online wire transfer experience for clients expanded desktop foreign exchange capabilities and introduced a fully integrated, omni-channel payment technology platform through strategic external partnerships.
- CWB's proprietary Onyx Portfolio Series mutual funds surpassed $100 million in assets under management less than two years after their inception in February 2016.

Table 7 – Non-interest Income

($ thousands)

	2017	2016	Change from 2016 $	Change from 2016 %
Credit related	$ 34,012	$ 30,598	$ 3,414	11%
Wealth management services[1]	19,073	16,394	2,679	16
Retail services[1]	10,758	11,244	(486)	(4)
Trust services	11,305	11,522	(217)	(2)
Gains (losses) on securities, net	664	(2,830)	3,494	nm[3]
Other[2]	8,433	5,744	2,689	47
Total Non-interest Income	$ 84,245	$ 72,672	$ 11,573	16%

(1) During 2017, certain fee income was reclassified from retail services to wealth management services within Non-interest Income. Comparative figures have been restated to conform with current year presentation, resulting in a $2,373 increase in wealth management services and a corresponding decrease in retail services.
(2) Includes gains on strategic transactions and loan portfolio sales, lease administration services, foreign exchange gains/losses, gains/losses on land, buildings and equipment disposals, and other miscellaneous non-interest revenues.
(3) nm – not meaningful.

Non-interest income of $84.2 million was up 16% or $11.6 million. Net gains on securities of $0.7 million increased from a net loss of $2.8 million in 2016, while credit related fees were up 11% ($3.4 million) with ongoing growth of lending activity. 'Other' non-interest income was $2.7 million higher, primarily due to a $5.7 million pre-tax gain on sale related to the appointment of a successor trustee for CWT's exempt market securities business, partially offset by lower gains on the sale of residential mortgages this year. Wealth management fees also increased $2.7 million with strong performance across the business.

Non-interest income as a percentage of total revenues (teb) increased to 12% from 11% in 2016.

Outlook for Non-interest Income

Growth of non-interest income is expected to reflect CWB's strategy to extend and deepen relationships with both new and existing business owner clients. Increases are expected across most categories of non-interest income reflecting CWB's continued strategic 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 relationship-based, branch-raised deposit franchise. Planned delivery of remote deposit capture technology early in calendar 2018 is on track. This will complement the introduction of next generation online banking tools for businesses, which will allow clients to house their business and personal banking on a common platform.

Based on the current composition of the securities portfolio, net gains/losses on securities are not expected to contribute materially to non-interest income in 2018; however, the magnitude and timing of gains or losses are dependent on market factors that are difficult to predict.

Management expects further increases in wealth management revenues to result over the medium term from solid performance within CWB Wealth Management, including organic growth of discretionary investment services, and further growth of proprietary investment products. Management will also continue to consider strategically aligned and accretive wealth management acquisition opportunities.

CWB may realize gains on the sale of residential mortgage portfolios as opportunities become available. Such gains are anticipated to be a recurring, although sporadic, source of 'other' non-interest income.

CWT's exempt market securities business line contributed approximately $3.5 million of non-interest income on an annual basis prior to this year's appointment of a successor trustee for accounts holding these securities.

Highlights of 2017

- Operating leverage was positive 0.3%.
- The efficiency ratio (teb) of 46.4% improved from 46.5% in 2016.

Table 8 – Non-interest Expenses and Efficiency Ratio
($ thousands)

	2017	2016	Change from 2016 $	Change from 2016 %
Salaries and employee benefits				
Salaries	$ 184,670	$ 171,332	$ 13,338	8%
Employee benefits	35,746	33,571	2,175	6
	220,416	204,903	15,513	8
Premises				
Rent	20,738	19,688	1,050	5
Depreciation	5,036	5,277	(241)	(5)
Other	3,532	3,314	218	7
	29,306	28,279	1,027	4
Equipment and software				
Depreciation	18,096	12,950	5,146	40
Other	12,946	11,310	1,636	14
	31,042	24,260	6,782	28
General				
Professional fees and services	9,439	8,234	1,205	15
Regulatory costs	8,826	6,281	2,545	41
Marketing and business development	7,691	6,939	752	11
Amortization of acquisition-related intangible assets	7,560	6,354	1,206	19
Banking charges	5,062	5,429	(367)	(7)
Travel	3,263	2,832	431	15
Postage and stationery	2,668	2,898	(230)	(8)
Loan-related credit reports	2,565	2,431	134	6
Community investment	2,000	2,281	(281)	(12)
Communications	1,836	1,717	119	7
Staff relations	1,616	1,279	337	26
Employee training	1,407	1,303	104	8
Capital and business taxes	1,399	1,284	115	9
Employee recruitment	1,065	641	424	66
Mutual fund administration	1,037	808	229	28
General insurance	1,006	1,036	(30)	(3)
Parking	864	908	(44)	(5)
Acquisition-related	-	695	(695)	(100)
Other	5,398	2,855	2,543	89
	64,702	56,205	8,497	15
Total Non-interest Expenses	$ 345,466	$ 313,647	$ 31,819	10%
Efficiency Ratio (teb)(1)(2)	46.4%	46.5%		(10) bp(3)

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

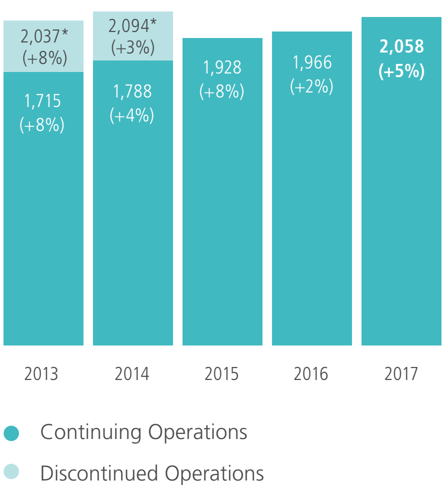
Total non-interest expenses of $345.5 million were up 10% ($31.8 million). Incorporation of a full year of expenses for CWB Maxium and CWB Franchise Finance in 2017, compared to only a portion of last year, accounted for nearly 25% of the overall increase in total non-interest expenses and more than 35% of the annual increase in salaries and benefits. Overall, salaries and employee benefits increased 8% ($15.5 million) reflecting the acquisition-related impact noted above, as well as hiring activity to support overall business growth and annual salary increments.

The net increase in overall full-time equivalent employees (FTEs) was moderate at 5%. Equipment and software costs were up 28% ($6.8 million) including a full year of costs related to the core banking system, compared to half the year in 2016, and other costs associated with ongoing investment in technology infrastructure to position CWB for future growth.

Premises expense was relatively stable, up by 4% or $1.0 million. General non-interest expenses were up 15% or $8.5 million. 'Other' general expenses increased $2.5 million. Higher regulatory costs, amortization of acquisition-related intangible assets, and fees for professional services also contributed to the increase in general expenses.

Operating leverage for the year was positive 0.3% and the efficiency ratio (teb) of 46.4% improved by 10 basis points from last year. Strong performance on both metrics reflects the combined positive impact of higher revenues from ongoing loan growth and higher net interest margin (teb), as well as effective management of discretionary expense growth.

Figure 1 – Number of Full-time Equivalent Staff



* Combined Operations - See Table 4, footnote 2 for descriptions of Continuing, Discontinued and Combined Operations.

Outlook for Non-interest Expenses, Efficiency and Operating Leverage

CWB's medium-term targets for growth of adjusted cash earnings per share and positive operating leverage incorporate expectations for strong business growth supported through strategic investment in people, technology and infrastructure, along with effective control of expense growth. CWB's annual efficiency ratio (teb) over the past three years is approximately 46%. In view of both necessary future investment to facilitate ongoing execution of CWB's Balanced Growth strategy, and the recently improved outlook for net interest margin, management expects CWB's efficiency ratio to fluctuate around 46% over the near term. Management is committed to maintaining efficient operations through disciplined control of all discretionary expenses, and positive operating leverage is expected over the medium term.

ACQUISITION-RELATED FAIR VALUE CHANGES

The estimated change in fair value of contingent consideration related to the acquisition of CWB Maxium amounted to $18.3 million, compared to $7.9 million last year, with accruals commencing after the acquisition closed on March 1, 2016. The change in fair value reflects the expected value of the contingent consideration after evaluating actual earnings to date and the estimated probability-weighted future operating performance of CWB Maxium. CWB Maxium has delivered strong performance, consistent with management's expectations. Annual contingent consideration fair value changes, approximately similar in magnitude through the remainder of the three-year earn out period, would represent the maximum amount available through the purchase agreement. Related detail is provided in Note 3 to the consolidated financial statements.

INCOME TAXES

The 2017 effective income tax rate (teb) was 26.9% compared to 27.3% in 2016, with the decrease primarily resulting from the tax treatment of the CWT-related gain on sale. The effective tax rate before the teb adjustment was 26.4%, unchanged from last year, as the benefit from the tax treatment of the CWT-related gain on sale was offset by lower tax exempt income on certain securities.

Deferred tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of assets and liabilities, and their values for tax purposes. CWB's deferred income tax assets and liabilities relate primarily to the collective allowance for credit losses and intangible assets. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates anticipated to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in deferred income taxes related to a change in tax rates are recognized as income in the period of the tax rate change.

Outlook for income taxes

CWB's expected income tax rate (teb) for fiscal 2018 is approximately 27.5%.

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 small increase in comprehensive income was primarily driven by very strong 21% ($40.3 million) growth of net income, partially offset by a decrease in OCI of $36.8 million. Changes in OCI mainly reflect the combined impact of a $16.8 million decrease in the fair value of available-for-sale securities and a $13.9 million decrease in the fair value of derivatives designated as cash flow hedges. CWB`s portfolio of available-for-sale securities is comprised of debt securities and investment grade preferred shares. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve.

Table 9 – Comprehensive Income

($ thousands)

	2017	2016	Change from 2016
Net Income	**$ 229,655**	$ 189,334	$ 40,321
Other Comprehensive Income (Loss)			
Available-for-sale securities			
Gains from change in fair value, net of tax	**4,021**	20,799	(16,778)
Reclassification to net income, net of tax	**(485)**	2,158	(2,643)
	3,536	22,957	(19,421)
Derivatives designated as cash flow hedges			
Losses from change in fair value, net of tax	**(22,089)**	(8,157)	(13,932)
Reclassification to net income, net of tax	**(3,321)**	113	(3,434)
	(25,410)	(8,044)	(17,366)
Other Comprehensive Income (Loss), net of tax	**(21,874)**	14,913	(36,787)
Total Comprehensive Income	**$ 207,781**	$ 204,247	$ 3,534

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements amounted to $2,709 million at October 31, 2017, compared to $2,792 million last year. The cash and securities portfolio is mainly comprised of high-quality debt instruments and investment grade preferred shares that are not held for trading purposes and, where applicable, are typically held to maturity. Fluctuations in the value of securities are generally attributed to changes in interest rates, movements in market credit spreads, shifts in the interest rate curve, as well as volatility in equity markets. Total net unrealized losses before tax recorded on the balance sheet at October 31, 2017 were $39.9 million, compared to $44.7 million last year. Net unrealized gains or losses are reflected in the following table.

Table 10 – Unrealized Gains (Losses) on Available-for-sale Cash and Securities

($ thousands)

	As at October 31, 2017			As at October 31, 2016		
	Amortized Cost	**Net Unrealized Gains (Losses)**	**Fair Value**	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
Deposits with Regulated Financial Institutions	**$ 503,913**	**$ (18)**	**$ 503,895**	$ 890,597	$ (81)	$ 890,516
Securities Issued or Guaranteed by						
Canada	**1,327,541**	**(20,243)**	**1,307,298**	1,142,651	147	1,142,798
A province or municipality	**443,510**	**(4,652)**	**438,858**	291,814	133	291,947
Other Debt Securities	**306,671**	**1,750**	**308,421**	153,126	1,522	154,648
Preferred Shares	**149,159**	**(16,749)**	**132,410**	165,606	(46,405)	119,201
Total	**$ 2,730,794**	**$ (39,912)**	**$ 2,690,882**	$ 2,643,794	$ (44,684)	$ 2,599,110

The decrease in unrealized losses on securities compared to 2016 primarily relates to the impact of improvements in market conditions within the Canadian preferred share market, partially offset by the impact of changes in interest rates on pricing within the debt securities market. The level of unrealized losses on securities is regularly reviewed. Impairment charges on debt securities and preferred shares are reflected in net gains/losses on securities only in the case of an issuer credit event. CWB has no direct investment in any non-Canadian sovereign debt or other securities issued outside of Canada or the United States.

Net gains on securities were $0.7 million in 2017, compared to net losses of $2.8 million last year. Based on the current composition of the securities portfolio, net gains/losses on securities going forward are not expected to have a material impact on non-interest income, although debt security and preferred share market conditions are inherently unpredictable in the short-term.

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

The balance and mix of cash and securities are managed as part of CWB's overall liquidity management process; additional information, including management's outlook for 2018, is included in the Liquidity Management discussion of this MD&A.

LOANS

Highlights of 2017

- Profitable 6% loan growth, with strong execution of CWB's Balanced Growth strategy.
- Achieved further geographic diversification, with Ontario-based loans representing 19% of total loans at year end, compared to 15% last year, and loans outside of Western Canada representing 23%, compared to 19% in 2016.
- Strong 11% growth outside of Alberta.
- Achieved further industry diversification, with very strong 12% growth in general commercial loans, including 18% growth outside of Alberta, primarily driven by the contributions of CWB Maxium and CWB Franchise Finance.
- Very strong 16% growth in personal loans and mortgages, including the contributions of CWB Optimum.

Table 11 – Outstanding Loans by Portfolio
($ millions)

			Change from 2016	
	2017	2016	$	%
General commercial loans	**$ 6,307**	$ 5,644	$ 663	12%
Personal loans and mortgages	**4,726**	4,064	662	16
Commercial mortgages	**4,267**	4,189	78	2
Real estate project loans	**4,030**	4,236	(206)	(5)
Equipment financing and leasing	**3,892**	3,711	181	5
Oil and gas production loans	**124**	221	(97)	(44)
Total Outstanding Loans	**$ 23,346**	$ 22,065	$ 1,281	6%

Total loans before the allowance for credit losses increased 6% to reach $23,346 million at year end. Excluding CWB's Alberta portfolio, where growth has been constrained by the lagging impacts of the 2015 – 2016 regional recession, overall loan growth was 11% from last year.

Year-over-year growth by lending sector was consistent with CWB's Balanced Growth strategy. In dollar terms, growth was led by general commercial loans ($663 million), which includes the contributions of CWB Maxium and CWB Franchise Finance, followed closely by personal loans and mortgages ($662 million), including sustained strong performance within CWB Optimum.

Annual growth within the strategically targeted general commercial category was very strong at 12% overall, and 18% outside of Alberta. General commercial lending reflects activity across a broad range of industries, such as manufacturing, construction, transportation, health care, professional services, hospitality, and wholesale and retail trade. Very strong performance within this category is consistent with CWB's Balanced Growth strategy, and reflects ongoing efforts to leverage development of full-service relationships with business owners to support CWB's funding diversification objectives.

Personal loans and mortgages include CWB's broker-sourced residential mortgage business, CWB Optimum, lending activity in banking branches, and CWB's participation in the National Housing Act Mortgage Backed Security (NHA MBS) program. The gross amount of mortgages securitized under the NHA MBS program was $381 million (2016 – $391 million). Net of portfolio sales, total loans of $2,746 million within CWB Optimum increased 20% ($463 million) from 2016. Mortgage application volumes within CWB Optimum were elevated in the late spring and early summer due to challenges faced by its largest direct competitor. As a result, growth accelerated moderately early in the third quarter. However, management tightened lending criteria and origination volumes were maintained at levels consistent with CWB's strategic growth objectives and established risk appetite. Application volumes returned to more normal levels through the later part of the fiscal year.

Management's response to these events was supported by continuous review of CWB's three lines of defence framework and risk appetite parameters. This ongoing work is undertaken to ensure vigilant risk management and strong underwriting. During fiscal 2017, related efforts in respect to residential mortgages were focused to ensure fulsome oversight of all controls, including those that detect fraud, as well as compliance with the changes to Guideline B-20.

Overall growth within CWB Optimum in fiscal 2017 was driven almost exclusively by alternative mortgages secured via first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 67%. The book value of alternative mortgages represented 94% of CWB Optimum's total portfolio at year end, compared to 93% in 2016. At approximately 56% of the total, Ontario represents the largest geographic exposure by province within CWB Optimum's portfolio, followed by Alberta at 18% and British Columbia at 16%. The average size of CWB Optimum mortgages originated in 2017 was approximately $341,000 and the average size of all mortgages outstanding at October 31, 2017 was approximately $286,000. Management remains committed to the ongoing development of this business as it continues to produce solid returns while maintaining an acceptable risk profile.

The balance of loans in equipment financing and leasing includes the branch-based heavy equipment financing business and the $1,877 million of small- and mid-ticket leases within National Leasing. Total loans in this category were up 5% ($181 million) from last year. Growth was primarily driven by the 8% increase within National Leasing, reflecting its solid market position and coast-to-coast footprint. Overall growth of equipment financing and leasing outside of Alberta was also 8%.

CWB maintained a stable presence in commercial mortgages, with a 2% ($78 million) increase from last year.

Real estate project loans contracted 5% ($206 million). This is consistent with management's previously stated expectations, and reflects the successful completion of development projects along with reduced new activity within Alberta.

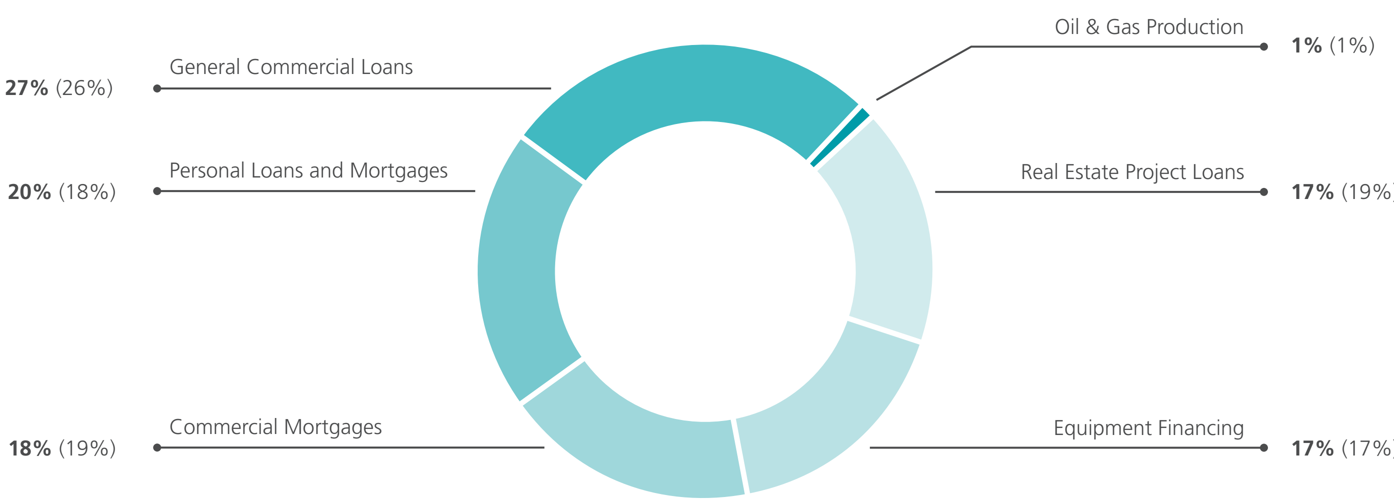
CWB maintained a proactive approach in managing its small portfolio of oil and gas production loans over the past year, reducing the outstanding balances by 44% ($97 million).

The mix of CWB's portfolio (see Figure 2) shifted in a manner consistent with CWB's Balanced Growth strategy. Growth was strong in general commercial loans and personal loans and mortgages, and resumed at a moderate pace within equipment financing and leasing. The increase in commercial mortgages was modest for a second consecutive year, while both real estate project loans and oil and gas production lending contracted as expected. In combination, these changes delivered increased business diversification with lower concentrations in commercial real estate and energy-related lending.

The change in the mix of CWB's portfolio based on the location of security (see Figure 3) was also consistent with management's Balanced Growth strategy. British Columbia and Alberta represented 35% and 33%, respectively, of total loans at October 31, 2017, compared to 36% for each province in 2016. Ontario represented 19% of total loans at the end of fiscal 2017, up from 15% last year. This material shift primarily resulted from strong growth within CWB's business lines that have a national footprint, including CWB Maxium, CWB Optimum, CWB Franchise Finance and National Leasing. Moderate growth in BC and contraction within Alberta also contributed to the change in geographic mix.

