2019 Annual Report

OBSESSED WITH YOUR SUCCESS™

GRAEDON RUST, Relationship Manager, Commercial Banking, CWB
SOHAIL "ZEE" ZAIDI, Owner and CEO, Remedy Café

CWB Financial Group

Five Year Financial Summary[1]

($ thousands, except per share amounts)

	2019[2]	2018	2017	2016	2015
Results from Continuing Operations[3]					
Net interest income	$ 785,584	$ 724,990	$ 642,390	$ 585,224	$ 543,472
Non-interest income	76,020	78,368	84,245	72,672	67,948
Pre-tax, pre-provision income	461,130	436,188	388,729	350,603	322,479
Total revenue	861,604	803,358	726,635	657,896	611,420
Common shareholders' net income	266,940	249,256	214,277	177,761	208,064
Earning per share					
Basic	3.05	2.81	2.43	2.13	2.59
Diluted	3.04	2.79	2.42	2.13	2.59
Adjusted cash	3.15	3.01	2.63	2.26	2.63
Return on common shareholders' equity	10.9%	11.0%	10.1%	9.3%	12.4%
Adjusted return on common shareholders' equity	11.3	11.9	11.0	9.9	12.6
Return on assets	0.88	0.89	0.85	0.73	0.97
Efficiency ratio	46.5	45.7	46.5	46.7	47.3
Net interest margin	2.60	2.60	2.56	2.41	2.53
Number of full-time equivalent staff	2,278	2,178	2,058	1,966	1,928
Results from Combined Operations[3]					
Common shareholders' net income	$ 266,940	$ 249,256	$ 214,277	$ 177,761	$ 319,701
Earnings per share					
Basic	3.05	2.81	2.43	2.13	3.97
Diluted	3.04	2.79	2.42	2.13	3.97
Adjusted cash	3.15	3.01	2.63	2.26	4.01
Return on common shareholders' equity	10.9%	11.0%	10.1%	9.3%	19.1%
Adjusted return on common shareholders' equity	11.3	11.9	11.0	9.9	19.3
Return on assets	0.88	0.89	0.85	0.73	1.48
Results from Discontinued Operations[3]					
Common shareholders' net income	$ -	$ -	$ -	$ -	$ 111,637
Earnings per share					
Basic	-	-	-	-	1.38
Diluted	-	-	-	-	1.38
Adjusted cash	-	-	-	-	1.38
Per Common Share					
Average common shares outstanding (thousands)	87,513	88,952	88,297	83,411	80,442
Cash dividends	$ 1.08	$ 1.00	$ 0.93	$ 0.92	$ 0.86
Book value	29.29	26.09	24.82	23.58	22.18
Market price					
High	33.89	40.83	37.36	29.30	38.16
Low	24.33	29.81	23.68	19.26	21.04
Close	33.35	30.62	36.34	25.45	25.13
Balance Sheet and Off-Balance Sheet Summary					
Assets	$ 31,424,235	$ 29,021,463	$ 26,447,453	$ 25,222,549	$ 22,838,527
Cash resources, securities and repurchase agreements	2,475,415	2,237,973	2,708,783	2,791,968	2,994,534
Loans	28,365,893	26,204,599	23,229,239	21,961,348	19,475,383
Deposits	25,351,361	23,699,957	21,902,982	21,194,553	19,365,407
Debt	2,412,293	2,007,854	1,476,336	1,268,198	1,187,623
Shareholders' equity	2,945,810	2,585,752	2,461,045	2,342,040	1,910,907
Assets under administration	9,298,745	8,368,716	10,408,012	10,689,398	9,293,683
Assets under management	2,099,569	2,100,802	2,114,861	1,924,181	1,882,736
Capital Adequacy					
Common equity Tier 1 ratio	9.1%	9.2%	9.5%	9.2%	8.5%
Tier 1 ratio	10.7	10.3	10.8	11.0	9.7
Total ratio	12.8	11.9	12.5	13.1	12.7
Other Information					
Provision for credit losses on total loans as a percentage of average loans[4] [5]	0.21%	0.20%	0.23%	0.38%	0.17%
Provision for credit losses on impaired loans as a percentage of average loans[4] [5]	0.21	0.19	0.19	0.32	0.12
Net impaired loans as a percentage of total loans	0.43	0.42	0.65	0.51	0.41

(1) See page 20 for a discussion of non-IFRS measures.
(2) Amounts for 2019 have been prepared in accordance with IFRS 9 *Financial Instruments* (IFRS 9) (refer to Notes 1 and 2 of the annual consolidated financial statements). Prior year comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classification and Measurement* (IAS 39) and have not been restated.
(3) 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.
(4) Under IFRS 9, provisions for credit losses related primarily to loans, committed but undrawn credit exposures and letters of credit, and also apply to debt securities measured at fair value through other comprehensive income and other financial assets. Prior to the adoption of IFRS 9, provisions for credit losses only related to loans, committed but undrawn credit exposures and letters of credit.
(5) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.

Performance Dashboard[1][2]

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.

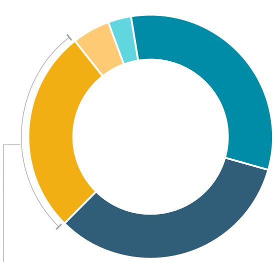
2019
10YR CAGR[3]

	TOTAL LOANS*	TOTAL ASSETS	TOTAL DEPOSITS
2019	$28.4B	$31.4B	$25.4B
10YR CAGR	12%	10%	10%

ASSETS UNDER MANAGEMENT	ASSETS UNDER ADMINISTRATION
$2.1B	$9.3B

* INCLUDING THE ALLOWANCE FOR CREDIT LOSSES

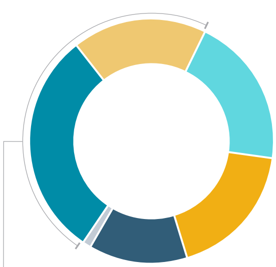
DIVERSIFYING LOANS BY PROVINCE (%)



Growing a more balanced geographic footprint through targeted growth in Ontario

	2019	2009
British Columbia	33	35
Alberta	32	50
Ontario and other	27	7
Saskatchewan	5	5
Manitoba	3	3

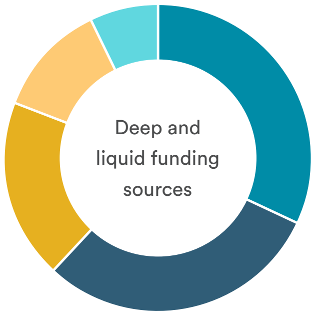
DIVERSIFYING LOANS BY LENDING SECTOR (%)



Growing a more balanced industry mix with reduced concentration in commercial real estate through targeted growth of full-service relationships with business owners

	2019	2009
General commercial loans	30	27
Personal loans and mortgages	20	16
Commercial mortgages	18	23
Equipment financing and leasing	18	13
Real estate project loans	13	19
Oil and gas production loans	1	2

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



Lower proportion of broker deposits, significant increases in funding from capital markets and securitization

	2019	2009
Branch demand and notice deposits	32	35
Broker term deposits	30	35
Branch term deposits	19	29
Capital markets term deposits	12	1
Securitization	7	-

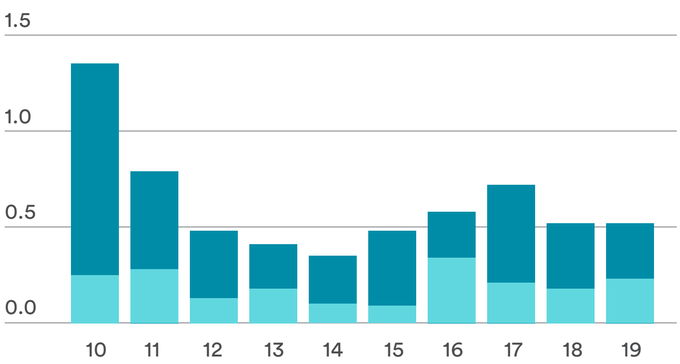
STRONG CREDIT QUALITY

5 YEAR AVERAGE AS A % OF GROSS LOANS

0.52% ● $ GROSS IMPAIRED LOANS

0.21% ● $ WRITE-OFFS

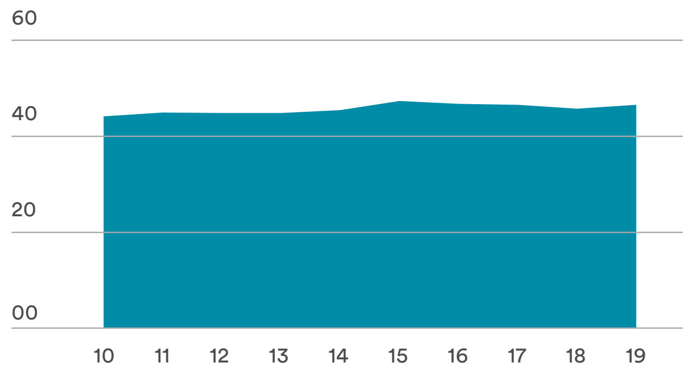
GROSS IMPAIRED LOANS AND WRITE-OFFS AS A % OF GROSS LOANS