Figure 2 – Outstanding Loans by Portfolio

(October 31, 2016 in brackets)



Outlook for Loans

CWB will continue to support high-quality borrowers operating within targeted industry segments across Canada. Management remains committed to delivering double-digit annual loan growth whenever prudent, with a continued focus on secured loans that offer an appropriate return and acceptable risk profile. Loan growth accelerated in the second half of fiscal 2017 to a double-digit pace outside of the provinces most affected by the 2015 – 2016 regional recession, and management expects this trend to continue into 2018. Business opportunities within Alberta and Saskatchewan are expected to gain momentum as these provincial economies continue to recover.

Overall growth in Canada's domestic economy is expected to continue at a moderate pace in 2018, and CWB's pipeline of new growth opportunities across all provinces continues to expand. In addition to quality organic growth opportunities, the portfolio of equipment finance, equipment leasing and healthcare assets to be acquired on January 31, 2018, is expected to support continued progress toward strategic objectives for geographic and industry diversification, and provide CWB with valuable prospects to pursue future growth. The balance of loans and leases to be acquired at closing is expected to be approximately $900 million. In view of the acquired portfolio's relatively short duration, CWB is working to quickly identify and execute on high-quality retention and renewal opportunities consistent with management's risk appetite. However, some degree of portfolio run-off in respect to these assets is expected over the medium term.

In respect to housing-related growth opportunities, revisions to OSFI's Guideline B-20 could serve to curtail market activity and reduce the pace of home price increases across the country. In particular, the 200 basis point qualifying stress test and limits on co-lending arrangements could make it more difficult for certain prospective buyers to qualify for uninsured mortgages, and have a negative impact on originations within CWB Optimum; however, the changes may also result in increased renewals with existing borrowers, as well as incremental lending opportunities within the alternative mortgage space as all federally-regulated mortgage lenders are affected by revisions to the guideline. Notwithstanding these somewhat offsetting factors, management expects the growth rate for CWB Optimum to more closely resemble overall growth across the rest of the loan portfolio going forward. This includes the expected moderating impact of changes to Guideline B-20, as well as CWB's overall risk appetite for Alt-A mortgages as a proportion of total loans.

CWB does not expect changes to Guideline B-20 to have a material impact on growth opportunities within its real estate project lending portfolio. CWB expects to continue to identify opportunities to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels, especially within British Columbia where real estate activity remains robust. Within Greater Vancouver, demand and supply conditions remain tight and home prices have held firm despite counter-cyclical measures undertaken by both the federal and provincial governments. That said, the recent change in British Columbia's provincial government has resulted in greater uncertainty related to the future of energy infrastructure development opportunities within the province, and related economic activity.

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

Diversification of Portfolio

Figure 3 – Geographical Distribution of Loans based on Location of Security
(October 31, 2016 in brackets)

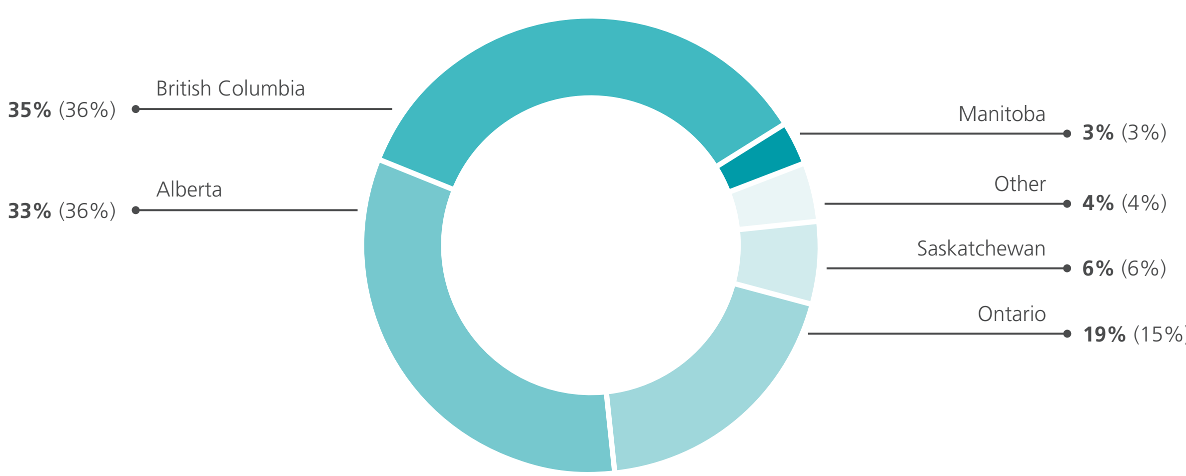


Table 12 – Total Advances Based on Industry Sector(1)

(% at October 31)

	2017	2016
Construction	**22%**	21%
Consumer loans and residential mortgages	**20**	18
Real estate operations	**19**	21
Finance and insurance	**7**	7
Transportation and storage	**6**	6
Hotel/motel	**5**	5
Health and social services	**4**	4
Retail trade	**3**	3
Other services	**2**	3
Wholesale trade	**2**	2
Manufacturing	**2**	2
Agriculture	**2**	2
Oil and gas service	**2**	2
Logging/forestry	**2**	2
Oil and gas production	**1**	1
All other	**1**	1
Total	**100%**	100%

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

The loan portfolio is focused on areas of demonstrated lending expertise, while concentrations measured by geographic area and industry sector are managed within specified tolerance levels. The portfolio is well diversified, including a mix of business and personal loans, with further geographic and industry diversification targeted through CWB's Balanced Growth strategy. Certain reporting structures were realigned in 2017 to better address the needs of targeted business owner clients. The realignment created a new 'centre of excellence' for commercial real estate and specialized lending, and integrated within National Leasing the activities of CWB's specialized equipment financing underwriting centre. CWB's new 'centre of excellence' will specialize in working with commercial real estate, corporate lending and CWB Franchise Finance clients with similar needs, often related to large, complex, syndicated lending opportunities. The new structure is also expected to permit regional leaders to focus on growth of targeted general commercial relationships and deliver on CWB's unique client value proposition.

Financing of standard industrial equipment will continue to be primarily sourced by specialized lenders within branches or through stand-alone equipment financing centres, while small- and mid-sized leases will continue to be offered across Canada through National Leasing. CWB Maxium operates across the country, with a primary focus in Ontario. CWB Optimum maintains centralized administration based in Edmonton, with a regional underwriting centre located in Ontario, and sources residential mortgages through an established network of mortgage brokers throughout the country. Oil and gas production lending is conducted by specialists located in Calgary.

Outlook for Diversification of Portfolio

Loan growth accelerated in the second half of fiscal 2017 to a double-digit pace outside of the provinces most affected by the 2015 – 2016 regional recession, and management expects this trend to continue into 2018. Business opportunities within Alberta and Saskatchewan are expected to gain momentum as these provincial economies continue to recover.

CWB's Balanced Growth strategy will continue to target further geographic and industry diversification through higher relative growth outside of Western Canada, concentrated in areas such as equipment financing and leasing, general commercial loans and personal loans and mortgages, compared to real estate project loans and commercial mortgages. The 2016 acquisitions of CWB Maxium and CWB Franchise Finance contributed meaningfully to progress against these objectives in 2017, and the assets to be acquired on January 31, 2018 will continue this positive trend. With approximately three quarters of the newly acquired portfolio originated outside of Western Canada, this acquisition will move CWB toward its strategic goal for Ontario exposures to represent a third of the overall portfolio. From an industry perspective, the portfolio is primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with yields and security types generally comparable to CWB's existing exposures within these industries. Related prospecting activity will primarily leverage CWB's well-established specialization in equipment financing and leasing, along with the healthcare specialization within CWB Maxium. Contributions to renewal and retention efforts related to the acquired portfolio will be made on a collaborative basis within National Leasing, including a specialized underwriting centre which partners with select equipment brokers and the finance companies of original equipment manufacturers, and CWB's branch-based standard industrial equipment lending operations.

Growth of personal loans and mortgages is expected to be moderate with expected growth in CWB Optimum more closely resembling the rest of the loan portfolio. Expectations for moderate growth, with the potential for further incremental contraction, of real estate project loans reflects the combined impact of this portfolio's relatively short duration and management's strategic focus to grow other portfolios more quickly. Within the parameters of its established risk appetite, CWB will continue to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels as such opportunities arise. Commercial mortgages are often subject to a higher level of pricing competition compared to other types of lending and CWB will remain focused on maintaining this portfolio based on client relationships and adequate returns. Management will continue with initiatives to develop and/or acquire sources of high-quality growth that are complementary to the geographic and industry diversification objectives defined within CWB's Balanced Growth strategy.

CREDIT QUALITY

Highlights of 2017

- Total provision for credit losses of $51.0 million represented 23 basis points of average loans, consistent with CWB's traditional range of 18 – 23 basis points, and slightly better than management's previously stated expectation for the full-year provision to fall in a range between 25 and 35 basis points.
- Gross impaired loans represented 0.72% of total loans, compared to 0.58% last year.
- Growth in the collective allowance of 8% moderately exceeded the level of overall loan growth.
- Total allowance for credit losses as a percentage of gross impaired loans (coverage ratio) was 81%, compared to 100% in 2016.

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, the dollar level of gross impaired loans at October 31, 2017 totaled $168.3 million, up from $127.2 million last year. This amount represented 0.72% of total loans, compared to 0.58% at the end of 2016. Gross impaired loans within Alberta of $105.8 million accounted for 63% of total impairments at year end, compared to 51% last year. Gross impaired loans within the general commercial category amounted to $58.2 million, compared to $18.4 million at the end of 2016. Of the total impairments in this category, approximately 72% is comprised of Alberta exposures, compared to 81% last year. Gross impaired loans from CWB's equipment financing and leasing exposures were $50.8 million compared to $40.2 million last year. Approximately 50% of the gross impaired balance in this category is comprised of Alberta exposures, relatively unchanged from last year. The ten largest accounts classified as impaired, measured by dollars outstanding, represented 42% of total gross impaired loans at year end, down from 48%. New formations of impaired loans totaled $180.2 million, up 10% from last year.

The overall higher balance of impaired loans as a percentage of total loans, with an increasing proportion of impairments located in Alberta, is consistent with management's expectations and reflects the lagging impacts of the 2015 – 2016 regional recession. Gross impairments outside of Alberta represented 0.40% of non-Alberta loans at October 31, 2017, down from 0.44% last year.

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

			Change from 2016	
	2017	2016	$	%
Gross impaired loans, beginning of period	**$ 127,212**	$ 94,905	$ 32,307	34%
New formations	**180,170**	164,386	15,784	10
Reductions, impaired accounts paid down or returned to performing status	**(92,027)**	(61,619)	(30,408)	49
Write-offs	**(47,094)**	(70,460)	23,366	(33)
Total, end of period[1]	**$ 168,261**	$ 127,212	$ 41,049	32%
Balance of the ten largest impaired accounts	**$ 70,935**	$ 61,397	$ 9,538	16%
Total number of accounts classified as impaired[2]	**237**	232	5	2
Total number of accounts classified as impaired under $1 million[2]	**206**	217	(11)	(5)
Gross impaired loans as a percentage of total loans[3]	**0.72%**	0.58%		14 bp[4]

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $1,983 (2016 – $3,876). 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.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.
(4) bp – basis points.

The level of gross impaired loans fluctuates as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures. The higher balance of gross impaired loans reflects the increase in new formations, partially offset by the success of ongoing realization efforts and work-out programs.

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. Ongoing loan management processes include assignment of experienced credit adjudicators to assist branches and credit teams to proactively identify and address higher risk loans. Loans that have become impaired are monitored closely by a specialized team with regular reviews of each loan and its realization plan. Specific allowances for expected write-offs are established through detailed analyses of both the overall quality and marketability of security held against each impaired account. Please see the Risk Management section of this MD&A for further information.

Outlook for Impaired Loans

Overall credit quality is expected to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management. Gross impaired loans within CWB Optimum may increase in the event of a material correction of residential home prices. Partially due to the lagging impacts of the regional 2015 – 2016 recession, periodic increases in the balance of impaired loans may occur across the portfolio; however, the trend in balances of loans classified as past due but not impaired improved late in fiscal 2017, supporting a more positive outlook. Material credit impacts related to the small balance of remaining oil and gas loans are not expected. Loss rates on current and future impaired loans are expected to be low, reflecting the combined positive impact of CWB's disciplined underwriting, secured lending practices, and proactive account management. This expectation is consistent with CWB's prior experience, where write-offs have typically been low as a percentage of impairments.

Management remains confident in the strength, diversity and underwriting structure of the overall loan portfolio. CWB continues to carefully monitor all lending exposures for signs of weakness.

Allowance for Credit Losses

Current estimates of expected write-offs for existing loans classified as impaired are reflected in the specific provisions for credit losses, which totalled $16.6 million at year end, compared to $16.3 million a year earlier. Estimates are established through detailed analysis of both the overall quality and ultimate marketability of the security held against each impaired account. The year-over-year change in the allowance for credit losses split between the specific allowance by category of impaired loans and the collective allowance for credit risk is provided in the following table.

Table 14 – Allowance for Credit Losses

($ thousands)

	2017 Opening Balance	Provision for Credit Losses	Write-Offs, net of Recoveries[1]	**2017 Ending Balance**
Specific Allowance				
Equipment financing and leasing	$ 9,563	$ 22,830	$ (22,261)	**$ 10,132**
General commercial loans	1,370	16,589	(14,888)	**3,071**
Real estate project loans	2,719	-	(699)	**2,020**
Oil and gas production loans	2,143	1,868	(3,211)	**800**
Commercial mortgages	270	385	(270)	**385**
Personal loans and mortgages	204	959	(954)	**209**
	16,269	42,631	(42,283)	**16,617**
Collective Allowance	110,943	8,355	-	**119,298**
Total	$ 127,212	$ 50,986	$ (42,283)	**$ 135,915**
Represented by:				
Loans				**$ 116,329**
Committed but undrawn credit exposures and letters of credit[2]				**19,586**
Total				**$ 135,915**

(1) Recoveries in 2017 totalled $4,811.
(2) The collective allowance for credit losses related to committed but undrawn credit exposures and letters of credit is included in Other Liabilities on the consolidated balance sheets.

Allowances for credit losses are maintained to absorb both identified and unidentified losses in the loan portfolio and, at October 31, 2017, consisted of the above-mentioned $16.6 million (2016 – $16.3 million) of specific allowances and $119.3 million (2016 – $110.9 million) in the collective allowance for credit losses. The specific allowance includes the amount of accumulated provisions for losses required to reduce the carrying value of identified impaired loans to their estimated realizable value. The collective allowance includes allowances for losses inherent in the portfolio that are not presently identifiable on an account-by-account basis. Policies and methodology governing the management of the collective allowance are in place.

Growth in the collective allowance of 8% moderately exceeded the level of overall loan growth. The total allowance for credit losses as a percentage of gross impaired loans (coverage ratio) was 81%, compared to 100% in 2016.

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 in relation to loans within Alberta may remain elevated. 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 2017 provision for credit losses of $51.0 million was down 36% from $79.1 million last year. The 2017 provision represented 23 basis points of average loans, consistent with CWB's traditional range of 18 – 23 basis points, and slightly better than management's previously stated expectation for the full-year provision to fall in a range between 25 and 35 basis points. This year's provision was 15 basis points lower than last year when the provision was abnormally high due to the impact of energy-related losses. Net new specific provisions represented 19 basis points of average loans, compared to 32 basis points in 2016. CWB has a long history of strong credit quality and low loan losses, both of which compare very favourably to the Canadian banking industry. Macroeconomic and other external factors that may impact core geographic regions and/or industry sectors in which CWB customers operate are continually analyzed.

Table 15 – Provision for Credit Losses

($ thousands)

	2017	2016	2015	2014	2013
Provision for credit losses[1]	**0.23%**	0.38%	0.17%	0.15%	0.19%
Net new specific provisions (net of recoveries)[2]	**0.19**	0.32	0.12	0.07	0.13
Write-offs[1]	**0.21**	0.34	0.06	0.09	0.16
Collective allowance	**$ 119,298**	$ 110,943	$ 99,613	$ 90,075	$ 76,217
Coverage ratio[3]	**81%**	100%	122%	154%	134%

(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

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, expectations for the credit performance of assets to be acquired on January 31, 2018, and the adequacy of the collective allowance for credit losses, the fiscal 2018 provision for credit losses as a percentage of average loans is expected to be relatively consistent with 2017. CWB will adopt IFRS 9 – Financial Instruments, the new accounting standard for loan losses and impairment, and begin to calculate the provision for credit losses using the expected credit loss method on November 1, 2018. Related detail is provided under Future Changes in Accounting Policies within this MD&A.

Potential risks that could have a material adverse impact on expectations for the provision for credit losses include a significant and sustained deterioration in Canadian residential real estate prices, material changes to standing free trade agreements which could affect the outlook for Canadian exports, material weakening of energy and other commodity prices compared to recent levels, a material contraction of economic growth in the U.S., or a significant disruption in major global economies.

Highlights of 2017

- Strong execution against CWB's funding diversification strategy.
- Established a new record for annual senior deposit note issuance in capital markets, with $950 million raised across three successful transactions, increasing capital markets deposits to 10% of the total (2016 – 9%).
- Increased the use of cost effective securitization funding through the addition of a second securitization funding partner, continued participation in the National Housing Act Mortgage Backed Securities (NHA MBS) program, and inaugural participation in the Canada Mortgage Bond (CMB) program.
- Branch-raised deposits of $11,816 million increased 2%, with the balance of lower-cost demand and notice deposits relatively stable compared to last year.
- Average balances of branch-raised deposits increased 7%.
- The appointment of a successor trustee for CWT's exempt market securities business resulted in the transfer of approximately $71.3 million of branch-raised deposits during the fourth quarter of 2017.
- Branch-raised deposits comprised 54% of total deposits, compared to 55% in 2016.
- Broker deposits were unchanged at 36% of total deposits, with the average balance for the full year down slightly from 2016.

Table 16 – Deposits

($ thousands)

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

	Demand	Notice	Term	2016 Total	% of Total
Personal	$ 34,681	$ 3,866,441	$ 9,322,580	$ 13,223,702	62%
Business and government	761,523	3,031,090	2,317,038	6,109,651	29
Capital markets	-	-	1,861,200	1,861,200	9
Total Deposits	$ 796,204	$ 6,897,531	$ 13,500,818	$ 21,194,553	100%
% of Total	4%	32%	64%	100%	

Total deposits of $21,903 million increased 3% ($708 million) from last year, reflecting 7% ($538 million) growth in business and government deposits, 1% ($171 million) increase in personal deposits, which include those issued through the deposit broker network, and 16% ($303 million) growth in capital markets deposits outstanding.

Table 17 – Deposits by Source

(as a percentage of total deposits at October 31, 2017)

	2017	2016
Branches	54%	55%
Deposit brokers	36	36
Capital markets	10	9
Total	100%	100%

References to branch-raised deposits within this MD&A include all deposits generated through the branch network, as well as certain deposits raised via CWT, Motive Financial 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. CWT raises deposits through notice accounts (comprised primarily of cash balances held in self-directed registered accounts), corporate trust deposits and through CWB's branch network.

The appointment of a successor trustee for CWT's exempt market securities business resulted in the transfer of approximately $71.3 million of branch-raised deposits during the fourth quarter of 2017.

CWB rebranded its online bank, Motive Financial (Motive), during fiscal 2017 to position this offering as an effective funding channel through a renewed focus to create valuable savings opportunities for clients across a broad geographic footprint. Motive offers various deposit products to customers in all provinces and territories except Quebec. Client deposits in Motive at October 31, 2017 totaled $311 million, down from $324 million last year.

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

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

Total branch-raised deposits were up 2% in 2017, with the balance of lower-cost demand and notice deposits stable from last year. Of note, the average balance of branch-raised deposits was up 7% compared to 2016, including the impact of $71 million of branch-raised deposits transferred to the successor trustee for CWT's accounts holding exempt market securities. CWB delivered strong execution against its funding diversification strategy. This included a new record for annual issuance of senior deposit notes in capital markets in 2017, with $950 million raised across three successful transactions. As a result, the proportion of deposits raised through the capital markets increased to 10% of total funding at year end, compared to 9% in the prior year. CWB also increased the use of securitization funding through the addition of a second securitization funding partner, continued participation in the NHA MBS program, and initial participation in the CMB program during the fourth quarter. Fiscal 2017 funding from the securitization of leases, loans and mortgages was $739 million (2016 – $734 million), including $40 million from the participation in the CMB program. Demand and notice deposits comprised 35% of total deposits at year end, down from 36% in 2016. Total branch-raised deposits accounted for 54% of total deposits, compared to 55% last year.

Other deposits are primarily sourced through a deposit broker network. 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. Reliance on broker deposits in 2017 was unchanged from the prior year at 36% of the total. Of note, CWB raises only fixed-term deposits through this funding channel, with terms to maturity between one and five years, and does not offer a High Interest Savings Account (HISA) product. Pricing within the broker channel was disrupted late in the second quarter of 2017 as the most active issuer came under pressure. This disruption had no impact on CWB's ability to raise broker deposits, and the pricing impact proved to be temporary from CWB's perspective.

Outlook for Deposits and Funding

CWB's strategic focus to grow and diversify funding sources will continue. This includes a goal to increase relationship-based branch-raised deposits, with particular emphasis on demand and notice deposits. This funding segment is typically lower cost and provides associated transactional fee income. Continued growth in the proportion of branch-raised funding is also a key strategic objective because it reflects success in strengthening targeted full-service client relationships. The capabilities of CWB's new core banking system supports various growth initiatives related to branch-raised funding over the medium term. Continued development of new and more effective products, along with an ongoing strategic focus on business transformation and process improvement, are expected to enhance CWB's client experience and strengthen CWB's competitive position. CWB's growing market presence to support strong performance against these goals will include further development of digital banking capabilities and may also include periodic expansion of full-service branches.

Continued diversification of funding sources is also expected to include increased utilization of both debt capital markets and CWB's growing securitization capabilities. CWB commenced securitization of residential mortgages in 2016 through the National Housing Administration Mortgage Backed Security (NHA MBS) program, and initiated participation in the Canada Mortgage Bonds (CMB) program this year. Participation through both of these channels is expected to increase over the medium–term.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2017 totaled $509 million (2016 – $469 million). The amount of goodwill and intangible assets recorded on the balance sheet at October 31, 2017 was $86 million (2016 – $85 million) and $150 million (2016 – $149 million), respectively.

Other liabilities totalled $604 million at October 31, 2017 (2016 – $417 million). The higher balance of other liabilities relates to increased accounts payable and accrued liabilities.

Highlights of 2017

- Maintained a prudent liquidity position and conservative investment profile.
- Maintained compliance with OSFI's Liquidity Adequacy Requirement (LAR) guideline.

A schedule outlining the consolidated securities portfolio at October 31, 2017 is provided in Note 5 to the consolidated financial statements. A conservative liquid asset profile is maintained by ensuring:

- All investments are high quality and include government debt securities (both canadian and U.S. Government debt securities), short-term money market instruments, and other marketable securities;
- Specific investment criteria and procedures are in place;
- Regular review, monitoring and approval of the structural market risk policy is completed by cwb's asset and liability committee (alco); and,
- Quarterly reports on the composition of the portfolio are provided to the board risk committee. The Board, or the Board Risk Committee, annually reviews and approves structural interest rate and liquidity risk policies and risk appetite statements.

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

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

Table 18 – Liquid Assets
($ thousands)

	2017	2016	Change from 2016
Cash and non-interest bearing deposits with financial institutions	$ 17,491	$ 11,490	$ 6,001
Deposits with regulated financial institutions	503,895	890,516	(386,621)
Cheques and other items in transit	410	18,050	(17,640)
Total Cash Resources	521,796	920,056	(398,260)
Government of Canada, provincial and municipal debt, term to maturity 1 year or less	17,763	420,108	(402,345)
Government of Canada, provincial and municipal debt, term to maturity more than 1 year	1,728,393	1,014,637	713,756
Other debt securities	293,561	141,094	152,467
Securities (sold) purchased under (repurchase) resale agreements	(58,358)	163,318	(221,676)
NHA mortgage-backed securities(1)	262,213	391,165	(128,952)
Total Securities (Sold) Purchased Under (Repurchase) Resale Agreements and Marketable Securities	2,243,572	2,130,322	113,250
Total High-quality Liquid Assets	$ 2,765,368	$ 2,659,213	$ (285,010)
Total Assets	$26,447,453	$25,222,549	$ 1,224,904
High-quality Liquid Assets as a Percentage of Total Assets	10%	12%	(200) bp(2)
Total-quality Deposit Liabilities	$21,902,982	$21,194,553	$ 708,429
High-quality Liquid Assets as a Percentage of Total Deposit Liabilities	13%	14%	(100) bp(2)

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

Liquid assets, as defined by OSFI, comprised of cash, deposits, securities purchased (sold) under repurchase agreements and marketable debt securities totalled $2,765 million at October 31, 2017 (2016 – $3,050). High-quality liquid assets represented 10% (2016 – 12%) of total assets and 13% (2016 – 14%) of total deposit liabilities at year end.

CWB's liquidity management is based on an internal stressed cash flow model, with the level of cash and securities driven primarily by the term structure of both assets and liabilities, and the liquidity structure of the liabilities. The composition of total high-quality liquid assets supports ongoing compliance with the OSFI Liquidity Adequacy Requirements guideline. Key changes in the composition of liquid assets at October 31, 2017 compared to the prior year generally reflect increased duration of CWB's holdings, including:

- Maturities within one year comprising 33% (2016 – 53%);
- Government of Canada, provincial and municipal debt securities and unencumbered NHA MBS comprising 73% (2016 – 60%);
- Deposits with regulated financial institutions comprising 19% (2016 – 29%); and,
- Other marketable securities comprising 11% (2016 – 5%).

Additional sources of liquidity and funding in 2017 included $739 million (2016 – $734 million) from the securitization of leases, loans and mortgages, including $381 million (2016 – $391 million) of residential mortgages which represent utilization of CWB's NHA MBS allocation and $40 million from participation in the CMB program (2016 – nil).

The primary source of incremental new funding was branch-raised deposits supported by the issuance of non-redeemable personal fixed term deposits with maturities from one to five years through the broker deposit market. A summary of all outstanding deposits by contractual maturity date is presented in the two following tables.

Table 19 – Deposit Maturities Within One Year

($ millions)

October 31, 2017	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
Demand deposits	$ 829	$ -	$ -	$ 829
Notice deposits	6,812	-	-	6,812
Deposits payable on a fixed date	532	921	5,070	6,523
Total	$ 8,173	$ 921	$ 5,070	$ 14,164
October 31, 2016 Total	$ 8,337	$ 1,408	$ 4,116	$ 13,861

Table 20 – Total Deposit Maturities

($ millions)

October 31, 2017	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	$ 829	$ -	$ -	$ -	$ -	$ -	$ 829
Notice deposits	6,812	-	-	-	-	-	6,812
Deposits payable on a fixed date	6,523	3,098	1,870	1,833	938	-	14,262
Total	$ 14,164	$ 3,098	$ 1,870	$ 1,833	$ 938	$ -	$ 21,903
October 31, 2016 Total	$ 13,861	$ 3,515	$ 1,554	$ 1,008	$ 1,257	$ -	$ 21,195

A breakdown of deposits by source is provided in Table 17. Target limits by source have been established as part of the overall liquidity policy and are monitored regularly to ensure an acceptable level of funding diversification is maintained. Management continues to develop and implement strategies to 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 notional debt securities related to the securitization of loans, leases and mortgages to third parties (refer to Note 9 and 17 of the consolidated financial statements for additional information). A summary of the subordinated debentures outstanding is presented in the following table.

Table 21 – Subordinated Debentures Outstanding

($ thousands)

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2017	As at October 31 2016
3.463%(1)	December 17, 2024	December 17, 2019	$ 250,000	$ 250,000
5.571%(2)	March 21, 2022	March 22, 2017	-	75,000
Total			$ 250,000	$ 325,000

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

(2) These conventional debentures had a 15-year term with a fixed interest rate for the first 10 years. Thereafter, the interest rate would have 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. Management has initiated a multi-year program to upgrade CWB's treasury infrastructure, with expected benefits related to all aspects of liquidity and asset/liability management. CWB utilizes comprehensive stress testing to manage, measure and monitor liquidity risk to ensure a prudent approach. CWB will maintain prudent liquidity levels in 2018 while maintaining compliance with the OSFI Liquidity Adequacy Requirements guideline.

Highlights of 2017

- Very strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 9.5% common equity Tier 1 (CET1), 10.8% Tier 1, and 12.5% total capital.
- Redemption of all $105 million CWB Capital Trust Capital Securities Series 1 (WesTS) in December 2016, which did not qualify as non-viability contingent capital (NVCC) under the Basel III regulatory capital requirements.
- Redemption of all $75 million of outstanding 5.571% subordinated debentures in March 2017, which did not qualify as NVCC under the Basel III regulatory capital requirements.
- Cash dividends of $0.93 per share paid to common shareholders, up 1%, resulting in CWB's 25th consecutive annual dividend increase.
- Very conservative Basel III leverage ratio of 8.3%, compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.
- A normal course issuer bid (NCIB) authorizing CWB to purchase for cancellation prior to September 30, 2018, up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, was approved by OSFI and the Toronto Stock Exchange.

Subsequent Highlights

- On December 6, 2017, the Board of Directors declared a cash dividend of $0.24 per common share, unchanged from the prior quarter and up 4% from the dividend declared in the same period last year. The Board also declared a cash dividend of $0.275 per Series 5 Preferred Share, and a cash dividend of $0.390625 per Series 7 Preferred Share.

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

CWB provides a share incentive plan to officers and employees who are in a position to materially impact the longer term financial success of the organization, as measured by overall profitability, earnings growth, share price appreciation and dividends. Note 19 to the consolidated financial statements details the number of options outstanding, the weighted average exercise price and the amounts exercisable at year end.

Holders of CWB common shares and holders of any other class of shares deemed eligible by the Board are offered the choice to direct cash dividends paid toward the purchase of common shares through a dividend reinvestment plan (DRIP). Further details regarding CWB's DRIP are available at **www.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 2017. A normal course issuer bid (NCIB) authorizing CWB to purchase for cancellation, prior to September 30, 2018, up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, has been approved by OSFI and the Toronto Stock Exchange. No shares have been purchased through the NCIB.

Table 22 – Capital Structure and Basel III Regulatory Ratios at Year End

($ thousands)

	2017	2016	Change from 2016
Regulatory Capital, Net of Deductions			
Common equity Tier 1	$ 2,009,530	$ 1,863,264	$ 146,266
Tier 1	2,274,727	2,233,364	41,363
Total	2,644,071	2,669,334	(25,263)
Capital Ratios			
Common equity Tier 1	9.5%	9.2%	30 bp
Tier 1	10.8	11.0	(20)
Total	12.5	13.1	(60)
Leverage ratio	8.3	8.6	(30)

The increase of 30 basis points in CWB's CET1 capital ratio from last year was primarily driven by strong growth of retained earnings. On December 31, 2016, CWB redeemed both the $105 million senior deposit note held by CWB Capital Trust and all outstanding CWB Capital Trust Capital Securities Series 1 (WesTS), which did not qualify as non-viability contingent capital (NVCC) under the Basel III regulatory capital requirements. The redemption resulted in a $105 million reduction in CWB's Tier 1 regulatory capital and reduced both the Tier 1 and Total capital ratios by approximately 50 basis points. CWB redeemed all $75 million outstanding 5.571% non-NVCC subordinated debentures on March 22, 2017. This redemption reduced the Total capital ratio by approximately 40 basis points. At 8.3%, the Basel III leverage ratio remains very conservative.

Table 23 – Regulatory Capital

($ thousands)

	As at October 31 2017	As at October 31 2016
Common equity Tier 1 capital instruments and reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	$ 756,864	$ 749,653
Retained earnings	1,488,634	1,354,966
Accumulated other comprehensive income and other reserves	(29,174)	(32,710)
Common equity Tier 1 capital before regulatory adjustments	2,216,324	2,071,909
Regulatory adjustments to Common equity Tier 1[1]	(206,794)	(208,645)
Common equity Tier 1 capital	2,009,530	1,863,264
Additional Tier 1 capital instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	265,000	265,000
Directly issued capital instruments subject to phase out from Additional Tier 1[2]	-	105,000
Additional Tier 1 instruments issued by subsidiaries and held by third parties	197	100
Additional Tier 1 capital	265,197	370,100
Tier 1 capital	2,274,727	2,233,364
Tier 2 Capital instruments and allowances		
Directly issued capital instruments subject to phase out from Tier 2[2]	250,000	325,000
Tier 2 instruments issued by subsidiaries and held by third parties	46	27
Collective allowance for credit losses	119,298	110,943
Tier 2 capital before regulatory adjustments	369,344	435,970
Total capital	$ 2,644,071	$ 2,669,334

(1) CET1 deductions include goodwill and intangible assets, net of related tax.
(2) The 2017 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 50% (2016 – 60%) of the balance of non-common equity instruments outstanding at January 31, 2013. At October 31, 2017 and 2016, no outstanding subordinated debentures were excluded from total regulatory capital. At October 31, 2016 there was no exclusion from Tier 1 regulatory capital related to the WesTS (disclosed in deposits).

Table 24 – Risk-weighted Assets

($ thousands)

					As at October 31, 2017
	Cash, Securities and Resale Agreements	Loans	Other Items	Total	Risk-Weighted Assets
Corporate	$ 140,274	$ 14,893,908	$ -	$ 15,034,182	$ 14,974,569
Sovereign	1,907,523	25,099	-	1,932,622	5,020
Bank	510,004	11,099	-	521,103	113,100
Retail residential mortgages	4,477	4,674,539	-	4,679,016	1,378,941
Other retail					
Small business entities	-	2,393,151	-	2,393,151	1,832,986
Excluding small business entities	-	173,684	-	173,684	117,609
Equity	132,990	-	-	132,990	132,990
Undrawn commitments	-	253,036	-	253,036	246,923
Operational risk	-	-	95,200	95,200	1,189,998
Securitization risk	-	123,293	-	123,293	646,049
Other	-	197,437	466,635	664,072	443,979
As at October 31, 2017	**$ 2,695,268**	**$ 22,745,246**	**$ 561,835**	**$ 26,002,349**	**$ 21,082,164**
As at October 31, 2016	$ 2,757,791	$ 21,677,476	$ 544,937	$ 24,980,204	$ 20,361,583

Table 25 – Risk-weighting Category

($ thousands)

									As at October 31, 2017
	0%	20%	35%	50%	75%	100%	150% and greater	Balance	Weighted
Corporate	$ 21,690	$ 96,057	$ -	$ 15,124	$ -	$14,808,343	$ 92,968	$15,034,182	$14,974,569
Sovereign	1,907,523	25,099	-	-	-	-	-	1,932,622	5,020
Bank	-	510,004	-	-	-	11,099	-	521,103	113,100
Retail residential mortgages	796,162	-	3,846,024	-	15,990	20,840	-	4,679,016	1,378,941
Other retail									
Small business entities	9,103	1,084	-	-	2,234,395	131,760	16,809	2,393,151	1,832,986
Excluding small business entities	15,968	1,283	-	-	156,396	1	36	173,684	117,609
Equity	-	-	-	-	-	132,990	-	132,990	132,990
Undrawn commitments	-	-	-	-	25,637	226,806	593	253,036	246,923
Operational risk	-	-	-	-	-	-	95,200	95,200	1,189,998
Securitization risk	-	-	-	-	-	77,836	45,457	123,293	646,049
Other	254,971	16,416	-	-	45,055	310,347	37,283	664,072	443,979
As at October 31, 2017	**3,005,417**	**$ 649,943**	**$ 3,846,024**	**$ 15,124**	**$2,477,473**	**$15,720,022**	**$ 288,346**	**$26,002,349**	**$21,082,164**
As at October 31, 2016	$2,834,775	$ 656,307	$ 3,362,699	$ 138,756	$2,268,110	$15,458,081	$ 261,476	$24,980,204	$20,361,583

Outlook for Capital Management

CWB will maintain strong capital ratios under the *Standardized* approach for calculating risk-weighted assets, above its target thresholds and OSFI's required minimums, and is well positioned to manage future business growth and unexpected events. Target capital ratios, including an appropriate capital buffer over the prescribed OSFI minimums, are reconfirmed regularly through CWB's Regulatory Capital Plan. The ongoing retention of earnings, net of expected common and preferred share dividends, is expected to support capital requirements associated with continued execution of CWB's Balanced Growth strategy and the anticipated achievement of CWB's medium-term performance target for a strong common equity Tier 1 ratio. Management expects to deploy approximately 30 basis points of CET1 capital to close the acquisition of approximately $900 million of equipment loans and leases, and general commercial lending assets on January 31, 2018. With a very conservative Basel III leverage ratio of 8.3% at October 31, 2017, CWB is not constrained by OSFI's requirement for banks to maintain a minimum leverage ratio of 3%.

Based on the results of stress tests simulating severe economic conditions across CWB's geographic footprint over a multi-year time frame, including consideration for the impact of a severe housing market correction, management is confident CWB will continue to deliver positive earnings for shareholders while maintaining financial stability and a strong capital position. Stress test assumptions include severe credit losses, a persistent low interest rate environment and significantly slower loan growth to reflect lower assumed levels of economic activity, as well as increased competition for deposits and much higher levels of gross impaired loans that could combine to 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 run-off 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 support for ongoing organic growth, potential strategic acquisitions and common share dividend increases. Management may also choose to activate CWB's NCIB in fiscal 2018 should appropriate circumstances become apparent.

AIRB transition plan

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

CWB's AIRB transition project is separated into several discrete phases, including: establishment of formalized project governance; creation of models including data collection, development and testing, deployment, operationalization and use test; model validation; implementation of risk-weighted asset engine and capital reporting tool; and, submission of final application to OSFI.

AIRB models have now been developed for CWB Optimum, National Leasing, branch-based residential mortgages, small and medium-sized enterprises, small business entities and commercial real estate (commercial mortgages and real estate project loans). Models for CWB Optimum, National Leasing, branch-based residential mortgages were operationalized in 2017, with the remaining models targeted for operationalization in the first quarter of 2018.

Work continues toward development of an enhanced enterprise data warehouse to serve as the repository for required data. Model validation and continuous improvement has commenced. Further development of CWB's risk function, including: three lines of defence enhancement; stress testing capabilities; and, economic capital estimation are also underway.

Progress on development of revised capital standards by the Basel Committee for Banking Supervision has slowed, and a "made in Canada" regulatory capital framework, including changes to the *Standardized* approach and output floors for AIRB models, is under consideration by OSFI. CWB's quantitative impact estimates based on reasonable assumptions related to a potential "made in Canada" version of the "new *Standardized*" approach are manageable.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

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

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

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

Derivative Financial Instruments

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

Table 26 – Derivative Financial Instruments
($ thousands)

	2017	2016
Notional Amounts		
Interest rate contracts designated as accounting hedges[(1)]	**$ 3,553,000**	$ 3,698,000
Foreign exchange contracts[(2)]	**170,194**	124,056
Equity swaps designated as accounting hedges[(3)]	**18,222**	20,117
Equity swaps not designated as accounting hedges[(4)]	**4,237**	3,628
Total	**$ 3,745,653**	$ 3,845,801

(1) Interest rate contracts are used as hedging devices to manage interest rate risk. The outstanding contracts mature between November 2017 and August 2022.
(2) 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 2017 and May 2018.
(3) Equity swaps designated as hedges mature between June 2018 and June 2020. Equity swaps are used to reduce the earnings volatility from restricted share units linked to CWB's common share price.
(4) Equity swaps not designated as hedges mature between December 2017 and June 2018. Equity swaps are used to reduce the earnings volatility from deferred share units linked to CWB's common share price.

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

STRATEGIC TRANSACTIONS

On October 30, 2017, CWB entered into an asset purchase agreement to acquire for cash approximately $900 million of equipment loans and leases, and general commercial lending assets. The loans and leases to be acquired are fully aligned with CWB's Balanced Growth strategy, and the acquired assets will support continued progress toward strategic objectives for industry and geographic diversification. The portfolio is primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with exposures primarily distributed outside of Western Canada. The transaction is expected to close on January 31, 2018. CWB expects the transaction to be immediately accretive to earnings per common share and return on common shareholders' equity, with positive contributions in fiscal 2018 to net interest margin and operating leverage. Management expects the acquired portfolio to contribute at least $0.10 of adjusted cash earnings per common share in both fiscal 2018 and 2019, while contributing to a slight increase in the provision for credit losses as a percentage of average loans. CWB's common equity Tier 1 capital (CET1) ratio will remain in a strong position upon closing, with approximately 30 basis points of existing CET1 capital to be deployed as part of the acquisition. Management expects to fund the portfolio primarily through its securitization facilities.