STRONG EFFICIENCY RATIO

EXPENSE GROWTH DIVIDED BY REVENUE GROWTH

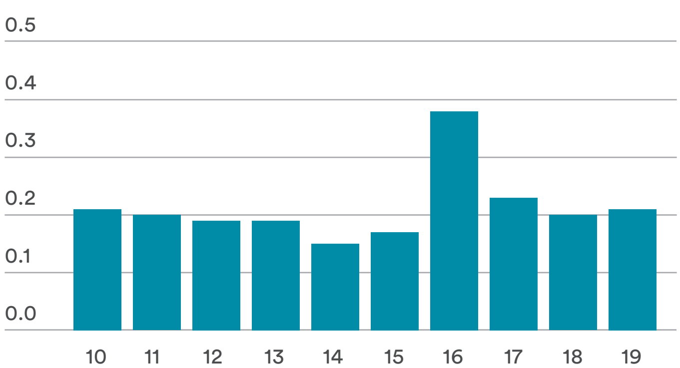
46.5%



PROVISION FOR CREDIT LOSSES AS A % OF AVERAGE LOANS

5YR AVERAGE AS A % OF AVERAGE LOANS

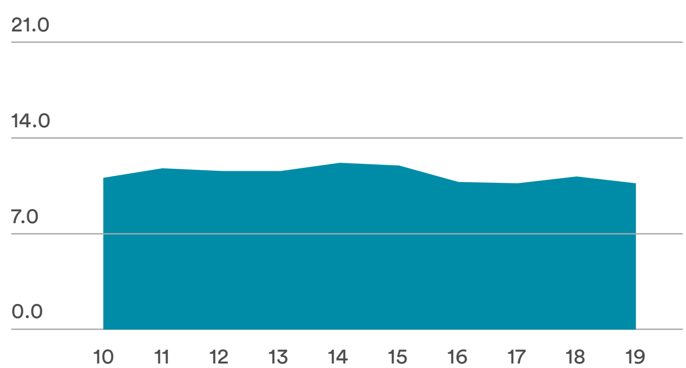
0.21%



LOW LEVERAGE

TOTAL ASSETS-TO-EQUITY

10.7%



STRONG REGULATORY CAPITAL RATIOS BASED ON THE *STANDARDIZED* APPROACH

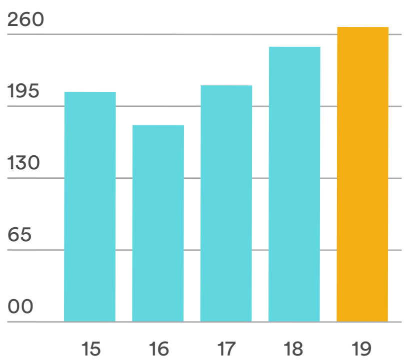
CWB | CWB'S REGULATORY MINIMUM

9.1% | 7.0%	10.7% | 8.5%	12.8% | 10.5%	8.3% | 3.0%
COMMON EQUITY TIER 1 CAPITAL (CET1)	TIER 1 CAPITAL	TOTAL CAPITAL	BASEL III LEVERAGE RATIO

COMMON SHAREHOLDERS' NET INCOME

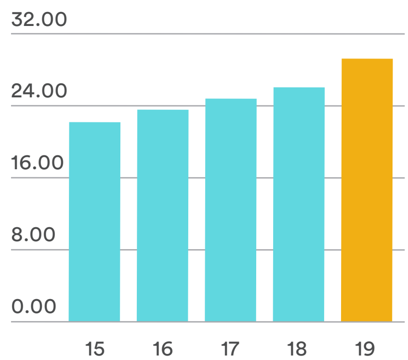
($ MILLIONS)

$267



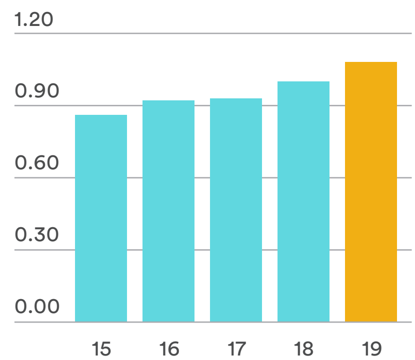
CONSISTENT GROWTH OF BOOK VALUE / SHARE

$29.29 9% 10YR CAGR



CONSISTENT GROWTH OF DIVIDENDS PAID / COMMON SHARE

$1.08 9% 10YR CAGR



2019 MEDIUM-TERM PERFORMANCE TARGET RANGES

KEY METRICS	MEDIUM-TERM PERFORMANCE TARGET RANGES	FISCAL 2019 PERFORMANCE
Adjusted cash earnings per common share growth	7 - 12%	Delivered 5%
Adjusted return on common shareholders' equity	12 - 15%	Delivered 11.3%
Operating leverage	Positive	Delivered negative 1.8%
Common equity Tier 1 capital ratio under the *Standardized* approach	Strong	Delivered a very strong ratio of 9.1%
Common share dividend payout ratio	~30%	Delivered 35%

INVESTMENT GRADE CREDIT RATINGS (DBRS) - STABLE TREND

(CONFIRMED NOVEMBER 27, 2019)

A (low)
LONG-TERM DEPOSITS / LONG-TERM SENIOR DEBT

R-1 (low)
SHORT-TERM INSTRUMENTS

BBB (low)
SUBORDINATED DEBENTURES (NVCC)

Pfd-3
PREFERRED SHARES

(1) Financial results presented include certain metrics which do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions; see page 20 for definitions and discussions of non-IFRS measures. (2) As of 2011, financial results are reported under International Financial Reporting Standards (IFRS), as opposed to Generally Accepted Accounting Principles (GAAP). CWB adopted IFRS 9 Financial Instruments in 2019 (refer to Notes 1 and 2 of the 2019 audited annual financial statements). Prior period results have not been restated and are not directly comparable. (3) CAGR - compound annual growth rate.

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MIKE SPIESS, AVP and Manager of Commercial Relationships, CWB
CAREY MOBIUS, President and CEO, Garibaldi Glass

Who we are

CWB Financial Group (TSX: CWB) is an agile, future focused, growth-oriented, full-service financial institution serving business owners and individuals across Canada. Our teams deliver a uniquely proactive client experience through highly personalized service, specialized expertise within targeted industries, customized solutions and faster response times. Headquartered in Edmonton, Alberta, we are the only full-service bank with a strategic focus to meet the unique financial needs of business owners. We provide full-service business and personal banking, nation-wide specialized financing in targeted industries, comprehensive wealth management offerings, and trust services.

Why invest in CWB?

CWB Financial Group creates long-term value for shareholders through strong, profitable growth of full-service client relationships across a growing geographic footprint. We maintain strong capital ratios, generate consistent dividend growth, and maintain the strongest consolidated efficiency ratio among the Canadian banks. In fiscal 2020, we expect to successfully transition to the *Advanced* approach for capital and risk management, which will position us to deliver a higher growth, higher profitability bank with an improved view of risk.

Our highly engaged teams operate within a client-centric, collaborative and change-ready culture, with a core focus to achieve CWB's long-term goal to be the best full-service bank for business owners in Canada. We continue to invest in capabilities to provide innovative financial solutions to business owners, their employees and their families, through a full range of in-person and digital channels. CWB's differentiated market position, performance-based culture and transformation-focused strategy has set the stage to create a disruptive force in Canadian financial services, and deliver breakout growth in the years to come.

A Differentiated Full-Service Client Experience

At CWB Financial group, our relationship-based approach is focused to meet the unique financial needs of small and medium-sized businesses and their owners. We set ourselves apart through proactive client experiences: our people know our clients and their industries, we ask the right questions, and work to find the right financial solutions. Our core strength in full-service business and personal banking is complemented with targeted capabilities in highly-responsive business lines offering specialized financing, wealth management and trust services.

CWB FULL-SERVICE BANKING

FULL-SERVICE BUSINESS BANKING AND LENDING

We take an uncommon approach to business banking. Through our branch network we offer our full suite of financing and cash management solutions to allow business owners to streamline financial management so they can focus on what matters most: growing their business. We also offer specialized financing solutions within targeted, growth-oriented markets:

- Led through our flagship Real Estate and Specialized lending offices in Vancouver, Surrey, Edmonton and Calgary, we deliver local market expertise and flexible lending options to top real estate developers and commercial property owners.
- Our equipment financing specialists provide transactions across a broad range of industries, with comprehensive geographic coverage. CWB National Leasing is the largest Canadian lessor in small- and mid-size commercial equipment transactions, with operations across Canada. CWB Equipment Finance delivers mid- and large-size equipment transactions from British Columbia to Ontario. Our specialized Broker Buying Centre acquires loans and leases from the finance divisions of original equipment manufacturers and select third-party brokers.
- CWB Maxium provides financing solutions to a growing and diversified base of entrepreneurial business owners across the country with a particularly strong presence in Ontario. Our industry specializations include general corporate, health care, program financing, real estate, golf, and transportation.
- CWB Franchise Finance is a leading provider of financing solutions for growth-oriented hotel and hospitality franchise owners across Canada.
- CWB Optimum Mortgage is our broker-sourced provider of “A” and alternative mortgages. We offer personalized borrowing solutions for clients who fall within and outside of traditional lending guidelines, with geographic coverage across Canada outside of Quebec.

FULL-SERVICE PERSONAL BANKING AND LENDING

We understand that a business owner’s financial life extends beyond their business. We provide a proactive approach for business owners, their employees and families with a full complement of personal banking services delivered today through our branch network. Services include chequing and savings accounts, mortgages, home equity lines of credit, personal loans and investment products.

We also offer targeted savings solutions for individuals:

- Our branch-based teams deliver a highly personal, caring client experience and offer attractive rates.
- Motive Financial provides internet banking services to clients across Canada seeking enhanced flexibility for their personal saving needs. Online account access and a dedicated customer service team allow Motive Financial clients to manage their savings with ease.

CWB WEALTH MANAGEMENT

We understand that a business owner’s personal wealth is often integrated with their business, and we deliver a complete wealth management approach to encompass both aspects. We create thoughtful, sophisticated financial plans that complement their investment portfolio and are woven into the fabric of our clients’ lives.

High net-worth individuals and institutions who value discretionary wealth management choose the boutique portfolio management companies of CWB Wealth Management, including CWB McLean & Partners. We provide our clients with distinct and personalized investment strategies matched to their risk appetite. Financial planning and investment products are also offered within CWB branches through our mutual fund dealer, Canadian Western Financial. Investment solutions include CWB Wealth Management’s proprietary Core and Onyx Portfolio Series mutual funds, as well as offerings from other leading mutual fund companies.

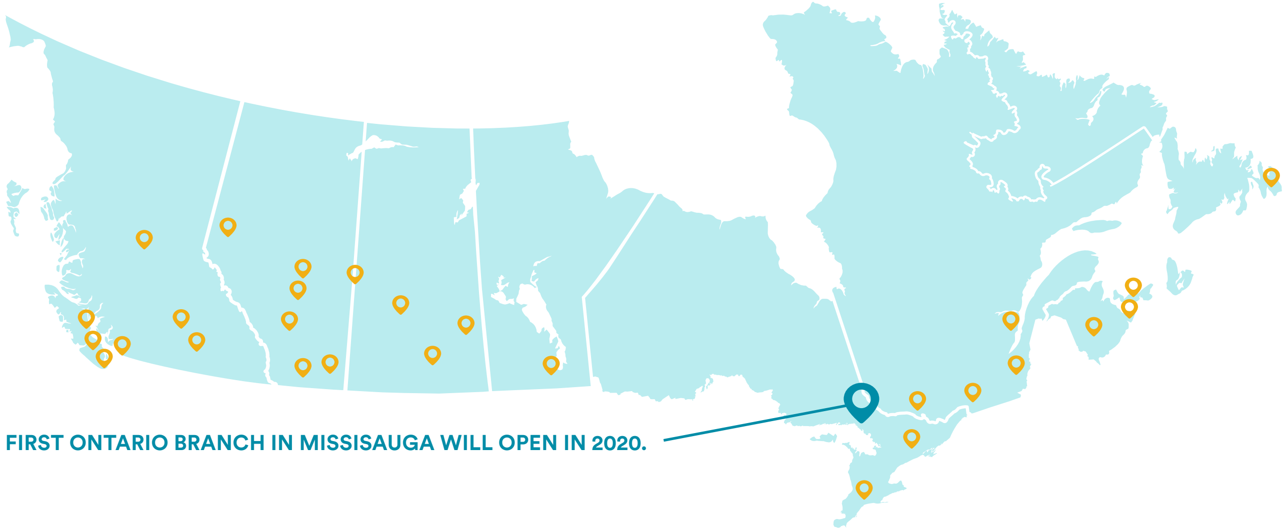
CWB TRUST SERVICES

We offer a wide variety of comprehensive trustee and custodial solutions for individuals and businesses through CWB Trust Services. CWB Trust Services has a proven reputation for comprehensive delivery of fiduciary expertise, asset safe keeping and dedicated client service. Our philosophy is centered on providing clients a rapid response, strong attention to detail and a flexible, solution-oriented approach to doing business.

KELLY-ANNE BODVARSON, Manager of Operations, Oakville Investments Ltd.

MENNO GIESBRECHT, President, Oakville Investments Ltd.

Growing Capabilities to Deliver Coast to Coast



REGIONAL MARKET COVERAGE

BC
CWB Full-service Branches
CWB Equipment Financing
CWB Franchise Finance
CWB National Leasing
CWB Maxium
CWB Optimum Mortgage
CWB Trust Services
CWB Wealth Management

AB
CWB Full-service Branches
CWB Equipment Financing
CWB Franchise Finance
CWB National Leasing
CWB Maxium
CWB Optimum Mortgage
CWB Trust Services
CWB Wealth Management

SK and MB
CWB Full-service Branches
CWB Equipment Financing
CWB Franchise Finance
CWB National Leasing
CWB Maxium
CWB Optimum Mortgage

ON
CWB Full-service Branch (2020)
CWB Equipment Financing
CWB Franchise Finance
CWB National Leasing
CWB Maxium
CWB Optimum Mortgage
CWB Trust Services

QC
CWB National Leasing
CWB Equipment Financing

NB, NS, PEI and NL
CWB National Leasing
CWB Optimum Mortgage

“CWB is very hands-on and customer service oriented. It feels similar to what we do and it just works.”

- SOFIA SAYANI

SOFIA SAYANI, Director of Sales and Marketing, Executive Hotels & Resorts
FARIDA SAYANI, Owner and Managing Director, Executive Group Development

Strategic Objectives & 2019 Highlights

BALANCED GROWTH OBJECTIVE	STRATEGIC EXECUTION DURING FISCAL 2019
Full-service client growth with a focus on business owners, including further geographic and industry diversification	• Solid annual loan growth of 8%, including 13% growth in Central and Eastern Canada, 8% growth in Alberta, and 5% growth in BC • Increased the proportion of the loan portfolio in Central and Eastern Canada to 27% • Increased business diversification with very strong 15% growth in general commercial loans and 9% growth in equipment financing and leasing • Recognized as a Great Place to Work Canada™, and one of the Best Workplaces™ in Alberta
Growth and diversification of funding sources	• Very strong branch-raised deposit growth of 12%, including 14% growth in the demand and notice category, and 10% growth in term deposits • Growth in debt capital markets funding with three successful senior deposit note issuances totaling $900 million • Growth in debt related to securitization to support originations of both equipment loans and leases, and residential mortgages
Optimized capital and risk management processes through transition to the *Advanced Internal Ratings Based* (AIRB) approach	• Expect to submit final application and receive regulatory approval in fiscal 2020 for transition to the AIRB approach.

2019 PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Solid performance with common shareholders' net income of $267 million, up 7%, pre-tax, pre-provision income of $461 million, up 6%, and total revenue of $862 million, up 7%.
- Diluted and adjusted cash earnings per common share of $3.04 and $3.15, up 9% and 5%. Gains on sale related to the CWT strategic transactions contributed $0.04 to adjusted cash earnings per common share in fiscal 2018 and nil in 2019.
- Full-year operating leverage of negative 1.8% as revenue growth was outpaced by growth of expenses reflecting continued investment in strategic execution.
- Solid loan growth of 8% with strong execution against our balanced growth strategic objectives for geographic and industry diversification, including very strong 15% growth in general commercial loans and 13% growth in Central and Eastern Canada.
- Very strong branch-raised deposit growth of 12%, including 14% growth of demand and notice deposits, contributing to a reduction in the outstanding balance of broker deposits.
- Continued stable credit quality with the provision for credit losses representing 21 basis points of average loans, compared to 20 basis points last year.
- Gross impaired loans represented 0.52% of gross loans, unchanged from last year.
- Delivered an 8% increase to CWB's annual common share dividend.
- Very strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 9.1% common equity Tier 1 (CET1), 10.7% Tier 1 and 12.8% Total capital.

NON-FINANCIAL HIGHLIGHTS

- Recognized as a Great Place to Work Canada™, and one of the Best Workplaces™ in Alberta.
- Significant progress to align our culture with our ambitious strategic agenda with the introduction of new core values.
- Unveiled an exciting new brand promise to business owners across Canada – *Obsessed with your success™*.
- Expanded Environmental, Social and Governance (ESG) disclosure to reflect our ongoing commitments to environmental sustainability, inclusion and diversity in the workforce, and positive impacts in our communities.
- Completed enterprise-wide integration of the market-leading Workday human capital management system.

MESSAGE FROM
PRESIDENT AND CEO

Chris Fowler

BECOMING A DISRUPTIVE FORCE IN CANADIAN FINANCIAL SERVICES

CWB Financial Group was created 35 years ago to fill a gap in Canadian financial services. CWB's entrepreneurial founders recognized that small and medium-size businesses were under-served, overlooked, and ignored. They got "off-the-shelf" products built for someone else, instead of solutions customized just for them. Today, we still believe business owners are under-served by our competitors. They deserve a better alternative than "all things to all people." They deserve a partner focused on *their* unique needs and *their* success.

Those needs are diverse and complex. They evolve through the different stages of a business owner's journey, from start up, to scaling, to sustained growth and business succession. No two journeys are the same and each milestone brings new opportunities and new challenges, both personal and professional. We are confident that the growing community of business owners we serve will benefit from a fully integrated, full-service approach. Our strategy for long-term value creation is focused to solve for this unmet need.

We will continue to empower our business banking, personal banking, and wealth management teams to create an increasingly integrated experience. We've launched a client-centric operating model to create focus, increase collaboration across lines of business, and enable our teams to deliver for our clients more seamlessly and consistently. In the new model, our people have more time to focus on the client experience, and can tap into expert internal partners for support to meet our clients' specialized needs.