On August 16, 2017, CWB announced that CWT will focus its activities within business lines that are most aligned with the strategic objectives of CWB Financial Group, and will no longer offer self-directed account services to holders of exempt market securities. CWT appointed a successor trustee, effective September 30, 2017. As a result of the agreement, CWB realized a pre-tax gain on sale of approximately $5.7 million this year and annual revenues from trust services are expected to be approximately $3.5 million lower next year. Approximately $71.3 million of deposits and $1.3 billion of assets under administration transferred to the successor trustee on the closing date.

On July 1, 2016, CWB acquired the portfolio now referred to as CWB Franchise Finance, along with key employees to support business growth. The business provides financing across Canada to a diverse group of established companies in the franchised hospitality and restaurant industries.

On March 1, 2016, CWB acquired the non-securitized lending assets and other net business assets, including employees, of CWB Maxium. Under the terms of the purchase agreement, contingent payment instalments will be made annually with determination of the total amount payable based on CWB Maxium's cumulative business performance over a 36-month period.

CWB paid the first contingent consideration instalment in cash in the first quarter of fiscal 2017.

Both CWB Maxium and CWB Franchise Finance acquisitions have delivered strong performance since closing, consistent with management's expectations.

OFF-BALANCE SHEET

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets under administration, third-party leases under administration, and mortgages under service agreements, totalled $10.4 billion at October 31, 2017, compared to $10.7 billion one year ago. As a result of CWT's appointment of a successor trustee for self-directed accounts holding exempt market securities, approximately $1.3 billion of assets under administration transferred to the successor trustee during the fourth quarter of 2017.

Assets under management held within CWB Wealth Management, including McLean & Partners Wealth Management, were $2.1 billion at year end, compared to $1.9 billion 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 21 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 27. In general, CWB's performance reflects a consistent growth trend, although the second quarter contains three fewer revenue-earning days, and two fewer days during leap years such as 2016. Results from the second and third quarters of 2016 reflect the credit performance of oil and gas production loans. Non-interest income in the fourth quarter of 2017 includes $5.7 million from the CWT-related gain on sale.

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 27 – Quarterly Financial Highlights[1]

($ thousands, except per share amounts)

	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Results from Operations								
Net interest income (teb)	**$ 170,993**	**$ 164,555**	**$ 152,739**	**$ 156,365**	$ 149,704	$ 149,547	$ 145,106	$ 144,107
Less teb adjustment	**499**	**564**	**583**	**616**	579	676	754	1,231
Net interest income	**170,494**	**163,991**	**152,156**	**155,749**	149,125	148,871	144,352	142,876
Non-interest income	**24,628**	**19,852**	**20,287**	**19,478**	19,127	19,541	19,378	14,626
Total revenues (teb)	**195,621**	**184,407**	**173,026**	**175,843**	168,831	169,088	164,484	158,733
Total revenues	**195,122**	**183,843**	**172,443**	**175,227**	168,252	168,412	163,730	157,502
Pre-tax, pre-provision income (teb)	**104,401**	**100,924**	**90,786**	**94,880**	89,497	92,360	87,628	84,358
Common shareholders' net income	**60,833**	**56,308**	**47,594**	**49,542**	47,834	45,582	32,213	52,132
Earnings per common share								
Basic	**0.69**	**0.64**	**0.54**	**0.56**	0.54	0.55	0.40	0.65
Diluted	**0.68**	**0.64**	**0.54**	**0.56**	0.54	0.55	0.40	0.65
Adjusted cash	**0.74**	**0.69**	**0.59**	**0.61**	0.59	0.60	0.41	0.66
Return on common shareholders' equity	**11.2%**	**10.4%**	**9.2%**	**9.5%**	9.3%	9.4%	7.1%	11.5%
Adjusted return on common shareholders' equity	**12.0**	**11.3**	**10.1**	**10.4**	10.1	10.3	7.4	11.7
Return on average total assets	**0.94**	**0.89**	**0.79**	**0.78**	0.76	0.73	0.55	0.90
Efficiency ratio (teb)	**46.6**	**45.3**	**47.5**	**46.0**	47.0	45.4	46.7	46.9
Efficiency ratio	**46.8**	**45.4**	**47.7**	**46.2**	47.2	45.6	46.9	47.2
Net interest margin (teb)	**2.64**	**2.60**	**2.55**	**2.47**	2.36	2.40	2.47	2.48
Net interest margin	**2.63**	**2.59**	**2.54**	**2.46**	2.35	2.39	2.45	2.46
Provision for credit losses as a percentage of average loans	**0.20**	**0.20**	**0.25**	**0.27**	0.24	0.32	0.78	0.18

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

FOURTH QUARTER OF 2017

Overview of Operations

Q4 2017 vs. Q4 2016

Common shareholders' net income of $61 million and pre-tax, pre-provision income (teb) of $104 million were up 27% and 17%, respectively. Very strong earnings growth was primarily driven by record quarterly revenues (teb) from core operations of $196 million, up 16% from the same period last year. Net interest income (teb) of $171 million was up 14%, reflecting the combined positive impact of the 28 basis point increase in net interest margin (teb) to 2.64% and 6% loan growth. Non-interest income of $25 million increased 29%, primarily driven by the gain on the sale related to the appointment of a successor trustee for CWT's exempt market securities business. The provision for credit losses as a percentage of average loans of 20 basis points was down from 24 basis points. These factors were partially offset by 15% higher non-interest expenses to support business growth and increased acquisition-related fair value changes.

Diluted earnings per common share of $0.68 and adjusted cash earnings per common share of $0.74 increased 26% and 25%, respectively, reflecting the factors noted above. The CWT-related gain on sale contributed $0.06 to adjusted cash earnings per common share.

Q4 2017 vs. Q3 2017

Sequential growth of common shareholders' net income and pre-tax, pre-provision income was very strong, at 8% and 3%, respectively. Total revenue (teb) growth of 6% was significant, reflecting 4% higher net interest income (teb) and a 24% increase in non-interest income. Higher net interest income reflects the combined positive impact of 2% loan growth and a four basis point increase in net interest margin (teb). The increase in non-interest income was primarily due to the CWT-related gain on the sale within 'other' non-interest income. The provision for credit losses was unchanged. Partially offsetting these factors were 9% higher non-interest expenses to support business growth and a slight increase in acquisition-related fair value changes. Sequential expense growth primarily reflects customary seasonal increases across all categories in the final quarter of the fiscal year. Diluted earnings per common share and adjusted cash earnings per common share were up 6% and 7%, respectively.

Adjusted ROE and ROA

Fourth quarter adjusted return on common shareholders' equity (ROE) of 12.0% was up 190 basis points from the same period last year. This was primarily driven by very strong growth in common shareholders' net income, reflecting effective execution of CWB's Balanced Growth strategy and strong financial performance across CWB Financial Group.

Adjusted ROE was up 70 basis points compared to the prior quarter, reflecting the same factors.

Return on assets (ROA) was 0.94% in the fourth quarter, compared to 0.76% in the same period last year and 0.89% last quarter.

Net Interest Margin

Fourth quarter net interest margin (teb) of 2.64% was up 28 basis points from the same period last year. This reflected a number of factors, including:

- Increased asset yields due to the higher interest rate environment, steepening of the yield curve, and the positive impact of pricing discipline across the portfolio;
- Favourable changes in assets mix with increased contributions from the relatively higher-yielding cwb maxium and cwb franchise finance portfolios, and lower average balances of cash and securities; and,
- Favourable changes in funding mix through a combination of branch-raised deposit growth, stable utilization of deposits sourced through the broker market, and redemption of higher-cost capital markets funding instruments.

Net interest margin (teb) increased four basis points from the prior quarter. Incorporating the impact on both asset yields and deposit costs, Bank of Canada rate increases in July and September contributed six basis points to the sequential change in net interest margin, partially offset by higher average balances of cash and securities.

Efficient Operations and Positive Operating Leverage

The fourth quarter efficiency ratio (teb) of 46.6% was down from 47.0% in the same period last year and up from 45.3% in the previous quarter. Year-over-year improvement reflects the combined positive impact of higher revenues from ongoing loan growth and consistent sequential increases in net interest margin (teb), as well as effective management of discretionary expense growth. The increase in CWB's efficiency ratio from the prior quarter primarily reflects the customary seasonal increase of non-interest expenses across all categories in the final quarter of the fiscal year.

Operating leverage, which is calculated as the growth rate of total revenue (teb) less the growth rate of non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, over the past 12 months, was positive 0.3% compared to 1.0% last year.

ACCOUNTING POLICIES AND ESTIMATES

CRITICAL ACCOUNTING ESTIMATES

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

Allowance for Credit Losses

An allowance for credit losses is maintained to absorb probable credit-related losses in the loan portfolio based on management's estimate at the balance sheet date. In assessing existing credit losses, management must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These matters include economic factors, developments affecting particular industries and specific issues with respect to single borrowers. Changes in circumstances may cause future assessments of credit risk to be significantly different than current assessments and may require an increase or decrease in the allowance for credit losses. Establishing a range for the allowance for credit losses is difficult due to the number of uncertainties involved. The collective allowance for credit losses is intended to address this uncertainty. At October 31, 2017, CWB's total allowance for credit losses was $135.9 million (2016 – $127.2 million) which included specific allowances of $16.6 million (2016 – $16.3 million) and a collective allowance of $119.3 million (2016 – $110.9 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.

Financial Instruments Measured at Fair Value

Cash resources, securities, securities purchased under resale agreements, securities sold under repurchase 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 28 – Valuation of Financial Instruments
($ thousands)

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

			Valuation Technique					
As at October 31, 2016		Fair Value		Level 1		Level 2		Level 3
Financial Assets								
Cash resources	$	920,056	$	45,426	$	874,630	$	-
Securities		1,708,594		322,509		1,386,085		-
Securities purchased under resale agreements		163,318		-		163,318		-
Loans		22,376,753		-		-		22,376,753
Derivative related		10,370		-		10,370		-
Total Financial Assets	$	25,179,091	$	367,935	$	2,434,403	$	22,376,753
Financial Liabilities								
Deposits	$	21,281,835	$	-	$	21,281,835	$	-
Debt		1,271,036		-		1,271,036		-
Contingent consideration		24,257		-		-		24,257
Derivative related		7,172		-		7,172		-
Total Financial Liabilities	$	22,584,300	$	-	$	22,560,043	$	24,257

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

Notes 2, 4, 5, 6, 7, 12, 14, 17 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 2017.

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

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

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

Transition

IFRS 9 will be mandatorily effective for CWB's fiscal year beginning on November 1, 2018. OSFI has 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 plans to adopt IFRS 9 on November 1, 2018. Amendments made to IFRS 7 Financial Instruments: Disclosures related to IFRS 9 will also be adopted on November 1, 2018.

IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. CWB does not plan to re-state prior period comparative figures within the consolidated financial statements upon transition to IFRS 9 and will recognize an adjustment to opening retained earnings and accumulated other comprehensive income to reflect the application of the new requirements at the adoption date.

The adoption of IFRS 9 is a significant initiative for CWB with a robust implementation plan focused on key responsibilities of the project. These include defining the related risk methodology and accounting policy, identifying data and system requirements, and developing appropriate processes and a related governance framework. During 2017, CWB continued its IFRS 9 transition project and established a formal project governance structure, including a Steering Committee with senior stakeholders from Finance, Risk Management and Information Services to monitor the progress and critical decisions during the transition to IFRS 9. The transition project focuses on the three main areas of IFRS 9: classification and measurement, impairment, and hedge accounting. Working groups for each area are comprised of subject matter experts in the relevant policies, processes or technologies that are expected to be impacted by the transition.

Throughout the transition, CWB continues to monitor industry interpretations of IFRS 9 requirements and adjust implementation plans accordingly. The transition impact of IFRS 9 on CWB's consolidated financial statements has not been determined. CWB is on schedule to meet transition timelines.

Impairment

IFRS 9 introduces a new expected credit loss (ECL) model for calculating impairment on all financial assets classified at amortized cost or fair value through other comprehensive income, with the most significant impact being to loans. The new impairment model categorizes a financial asset into three stages based on changes in credit risk since inception:

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

A financial asset can move between stages depending on improvement or deterioration of credit risk. The determination of credit impairment under IFRS 9 is expected to be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. CWB's specific allowances under current accounting standards will generally be replaced by stage three allowances under IFRS 9, while the collective allowance will generally be replaced by stage one and stage two allowances.

ECL calculations are a function of the probability of default (PD), loss-given default (LGD) and exposure at default (EAD) discounted to the reporting date. The PD, which represents the estimate of the likelihood of default, considers past events, current market conditions and forward-looking information over the 12 month or lifetime horizon. The LGD represents an estimate of loss arising from default based on the difference between the contractual cash flows due and those that CWB would expect to receive, including consideration of the amount and quality of collateral held. The EAD represents an estimate of the exposure at a future default date, taking into account estimated future repayments of principal and draws on committed facilities.

ECL calculations must consider information about past events and current conditions as well as supportable forecasts of future events and economic conditions, which requires significant judgement. Forward-looking information impacts 12 month and lifetime ECL calculations as well as the assessment of significant increases in credit risk. CWB's estimation of ECL will incorporate multiple future macroeconomic scenarios based on internal and external information and will be governed by a cross-functional committee.

CWB plans to leverage the models being developed for AIRB to satisfy IFRS 9 requirements with consideration for specific differences between regulatory and accounting requirements. CWB is in the process of building a comprehensive ECL calculation engine, which includes identifying significant increases in credit risk, calculating both 12 month and lifetime credit losses and incorporating forward-looking information. For immaterial portfolios that lack detailed historical information or loss experience, CWB may apply simplified ECL calculation approaches, based on available supportable information, that may differ from the calculations described above.

Impact on Regulatory Capital

The BCBS issued Standards: *Regulatory treatment of accounting provisions – interim and transitional arrangements*, addressing the regulatory impact of transitioning to IFRS 9. The standard confirms the retention of current regulatory treatment of accounting provisions under both the Standardized and AIRB approaches for calculating regulatory capital and outlines potential transitional arrangements. The BCBS recommended each national regulator further define the regulatory treatment of collective and specific allowances in the context of IFRS 9-based expected credit loss calculations and determine an appropriate transition approach. OSFI's revised capital adequacy guideline was finalized in November 2017 and does not contain transitional arrangements related to the phase-in of the impact of adopting IFRS 9 on regulatory capital.

Classification and Measurement

IFRS 9 introduces a principles-based approach for the classification of financial assets and specifies that they must 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. CWB is in the process of assessing the cash flow characteristics for all financial assets within the scope of IFRS 9.

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management. IFRS 9 includes a policy choice to retain IAS 39 for hedging purposes pending the completion of the IASB's project on macro hedge accounting. CWB expects to elect to continue applying IAS 39 hedging requirements.

IFRS 15 – Revenue from Contracts with Customers

The IASB established principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles-based model for revenue recognition to be applied to contracts with customers, and enhanced disclosure requirements. The new standard does not apply to financial instruments or lease contracts, which fall in the scope of other IFRSs.

In April 2016, the IASB issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application. IFRS 15 is effective for CWB's fiscal year beginning November 1, 2018. On transition, entities may either restate prior periods retrospectively or recognize the cumulative effect of the transition in opening retained earnings with no comparison for prior years. CWB continues to assess the impact of the new standard on the timing and measurement of revenue recognition, enhanced financial statement disclosures as well as transitional requirements. As the majority of its revenues are outside the scope of IFRS 15, CWB does not currently expect a significant impact from adopting the new standard.

IFRS 16 – Leases

The IASB has issued IFRS 16, which requires most leases to be recorded on the balance sheet. For lessees, most operating leases other than short-term or low-value leases will be capitalized, and will result in a balance sheet increase in lease assets and lease liabilities. The new standard will not impact lessor accounting beyond additional disclosures. The new standard is effective for CWB's fiscal year beginning November 1, 2019 with early adoption permitted if IFRS 15 Revenue from Contracts with Customers is applied. CWB is in the process of assessing the impact, including the potential impact on risk-weighted assets and regulatory capital ratios.

IFRS 2 – Share-based Payment Transactions

The IASB has issued amendments to IFRS 2, which clarify how to account for certain types of share-based payment transactions. These amendments are effective for CWB's fiscal year beginning November 1, 2018 and can be applied prospectively. CWB does not currently expect a material impact from adopting these amendments.

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, such as macro hedging, may have an 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 57 to 75 of this MD&A form an integral part of the audited consolidated financial statements for the year ended October 31, 2017.

CWB's Approach to Risk Management

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

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

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

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

Highlights of 2017

Further enhancements to CWB's risk management framework were undertaken in 2017 as part of the ongoing development and implementation of CWB's risk management processes. Key initiatives included:

- Significant progress of CWB's multi-year project in support of an application for transition to the AIRB approach for managing credit risk and calculating risk-weighted assets. This transition will enhance CWB's competitive position and facilitate risk-based pricing, enable further optimization of capital allocation, facilitate business mix optimization, and enhance CWB's risk quantification, stress-testing, and overall Enterprise Risk Management (ERM) capabilities.
- Developed and operationalized AIRB models and AIRB-based stress testing capabilities for the CWB Optimum Mortgage, branch-based residential mortgages, and National Leasing portfolios.
- Further developed CWB's ERM function and the three lines of defence framework, including subsidiaries, to provide consistent, transparent and clearly documented allocation of accountabilities and segregation of functional responsibilities.
- Formalized an enterprise-wide risk management framework and an enterprise-wide risk appetite framework, including further development of key metrics to measure risk exposures and portfolio concentrations against risk appetite.
- Codified data and model risk management with formalized CWB Board-approved policies.
- Established model vetting and validation, and risk analytics and economic capital groups, with continued development of economic forecasting capabilities, to enhance ERM capabilities and support CWB's IFRS 9 transition.
- Continued to develop and implement, on a targeted basis, a second line of defence for risk-based pricing to support profitable growth.
- Continued to implement an operational risk management framework, including implementation of a Regulatory Compliance Risk Management Policy with associated tools and processes.

Outlook for Risk Management

CWB will continue to support enhanced risk management capabilities through further development of enterprise risk management and risk appetite frameworks, and related risk policies. Key risk management priorities for 2018 include: further progression toward transition to the AIRB approach, including the development of a comprehensive stress testing program based on developed AIRB models; and, further development and implementation of the three lines of defence model across the enterprise, including enhancement of CWB's second line of defence for liquidity and funding risk, and business and strategic risk.

RISK MANAGEMENT OVERVIEW

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

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

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

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

RISK MANAGEMENT STRENGTHS

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

RISK MANAGEMENT CHALLENGES

- Macroeconomic volatility, including the impact of an extended period of relatively low oil prices and related economic challenges within parts of Western Canada;
- Uncertainty related to renegotiation of standing free trade agreements which could affect the outlook for Canadian exports and future economic growth;
- Market volatility related to factors outside of CWB's control which affect investors' decisions to buy, sell or hold CWB shares or other securities;
- Increasing volume and complexity of regulatory requirements and expectations; and,
- Capital requirements under the *Standardized* approach which are insensitive to the underlying economic risk, and do not adequately reflect CWB's demonstrated risk management strengths through multiple credit cycles.

RISK MANAGEMENT PRINCIPLES

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

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

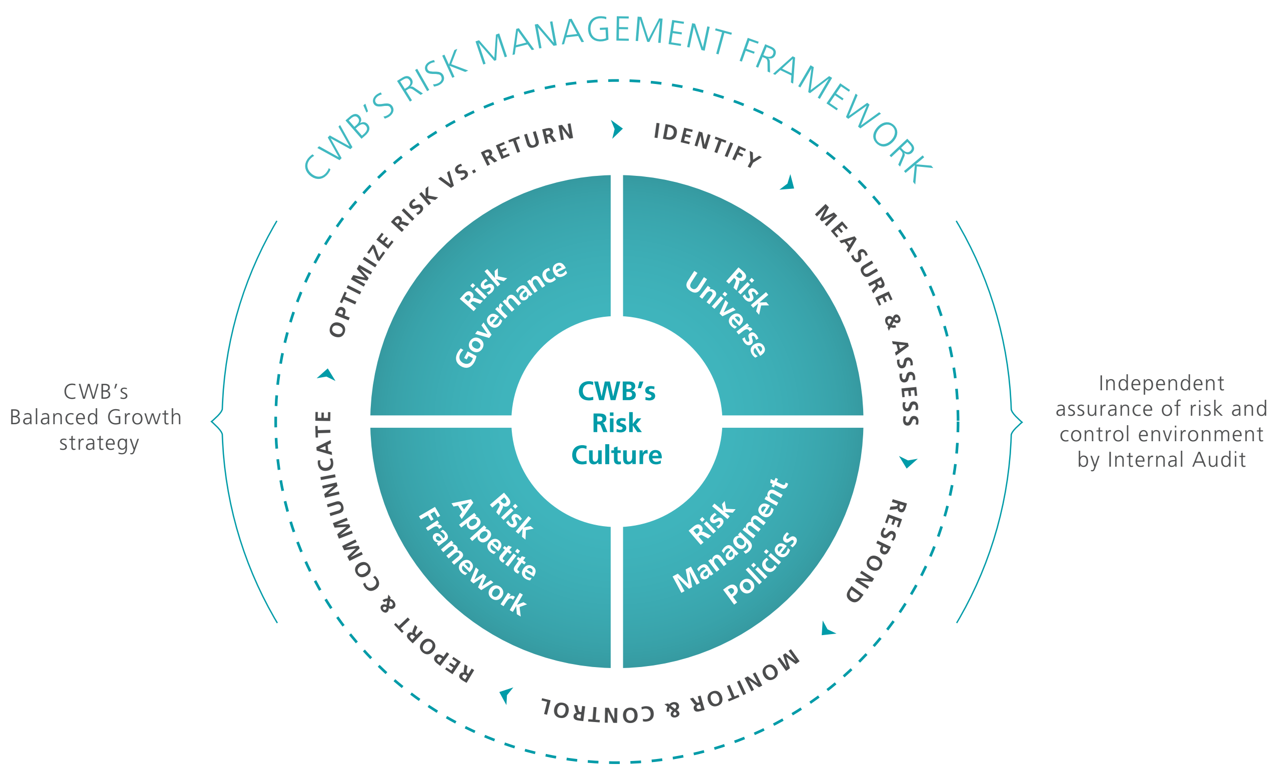
- An effective balance of risk and reward through alignment of business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through sound preventive and detection controls;
- An enterprise-wide view of risk and the acceptance of risks required to build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

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

RISK MANAGEMENT FRAMEWORK

The primary goal of risk management is to ensure that the outcomes of risk-taking are consistent with CWB's Balanced Growth strategy, related business activities and overall risk appetite. The enterprise risk management framework provides the foundation for achieving this goal. CWB utilizes the ISO 31000 Standard for Risk Management as a comprehensive framework to help ensure risk is managed effectively and efficiently. Figure 4 depicts the main elements of CWB's enterprise risk management framework.

Figure 4 – CWB's Enterprise Risk Management Framework



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

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

RISK CULTURE

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

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

CWB's risk culture includes:

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

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

Table 29 – Three Lines of Defence

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

RISK APPETITE FRAMEWORK

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

Key components of CWB's risk appetite framework include:

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

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

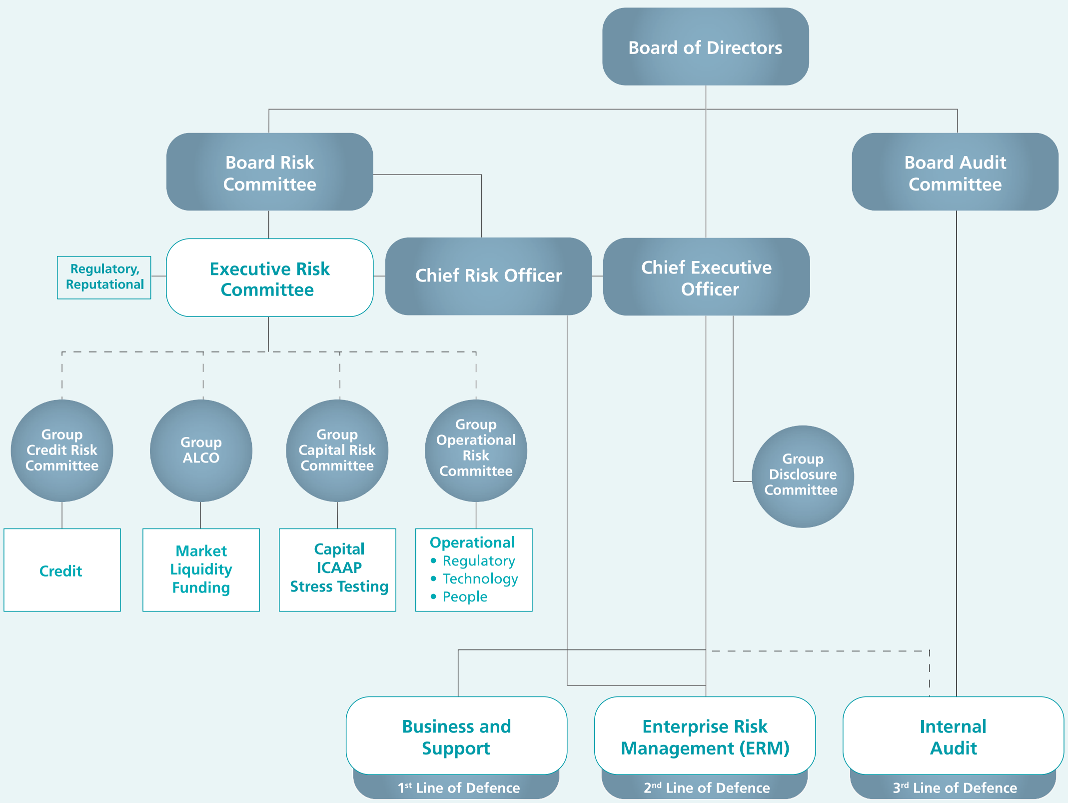
- A conservative risk culture that is prevalent throughout CWB, from the Board to senior management to front-line staff;
- A philosophy to only take risks that are aligned with CWB's Balanced Growth strategy and are expected to create long-term value for shareholders;
- A philosophy to only take risks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

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

Risk Management Governance Structure

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

Figure 5 – Enterprise-Wide Risk Management Framework



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

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

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

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

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

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

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

Subsidiary Company Second Line Function – provide oversight in each line of business to ensure management has implemented effective risk management processes for identification, assessment, risk response development, monitoring and control, and reporting of risks. Second line subsidiary risk officers monitor and report on the risks of their respective businesses and ensure the development of mitigation strategies to manage these risks.

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

Group Credit Risk Committee – approves loans within delegated limits and is responsible for ensuring that appropriate credit policies are in place.

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

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

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

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

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

Oversight departments within ERM include:

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

Separate from ERM, CWB's Finance department provides independent oversight of processes to manage financial reporting and capital risk. Finance provides oversight on financial reporting, capital adequacy, external credit ratings, regulatory reporting on accounting-related functions, finance-related issues and tax. This activity is overseen by CWB's CFO. The CFO reports functionally to the Audit Committee.

RISK MANAGEMENT POLICIES

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

RISK UNIVERSE – REPORT ON PRINCIPAL RISKS

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

CREDIT RISK

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

Risk Overview

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

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

Risk Governance

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

Risk Management

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

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

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

Portfolio Quality

CWB's strategy is to maintain a quality, secured and diversified loan portfolio by engaging experienced personnel who provide a hands-on approach in credit granting, account management and timely action when problems develop. Lending is targeted to small- and medium-sized businesses, and to individuals. Relationship banking and "knowing your client" are important tenets of effective account management. Earning an appropriate financial return for the level of risk is also fundamental. Geographic diversification of the loan portfolio outside of Western Canada is achieved through National Leasing's representation across all provinces of Canada, residential mortgages underwritten and serviced by CWB Optimum in select regions of Ontario and Atlantic Canada, participation in syndicated lending facilities primarily led by other Canadian banks, and increasingly through CWB Maxium and CWB Franchise Finance.

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. CWB's market risk is primarily comprised of structural interest rate risk on the balance sheet, and liquidity and funding risk. A smaller amount of market risk relates to investment risk in the relatively small discretionary securities portfolio, and foreign exchange.

Risk Overview

The most material market risks for CWB are those related to changes in interest rates. CWB does not have a trading book; it does not undertake market activities such as market making, arbitrage or proprietary trading and, therefore, does not have direct risks related to those activities. A diversified cash and securities portfolio is maintained that is primarily comprised of high-quality debt instruments. These instruments are subject to price fluctuations based on movements in interest rates and volatility in financial markets. CWB liquidated its holdings of common equities in 2016 and has no plans to re-establish this portfolio. CWB has limited direct exposure to foreign exchange risk. CWB maintains exposure to preferred shares through its discretionary investment portfolio.

Risk Governance

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

Subcategories of Market Risk

Interest Rate Risk

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

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

Structural interest rate risk arises due to the duration mismatch between 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 interest rate commitments on un-advanced mortgages.

Variation in market interest rates can affect net interest income by altering cash flows and spreads. Variation in market interest rates can also affect the economic value of a CWB's assets, liabilities, and off-balance sheet (OBS) positions. Thus, the sensitivity of a CWB'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 expected net cash flows, defined as the expected cash flows on interest-sensitive assets minus the expected cash flows on interest-sensitive liabilities plus the expected net cash flows on OBS positions. In this sense, the economic value perspective reflects one view of the sensitivity of net worth to fluctuations in interest rates.

Management of structural interest rate risk balances short-term income volatility with 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 benefits net interest income when there is a positively sloping yield curve); and,
- Expected interest rate movements.

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

Risk Metrics

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

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

CWB's Interest Rate Risk Exposures

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods. This is supplemented by historical VaR for economic value of CWB's equity, estimated by applying historical interest rate scenarios to interest sensitive assets and interest sensitive liabilities. These analyses are supplemented by stress testing of the asset liability portfolio structure, duration analysis and dollar estimates of net interest income sensitivity for periods of up to one year after Treasury hedging activity. The interest rate gap is measured at least monthly. Note 26 to the consolidated financial statements shows the gap position at October 31, 2017 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 2.5% of total assets at October 31, 2017, compared to 3.5% one year ago, while the one-month and under gap was 1.2% compared to 0.8% one year earlier.

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

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

- A constant structure in the interest sensitive asset liability portfolio;
- Floor levels for various deposit liabilities;
- Interest rate changes affecting interest sensitive assets and liabilities by proportionally the same amount and applied at the appropriate repricing dates; and,
- No early redemptions.

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

($ thousands)

Impact of 1% increase in interest rates

Period	2017	2016
90 days	**$ 1,637**	$ 7,608
1 year	**8,324**	12,582
1 year percentage change	**1.39%**	2.15%

Impact of 1% decrease in interest rates

Period	2017	2016
90 days	**$ (1,068)**	$ (3,570)
1 year	**(13,226)**	(5,150)
1 year percentage change	**(2.21)%**	(0.88)%

It is estimated that a one-percentage point increase in all interest rates at October 31, 2017 would decrease unrealized gains related to available-for-sale securities and the fair value of interest rate swaps designated as hedges, and result in a reduction in other comprehensive income of approximately $77.3 million, net of tax (October 31, 2016 – $57.1 million); it is estimated that a one-percentage point decrease in all interest rates at October 31, 2016 would result in a higher level of unrealized gains related to available-for-sale securities and increase the fair value of interest rate swaps designated as hedges, which would increase other comprehensive income by approximately $76.2 million, net of tax (October 31, 2016 – $58.6 million).

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

Foreign Exchange Risk

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

In providing financial services to its customers, CWB has assets and liabilities denominated in U.S. dollars. At October 31, 2017, assets denominated in U.S. dollars were 1.2% (2016 – 1.4%) of total assets and U.S. dollar liabilities were 1.4% (2016 – 1.5%) of total liabilities. Currencies other than U.S. dollars are not bought or sold other than to meet specific client needs. CWB has no material exposure to currencies other than U.S. dollars.

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

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

Risk Overview

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

CWB's key risk mitigation strategies include:

- An appropriate balance between the level of risks cwb undertakes and the corresponding cost of risk mitigation that considers the potential impact of extreme but plausible events;
- Broad funding access, including preserving and growing a reliable base of core deposits and continual access to diversified sources of funding;
- A comprehensive group-wide liquidity contingency plan 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 sections of this MD&A for additional information.

Risk Governance

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

Risk Management

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

- Policies – Liquidity management policies establish targets for minimum liquidity, set the monitoring regime, and define authority levels and responsibilities. Policies are reviewed at a minimum annually by ALCO, Executive Risk Committee and the Board Risk Committee. Limit setting establishes acceptable thresholds for liquidity risk.
- Monitoring – Trends and behaviours regarding how clients manage their deposits and loans are monitored to determine appropriate liquidity levels. Active monitoring of the external environment is performed using a wide range of sources and economic barometers.
- Measurement and modeling – CWB's liquidity model measures and forecasts cash inflows and outflows, including any cash flows related to applicable off-balance sheet activities over various risk scenarios.
- Reporting – Treasury oversight of all significant liquidity risks that support analysis, risk measurement, stress testing, monitoring and reporting to both ALCO and the Board Risk Committee.
- Stress testing – CWB performs liquidity stress testing on a regular basis to evaluate the potential effect of both systemic and CWB-specific (idiosyncratic) disruptions on CWB's liquidity position. Liquidity stress tests consider the effect of changes in funding assumptions, depositor behaviour and the market behaviour of liquid assets. CWB stress tests liquidity as per guidance from OSFI as described in the Liquidity Adequacy Requirement. 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.
- Core liquidity – CWB maintains a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company-specific events.

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

Contractual Obligations

CWB enters into contracts in the normal course of business that give rise to commitments of future minimum payments that affect the liquidity position. In addition to the obligations related to deposits and subordinated debentures discussed in the Deposits and Liquidity Management sections of this MD&A, as well as Notes 14, 17, 21 and 26 of the consolidated financial statements, the following contractual obligations are outstanding at October 31, 2017.

Table 31 – Contractual Obligations

($ thousands)

	Within 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years	Total
Lease commitments	$ 13,720	$ 25,611	$ 19,720	$ 31,236	$ 90,287
Purchase obligations for operating and capital expenditures	3,568	5,624	108	-	9,300
October 31, 2017	**$ 17,288**	**$ 31,235**	**$ 19,828**	**$ 31,236**	**$ 99,587**
October 31, 2016	$ 16,114	$ 29,546	$ 20,851	$ 34,690	$ 101,201

Credit Ratings

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

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

The following table summarizes the credit ratings issued by DRBS for CWB, as well as the corresponding rating agency outlook, last confirmed with no changes on November 29, 2017.

Table 32 – Credit Ratings

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

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

Risk Overview

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

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

Risk Governance

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

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

Risk Management

The following are key elements of capital risk management:

- The annual regulatory capital plan, inclusive of the capital management policy and three-year capital projections;
- A quarterly regulatory capital risk update provided to the Board Risk Committee;
- Forecast models used to analyze the likely capital impact of projected operations, 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 is defined as the risk of loss due to unanticipated outcomes that result from inadequate or failed systems, processes, or human errors, as well as from external events. Exposure to operational risks arises from the people, processes, and systems that are established to serve CWB's clients and maintain the required functions of the enterprise. CWB's primary operational risks include regulatory compliance risk, people risk, technology risk, information and cyber security risk and fiduciary/reputation risk.

Risk Overview

Operational risk is inherent in all of CWB's business activities including banking, trust, and wealth management, and is embedded in processes that support the management of principal risks such as credit, liquidity, market, and capital risk. CWB is exposed to operational risk from internal business activities, external threats and outsourced business activities. Its impact can be financial loss, loss of reputation, loss of competitive position, regulatory penalties, or failure in the management of other risks. While operational risk cannot be completely eliminated, proactive operational risk management is a key strategy to mitigate this risk. The primary financial measure of operational risk is actual losses incurred. CWB incurred no material losses related to operational risk in 2017 or 2016.

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

Risk Governance

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

Risk Management

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

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

Key elements of the Operational Risk Management Framework include:

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

Additional key components include:

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

As part of the ongoing development of CWB's Operational Risk Management Framework, management has adopted an updated Operational Risk Taxonomy. This taxonomy now forms the basis for all operational risk management reporting, with loss events and identified risks categorized consistently.

Table 33 – Operational Risk Taxonomy

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

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

Regulatory Compliance Risk

The businesses operated by CWB are highly regulated through laws, rules, regulations and prescribed practices that have been put in place by various federal and provincial governments and regulators. Changes to these regulatory requirements, including changes in their interpretation or implementation, could adversely affect CWB. CWB's failure to comply with applicable laws, rules, regulations, and practices could result in sanctions, financial penalties and costs associated with litigation that could adversely impact earnings and damage reputation. Although most sources of regulatory compliance risk are outside of management's direct control, CWB takes what it believes to be reasonable and prudent measures designed to support compliance with governing laws and regulations.

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

Notwithstanding the additional resources, the volume, pace and implementation of new and amended regulations and standards increases the risk of unintended consequences and non-compliance for all regulated entities. CWB has intensified its efforts for regulatory compliance risk management. A number of initiatives are underway to further its compliance risk management capabilities.

People Risk

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

CWB intends to continually attract and retain sufficient qualified employees to successfully execute against its Balanced Growth strategy. Key related tactics include maintenance of a positive, rewarding and collaborative environment, complemented by efforts to empower staff to deliver exceptional client experiences.

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

Technology Risk

CWB is highly dependent upon information technology and supporting infrastructure, such as voice, data and network access. In addition to internal resources, various third-parties provide key components of the infrastructure and applications. Disruptions in information technology and infrastructure, whether attributed to internal or external factors, and including potential disruptions in the services provided by various third-parties, could adversely affect the ability of CWB to conduct regular business and/or deliver products and services to clients. Ongoing diligence is required to ensure systems are secure from threats. Implementation of CWB's new core banking system in 2016 reduces technology risk compared to the legacy system; however, CWB currently has a number of other technology projects underway which increase risk exposure related to information systems and technology.

Information and Cyber Security Risk

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

Fiduciary/Reputation Risk

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 Investor Relations, and Regulatory Compliance departments are particularly involved in the management of reputation risk.

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, with a growing business presence in Ontario. Accordingly, CWB's overall financial performance is impacted by general business and economic conditions across the country. Several factors that could impact general business and economic conditions in CWB's markets include, but are not limited to, changes in: short-term and long-term interest rates; energy and other commodity prices; 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 AND STRATEGIC INFRASTRUCTURE PROJECTS

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

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

ADEQUACY OF CWB'S RISK MANAGEMENT FRAMEWORK

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

CHANGES IN ACCOUNTING STANDARDS AND ACCOUNTING POLICIES AND ESTIMATES

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

OTHER FACTORS

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

UPDATED SHARE INFORMATION

As at November 30, 2017, there were 88,498,915 common shares and 3,369,430 stock options outstanding. On December 6, 2017, CWB's Board of Directors declared a cash dividend of $0.24 per common share, payable on January 4, 2018 to shareholders of record on December 15, 2017. This quarterly dividend is consistent with the prior quarter and 4% higher than the dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.275 per Series 5 Preferred Share, and a cash dividend of $0.390625 per Series 7 Preferred Share, both payable on January 31, 2018 to shareholders of record on January 19, 2018.

This Management's Discussion and Analysis is dated December 6, 2017.

CONTROLS AND PROCEDURES

As of October 31, 2017, 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, 2017, an evaluation was carried out on the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Based on that evaluation, the CEO and CFO have certified that the design and operating effectiveness of internal controls over financial reporting were effective.

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

In the second quarter of 2016, CWB's certifying officers limited the scope of the design of disclosure controls and procedures and internal controls over financial reporting to exclude the controls, policies and procedures of CWB Maxium, a newly acquired subsidiary. This limitation was removed in the first quarter of 2017.

There were no other changes in CWB's ongoing internal controls over financial reporting that occurred during the year ended October 31, 2017 that have materially affected, or are reasonably likely to materially affect, CWB's internal controls over financial reporting. Prior to its release, this MD&A was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of CWB.

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 function, which carries out periodic internal audits of all aspects of CWB's operations. The Chief Internal Auditor has full and free access to the Audit Committee and to the external auditors.