While proactive, personal service, and specialized expertise remain at the core of our competitive advantage, digital capabilities will be an increasingly prominent feature of our differentiated client experience. To accelerate this transformation, we continue to reshape our digital infrastructure, which we have built on top of a modern, flexible core technology platform. In 2020, a key priority will be to add new, innovative solutions that meet the rapidly evolving expectations of the business owners we serve. Going forward, further progress to align increasingly frictionless processes with increasingly powerful human and digital capabilities will drive delivery of our proactive full-service client experience at a significantly accelerated scale.

This year we also expect to successfully transition to the *Advanced* approach for regulatory capital and risk management. This accomplishment will represent the culmination of an enterprise-wide transformation effort with contributions from nearly every CWB team. It has the power to make us more competitive on loan pricing, enhance our overall view of portfolio risk, unlock new opportunities to deploy our capital, and ultimately, to win more clients. The *Advanced* approach will be a foundational capability for us, and will unleash our full potential to grow across Canada.

Our strategy is focused to translate these new capabilities – from client experience to capital deployment – into strong and scalable growth to create value for the people who choose CWB every day: our clients, our people, and our investors. Our continued focus on transformation will drive progress towards our near-term mission to create a clear alternative to the big banks, and our aspiration to become the best full-service bank for business owners in Canada.

> **"*Obsessed with your success*™ is much more than a clever tagline. It's a rallying cry for our team and a promise to business owners. Our people live our brand promise with purpose every day."**

CUTTING THROUGH THE NOISE

For 35 years, much of our growth has come from word of mouth and the confidence and trust of our loyal clients. It's astonishing to think how successful we have been with limited investment in marketing, and exciting to imagine how much room we have to grow with a powerful national brand driving increased visibility and familiarity with our target clients.

This year we unveiled an exciting new brand promise to business owners across Canada – *Obsessed with your success*™. We sharpened our visual identity with a more contemporary logo and bolder treatments of our signature teal and gold. We re-vamped our website, cwb.com, and brought in new expertise to engage business owners through digital and social media. Finally, we launched a new brand campaign – *we come to you* – to show business owners the lengths we'll go (literally!) to help them succeed. While stronger marketing will help us reach more clients, *obsessed with your success*™ is much more than a clever tagline. It's a rallying cry for our team and a promise to business owners: to be proactive, to never take them for granted, and to go the extra mile. Our people live our brand promise with purpose every day.

GROWING WITH BUSINESS OWNERS

Graedon Rust, Relationship Manager, Commercial Banking in Edmonton is one of those outstanding CWB team members. Graedon has worked with Sohail "Zee" Zaidi, Owner and CEO of Remedy Café, to support Zee's rapid growth from a single location to 10 bustling cafés in the Edmonton area. "CWB has helped me a lot," Zee says. "If CWB didn't stand with me, I wouldn't have been able to do it. They've put everything together for me. I think Graedon has taken this really personally." Thanks to the proactive effort of Graedon and his team, Zee is willing to offer the highest compliment we could hope for: "I trust this bank," he says. "It feels like a family. It's been a really good experience with them for the last 10 years. We've got the best. There's no need to ever look anywhere else."

"We don't sit back and wait for our clients to come to us. We proactively step up with valuable insight, relevant solutions, and tailored advice."

I'm thrilled with this story, and proud of our commitment to help our clients tackle their growth opportunities with confidence. Nearly two decades into his relationship with CWB, Frank Rizzardo, President and General Manager of Emcon Services Inc., agrees with Zee. It's partly our willingness to step up and support big moves that sets us apart. "Getting banks to understand our business has always been a challenge from day one," Frank says. "(But) CWB is there for us. Our ideal account manager is someone who understands our business; they know equipment, attend auctions, and understand valuations on various brands. We have found this at CWB."

We are proud of the support we provided to the Emcon team to complete a recent acquisition which tripled the company's size, adding 1,800 people and more than two thousand pieces of equipment. This was a bold move, realizing Emcom's plan to become the largest road maintenance contractor in Canada. We were with them every step of the way, because that's what it takes to deliver on our brand promise. We don't sit back and wait for our clients to come to us. We proactively step up with valuable insight, relevant solutions, and tailored advice. We know that people like Zee and Frank never sit still, and we succeed when our effort reflects their energy.

INVESTING IN PEOPLE AND CULTURE

These stories demonstrate our commitment to reach out and listen to our clients, and I'm extremely proud of what we hear. Business owners see us as caring, responsive, helpful, and different from the other banks. This feedback confirms something we've known from the beginning: our people and our culture set us apart.

This year, we were recognized as a Great Place to Work Canada™, and one of the Best Workplaces™ in Alberta. We are honoured by these achievements, but I will be the first to admit that better is always possible. We have a great culture to build on, and as our transformation continues to drive significant change across CWB Financial Group, our culture must evolve to support this ambitious agenda.

This year we made significant progress to evolve our culture with the introduction of new core values. Like our brand promise, our values stand for who we are and who we want to be. They ground us in the qualities our clients and people love about CWB and encourage us to stretch and thrive through change as we transform to meet our exciting future. They also remind us to be inclusive of others, and to welcome new ideas and perspectives that push us to be better for our clients and each other. Our culture will continue to be a competitive advantage for us and will ensure we can attract and retain the diverse talent we need to drive our future growth.

CREATING MORE VALUE FOR INVESTORS

In fiscal 2019, we continued to execute on our strategy and deliver against our balanced growth objectives. We generated solid loan growth with further geographic and industry diversification, including strong 11% growth in Ontario and very strong 15% overall growth in the strategically targeted general commercial category. We delivered very strong 12% growth of branch-raised deposits – including 14% growth in the demand and notice category – as we continued to strengthen our full-service client experience, and invest in competitive deposit-gathering capabilities. With ongoing profitable growth and strong capital ratios, we were also pleased to provide shareholders with an 8% increase to the common share dividend.

Strong, profitable growth against a highly competitive market backdrop reflects the tremendous contributions of our entire team, and I would like to close with an expression of gratitude. A sincere thank you to our people for their passion and continued dedication to our clients. I would also like to personally thank our clients across Canada. We are honoured that you've chosen CWB, and we are determined to enable your future success. And finally to our shareholders, thank you for your ongoing confidence in us.

There is no doubt in my mind that our future looks more exciting than ever before. As an increasingly disruptive force in Canadian financial services, we are well-positioned to deliver high-quality earnings and profitable long-term growth in the years to come.

Our values

PEOPLE FIRST

Caring people are the key to our success. We work as a team and support one another. We always treat each other with respect and have the courage to be candid.

RELATIONSHIPS GET RESULTS

Clients choose CWB for the best experience. We build relationships proactively, with intention and consistency. Our results depend on it.

EMBRACE THE NEW

Change is everywhere. We seek out new ideas and are committed to continuous learning. We know that better is always possible.

THE HOW MATTERS

How we do things is as important as what we do. We take ownership, and move with urgency and efficiency. We always act with integrity, and balance risk and reward.

INCLUSION HAS POWER

Diverse teams unleash new ideas and perspectives. We are aware of our own biases. We are proud of who we are, and we are allies for those around us.

Our strategy

CREATING VALUE FOR THE PEOPLE WHO CHOOSE CWB EVERY DAY

OUR CLIENTS, OUR PEOPLE, OUR INVESTORS

BUILDING ON OUR STRENGTHS	Personalized service, specialized industry expertise, customized solutions, faster response times	
TRANSFORMING OUR BUSINESS	**TRANSFORMATION PRIORITIES** • Targeted digital capabilities • Client-focused operating model • Fast, smooth, scalable processes • Transition to AIRB methodology for capital and risk management	**GROWTH ACCELERATORS** • **Brand:** bolder and more visible to cut through the noise • **Culture:** proactive, client-focused, and change-ready to align with our strategy
TO CREATE UNIQUE VALUE	A **proactive** client experience through **in-person** and **digital** channels	
AND DELIVER BREAKOUT GROWTH	A **disruptive force** in Canadian financial services, and a clear **full-service alternative** for Canadian business owners	

Our vision

TO BE THE BEST FULL-SERVICE BANK FOR BUSINESS OWNERS IN CANADA

Executive Committee

Front row (left to right)

KELLY BLACKETT, Executive Vice President, Human Resources and Corporate Communications

STEPHEN MURPHY, Executive Vice President, Banking

CHRIS FOWLER, President and Chief Executive Officer

DARRELL JONES, Executive Vice President and Chief Information Officer

Back row (left to right)

GLEN EASTWOOD, Executive Vice President, Business Transformation

CAROLYN GRAHAM, Executive Vice President and Chief Financial Officer

BOGIE OZDEMIR, Executive Vice President and Chief Risk Officer

"At CWB we've had good people who take the time to understand what it is we need to keep our company moving forward. They're there as partners."

- FRANK RIZZARDO

KIRBY HILL, Vice President, Equipment Finance Group Branch Operations, CWB Equipment Finance
FRANK RIZZARDO, President & General Manager, Emcon Services Inc.

MESSAGE FROM
CHAIR OF THE BOARD

Robert Phillips

Your Board of Directors oversees development and implementation of the strategic direction for CWB Financial Group and maintains an effective governance framework. Our focus is to ensure CWB continues to deliver exceptional client experiences, a great place to build a career for CWB's people, and strong, profitable long-term growth for investors.

SUPPORTING LONG-TERM VALUE CREATION FOR ALL OF CWB'S STAKEHOLDERS

Fiscal 2019 was a strong year of strategic execution for CWB Financial Group and marked our 35th year in business. This milestone provides an opportunity to reflect on our growth and success, and to focus on our promising future. CWB was founded during a time of economic uncertainty in the 1980s with less than $50 million dollars in total assets. We have grown to over $30 billion in assets with strong client relationships across the country. Our success is rooted in our commitment to an exceptional client experience, a culture that attracts and retains top talent, profitable growth for our investors, and support for the communities where we operate. Keeping these commitments will generate long-term value for all of our stakeholders.

The Board oversees CWB's strategy to set ourselves apart as a disruptive force in Canadian financial services. Our transformation plan is bold and ambitious, and as we innovate and grow, the Board will continue to ensure that a strong risk culture and sound enterprise risk management framework remain embedded in the strategic agenda. We are dedicated to strong corporate governance and continually monitor emerging trends.

One important development is the increasing attention given to ESG factors by our stakeholders. We are working to expand our disclosure in these areas so they better reflect our values and our commitments to environmental sustainability, inclusion and diversity in the workforce, positive impact in our communities, and your Board's prudent oversight of CWB's activities. As the landscape for ESG reporting continues to evolve, we remain committed to transparency and proactive communication with all of our stakeholders.

SUPPORTING NEW CAPABILITIES TO STRENGTHEN CWB'S UNIQUE CLIENT EXPERIENCE

This year, the Board continued to provide oversight of management's work to develop new capabilities that strengthen our client experience. A critical part of this is the evolution of our culture to support our continued transformation. We are very pleased with our progress to build a collaborative, inclusive, and change-ready culture within CWB, rooted in new core values and brought to life by our passionate employees. The Board will continue to support a culture that embraces transformation and exceeds the expectations of our clients today and in the future.

We are also very pleased with the progress in our transition to the *Advanced* approach for regulatory capital and risk management. This is a foundational part of our transformation strategy. It will make us more competitive and further expand our addressable market. It has already improved our risk management capabilities, and will better equip us to allocate resources to generate the most attractive risk-adjusted returns and maximize shareholder return. It will position us to deliver higher growth and higher profitability with an enhanced view of risk.

CREATING VALUE THROUGH RENEWAL

With the exception of your President and Chief Executive Officer, the CWB Board is fully comprised of independent directors with strong and diverse backgrounds, experiences, perspectives, and skills. We are committed to ongoing renewal to ensure the Board remains effective in a rapidly changing environment. This year Ms. E. Gay Mitchell was elected as your newest director. Ms. Mitchell has a wealth of industry knowledge gained through decades of experience in financial services. With Ms. Mitchell's election, women now comprise 33% of the Board.

WELL-POSITIONED FOR FUTURE GROWTH

We are confident that CWB's focus to meet the financial needs of business owners represents a clear path to open-ended growth. We know that our current clients value the services we offer and their relationships with our teams. We believe more business owners deserve a clear, full-service alternative to Canada's large banks. They deserve a proactive partner who will go to any length to help them succeed.

Over the next year, we will continue to improve our capabilities and make it easier and more valuable for business owners to deal with us. In fiscal 2020, the Board will provide oversight for CWB's transition to the *Advanced* approach, further enhancements to our digital capabilities, and ongoing improvements to key business processes that will elevate our client experience. Successful execution against these priorities will position CWB to deliver a differentiated experience to more business owners across Canada through a full range of channels, and we are thrilled with our continued progress.

On behalf of the Board, I would like to thank every CWB team member for their focus and dedication to create value for all of our stakeholders. I would also like to thank my fellow directors for their ongoing commitment to CWB's continued success. Finally, to my fellow shareholders, I thank you for your commitment and confidence in our unique vision for continued strong and profitable growth.

THANK YOU FROM CWB

Mr. Albrecht Bellstedt retired from the Board of Directors at our annual shareholders' meeting this year. Al had served on your board since 1995, and his roots with CWB go back to the formation of our predecessor organization, the Bank of Alberta. Al was an exceptional director and significantly influenced our path to become the national, full-service financial institution we are today. Al's contributions will be missed.

Board of Directors

Front row (left to right)

IAN M. REID, Corporate Director
LINDA M.O. HOHOL, Corporate Director
MARGARET J. MULLIGAN, Corporate Director
ROBERT L. PHILLIPS (Chair), President and CEO, R.L. Phillips Investments Inc.
SARAH A. MORGAN-SILVESTER, Corporate Director
RAYMOND J. PROTTI, Corporate Director
E. GAY MITCHELL, Corporate Director

Back row (left to right)

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

Corporate Governance

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

Detailed information about CWB Financial Group's corporate governance practices are available in CWB's Management Proxy Circular and in the Corporate Governance section at **cwb.com/corporate-governance**. Please review our circular to learn how shareholders can attend and participate in the annual shareholder meeting on April 2, 2020 in Edmonton, Alberta.

We are committed to open communication with stakeholders – please contact us at:

ChairoftheBoard@cwbank.com
CorporateSecretary@cwbank.com

Social Responsibility

At CWB Financial Group we believe our success depends on the responsible creation of value for all of our stakeholders. We believe our future success is rooted in our complementary commitments to deliver an exceptional client experience, cultivate a culture our people want to be part of, contribute to a healthy society for future generations and deliver long term value creation. We are focused to build and maintain relationships with all of our stakeholders – our clients, employees, shareholders and community members – and continue to work diligently to create economic, social and environmental value through our corporate social responsibility activities. We truly believe the "how" matters in the way we operate our business. We are proud of the activities we have undertaken and awards we received in 2019, and have highlighted many below.

We will continue to enhance the environmental, social and governance information available on our website and invite you to follow our progress at **www.cwb.com**.

CLIENTS

- Focused business transformation and investment in digital capabilities continue to drive delivery of our differentiated full-service client experience through a full range of channels
- Initiatives to optimize client-facing operations within banking branches continue to build on the benefits from centralization of our credit support processes
- We have implemented a multi-year accessibility plan
- Together, we expect these initiatives to support growth in the number of clients we serve, the proportion of clients we serve on a full-service basis and our Net Promoter Score reflecting satisfaction with our offerings

EMPLOYEES

- We are certified as a Great Place to Work Canada™ and one of the Best Workplaces™ in Alberta
- We invested more than 23,000 hours in employee training and development in 2019, more than 3,300 of which of was focused to address diversity, inclusion, and unconscious bias
- We are a signatory to the UN Women's Empowerment Principles
- We support a number of Employee Represented Groups, including CWB Women and CWB Pride
- CWB National Leasing is a 2019 winner of Canada's Top 100 Employers and Manitoba's Top Employers
- CWB Optimum Mortgage is a 2019 winner of Mortgage Industry Employer of Choice from the Canadian Mortgage Awards

COMMUNITIES

- CWB's Community Investment Program generated over $2 million in charitable donations in fiscal 2019, benefitting approximately 200 organizations, including:
  - Partnered with and donated $100,000 to the YWCA to support girl empowerment programs
  - Partnered with Enactus Canada to support financial literacy
  - Partnered with Rise to help individuals living with mental health or addiction challenges launch or growth their business
  - Partnered with and sponsored "6 degrees", to support new Canadians and foster environments that lead to strengthened diversity and inclusion in our society
- We support community involvement through our Funds for Fundraisers program, Employee Volunteer Grant, and the United Way Workplace Campaign and CWB's Week of Caring
- CWB donated more than $165,000 through employee matching initiatives

ENVIRONMENT

- We are a founding member of the City of Edmonton Corporate Climate Leaders Program, and have engaged with Climate Smart to measure CWB's greenhouse gas emissions in the Alberta capital region and identify ways to reduce
  - We have established greenhouse gas reduction targets of 15% (over 880 TCO2e (tonnes of carbon dioxide equivalent)) by 2025 and 25% (over 1,450 TCO2e) by 2035
  - We will reduce energy utility consumption by provisioning bicycle parking, increased telecommuting options, new LED lighting, occupancy sensors, and programmed paper reduction in print-capable devices
- We support employee participation in waste management for initiatives like Shoreline Clean-up and CWB electronics recycling days

DAVE REID, Business Advisor, Rise
REBEKAH THIBEAULT,
Business Owner, Bee & Key

Lasting Impacts in Our Communities

We take pride in actively participating in the growth, development and sustainability of the communities where we operate. This year we helped our charitable and not-for-profit partners through more than a thousand hours of employee volunteerism and donated more than $2 million in financial support through our community investment program. Our program is aligned with our business goals and strategies, and is focused on helping our partners in the areas of health research and promotion, community development, and education.

Over the past 12 months, we looked for opportunities to support organizations working to remove barriers for people in our communities. We're particularly proud of our new partnership with Rise. Rise launched an Edmonton-based satellite office this year to provide one-on-one advisory services and training programs so people living with mental health challenges can start their own businesses. Rise successfully helped Rebekah Thibeault and Melissa Wylie – their first clients – launch a retail consignment and vintage store in Leduc.