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

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

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

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

Chris Fowler
President and Chief Executive Officer

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

December 6, 2017

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, 2017 and October 31, 2016, 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, 2017 and October 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP
Chartered Professional Accountants

December 6, 2017
Edmonton, Canada

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2017	As at October 31 2016
Assets			
Cash Resources	(Note 4)		
Cash and non-interest bearing deposits with financial institutions		$ 17,491	$ 11,490
Interest bearing deposits with regulated financial institutions		503,895	890,516
Cheques and other items in transit		410	18,050
		521,796	920,056
Securities	(Note 5)		
Issued or guaranteed by Canada		1,307,298	1,142,798
Issued or guaranteed by a province or municipality		438,858	291,947
Other debt securities		308,421	154,648
Preferred shares		132,410	119,201
		2,186,987	1,708,594
Securities Purchased under Resale Agreements	(Note 6)	-	163,318
Loans	(Note 7)		
Personal		4,725,715	4,063,552
Business		18,619,853	18,001,584
		23,345,568	22,065,136
Allowance for credit losses	(Note 8)	(116,329)	(103,788)
		23,229,239	21,961,348
Other			
Property and equipment	(Note 10)	56,115	57,330
Goodwill	(Note 11)	85,669	84,762
Intangible assets	(Note 11)	149,730	149,312
Derivative related	(Note 12)	12,393	10,370
Other assets	(Note 13)	205,524	167,459
		509,431	469,233
Total Assets		$ 26,447,453	$ 25,222,549
Liabilities and Equity			
Deposits	(Note 14)		
Personal		$ 13,394,562	$ 13,223,702
Business and government		8,508,420	7,970,851
		21,902,982	21,194,553
Other			
Cheques and other items in transit		55,545	27,683
Securities sold under repurchase agreements	(Note 6 and 9)	58,358	-
Derivative related	(Note 12)	35,381	7,172
Other liabilities	(Note 16)	455,009	382,130
		604,293	416,985
Debt			
Debt securities	(Note 9 and 17)	1,226,336	943,198
Subordinated debentures	(Note 17)	250,000	325,000
		1,476,336	1,268,198
Equity			
Preferred shares	(Note 18)	265,000	265,000
Common shares	(Note 18)	731,885	718,377
Retained earnings		1,488,634	1,354,966
Share-based payment reserve		24,979	31,276
Other reserves		(49,453)	(27,579)
Total Shareholders' Equity		2,461,045	2,342,040
Non-controlling interests	(Note 20)	2,797	773
Total Equity		2,463,842	2,342,813
Total Liabilities and Equity		$ 26,447,453	$ 25,222,549

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

Robert L. Phillips
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)

		2017	2016[1]
Interest Income			
Loans		$ 993,950	$ 928,257
Securities		25,136	28,703
Deposits with regulated financial institutions		8,198	5,029
		1,027,284	961,989
Interest Expense			
Deposits		355,521	346,498
Debt		29,373	30,267
		384,894	376,765
Net Interest Income		642,390	585,224
Non-interest Income			
Credit related		34,012	30,598
Wealth management services		19,073	16,394
Trust services		11,305	11,522
Retail services		10,758	11,244
Gains (losses) on securities, net		664	(2,830)
Other		8,433	5,744
		84,245	72,672
Total Revenue		726,635	657,896
Provision for Credit Losses	(Note 8)	50,986	79,115
Acquisition-related Fair Value Changes	(Note 3)	18,295	7,857
Non-interest Expenses			
Salaries and employee benefits		220,416	204,903
Premises and equipment		60,348	52,539
Other expenses		64,702	56,205
		345,466	313,647
Net Income before Income Taxes		311,888	257,277
Income Taxes	(Note 23)	82,233	67,943
Net Income		229,655	189,334
Net income attributable to non-controlling interests		1,128	961
Shareholders' Net Income		228,527	188,373
Preferred share dividends		14,250	10,612
Common Shareholders' Net Income		$ 214,277	$ 177,761
Average number of common shares (in thousands)		88,297	83,411
Average number of diluted common shares (in thousands)		88,592	83,419
Earnings Per Common Share	(Note 24)		
Basic		$ 2.43	$ 2.13
Diluted		2.42	2.13

(1) During 2017, certain fee income was reclassified from retail services to wealth management services within Non-interest Income. Comparative figures have been restated to conform with current year presentation, resulting in a $2,373 increase in wealth management services and a corresponding decrease in retail services.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended October 31
($ thousands)

	2017	2016
Net Income	**$ 229,655**	$ 189,334
Available-for-sale securities		
Gains from change in fair value[1]	**4,021**	20,799
Reclassification to net income[2]	**(485)**	2,158
	3,536	22,957
Derivatives designated as cash flow hedges		
Losses from change in fair value[3]	**(22,089)**	(8,157)
Reclassification to net income[4]	**(3,321)**	113
	(25,410)	(8,044)
Other Comprehensive Income (Loss), Net of Tax	**(21,874)**	14,913
Comprehensive Income	**$ 207,781**	$ 204,247
Comprehensive income for the year attributable to:		
Shareholders of CWB	**$ 206,653**	$ 203,286
Non-controlling interests	**1,128**	961
Comprehensive Income	**$ 207,781**	$ 204,247

(1) Net of income tax of $1,463 (2016 - $7,699).
(2) Net of income tax of $179 (2016 - $796).
(3) Net of income tax of $8,128 (2016 - $3,002).
(4) Net of income tax of $1,222 (2016 - $42).

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)

		2017	2016
Retained Earnings			
Balance at beginning of year		$ 1,354,966	$ 1,261,678
Shareholders' net income		228,527	188,373
Dividends - Preferred shares	(Note 18)	(14,250)	(10,612)
- Common shares	(Note 18)	(82,107)	(76,424)
Share premium on equity issued to non-controlling interests		1,498	-
Issuance costs on common and preferred shares		-	(8,049)
Balance at end of year		1,488,634	1,354,966
Other Reserves			
Balance at beginning of year		(27,579)	(42,492)
Changes in available-for-sale securities		3,536	22,957
Changes in derivatives designated as cash flow hedges		(25,410)	(8,044)
Balance at end of year		(49,453)	(27,579)
Preferred Shares	(Note 18)		
Balance at beginning of year		265,000	125,000
Issued		-	140,000
Balance at end of year		265,000	265,000
Common Shares	(Note 18)		
Balance at beginning of year		718,377	537,511
Transferred from share-based payment reserve on the exercise or exchange of options		8,228	706
Issued under dividend reinvestment plan		5,280	4,491
Issued to public		-	150,063
Issued on acquisition of subsidiary		-	25,606
Balance at end of year		731,885	718,377
Share-based Payment Reserve	(Note 19)		
Balance at beginning of year		31,276	29,210
Amortization of fair value of options		1,931	2,772
Transferred to common shares on the exercise or exchange of options		(8,228)	(706)
Balance at end of year		24,979	31,276
Total Shareholders' Equity		2,461,045	2,342,040
Non-controlling Interests			
Balance at beginning of year		773	992
Increase in equity attributable to non-controlling interests		1,683	-
Net income attributable to non-controlling interests		1,128	961
Dividends to non-controlling interests		(670)	(1,033)
Partial ownership increase		(117)	(147)
Balance at end of year		2,797	773
Total Equity		$ 2,463,842	$ 2,342,813

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended October 31
($ thousands)

		2017	2016
Cash Flows from Operating Activities			
Net income		$ 229,655	$ 189,334
Adjustments to determine net cash flows:			
Provision for credit losses	(Note 8)	50,986	79,115
Depreciation and amortization		30,692	24,581
Current income taxes receivable and payable		12,134	(17,424)
Amortization of fair value of employee stock options	(Note 19)	1,931	2,772
Accrued interest receivable and payable, net		(19,061)	7,705
Deferred income taxes, net		(10,638)	(3,045)
(Gains) losses on sale of securities, net		(664)	2,830
Acquisition-related fair value changes	(Note 3)	18,295	7,857
Net gain on Trust Services strategic transaction	(Note 3)	(5,726)	-
Change in operating assets and liabilities			
Deposits, net		708,429	1,829,146
Loans, net		(1,322,714)	(2,218,973)
Securities sold under resale agreements, net		58,358	-
Securities purchased under resale agreements, net		163,318	(163,318)
Other items, net		46,543	29,242
		(38,462)	(230,178)
Cash Flows from Financing Activities			
Debt securities issued		739,177	734,376
Debt securities repaid		(456,039)	(353,801)
Debentures redeemed	(Note 17)	(75,000)	(300,000)
Dividends		(91,077)	(82,545)
Distributions to non-controlling interests		(670)	(1,033)
Sale of non-controlling interests		3,401	-
Common shares issued, net of issuance costs	(Note 18)	-	145,176
Preferred shares issued, net of issuance costs	(Note 18)	-	136,838
		119,792	279,011
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		386,621	(477,748)
Securities, purchased		(5,843,898)	(10,760,756)
Securities, sales proceeds		4,338,132	8,638,234
Securities, matured		1,031,966	2,990,500
Property, equipment and software costs		(28,846)	(38,507)
Partial ownership increase		(1,838)	(4,572)
Contingent consideration payment	(Note 3)	(10,132)	-
Proceeds from Trust Services strategic transaction	(Note 3)	7,164	-
Acquisitions	(Note 3)	-	(364,523)
		(120,831)	(17,372)
Change in Cash and Cash Equivalents		(39,501)	31,461
Cash and Cash Equivalents at Beginning of Year		1,857	(29,604)
Cash and Cash Equivalents at End of Year *		$ (37,644)	$ 1,857
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		$ 17,491	$ 11,490
Cheques and other items in transit (included in Cash Resources)		410	18,050
Cheques and other items in transit (included in Other Liabilities)		(55,545)	(27,683)
Cash and Cash Equivalents at End of Year		$ (37,644)	$ 1,857
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		$ 1,031,937	$ 975,727
Interest paid		392,413	366,737
Income taxes paid		66,009	88,674

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

a) Reporting Entity

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

The consolidated financial statements were authorized for issue by the Board of Directors on December 6, 2017.

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 31 for details of the subsidiaries.

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

c) Statement of Compliance

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

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

d) Use of Estimates and Assumptions

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

e) Significant Judgments

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

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

f) Business Combinations

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

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

g) Functional and Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is CWB's functional currency. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. 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.

h) Provisions and Contingent Liabilities

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

i) Specific Accounting Policies

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

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

j) Future Accounting Changes

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

IFRS 9 – Financial Instruments

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

IFRS 9 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 plans to adopt IFRS 9 on November 1, 2018. IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. CWB does not plan to retrospectively re-state prior period comparative figures within the consolidated financial statements upon transition to IFRS 9 and will recognize an adjustment to opening retained earnings and accumulated other comprehensive income to reflect the application of the new requirements at the adoption date.

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 includes a policy choice to retain IAS 39 for hedging purposes pending the completion of the IASB's project on macro hedge accounting. CWB expects to elect to continue applying IAS 39 hedging requirements.

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

IFRS 15 – Revenue from Contracts with Customers

The IASB established principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles-based model for revenue recognition to be applied to contracts with customers, and enhanced disclosure requirements. The new standard does not apply to financial instruments or lease contracts, which fall in the scope of other IFRSs.

In April 2016, the IASB issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application. IFRS 15 is effective for CWB's fiscal year beginning November 1, 2018. On transition, entities can either restate prior periods retrospectively or recognize the cumulative effect of the transition in opening retained earnings with no comparison for prior years. CWB continues to assess the impact of the new standard on the timing and measurement of revenue recognition, enhanced financial statement disclosures as well as transitional requirements. As the majority of its revenues are outside the scope of IFRS 15, CWB does not currently expect a significant impact from adopting the new standard.

IFRS 2 – Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2, which clarify how to account for certain types of share-based payment transactions. These amendments are effective for CWB's fiscal year beginning November 1, 2018 and can be applied prospectively. CWB does not currently expect a significant impact from adopting the amendments.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which requires most leases to be recorded on the balance sheet. For lessees, most operating leases other than short-term or low-value leases will be capitalized, and will result in a balance sheet increase in lease assets and lease liabilities. The new standard will not impact lessor accounting beyond additional disclosures. The new standard is effective for CWB's fiscal year beginning November 1, 2019 with early adoption permitted if IFRS 15 is applied. CWB is in the process of assessing the impact.

2. FINANCIAL INSTRUMENTS

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

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

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

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

3. STRATEGIC TRANSACTIONS

Equipment Loans and Leases and General Commercial Lending Assets

On October 30, 2017, CWB entered into an asset purchase agreement to acquire a portfolio of equipment loans and leases and general commercial lending assets, expected to approximate $900 million at closing on January 31, 2018, primarily within the transportation, construction and healthcare industries, with exposures concentrated outside of Western Canada.

Trust Services

On September 28, 2017, Canadian Western Trust Company (CWT), a wholly-owned subsidiary of CWB, appointed a successor trustee or custodian for clients who held exempt market securities within a CWT self-directed account. The carrying value of deposits transferred totalled $71,259 and the market value of the related assets under administration totalled $1,316,788.

The operations and cash flows of CWT's self-directed account services provided to holders of exempt market securities cannot be clearly distinguished operationally or financially from the rest of CWB, nor do they represent a separate major line of business or geographic area of operations. As such, the transaction does not require the presentation of discontinued operations within the consolidated statements of income.

The gain related to the transaction, which reflects sales proceeds less the carrying value of assets sold and related transactions costs, is recorded in other non-interest income in the consolidated statements of income and calculated as follows:

Sale proceeds[(1)]	$ 8,311
Transaction costs and accruals	1,147
Net Proceeds	**7,164**
Assets sold	1,438
Net Gain on Sale	**$ 5,726**

(1) The sale proceeds include contingent consideration with a fair value of $500 and may be subject to post-closing adjustments in fiscal 2018.

CWB Franchise Finance

On July 1, 2016, CWB acquired a portfolio of franchise finance loan assets along with key employees, which added $344,018 to performing loans. No goodwill or intangible assets were included in the purchase structure. No allowance for credit losses was recorded on the acquisition date and loans are evaluated for impairment at each balance sheet date using the same methodology as loans originated by CWB.

Maxium Financial Services Inc. and Desante Financial Services Inc.

On March 1, 2016, CWB acquired the non-securitized lending assets and other business assets of the privately held Maxium Financial Services Inc. and Desante Financial Services Inc., now referred to as "CWB Maxium Financial" (CWB Maxium) in exchange for $19,500 in cash, as well as 1,250,312 common shares of CWB and contingent consideration with fair values on the acquisition date of $25,606 and $16,400, respectively, for a total initial acquisition cost of $61,506.

Contingent consideration, to a maximum of $70,500, will be paid in annual instalments with determination of the total amount payable based on CWB Maxium's cumulative business performance over a 36-month period. Up to 50% of the total contingent consideration may be settled with CWB shares at the vendors' option, provided the average share price over the 20 days preceding issuance exceeds $30.00, with the remainder to be paid in cash. During 2017, the fair value of contingent consideration was increased by $18,295 (2016 – $7,857), which was recognized as an acquisition-related fair value change in the consolidated statements of income. CWB paid the first contingent consideration instalment of $10,132 in cash during fiscal 2017 (see Note 27).

CWB Maxium provides loans, equipment leases and structured financing solutions to more than 35,000 clients, mainly in Ontario. Specialized financing solutions are primarily provided in the areas of health care, golf, transportation, real estate, and general corporate financing. Securitized assets that were originated prior to March 1, 2016 were not included in the transaction. The results of operations from CWB Maxium have been included in CWB's consolidated financial statements since the acquisition date.

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, 2017, the fair value of deposits with regulated financial institutions was $503,895 (October 31, 2016 – $890,516), which is $18 (October 31, 2016 – $81) lower than amortized cost. At October 31, 2017, $17,895 of interest-bearing deposits with regulated financial institutions was restricted from use in relation to the securitization of equipment financing leases and loans (October 31, 2016 – $16,262).

5. SECURITIES

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

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

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

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

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

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

	Maturities					
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	As at October 31 2017	As at October 31 2016
Securities Issued or Guaranteed by						
Canada	$ -	$ 390,501	$ 892,038	$ 24,759	$ 1,307,298	$ 1,142,798
A province or municipality	17,763	216,198	204,897	-	438,858	291,947
Other Debt Securities	110,041	164,529	33,851	-	308,421	154,648
Preferred Shares	15,022	80,190	37,198	-	132,410	119,201
Total	$ 142,826	$ 851,418	$ 1,167,984	$ 24,759	$ 2,186,987	$ 1,708,594

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

	As at October 31, 2017				As at October 31, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Issued or Guaranteed by								
Canada	$ 1,327,541	$ 1,014	$ 21,257	$ 1,307,298	$ 1,142,651	$ 676	$ 529	$ 1,142,798
A province or municipality	443,510	137	4,789	438,858	291,814	274	141	291,947
Other Debt Securities	306,671	2,930	1,180	308,421	153,126	1,589	67	154,648
Preferred Shares	149,159	11	16,760	132,410	165,606	-	46,405	119,201
Total	$ 2,226,881	$ 4,092	$ 43,986	$ 2,186,987	$ 1,753,197	$ 2,539	$ 47,142	$ 1,708,594

The securities portfolio is primarily comprised of high-quality debt and equity instruments 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 as well as volatility in equity markets.

As at October 31, 2017, CWB assessed the securities with unrealized losses and, based on available objective evidence, concluded that the unrealized losses resulted from changes in interest rates and not from deterioration in the creditworthiness of the issuers. No impairment charges were included in gains (losses) on securities, net (2016 – nil).

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

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

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

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

7. LOANS

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

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

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

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

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

	As at October 31, 2017				As at October 31, 2016			
	Gross Amount	**Gross Impaired Amount[(2)]**	**Specific Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount[(2)]	Specific Allowance	Net Impaired Loans
Personal	**$ 4,725,715**	**$ 19,816**	**$ 209**	**$ 19,607**	$ 4,063,552	$ 21,968	$ 204	$ 21,764
Business								
General commercial loans	**6,307,560**	**58,183**	**3,071**	**55,112**	5,644,231	18,363	1,370	16,993
Commercial mortgages[(1)]	**4,266,702**	**16,571**	**385**	**16,186**	4,188,988	13,552	270	13,282
Real estate project loans	**4,029,810**	**21,391**	**2,020**	**19,371**	4,235,789	16,232	2,719	13,513
Equipment financing and leasing	**3,892,150**	**50,760**	**10,132**	**40,628**	3,711,504	40,201	9,563	30,638
Oil and gas production loans	**123,631**	**1,540**	**800**	**740**	221,072	16,896	2,143	14,753
Total	**$23,345,568**	**$ 168,261**	**$ 16,617**	**151,644**	$22,065,136	$ 127,212	$ 16,269	110,943
Collective Allowance[(3)]				**(119,298)**				(110,943)
Net Impaired Loans After Collective Allowance				**$ 32,346**				$ -

(1) Multi-family residential mortgages are included in commercial mortgages.
(2) Gross impaired loans include foreclosed assets with a carrying value of $1,983 (October 31, 2016 – $3,876). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit loss includes amounts related to committed but undrawn credit exposures and letters of credit and is not allocated by loan type (see Note 8).

During the year, interest recognized as income on impaired loans totalled $3,552 (2016 – $1,801).

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

	As at October 31, 2017			As at October 31, 2016		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 105,831	$ 6,270	$ 99,561	$ 64,751	$ 6,137	$ 58,614
British Columbia	17,460	2,179	15,281	29,074	2,868	26,206
Ontario	19,169	3,134	16,035	16,596	4,680	11,916
Saskatchewan	8,273	1,485	6,788	8,688	712	7,976
Manitoba	6,635	1,099	5,536	3,903	543	3,360
Other	10,893	2,450	8,443	4,200	1,329	2,871
Total	$ 168,261	$ 16,617	151,644	$ 127,212	$ 16,269	110,943
Collective Allowance[1]			(119,298)			(110,943)
Net Impaired Loans After Collective Allowance			$ 32,346			$ -

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

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

Details of such past due loans follow:

As at October 31, 2017	1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Personal	$ 52,794	$ 14,400	$ 958	$ 677	$ 68,829
Business	57,542	23,118	5,158	6	85,824
Total	$ 110,336	$ 37,518	$ 6,116	$ 683	$ 154,653
As at October 31, 2016	$ 168,153	$ 47,136	$ 9,309	$ 4,491	$ 229,089

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

($ millions)	BC	AB	ON	SK	MB	Other	Total	Composition Percentage Oct. 31 2017	Composition Percentage Oct. 31 2016
Personal[1]	$ 1,253	$ 1,195	$ 1,876	$ 198	$ 107	$ 97	$ 4,726	20%	18%
Business									
General commercial loans	1,921	2,219	1,378	291	264	234	6,307	27	26
Commercial mortgages	1,802	1,987	94	277	106	1	4,267	18	19
Real estate project loans	2,546	1,098	150	165	71	-	4,030	17	19
Equipment financing and leasing[2]	623	1,119	899	398	189	664	3,892	17	17
Oil and gas production loans	-	110	-	14	-	-	124	1	1
	6,892	6,533	2,521	1,145	630	899	18,620	80	82
Total[3]	$ 8,145	$ 7,728	$ 4,397	$ 1,343	$ 737	$ 996	$ 23,346	100%	100%
Composition Percentage									
October 31, 2017	35%	33%	19%	6%	3%	4%	100%		
October 31, 2016	36%	36%	15%	6%	3%	4%	100%		

(1) Includes mortgages securitized through the National Housing Act Mortgage Backed Securities program reported on-balance sheet of $381 (October 31, 2016 - $391).
(2) Includes securitized leases and loans reported on-balance sheet of $1,212 (October 31, 2016 – $1,030) (see Note 9).
(3) This table does not include an allocation of the allowance for credit losses.