> **"It's incredibly rewarding to build partnerships with community and charitable organizations that are helping to improve outcomes for people across Canada. Through support for organizations like Rise, CWB is committed to creating more opportunities to drive economic prosperity and ensure a positive future for our communities."**

- **LACEY JANSEN**, Program Manager, Community Engagement, CWB

Management's Discussion and Analysis (MD&A)

TABLE OF CONTENTS

This Management's Discussion and Analysis (MD&A), dated December 4, 2019, should be read in conjunction with the audited consolidated financial statements of CWB for the year ended October 31, 2019 and the audited consolidated financial statements and MD&A for the year ended October 31, 2018. 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.

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

FORWARD-LOOKING STATEMENTS

From time to time, we make written and verbal forward-looking statements. Statements of this type are included in our 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 our 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 our predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that our assumptions may not be correct and that our strategic goals will not be achieved.

A variety of factors, many of which are beyond our control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general business and economic conditions in Canada, including housing market conditions, the volatility and level of liquidity in financial markets, fluctuations in interest rates and currency values, the volatility and level of various commodity prices, changes in monetary policy, changes in economic and political conditions, material changes to trade agreements, legislative and regulatory developments, legal developments, the level of competition, the occurrence of natural catastrophes, changes in accounting standards and policies, information technology and cyber risk, the accuracy and completeness of information we receive 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 our 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 our 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 our actual results to differ materially from the expectations expressed in such forward-looking statements. Unless required by securities law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by us or on our behalf.

Assumptions about the performance of the Canadian economy over the forecast horizon and how it will affect our businesses are material factors considered when setting organizational objectives and targets.

In determining expectations for economic growth, we consider our own forecasts, economic data and forecasts provided by the Canadian government and its agencies, as well as certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the Outlook section of our MD&A for the year ended October 31, 2019.

IFRS 9

We adopted International Financial Reporting Standard (IFRS) 9 *Financial Instruments* (IFRS 9), which replaces International Accounting Standard (IAS) 39 *Financial Instruments: Classification and Measurement* (IAS 39) beginning November 1, 2018. As permitted by IFRS 9, we have not restated prior period comparative figures and have recognized an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) to reflect the application of the new requirements at the adoption date. For further details, refer to Notes 1 and 2 of the 2019 audited annual financial statements.

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

Under IFRS 9, we refer to allowances and provisions for credit losses on impaired loans (Stage 3) and performing loans (Stages 1 and 2). Our specific allowances under IAS 39 are consistent with Stage 3 allowances for credit losses under IFRS 9, while the collective allowance under IAS 39 is replaced by Stage 1 and 2 allowances for credit losses under IFRS 9.

NON-IFRS MEASURES

We use a number of financial measures to assess our performance against strategic initiatives and operational benchmarks. Non-IFRS measures provide readers with an enhanced understanding of how we view our ongoing performance. These measures may also provide the ability to analyze trends related to profitability and the effectiveness of our operations and strategies, and determine compliance against regulatory standards. To arrive at certain non-IFRS measures, we make adjustments to the results prepared in accordance with IFRS. Adjustments relate to items which we believe are not indicative of underlying operating performance. Adjusted results provide the reader with a better understanding of how we view our performance. Some of these financial measures do not have standardized meanings prescribed by IFRS, and therefore, may not be comparable to similar measures presented by other financial institutions. The non-IFRS measures used in this MD&A are calculated as follows:

- Adjusted non-interest expenses – total non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets (see Table 1).
- Adjusted common shareholders' net income – total common shareholders' net income, excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax (see Table 1).
- Pre-tax, pre-provision income – total revenue less adjusted non-interest expenses (see Table 1).
- Adjusted cash earnings per common share – diluted earnings per common share calculated with adjusted common shareholders' net income (see Table 1).
- Return on common shareholders' equity – common shareholders' net income divided by average common shareholders' equity.
- Adjusted return on common shareholders' equity – adjusted common shareholders' net income divided by average common shareholders' equity.
- Return on assets – common shareholders' net income divided by average total assets.
- Efficiency ratio – adjusted non-interest expenses divided by total revenue.
- Net interest margin – net interest income divided by average total assets.
- Provision for credit losses on total loans as a percentage of average loans – provision for credit losses on loans, committed but undrawn credit exposures and letters of credit divided by average total loans. Provisions for credit losses related to debt securities measured at FVOCI and other financial assets are excluded.
- Provision for credit losses on impaired loans as a percentage of average loans – provision for credit losses on impaired loans divided by average total loans.
- Provision for credit losses on performing loans as a percentage of average loans – provision for credit losses on performing loans (stage 1 and 2) divided by average total loans.
- Operating leverage – growth rate of total revenue less growth rate of adjusted non-interest expenses.
- Common share dividend payout ratio – common share dividends declared during the year divided by common shareholders' net income.
- Basel III common equity Tier 1, Tier 1, Total capital, and leverage ratios – calculated in accordance with guidelines issued by Office of the Superintendent of Financial Institutions Canada (OSFI).
- Risk-weighted assets – on and off-balance sheet assets assigned a risk weighting calculated in accordance with the *Standardized* approach guidelines issued by OSFI.
- Average balances – average daily balances.

Table 1 - Non-IFRS Measures
($ thousands)

	For the three months ended		For the year ended	
	October 31 2019	October 31 2018	**October 31 2019**	October 31 2018
Non-interest expenses	**$ 107,667**	$ 98,751	**$ 405,481**	$ 373,483
Adjustments (pre-tax):				
Amortization of acquisition-related intangible assets	**(1,204)**	(1,367)	**(5,007)**	(6,313)
Adjusted non-interest expenses	**$ 106,463**	$ 97,384	**$ 400,474**	$ 367,170
Common shareholders' net income	**$ 67,512**	$ 64,501	**$ 266,940**	$ 249,256
Adjustments (after-tax):				
Acquisition-related fair value changes	**-**	3,705	**5,773**	14,769
Amortization of acquisition-related intangible assets	**904**	1,005	**3,397**	4,695
Adjusted common shareholders' net income	**$ 68,416**	$ 69,211	**$ 276,110**	$ 268,720
Total revenue	**$ 220,853**	$ 208,566	**$ 861,604**	$ 803,358
Less:				
Adjusted non-interest expenses	**106,463**	97,384	**400,474**	367,170
Pre-tax, pre-provision income	**$ 114,390**	$ 111,182	**$ 461,130**	$ 436,188

STRATEGIC TRANSACTIONS

On January 31, 2018, we closed an asset purchase agreement to acquire, for cash, equipment loans and leases, and general commercial lending assets totaling approximately $850 million (referred to as the acquired "business lending assets"). The business lending assets acquired were fully aligned with our balanced growth strategic objectives, including goals related to industry and geographic diversification. The portfolio was primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with approximately three quarters of the exposures distributed across Central and Eastern Canada.

On August 16, 2017, we announced that the division of Canadian Western Trust (CWT) now known as CWB Trust Services will focus its activities within business lines that are most aligned with the strategic objectives of CWB Financial Group, and will no longer offer self-directed account services to holders of certain securities. CWT initiated a process to appoint successor trustees for these accounts (referred to as the "CWT strategic transactions"). The CWT strategic transactions were completed in fiscal 2018. As a result of this process, we realized pre-tax gains on sale of approximately $4 million included in 'other' non-interest income in fiscal 2018, or $0.04 of adjusted cash earnings per common share (fiscal 2019 – nil).

WHO WE ARE

CWB Financial Group (CWB) is a growth-oriented, full-service financial institution, and the only Schedule 1 chartered bank in Canada with a focus to meet the unique financial needs of business owners. Operating from corporate headquarters in Edmonton, Alberta, we continue to extend our capabilities to deliver for clients across Canada. Our teams deliver a differentiated, proactive client experience through highly personalized service, specialized expertise within specific industries, customized solutions and faster response times.

Through our branch network and dedicated wealth and trust offices, alongside growing digital capabilities, we deliver full-service business banking, personal banking, wealth management and trust services offerings specifically tailored for business owners, their employees and their families.

We also provide specialized financing solutions within targeted, growth-oriented markets, through dedicated teams of experts:

- Led by our flagship Real Estate and Specialized Lending teams in Vancouver, Surrey, Edmonton and Calgary, we deliver local market expertise and flexible lending options to top real estate developers and commercial property owners.
- Our equipment financing specialists provide transactions across a broad range of industries, with comprehensive geographic coverage. CWB National Leasing is the largest Canadian lessor in small- and mid-size commercial equipment transactions, with operations across Canada. CWB Equipment Finance delivers mid- and large-size equipment transactions from British Columbia to Ontario. Our specialized Broker Buying Centre acquires loans and leases from the finance divisions of original equipment manufacturers and select third-party brokers.
- CWB Maxium provides financing solutions to a growing and diversified base of entrepreneurial business owners across the country with a particularly strong presence in Ontario. Our industry specializations include general corporate, health care, program financing, real estate, golf, and transportation.
- CWB Franchise Finance is a leading provider of financing solutions for growth-oriented hotel and hospitality franchise owners across Canada.
- CWB Optimum Mortgage (CWB Optimum) is our broker-sourced provider of "A" and alternative mortgages, where "A" mortgages consist of residential mortgages eligible for bulk portfolio insurance. We offer personalized borrowing solutions for clients who fall within and outside of traditional lending guidelines, with geographic coverage across Canada other than Quebec.

Motive Financial is our internet bank, with offerings tailored for dedicated savers.

GROWTH STRATEGY AND VISION

Our highly engaged teams operate within a client-centric, collaborative and change-ready culture, with a core focus to achieve our vision to become the best full-service bank for business owners in Canada. We continue to transform our capabilities to offer a superior full-service client experience through a complete range of in-person and digital channels, and to offer clients a clear alternative to the big banks.