8. ALLOWANCE FOR CREDIT LOSSES

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

Specific Allowance

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

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

Collective Allowance

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

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

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

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

		2017			2016	
		Specific Allowance	**Collective Allowance**	**Total**	Specific Allowance	Collective Allowance	Total
Balance at beginning of year		**$ 16,269**	**$ 110,943**	**$ 127,212**	$ 15,806	$ 99,613	$ 115,419
Provision for credit losses		**42,631**	**8,355**	**50,986**	67,785	11,330	79,115
Write-offs		**(47,094)**	**-**	**(47,094)**	(70,460)	-	(70,460)
Recoveries		**4,811**	**-**	**4,811**	3,138	-	3,138
Balance at End of Year		**$ 16,617**	**$ 119,298**	**$ 135,915**	$ 16,269	$ 110,943	$ 127,212
Represented by:							
Loans		**$ 16,617**	**$ 99,712**	**$ 116,329**	$ 16,269	$ 87,519	$ 103,788
Committed but undrawn credit exposures and letters of credit	(Note 16)	**-**	**19,586**	**19,586**	-	23,424	23,424
Total Allowance		**$ 16,617**	**$ 119,298**	**$ 135,915**	$ 16,269	$ 110,943	$ 127,212

9. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Securitization of equipment financing leases and loans

CWB securitizes equipment financing leases and loans to third parties. These securitizations do not qualify for derecognition as CWB continues to be exposed to certain risks associated with the leases and loans; therefore, CWB has not transferred substantially all of the risks and rewards of ownership. As the leases and loans do not qualify for derecognition, the assets are not removed from the consolidated balance sheets and a securitization liability is recognized within debt securities for the cash proceeds received (see Note 17).

During 2017, CWB sold securitized equipment financing leases and loans of $679,352 to third parties (2016 – $816,425) for cash proceeds of $610,201 (2016 – $734,376).

Securitization of residential mortgages

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

During 2017, CWB sold securitized residential mortgages of $88,354 to a third-party investor and $39,957 to the CHT for cash proceeds of $90,003 (2016 – nil) and $38,973 (2016 – nil), respectively.

The third-party sale of the mortgage pools that comprise the NHA MBS does not qualify for derecognition as CWB retains the credit and interest rate risks associated with the mortgages, which represent substantially all of the risks and rewards associated with the transferred assets. As a result, the mortgages remain on the consolidated balance sheets as personal loans and are carried at amortized cost. Cash proceeds from the third-party sale of the mortgage pools, including those sold as part of the CMB program, are recognized within debt securities (see Note 17).

Securities sold under repurchase agreements

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

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

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized equipment financing leases and loans	**$ 1,211,816**	**$ 1,248,146**	$ 1,030,499	$ 1,099,240
Securitized residential mortgages	**119,180**	**116,374**	-	-
Securities issued or guaranteed by Canada	**58,358**	**58,358**	-	-
	1,389,354	**1,422,878**	1,030,499	1,099,240
Associated Liabilities[1]	**1,284,694**	**1,280,758**	943,198	942,171
Net Position	**$ 104,660**	**$ 142,120**	$ 87,301	$ 157,069

(1) Associated liabilities consist of $1,105,180 related to securitized equipment financing leases and loans (2016 – $943,198), $121,156 related to residential mortgages securitized through the NHA MBS program (2016 – nil) and $58,358 related to securities sold under repurchase agreements (2016 – nil).

In addition, CWB has securitized residential mortgages through the NHA MBS program totalling $262,213 with a fair value of $256,038 (2016 – $391,165 with a fair value of $363,103) that were not transferred to third parties.

10. PROPERTY AND EQUIPMENT

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

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

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

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

		Leasehold Improvements	Land and Buildings	Computer Equipment	Office Equipment	Total
Cost						
Balance at November 1, 2016		$ 70,146	$ 18,701	$ 28,319	$ 39,101	$ 156,267
Additions		2,486	53	3,918	2,777	9,234
Disposals		(234)	-	(793)	(1,036)	(2,063)
Balance at October 31, 2017		72,398	18,754	31,444	40,842	163,438
Accumulated Depreciation and Impairment						
Balance at November 1, 2016		43,399	5,016	21,921	28,601	98,937
Depreciation for the year		4,098	564	2,333	2,768	9,763
Disposals		(234)	-	(793)	(350)	(1,377)
Balance at October 31, 2017		47,263	5,580	23,461	31,019	107,323
Net Carrying Amount at October 31, 2017		$ 25,135	$ 13,174	$ 7,983	$ 9,823	$ 56,115
Cost						
Balance at November 1, 2015		$ 68,794	$ 18,663	$ 26,045	$ 37,114	$ 150,616
Additions		1,345	38	2,269	1,901	5,553
Business acquisition	(Note 3)	7	-	50	86	143
Disposals		-	-	(45)	-	(45)
Balance at October 31, 2016		70,146	18,701	28,319	39,101	156,267
Accumulated Depreciation and Impairment						
Balance at November 1, 2015		39,092	4,418	19,853	25,897	89,260
Depreciation for the year		4,307	598	2,113	2,704	9,722
Disposals		-	-	(45)	-	(45)
Balance at October 31, 2016		43,399	5,016	21,921	28,601	98,937
Net Carrying Amount at October 31, 2016		$ 26,747	$ 13,685	$ 6,398	$ 10,500	$ 57,330

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

Goodwill is stated at cost less 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:

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

		MX	NL	M&P	WM[1]	Total
Balance at November 1, 2016		$ 38,869	$ 35,776	$ 6,306	$ 3,811	$ 84,762
Partial ownership change		-	-	793	114	907
Balance at October 31, 2017		**$ 38,869**	**$ 35,776**	**$ 7,099**	**$ 3,925**	**$ 85,669**
Balance at November 1, 2015		$ -	$ 35,776	$ 4,194	$ 3,811	$ 43,781
Business acquisition	(Note 3)	38,869	-	-	-	38,869
Partial ownership change		-	-	2,112	-	2,112
Balance at October 31, 2016		**$ 38,869**	**$ 35,776**	**$ 6,306**	**$ 3,811**	**$ 84,762**

(1) During fiscal 2017, Adroit Investment Management Ltd. amalgamated with CWB Wealth Management Ltd. and goodwill was combined.

Intangible Assets

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

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

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

		Software and Related Assets		Customer Relationships		Trademarks and Trade Names		Non-competition Agreements		Other		Total
Cost												
Balance at November 1, 2016	$	141,927	$	58,906	$	6,514	$	10,922	$	5,150	$	223,419
Additions		20,298		-		-		-		-		20,298
Partial ownership change		-		700		118		231		-		1,049
Disposals		(7,464)		-		-		-		-		(7,464)
Balance at October 31, 2017		154,761		59,606		6,632		11,153		5,150		237,302
Accumulated Amortization												
Balance at November 1, 2016		42,557		19,607		-		8,768		3,175		74,107
Amortization		13,369		5,102		-		1,520		938		20,929
Disposals		(7,464)		-		-		-		-		(7,464)
Balance at October 31, 2017		48,462		24,709		-		10,288		4,113		87,572
Net Carrying Amount at October 31, 2017	$	106,299	$	34,897	$	6,632	$	865	$	1,037	$	149,730

Cost												
Balance at November 1, 2015	$	109,414	$	39,576	$	2,552	$	9,770	$	4,480	$	165,792
Additions		32,954		-		-		-		-		32,954
Business acquisition (Note 3)		-		17,250		3,680		100		670		21,700
Partial ownership change		-		2,080		282		1,052		-		3,414
Disposals		(441)		-		-		-		-		(441)
Balance at October 31, 2016		141,927		58,906		6,514		10,922		5,150		223,419
Accumulated Amortization												
Balance at November 1, 2015		34,493		15,256		-		7,525		2,415		59,689
Amortization		8,505		4,351		-		1,243		760		14,859
Disposals		(441)		-		-		-		-		(441)
Balance at October 31, 2016		42,557		19,607		-		8,768		3,175		74,107
Net Carrying Amount at October 31, 2016	$	99,370	$	39,299	$	6,514	$	2,154	$	1,975	$	149,312

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 five-year future business plan. Cash flows for a further 15-year period were extrapolated using a constant growth rate of 3.0% (2016 – 1.9%), 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 9.8% (2016 – 11.0%) 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 2017 or 2016.

12. 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 earnings volatility related to restricted share units and deferred 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). Approved counterparties are limited to rated financial institutions or their associated parent/affiliate with a minimum rating of A high or equivalent.

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

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.

Designated Accounting Hedges

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

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

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

Embedded Derivatives

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

Fair Value

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

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

	As at October 31, 2017					As at October 31, 2016				
	Notional Amount	Replace-ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-Weighted Balance	Notional Amount	Replace-ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-Weighted Balance
Interest rate swaps	$ 3,553,000	$ 298	$ 8,365	$ 8,663	$ 1,733	$ 3,698,000	$ 12,800	$ 10,490	$ 23,290	$ 3,244
Foreign exchange contracts	170,194	2,627	1,702	4,329	582	124,056	35	1,247	1,282	281
Equity swaps	22,459	9,526	1,527	11,053	877	23,745	-	1,642	1,642	328
Total	$ 3,745,653	$ 12,451	$ 11,594	$ 24,045	$ 3,192	$ 3,845,801	$ 12,835	$ 13,379	$ 26,214	$ 3,853

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, 2017				As at October 31, 2016			
	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	$ 195,000	$ 239	$ 3,358,000	$ (31,483)	$ 2,035,000	$ 10,335	$ 1,663,000	$ (3,014)
Foreign exchange contracts	61,609	2,627	108,585	(3,898)	1,330	35	122,726	(2,575)
Equity swaps designated as accounting hedges	18,222	7,769	-	-	-	-	20,117	(1,449)
Equity swaps not designated as accounting hedges	4,237	1,758	-	-	-	-	3,628	(134)
Total	$ 279,068	$ 12,393	$ 3,466,585	$ (35,381)	$ 2,036,330	$ 10,370	$ 1,809,471	$ (7,172)

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:

	2017	2016
Favourable derivative financial instruments (assets)	$ 7,847	$ 18,811
Unfavourable derivative financial instruments (liabilities)	$ 19,191	$ 9,324

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

	As at October 31, 2017				As at October 31, 2016			
	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)]	$ 1,880,000	1.24%	$ 1,673,000	1.05%	$ 1,600,000	1.35%	$ 2,098,000	0.95%
Foreign exchange contracts[(2)]	170,194		-		124,056		-	
Equity swaps designated as accounting hedges[(3)]	9,214	2.12%	9,008	2.18%	10,053	1.65%	10,064	1.67%
Equity swaps not designated as accounting hedges[(4)]	4,237	2.02%	-	-	2,839	1.50%	789	1.50%
Total	$ 2,063,645		$ 1,682,008		$ 1,736,948		$ 2,108,853	

(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, 2017 mature between November 2017 and August 2022.
(2) Foreign exchange contracts outstanding at October 31, 2017 mature between November 2017 and May 2018. The contractual interest rate is not meaningful for foreign exchange contracts.
(3) Equity swaps designated as accounting hedges outstanding at October 31, 2017 mature between June 2018 and June 2020.
(4) Equity swaps not designated as accounting hedges outstanding at October 31, 2017 mature between December 2017 and June 2018.

During the year, $22,089 net unrealized after-tax losses (2016 – $8,157) were recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged items affect income.

During the year, $3,321 of net gains after-tax (2016 – $113 of net losses after-tax) were reclassified to net income.

At October 31, 2017, hedged cash flows are expected to occur and affect profit or loss within the next five years (2016 – five years).

The impact of gains related to hedge ineffectiveness recognized in other non-interest income within the consolidated statements of income follows:

	2017	2016
Fair Value Hedges		
Change in fair value of hedging instruments	$ -	$ 1,135
Change in fair value of hedged items attributable to hedged risk	-	(501)
	-	634
Cash Flow Hedges	-	-

13. OTHER ASSETS

		As at October 31 2017	As at October 31 2016
Accrued interest receivable		$ 67,805	$ 56,264
Deferred tax asset	(Note 23)	39,701	31,704
Accounts receivable		36,013	44,931
Derivative collateral receivable		34,660	2,540
Prepaid expenses		7,498	11,034
Financing costs[(1)]		5,682	4,605
Income tax receivable		3,710	14,191
Other		10,455	2,190
Total		$ 205,524	$ 167,459

(1) Amortization for the year amounted to $2,262 (2016 - $1,962).

14. DEPOSITS

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

	As at October 31, 2017		
	Individuals	Business and Government	Total
Payable on demand	$ 37,984	$ 791,358	$ 829,342
Payable after notice[1]	3,699,356	3,112,419	6,811,775
Payable on a fixed date	9,657,222	4,604,643	14,261,865
Total	$ 13,394,562	$ 8,508,420	$ 21,902,982

	As at October 31, 2016		
	Individuals	Business and Government	Total
Payable on demand	$ 34,681	$ 761,523	$ 796,204
Payable after notice	3,866,441	3,031,090	6,897,531
Payable on a fixed date	9,322,580	4,178,238	13,500,818
Total	$ 13,223,702	$ 7,970,851	$ 21,194,553

(1) Deposits payable after notice totalling $71,259 were transferred to a third party as part of the Trust Services strategic transaction (see Note 3).

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

	As at October 31 2017	As at October 31 2016
Within 1 year	$ 6,523,479	$ 6,167,088
1 to 2 years	3,098,182	3,515,358
2 to 3 years	1,870,404	1,554,168
3 to 4 years	1,832,669	1,007,829
4 to 5 years	937,131	1,256,375
Total	$ 14,261,865	$ 13,500,818

15. 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 was included in Deposits in the consolidated balance sheets as at October 31, 2016. Based on the guidance provided in IFRS 10 *Consolidated Financial Statements*, CWB determined that it did not control, and consequently did not consolidate, CWB Capital Trust.

On December 31, 2016, CWB redeemed the $105,000 senior deposit note for a redemption price of $108,245, representing the principal amount plus accrued and unpaid interest. Upon redemption of the senior deposit note, CWB Capital Trust redeemed the corresponding WesTS. Subsequent to the redemptions and the satisfaction of all outstanding liabilities of CWB Capital Trust, the structured entity was terminated, effective December 31, 2016, in accordance with the Amended and Restated Declaration of Trust.

16. OTHER LIABILITIES

		As at October 31 2017	As at October 31 2016
Accounts payable and accrued liabilities		$ 230,187	$ 166,544
Accrued interest payable		126,557	134,077
Contingent consideration	(Note 27)	32,920	24,257
Provisions for committed but undrawn credit exposures and letters of credit	(Note 8)	19,586	23,424
Income taxes payable		9,413	7,726
Deferred tax liability	(Note 23)	7,252	9,658
Derivative collateral payable		6,670	7,070
Deferred revenue		3,970	3,110
Leasehold inducements		3,698	2,939
Other		14,756	3,325
Total		$ 455,009	$ 382,130

17. DEBT

a) Debt Securities

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

	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2017	As at October 31 2016
Securitized leases	$ 394,316	$ 532,390	$ 178,474	$ 1,105,180	$ 943,198
Securitized residential mortgages	6,287	24,804	90,065	121,156	-
Total	$ 400,603	$ 557,194	$ 268,539	$ 1,226,336	$ 943,198

b) Subordinated Debentures

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

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 March 22, 2017, CWB redeemed all outstanding 5.571% subordinated debentures at par plus accrued interest.

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2017	As at October 31 2016
3.463%(1)	December 17, 2024	December 17, 2019	$ 250,000	$ 250,000
5.571%(2)	March 21, 2022	March 22, 2017	-	75,000
Total			$ 250,000	$ 325,000

(1) These conventional debentures have a 12-year term with a fixed interest rate for the first seven years. Thereafter, the interest rate will be reset quarterly at the 3-month CDOR rate plus 160 basis points.
(2) These conventional debentures had a 15-year term with a fixed interest rate for the first 10 years. Thereafter, the interest rate would have reset quarterly at the CDOR 90-day Bankers' Acceptance rate plus 180 basis points.

18. CAPITAL STOCK

Authorized:

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

Issued and fully paid:

		2017		2016	
		Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 5					
Outstanding at beginning and end of year		5,000,000	$ 125,000	5,000,000	$ 125,000
Preferred Shares - Series 7					
Outstanding at beginning of year		5,600,000	140,000	-	-
Issued		-	-	5,600,000	140,000
Outstanding at end of year		5,600,000	140,000	5,600,000	140,000
		10,600,000	265,000	10,600,000	265,000
Common Shares					
Outstanding at beginning of year		88,103,120	718,377	80,526,069	537,511
Issued under dividend reinvestment plan		177,731	5,280	185,111	4,491
Issued on exercise or exchange of options(1)		213,502	8,228	16,628	706
Issued to public		-	-	6,125,000	150,063
Issued on acquisition of subsidiary	(Note 3)	-	-	1,250,312	25,606
Outstanding at end of year		88,494,353	731,885	88,103,120	718,377
Share Capital			$ 996,885		$ 983,377

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

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

a) Common Shares

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

b) Preferred Shares

Non-Viability Contingent Capital Preferred Share Rights and Privileges

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

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

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

c) Dividends

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

	2017	2016
$0.93 per common share (2016 - $0.92)	$ 82,107	$ 76,424
$1.10 per preferred share - Series 5 (2016 - $1.10)	5,500	5,500
$1.56 per preferred share - Series 7 (2016 - $0.91)(1)	8,750	5,112
Total	$ 96,357	$ 87,036

(1) The 2016 Series 7 Preferred Share dividend payment covered the period from issuance on March 31, 2016 to October 31, 2016.

Subsequent to October 31, 2017, the Board of Directors of CWB declared a dividend of $0.24 per common share payable on January 4, 2018 to shareholders of record on December 15, 2017, a dividend of $0.275 per Series 5 preferred share payable on January 31, 2018 to shareholders of record on January 19, 2018, and a dividend of $0.390625 per Series 7 preferred share payable on January 31, 2018 to shareholders of record on January 19, 2018. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheets at October 31, 2017.

d) Dividend Reinvestment Plan

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

At the option of CWB, the common shares may be issued from CWB's treasury at an average market price based on the closing prices of a board lot of common shares on the Toronto Stock Exchange (TSX) for the five trading days immediately preceding the dividend payment date, with a discount of between 0% to 5% at CWB's discretion. CWB also has the option to fund the plan through the open market at market prices. During the year, 177,731 (2016 – 185,111) common shares were issued under the plan from CWB's treasury with no discount (2016 – no discount).

19. SHARE-BASED PAYMENTS

a) Stock Options

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

CWB has authorized 6,577,007 common shares (2016 – 6,790,509) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 3,390,759 shares (2016 – 5,205,794) are issued and outstanding. The outstanding options vest within three years and are exercisable at a fixed price equal to the average of the market price on the day of and the four days preceding the grant date. Options granted after 2015 expire within seven years of date of grant. Previously granted options expire within five years of date of grant. Outstanding options expire from December 2017 to March 2024.

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

	2017			2016		
Options	**Number of Options**		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance at beginning of year	**5,205,794**	**$**	**29.63**	5,232,366	$	30.26
Granted	**339,630**		**30.84**	610,731		23.70
Exercised or exchanged	**(1,850,575)**		**27.17**	(149,340)		25.52
Forfeited	**(33,035)**		**35.91**	(78,865)		33.21
Expired	**(271,055)**		**29.67**	(409,098)		29.71
Balance at End of Year	**3,390,759**	**$**	**31.02**	5,205,794	$	29.63
Exercisable at End of Year	**1,787,718**	**$**	**35.34**	2,599,039	$	27.44

Further details relating to stock options outstanding and exercisable follow:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
$23.70 to $26.13	1,263,411	3.8	$	24.97	-	$	-
$28.09 to $30.85	910,741	2.7		29.32	571,111		28.42
$37.50 to $39.42	1,216,607	1.4		38.58	1,216,607		38.58
Total	3,390,759	2.6	$	31.02	1,787,718	$	35.34

All exercised options are settled via cashless settlement, which provides the option holder the number of shares equivalent to the excess of the market value of the shares under option, determined at the exercise date, over the exercise price. During fiscal 2017, option holders exchanged the rights to 1,850,575 (2016 – 149,340) options and received 213,502 (2016 – 16,628) shares in return by way of the cashless settlement.

Salary expense of $1,931 (2016 – $2,772) 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 1.3% (2016 – 0.8%), (ii) expected option life of 5.0 (2016 – 5.0) years, (iii) expected annual volatility of 26% (2016 – 26%), and (iv) expected annual dividends of 3.1% (2016 – 3.8%). Expected volatility is estimated by evaluating historical volatility of the share price over multi-year periods. The weighted average fair value of options granted was estimated at $4.77 (2016 – $3.47) per share.