We create long-term value for shareholders through strong, profitable growth of full-service client relationships across a growing geographic footprint. We maintain strong and conservative capital ratios, generate consistent dividend growth, and maintain the strongest consolidated efficiency ratio among the Canadian banks. In fiscal 2020, we expect to successfully transition to the *Advanced Internal Ratings Based* (AIRB) approach for regulatory capital and risk management, which will position us to deliver a higher growth, higher profitability bank with an enhanced view of risk.

Our differentiated market position and transformation-focused strategy has set the stage for CWB to be a disruptive force in Canadian financial services, and to deliver break-out growth in the years to come.

FISCAL 2019 STRATEGIC HIGHLIGHTS

Table 2 - Execution against CWB's Balanced Growth Strategic Objectives

Balanced growth objective	Strategic execution during fiscal 2019
Full-service client growth with a focus on business owners, including further geographic and industry diversification	• Solid annual loan growth of 8%, including 13% growth in Central and Eastern Canada, 8% growth in Alberta, and 5% growth in BC • Increased the proportion of the loan portfolio in Central and Eastern Canada to 27% • Increased business diversification with very strong 15% growth in general commercial loans and 9% growth in equipment financing and leasing • Recognized as a Great Place to Work Canada™, and one of the Best Workplaces™ in Alberta
Growth and diversification of funding sources	• Very strong branch-raised deposit growth of 12%, including 14% growth in the demand and notice category, and 10% growth in term deposits • Growth in debt capital markets funding with three successful senior deposit note issuances totaling $900 million • Growth in debt related to securitization to support originations of both equipment loans and leases, and residential mortgages
Optimized capital and risk management processes through transition to the AIRB approach	• Expect to submit our final application and receive regulatory approval in fiscal 2020 for transition to the AIRB approach

FISCAL 2020 STRATEGIC PRIORITIES

Table 3 - Accelerated Transformation to Create Value for our Clients, our People and our Investors

To create value for the people who choose CWB	Fiscal 2020 transformation priorities
Transform our capabilities to create enhanced value for clients and strengthen client relationships	• Invest in digital capabilities to enhance our differentiated full-service client experience, including development of a digital offering for small business owners and upgraded online and mobile banking capabilities for mid-market clients • Optimize client-facing operations within banking branches, building upon centralization of our credit support processes • Significantly expand our presence in Central Canada with the opening of our first full-service Ontario banking location in Mississauga
Continue to evolve our culture and our employee experience to create value for our people and become a career destination for top talent	• Make continued progress toward CWB's target culture, further leveraging and integrating our new core values across the organization • Continue to earn recognition as an employer of choice, a Great Place to Work Canada™ and one of the Best Workplaces™ in Alberta • Build momentum in change management and change readiness through ongoing training, communication and feedback tools • Continue to make strong progress to further enhance inclusion and diversity
Transform and diversify our business to create value for investors through break-out growth and enhanced profitability	• Submit final application and receive regulatory approval for transition to the AIRB approach for capital and risk management • Capture increased market share within targeted industries across our growing geographic footprint • Maintain double-digit percentage growth of branch-raised deposits and achieve double-digit loan growth, where prudent

CWB FINANCIAL GROUP PERFORMANCE

OVERVIEW

Financial Highlights of 2019 (compared to 2018)

- Solid performance with common shareholders' net income of $267 million, up 7%, pre-tax, pre-provision income of $461 million, up 6%, and total revenue of $862 million, up 7%.
- Diluted and adjusted cash earnings per common share of $3.04 and $3.15, up 9% and 5%. Gains on sale related to the CWT strategic transactions contributed $0.04 to adjusted cash earnings per common share in fiscal 2018 and nil in 2019.
- Full-year operating leverage of negative 1.8% as revenue growth was outpaced by growth of expenses reflecting continued investment in strategic execution.
- Solid loan growth of 8% with strong execution against our balanced growth strategic objectives for geographic and industry diversification, including very strong 15% growth in general commercial loans and 13% growth in Central and Eastern Canada.
- Very strong branch-raised deposit growth of 12%, including 14% growth of demand and notice deposits, contributing to a reduction in the outstanding balance of broker deposits.
- Continued stable credit quality with the provision for credit losses representing 21 basis points of average loans, compared to 20 basis points last year.
- Gross impaired loans represented 0.52% of gross loans unchanged from last year.
- Delivered an 8% increase to CWB's annual common share dividend.
- Very strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 9.1% common equity Tier 1 (CET1), 10.7% Tier 1 and 12.8% Total capital.

Non-Financial Highlights of 2019

- Recognized as a Great Place to Work Canada™, and one of the Best Workplaces™ in Alberta
- Significant progress to align our culture with our ambitious strategic agenda with the introduction of new core values.
- Unveiled an exciting new brand promise to business owners across Canada – *Obsessed with your success*™.
- Expanded Environmental, Social and Governance (ESG) disclosure to reflect our ongoing commitments to environmental sustainability, inclusion and diversity in the workforce, and positive impacts in our communities.
- Completed enterprise-wide integration of the market-leading Workday human capital management system.

SELECT FINANCIAL HIGHLIGHTS

Table 4 - Select Annual Financial Information[1]
($ thousands, except per share amounts)

	2019[2]	2018	2017	Change from 2018 $	Change from 2018 %
Key Performance Indicators					
Total revenue	**$ 861,604**	$ 803,358	$ 726,635	$ 58,246	7
Pre-tax, pre-provision income	**461,130**	436,188	388,729	24,942	6
Common shareholders' net income	**266,940**	249,256	214,277	17,684	7
Earnings per share					
Basic	**3.05**	2.81	2.43	0.24	9
Diluted	**3.04**	2.79	2.42	0.25	9
Adjusted cash	**3.15**	3.01	2.63	0.14	5
Return on common shareholders' equity	**10.9%**	11.0%	10.1%		(10) bp[6]
Adjusted return on common shareholders' equity	**11.3**	11.9	11.0		(60)
Return on assets	**0.88**	0.89	0.85		(1)
Net interest margin	**2.60**	2.60	2.56		-
Efficiency ratio[3]	**46.5**	45.7	46.5		80
Operating leverage	**(1.8)**	1.9	0.3		(370)
Provision for credit losses on total loans as a percentage of average loans[4][5]	**0.21**	0.20	0.23		1
Provision for credit losses on impaired loans as a percentage of average loans[4][5]	**0.21**	0.19	0.19		2
Other Financial Information					
Total assets	**$ 31,424,235**	$ 29,021,463	$ 26,447,453	$ 2,402,772	8%
Dividends per common share	**1.08**	1.00	0.93	0.08	8

(1) See page 20 for a discussion of non-IFRS measures.
(2) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 *Financial Instruments* (IFRS 9) (refer to Notes 1 and 2 of the 2019 audited annual financial statements). Prior year comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classification and Measurement* (IAS 39) and have not been restated.
(3) A decrease in the ratio reflects improved efficiency, while an increase reflects deterioration.
(4) Under IFRS 9, provisions for credit losses related primarily to loans, committed but undrawn credit exposures and letters of credit, and also apply to debt securities measured at FVOCI and other financial assets. Prior to the adoption of IFRS 9, provisions for credit losses only related to loans, committed but undrawn credit exposures and letters of credit.
(5) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.
(6) bp – basis points.

Summary of Operations

Fiscal 2019 was a very good year for CWB, as we continued to execute on our transformational strategy and deliver against our balanced growth objectives. We generated solid loan growth with further geographic and industry diversification, including strong 13% growth in Central and Eastern Canada, and very strong 15% overall growth in the strategically targeted general commercial category.

We delivered very strong 12% growth of branch-raised deposits – including 14% growth in the demand and notice category – as we continued to strengthen our full-service client experience and invest in competitive deposit-gathering capabilities. This strong performance resulted in a reduction in our outstanding balances of broker deposits.

Net interest income was up 8% from 2018, reflecting the combined positive impacts of 8% loan growth and stable net interest margin. Expectations for further increases in net interest margin were tempered early in the year when it became apparent that an anticipated Bank of Canada rate increase would not materialize. In view of a relatively subdued macroeconomic backdrop, the possibility of a Bank of Canada rate cut persisted for most of the year.

Non-interest income was down 3% from fiscal 2018. Growth of credit related fees, positive net gains on securities compared to losses last year, and higher retail services fees were more than offset by the impact of approximately $4 million of gains realized from the CWT strategic transactions recorded within 'other' non-interest income in 2018, along with the impact of slightly lower wealth management fees.

Focused business transformation and investment in digital capabilities continue to enhance our differentiated full-service client experience. Initiatives to optimize client-facing operations within our banking branches continued this year, building upon centralization of our credit support processes. Together, this integrated transformation will boost our capabilities to deliver on our reputation for proactive, personalized service through both in-person and digital channels in a highly scalable manner, and contribute to maximum value creation from our upcoming transition to the AIRB approach for capital and risk management.

We re-launched the CWB Financial Group brand this year to generate greater awareness of our differentiated offering and increased visibility in targeted markets. We sharpened our visual identity with a more contemporary logo and bolder treatments of our signature teal and gold. We re-vamped and modernized our digital and online properties, including cwb.com, and we launched a new *Obsessed with your success*™ brand promise and *We come to you* marketing campaign. The campaign includes increased use of digital advertising on social media, as well as a television strategy to raise awareness of our story.