During the year, $8,228 (2016 – $706) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 1,850,575 (2016 – 149,340) options exercised during the year.

b) Restricted Share Units

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

During the year, salary expense of $9,677 (2016 – $9,514) was recognized related to RSUs. As at October 31, 2017, the liability for the RSUs held under this plan was $14,510 (October 31, 2016 – $9,436). 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	2017	2016
Balance at beginning of year	741,244	638,807
Granted	360,929	442,559
Vested and paid out	(336,159)	(308,988)
Forfeited	(34,084)	(31,134)
Balance at End of Year	731,930	741,244

c) Performance Share Units

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

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

During the year, salary expense of $1,878 (2016 – $990) was recognized related to PSUs. As at October 31, 2017, the liability for the PSUs held under this plan was $3,603 (October 31, 2016 – $1,876). At the end of each period, the liability and salary expense are adjusted to reflect changes in the fair value of the PSUs.

Number of PSUs	2017	2016
Balance at beginning of year	177,579	91,404
Granted	58,807	86,175
Vested and paid out	(27,123)	-
Balance at End of Year	209,263	177,579

d) Deferred Share Units

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

During the year, other non-interest expenses included $804 (2016 – $624) related to the DSUs. As at October 31, 2017, the liability for DSUs held under this plan was $6,281 (October 31, 2016 – $3,639). 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	2017	2016
Balance at beginning of year	142,969	115,123
Granted	29,864	27,846
Balance at End of Year	172,833	142,969

20. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

	As at October 31 2017	As at October 31 2016
CWB Wealth Management Ltd.[(1)]	$ 1,987	$ 144
McLean & Partners Wealth Management Ltd.	810	629
Total	$ 2,797	$ 773

(1) During fiscal 2017, Adroit Investment Management Ltd. amalgamated with CWB Wealth Management Ltd.

21. CONTINGENT LIABILITIES AND COMMITMENTS

a) Credit Instruments

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

	As at October 31 2017	As at October 31 2016
Credit Instruments		
Commitments to extend credit	$ 4,063,709	$ 4,739,091
Guarantees and standby letters of credit	451,486	492,327
Total	$ 4,515,195	$ 5,231,418

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 $2,010,830 (October 31, 2016 – $2,265,566) and authorized but unfunded loan commitments of $2,052,879 (October 31, 2016 – $2,473,525). In the majority of instances, availability of undrawn commercial commitments is subject to the borrower meeting specified financial tests or other covenants regarding completion or satisfaction of certain conditions precedent. It is also usual practice to include the right to review and withhold funding in the event of a material adverse change in the financial condition of the borrower. The allowance for credit losses related to committed but undrawn credit exposures and letters of credit is included in other liabilities on the consolidated balance sheets (see Note 16). 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:

2018	$ 13,720
2019	13,110
2020	12,501
2021	11,077
2022	8,643
2023 and thereafter	31,236
Total	$ 90,287

c) Guarantees

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

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

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

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

d) Legal and Regulatory Proceedings

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

22. 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 $13,727 (2016 – $13,267).

23. 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:

	2017	2016
Consolidated statements of income		
Current	$ 85,941	$ 65,714
Deferred	(3,708)	2,229
	82,233	67,943
Other comprehensive income		
Tax expense (recovery) related to:		
Available-for-sale securities	1,642	8,495
Derivatives designated as cash flow hedges	(9,350)	(2,960)
	(7,708)	5,535
Total	$ 74,525	$ 73,478

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:

	2017		2016	
Combined Canadian federal and provincial income taxes and statutory tax rate	$ 83,623	26.8%	$ 68,975	26.8%
Increase (decrease) arising from:				
Tax-exempt income	(2,645)	(0.8)	(2,362)	(0.9)
Stock-based compensation	519	0.2	745	0.3
Other	736	0.2	585	0.2
Provision for Income Taxes and Effective Tax Rate	$ 82,233	26.4%	$ 67,943	26.4%

Deferred tax balances are comprised of the following:

	2017	2016
Deferred Tax Assets		
Allowance for credit losses	$ 26,988	$ 26,260
Leasing income	14,915	7,764
Deferred loan fees	10,875	12,814
Deferred deposit broker commission	(6,625)	(6,844)
Other temporary differences	(6,452)	(8,290)
	$ 39,701	$ 31,704
Deferred Tax Liabilities		
Intangible assets	$ 5,547	$ 6,578
Other temporary differences	1,705	3,080
	$ 7,252	$ 9,658

24. 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:

		2017		2016
Numerator				
Common shareholders' net income	$	214,277	$	177,761
Denominator				
Weighted average of common shares outstanding - basic		88,296,592		83,411,226
Dilutive instruments:				
Stock options(1)		295,586		7,941
Weighted Average Number of Common Shares Outstanding - Diluted		88,592,178		83,419,167
Earnings Per Common Share				
Basic	$	2.43	$	2.13
Diluted		2.42		2.13

(1) At October 31, 2017, the denominator excludes 1,556,237 (2016 – 5,205,794) of employee stock options with an average exercise price of $37.49 (2016 - $30.02), adjusted for unrecognized stock-based compensation, that is greater than the average market price.

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 $116,199 (October 31, 2016 – $105,634). 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 $311,194 (October 31, 2016 – $318,569).

Compensation of key management personnel is as follows:

		2017		2016
Salaries, benefits and directors' compensation	$	5,106	$	4,815
Share-based payments (stock options, RSUs, PSUs and DSUs)(1)		2,936		3,117
Total	$	8,042	$	7,932

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

Loans outstanding with key management personnel totalled $326 as at October 31, 2017 (October 31, 2016 – $386). CWB's policies preclude lending to CWB's independent directors.

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.

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

Asset Liability Gap Positions

($ millions)

October 31, 2017	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	$ 821	$ 47	$ 19	$ 887	$ 1,797	$ 25	$ -	$ 2,709
Loans[1]	10,663	1,201	3,701	15,565	7,427	373	(136)	23,229
Other assets[2]	-	-	-	-	-	-	509	509
Derivative financial instruments[3]	80	150	1,673	1,903	1,673	-	170	3,746
Total	11,564	1,398	5,393	18,355	10,897	398	543	30,193
Liabilities and Equity								
Deposits	7,541	961	5,066	13,568	8,349	-	(14)	21,903
Securities sold under repurchase agreements	58	-	-	58	-	-	-	58
Other liabilities[2]	-	-	-	-	-	-	546	546
Debt[1]	38	71	292	401	1,075	-	-	1,476
Equity	-	-	-	-	265	-	2,199	2,464
Derivative financial instruments[3]	3,576	-	-	3,576	-	-	170	3,746
Total	11,213	1,032	5,358	17,603	9,689	-	2,901	30,193
Interest Rate Sensitive Gap	$ 351	$ 366	$ 35	$ 752	$ 1,208	$ 398	$ (2,358)	$ -
Cumulative Gap	$ 351	$ 717	$ 752	$ 752	$ 1,960	$ 2,358	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	1.2%	2.4%	2.5%	2.5%	6.5%	7.8%	-	-
October 31, 2016								
Cumulative Gap	$ 219	$ 1,235	$ 1,003	$ 1,003	$ 1,815	$ 2,075	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	0.8%	4.2%	3.5%	3.5%	6.2%	7.1%	-	-

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

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

Weighted Average Effective Interest Rates

(%)

October 31, 2017	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	3.6%	3.5%	3.4%	3.5%	3.5%	4.8%	3.5%
Total Liabilities	0.7	1.7	1.8	1.1	2.2	-	2.0
Interest Rate Sensitive Gap	2.9%	1.8%	1.6%	2.4%	1.3%	4.8%	1.5%
October 31, 2016							
Total Assets	3.1%	2.5%	3.7%	3.2%	3.4%	4.1%	3.3%
Total Liabilities	0.9	2.4	1.7	1.3	2.2	-	2.0
Interest Rate Sensitive Gap	2.2%	0.1%	2.0%	1.9%	1.2%	4.1%	1.3%

Based on the current interest rate gap position, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately $8,324 (October 31, 2016 – $12,582) and decrease other comprehensive income $77,293 (October 31, 2016 – $57,109) 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 $13,226 (October 31, 2016 – $5,150) and increase other comprehensive income $76,173 (October 31, 2016 – $58,646), 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, 2017[1]		**Derivatives**	**Loans and Receivables, and Non-trading Liabilities**	**Available-for-sale**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
Financial Assets							
Cash resources	(Note 4)	$ -	$ -	$ 521,796	$ 521,796	$ 521,796	$ -
Securities	(Note 5)	-	-	2,186,987	2,186,987	2,186,987	-
Loans[2]		-	23,365,410	-	23,365,410	23,649,806	284,396
Derivative related		12,393	-	-	12,393	12,393	-
Total Financial Assets		$ 12,393	$ 23,365,410	$ 2,708,783	$ 26,086,586	$ 26,370,982	$ 284,396
Financial Liabilities							
Deposits[2]		$ -	$ 21,916,584	$ -	$ 21,916,584	$ 21,874,990	$ (41,594)
Securities sold under repurchase agreements		-	-	58,358	58,358	58,358	-
Debt		-	1,476,336	-	1,476,336	1,437,516	(38,820)
Contingent consideration		-	32,920	-	32,920	32,920	-
Derivative related		35,381	-	-	35,381	35,381	-
Total Financial Liabilities		$ 35,381	$ 23,425,840	$ 58,358	$ 23,519,579	$ 23,439,165	$ (80,414)

October 31, 2016		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)	$ -	$ -	$ 920,056	$ 920,056	$ 920,056	$ -
Securities	(Note 5)	-	-	1,708,594	1,708,594	1,708,594	-
Securities purchased under resale agreements		-	-	163,318	163,318	163,318	-
Loans[2]		-	22,049,997	-	22,049,997	22,376,753	326,756
Derivative related		10,370	-	-	10,370	10,370	-
Total Financial Assets		$ 10,370	$ 22,049,997	$ 2,791,968	$ 24,852,335	$ 25,179,091	$ 326,756
Financial Liabilities							
Deposits[2]		$ -	$ 21,215,842	$ -	$ 21,215,842	$ 21,281,835	$ 65,993
Debt		-	1,268,198	-	1,268,198	1,271,036	2,838
Contingent consideration		-	24,257	-	24,257	24,257	-
Derivative related		7,172	-	-	7,172	7,172	-
Total Financial Liabilities		$ 7,172	$ 22,508,297	$ -	$ 22,515,469	$ 22,584,300	$ 68,831

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

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

- Cash resources and securities are reported on the consolidated balance sheets at the fair value disclosed in Notes 4 and 5. Securities purchased under resale agreements are reported at the fair value as disclosed on the consolidated balance sheets. These values are based on quoted market prices, if available. Where a quoted market price is not readily available, other valuation techniques are based on observable market rates used to estimate fair value.
- Fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated and exclude the allowance for credit losses. For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market. For all other loans, fair value is estimated by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks.
- With the exception of derivative financial instruments and 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, deferred tax asset, prepaid and deferred expenses, financing costs, deferred tax liability, deferred revenue 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.
- The fair values of debt are determined by reference to current market prices for debt with similar terms and risks.

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

Fair Value Hierarchy

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

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

		Valuation Technique		
As at October 31, 2016	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 920,056	$ 45,426	$ 874,630	$ -
Securities	1,708,594	322,509	1,386,085	-
Securities purchased under resale agreements	163,318	-	163,318	-
Loans	22,376,753	-	-	22,376,753
Derivative related	10,370	-	10,370	-
Total Financial Assets	$ 25,179,091	$ 367,935	$ 2,434,403	$ 22,376,753
Financial Liabilities				
Deposits	$ 21,281,835	$ -	$ 21,281,835	$ -
Debt	1,271,036	-	1,271,036	-
Contingent consideration	24,257	-	-	24,257
Derivative related	7,172	-	7,172	-
Total Financial Liabilities	$ 22,584,300	$ -	$ 22,560,043	$ 24,257

b) Level 3 Financial Instruments Carried at Fair Value

The Level 3 financial liabilities measured at fair value on the consolidated balance sheet as at October 31, 2017 are related to the acquisition of CWB Maxium and the Trust Services strategic transaction (see Note 3). Contingent consideration related to a business sold in 2015 was extinguished during 2016 with no payment required. Fair value is determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities.

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

		2017	2016
Acquisitions	(Note 3)		
Balance at beginning of year		**$ 24,257**	$ -
Business acquisition		**-**	16,400
Acquisition-related fair value changes		**18,295**	7,857
Contingent consideration instalment payment		**(10,132)**	-
		32,420	24,257
Dispositions			
Balance at beginning of year		**-**	650
Trust Services strategic transaction	(Note 3)	**500**	-
Extinguishment of contingent consideration		**-**	(650)
		500	-
Balance at End of Year		**$ 32,920**	$ 24,257

28. FINANCIAL INSTRUMENTS - OFFSETTING

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

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

		Amounts not offset on the consolidated balance sheets			
As at October 31, 2016	Gross amounts reported on the consolidated balance sheets	Impact of master netting agreements	Cash collateral(1)	Securities received as collateral(1)(2)	Net amount
Financial Assets					
Derivative instruments	$ 10,370	$ 4,345	$ 5,730	$ 49	$ 246
Financial Liabilities					
Derivative instruments	$ 7,172	$ 4,345	$ 2,121	$ -	$ 706

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

29. RISK MANAGEMENT

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

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

Information on specific measures of risk, including the allowance for credit losses, derivative financial instruments, interest rate sensitivity, fair value of financial instruments and liability for unpaid claims are included elsewhere in these notes to the consolidated financial statements.

30. CAPITAL MANAGEMENT

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

CWB has a share incentive plan that is provided to officers and employees who are in a position to impact the longer term financial success of CWB as measured by share price appreciation and dividend yield. Note 19 to the consolidated financial statements details the number of shares under options outstanding, the weighted average exercise price and the amounts exercisable at year end.

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI. Capital is managed and reported in accordance with the requirements of the Basel III Capital Adequacy Accord (Basel III) using the Standardized approach. OSFI requires banks to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the deemed credit risk of each type of asset, a standardized weighting of 0% to 150% is assigned. As an example, a loan that is fully insured by 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, OSFI requires banks to maintain a minimum leverage ratio of 3%. The leverage ratio provides the ratio of Tier 1 capital to on-balance sheet and off-balance sheet exposures.

Basel III rules 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 2017 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 50% (2016 – 60%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2017 and 2016 there were no exclusions from regulatory capital relating to outstanding subordinated debentures.

In December 2016, CWB redeemed both the $105,000 senior deposit note held by CWB Capital Trust and all outstanding CWB Capital Trust Securities 1 (WesTS), which did not qualify as non-viability contingent capital (NVCC) under the Basel III regulatory capital requirements. Prior to the redemption, there was no exclusion from Tier 1 regulatory capital related to the WesTS. The redemption resulted in a $105,000 reduction in CWB's Total regulatory capital and reduced both the Tier 1 and Total capital ratios by approximately 50 basis points (see Note 15).

In March 2017, CWB redeemed all $75,000 outstanding 5.571% subordinated debentures, which did not qualify as NVCC under the Basel III regulatory requirements. The redemption reduced the Total ratio by approximately 40 basis points.

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

Capital Structure and Regulatory Ratios

	2017	2016
Regulatory Capital, Net of Deductions		
Common equity Tier 1	$ 2,009,530	$ 1,863,264
Tier 1	2,274,727	2,233,364
Total	2,644,071	2,669,334
Capital Ratios		
Common equity Tier 1	9.5%	9.2%
Tier 1	10.8	11.0
Total	12.5	13.1
Leverage Ratio	8.3	8.6

31. SUBSIDIARIES

As at October 31, 2017, CWB, either directly or indirectly through its subsidiaries, controls the following significant subsidiaries.

Canadian Western Bank Subsidiaries[1]

(annexed in accordance with subsection 308 (3) of the Bank Act)

	Address of Head Office	Carrying Value of Voting Shares Owned by the CWB[4]
National Leasing Group Inc.	1525 Buffalo Place Winnipeg, Manitoba	$ 134,458
CWB Maxium Financial Inc.	30 Vogell Road, Suite 1 Richmond Hill, Ontario	30,812
CWB Wealth Management Ltd.[2][3]	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	29,518
McLean & Partners Wealth Management Ltd.	801 10th Ave SW Calgary, Alberta	
Canadian Western Financial Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
CWB Insurance Solutions Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
Canadian Western Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	19,136
Valiant Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	8,080
Canadian Western Bank Leasing Inc.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	1

(1) Unless otherwise noted, CWB, either directly or through its subsidiaries, owns 100% of the voting shares of each entity.
(2) CWB owns 90.17% of the voting shares of CWB Wealth Management Ltd.
(3) During fiscal 2017, Adroit Investment Management Ltd. amalgamated with CWB Wealth Management Ltd. and CWB transferred its controlling interest in McLean & Partners Wealth Management Ltd. (75.88% ownership) and Canadian Western Financial Ltd. (100% ownership) to CWB Wealth Management Ltd. CWB Insurance Solutions Ltd. is 100% owned by CWB Wealth Management Ltd.
(4) The carrying value of voting shares is stated at the cost of CWB's equity in the subsidiaries in thousands of dollars.

Shareholder Information

CWB Financial Group Corporate Headquarters

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

Transfer Agent and Registrar

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

Stock Exchange Listings

The Toronto Stock Exchange (TSX)
Common Shares: CWB
Series 5 Preferred Shares: CWB.PR.B
Series 7 Preferred Shares: CWB.PR.C

Shareholder Administration

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

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

Duplicated Communications

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

Direct Deposit Services

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

Eligible Dividend Designation

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

Dividend Reinvestment Plan

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

Investor Relations

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

Investor Relations Department
CWB Financial Group
Suite 3000, 10303 Jasper Avenue NW
CWB Place
Edmonton, AB T5J 3X6
Telephone: (800) 836-1886
Fax: (780) 969-8326
Email: investorrelations@cwbank.com

More comprehensive investor information - including supplemental financial reports, quarterly financial releases, corporate presentations, corporate fact sheets and frequently asked questions - is available in the Investor Relations section at cwb.com.

This 2017 Annual Report, along with our Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular, is available on our website, or will be available in due course. For additional printed copies of these reports, please contact the Investor Relations Department.

Filings are available on the Canadian Securities Administrators' website at sedar.com.

2018 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, AB, on April 5, 2018 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,
Chief Legal Officer and
Corporate Secretary
CWB Financial Group
Suite 3000, 10303 Jasper Avenue N.W.
Edmonton, AB T5J 3X6
Telephone: (780) 969-1525
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Complaints or Concerns regarding Accounting, Internal Accounting Controls or Auditing Matters

Please contact either:

Carolyn J. Graham
Executive Vice President and Chief Financial Officer
CWB Financial Group
Telephone: (780) 423-8854
Fax: (780) 423-8899
Email: carolyn.graham@cwbank.com

or

Robert A. Manning
Chairman of the Audit Committee
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SENIOR OFFICERS

Executive Officers

Chris H. Fowler
President and Chief Executive Officer

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

Kelly S. Blackett
Executive Vice President, Human Resources and Corporate Communications

Glen Eastwood
Executive Vice President, Business Transformation

Darrell Jones
Executive Vice President, and
Chief Information Officer

Stephen Murphy
Executive Vice President, Banking

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

Senior Corporate Officers

Niall Boles
Senior Vice President and Treasurer

David L. Thompson
Senior Vice President,
Credit Risk Management

Gail L. Harding, Q.C.
Senior Vice President,
Chief Legal Officer and
Corporate Secretary

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

Commercial and Retail Banking

Jeff Bowling
Senior Vice President and
Regional General Manager, Prairies

Blaine Forer
Senior Vice President and
Regional General Manager,
British Columbia

Lester Shore
Senior Vice President and Regional General Manager, Northern Alberta

Mario Furlan
Senior Vice President,
Real Estate and Specialized Lending

Keith Hughes
Senior Vice President,
Business and Personal Banking

National Leasing

Tom Pundyk
President and Chief Executive Officer

CWB Optimum Mortgage

Rejean Roberge
Vice President

Canadian Western Trust

Matt Colpitts
Vice President and General Manager

CWB Wealth Management

David Schaffner
President and
Chief Executive Officer

McLean & Partners Wealth Management

Kevin Dehod
President and
Chief Executive Officer

CWB Maxium Financial

Paul McLean
Chief Executive Officer

Daryl MacLellan
President

Ombudsman

Michael Novak

Locations

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Jeff Bowling

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Kelly Walker

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Mike McAulay

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Chris Voogt

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Toll-free: 1-800-882-0560
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(Representation across all provinces and territories in Canada)

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(Representation across Western Canada, Ontario, and Atlantic Canada)

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