Our continued success is built on strong collaboration between engaged, well-trained and empowered teams, and we continue to invest in improved people-related infrastructure to support efficiency and drive effective collaboration. Following implementation of the market-leading Workday human capital management system for our core banking operations in 2018, we further integrated operations across the enterprise with the implementation of Workday for CWB National Leasing, CWB Maxium and CWB McLean & Partners. Workday integration is now complete across the entire organization.

System and process transformation continues to drive change across CWB, and we have taken steps to ensure our culture evolves to support our ambitious strategic agenda. This year we made significant progress to evolve our culture with the introduction of new core values. Our values stand for who we are, and how we show up for our clients and each other. They ground us in the qualities our clients and people love about CWB, and encourage us to stretch as we transform to meet our exciting future. We are committed to create a culture that thrives through change, continues to foster deep relationships with clients, and helps us attract and retain the talent we need to drive our future growth.

Continued progress to support a rewarding experience for CWB employees is reflected in our recognition as a Great Place to Work Canada™, and one of the Best Workplaces™ in Alberta.

Our focus for 2019 was to build the culture, capabilities, technology, and brand to position CWB to deliver break-out growth and enhanced profitability as a model-enabled bank under the AIRB approach. Non-interest expenses were up 9%, reflecting investments to support continued growth and strategic execution, including increased advertising. Higher salaries and benefits comprised two-thirds of the increase and primarily reflect additional hiring. Costs related to premises, equipment and software were also higher, reflecting investment in new technology and depreciation of our previous investments.

Growth of non-interest expenses, reflecting the strategic investments described above, outpaced total revenue growth of 7%, resulting in negative 1.8% operating leverage. Diluted earnings per common share of $3.04 and adjusted cash earnings per common share of $3.15 were up 9% and 5%, respectively. The higher growth rate of diluted earnings per common share primarily reflects decreased acquisition-related fair value changes this year.

Adjusted return on common shareholders' equity (ROE) of 11.3% decreased 60 basis points from last year, as 3% growth of adjusted common shareholders net income was more than offset by the increase in average common shareholders' equity driven by higher accumulated other comprehensive income and retained earnings growth, partially offset by the impact of common shares purchased for cancellation under the normal course issuer bid.

The maintenance of solid and conservative capital levels is fundamental to our objectives to effectively manage risks and support strong growth. Our Basel III CET1 capital ratio at October 31, 2019 remained very strong at 9.1%, compared to 9.2% last year. The change from last year reflects strong asset growth supported by solid growth in retained earnings and AOCI, the IFRS 9 transitional adjustment to opening retained earnings, partially offset by common share repurchases under the normal course issuer bid. Including Tier 1 and total capital ratios of 10.7%, and 12.8%, respectively, all of our capital ratios remain above both internal and regulatory minimums.

With ongoing profitable growth and very strong capital ratios, we also rewarded shareholders with an 8% increase to the common share dividend compared to 2018.

2019 Medium-term Performance Target Ranges

Target ranges effective through fiscal 2019, with related fiscal 2019 performance, are presented in the following table:

Table 5 - 2019 Medium-term Performance Target Ranges

Key Metrics[(1)]	**Medium-term Performance Target Ranges**	**Fiscal 2019 Performance**
Adjusted cash earnings per common share growth	**7 - 12%**	Delivered 5%
Adjusted return on common shareholders' equity	**12 - 15%**	Delivered 11.3%
Operating leverage	**Positive**	Delivered negative 1.8%
Common equity Tier 1 capital ratio under the *Standardized* approach	**Strong**	Delivered a very strong ratio of 9.1%
Common share dividend payout ratio	**~30%**	Delivered 35%

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

In view of our planned transition to the AIRB approach for capital and risk management in fiscal 2020, we have discontinued our medium-term targets. We introduced these targets in fiscal 2016, and designed them to be effective over a three- to five-year period under the *Standardized* approach for calculating risk-weighted assets. We are confident our transition to the AIRB approach will support higher growth and profitability from our differentiated business model over the medium-term. However the magnitude of capital available for deployment upon transition to the AIRB approach is uncertain at this time. We expect to establish revised multi-year performance expectations incorporating benefits of the AIRB transition following formal regulatory approval. Expectations related to key performance metrics for fiscal 2020, on a standalone basis, are summarized within the Outlook section below.

Fiscal 2020 Outlook

We expect overall financial performance in fiscal 2020 to reflect ongoing strong execution of our transformational strategy, including success in key strategic initiatives to enhance our client experience, continue to build core funding sources, and leverage investment in digital capabilities to position CWB for break-out growth as a model-enabled bank under AIRB.

Financial results are expected to benefit from our expanding geographic footprint and increased business diversification; further optimization of our funding mix; strong credit risk management; effective expense management in consideration of revenue growth opportunities; and prudent capital management.

In view of these expectations, considerations related to the Canadian economy, and key performance drivers discussed below, we expect to deliver:

- a percentage growth rate of adjusted cash earnings per common share in the mid-single digits;
- adjusted return on common shareholders' equity at a similar level to 2019;
- moderately positive operating leverage, with some volatility between quarters reflecting the timing of execution of our strategic priorities;
- a strong CET 1 capital ratio; and,
- a growth rate of common share dividends in the high-single digits.

A relatively stable Canadian economy

The overall outlook for the Canadian economy is relatively stable. We expect economic performance within our largest provincial markets to vary based on factors unique to each region.

Growth in BC is expected to accelerate slightly to a level exceeding the national average, mainly reflecting more constructive housing market conditions and the impact of large-scale capital projects. Growth in Alberta is also expected to improve from a level that was well below the national average in fiscal 2019. However, reduced provincial government expenditures could dampen the recovery. Growth in Ontario is also expected to moderate to a level below the national average, with more constructive housing market conditions potentially offset by the impact of trade-related uncertainty.

Strong, profitable loan growth with continued strategic diversification

Continued strategic execution has positioned us to capture increased market share within a larger addressable market, notwithstanding the potential for varying degrees of volatility in the operating environment. We will continue to support high-quality borrowers with a focus on business owners operating within targeted industry segments across Canada, and we remain committed to deliver double-digit annual loan growth whenever prudent. This includes a continued focus on secured loans that offer an appropriate return and acceptable risk profile.

We continue to target further geographic and industry diversification through growth of client relationships in targeted industries across our national geographic footprint. Slightly higher relative growth rates should remain apparent in Central Canada, as compared to expectations for continued solid growth in Western Canada. We also expect higher relative growth in general commercial loans, and equipment financing and leasing as compared to real estate project loans.

We expect growth in Ontario to continue to reflect ongoing contributions from our established businesses with a national footprint, as well as the planned opening of our first CWB branch premises in the province this year. We expect progress toward our strategic goal for Ontario to represent a third of the overall portfolio to moderate somewhat compared to the significant rate of change achieved over the past several years. This mainly reflects expectations for continued normalization of very high growth within CWB Maxium and CWB Franchise Finance, moderate growth from CWB National Leasing due to the persistence of strong competition, and high-single digit growth within CWB Optimum.

We expect residential mortgage growth to continue to include an increased proportion of "A" mortgages, reflecting ongoing investment in our securitization capabilities. We remain committed to the ongoing development of CWB Optimum as it has produced solid returns while maintaining an acceptable risk profile. With new mortgage products launched late in fiscal 2019 that are specifically targeted to business owners, we expect to resume growth at a rate resembling the rest of our loan portfolio.

We continue to assess construction-related lending opportunities within targeted markets. Our expectations for moderate growth of real estate project loans, with the potential for further incremental contraction, reflect the combined impact of this portfolio's relatively short duration and our strategic focus to grow other portfolios more quickly. Within the parameters of our established risk appetite, we will continue to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels and have a strong pipeline of new lending opportunities.

Commercial mortgages are often subject to a higher level of pricing competition compared to other types of lending. However, we remain focused to support existing client relationships and high-quality lending opportunities offering adequate risk-adjusted returns within targeted markets, and we expect to deliver stronger growth in this portfolio compared to 2019.

Stable credit quality

We expect impaired loans as a percentage of total loans to remain within our risk appetite. We expect actual loss rates and specific allowances on current and future impaired loans to remain stable from current levels, reflecting the combined positive impact of our disciplined underwriting, secured lending practices, and proactive account management. This expectation is consistent with our prior experience, where write-offs have typically been low as a percentage of impairments. We remain confident in the strength, diversity and underwriting structure of the overall loan portfolio, and we continue to closely monitor lending exposures for signs of weakness.

While IFRS 9 affects the timing of the recognition of credit losses, the accounting standard does not affect actual credit losses realized over the life of a particular loan, represented by write-offs net of recoveries. Provisions for credit losses on performing loans have the potential to be somewhat volatile in view of the forward-looking ECL approach under IFRS 9. While levels for key economic variables incorporated in ECL models such as unemployment rates, gross domestic product growth, the Canadian dollar/U.S. dollar exchange rate, interest rates and oil prices are expected to be relatively consistent with 2019, with the potential for slight improvements in housing market conditions, these variables are inherently prone to volatility on a forward-looking basis.

Potential risks that could have a material adverse impact on loan growth and/or credit quality include a deterioration in Canadian residential real estate prices, material changes to trade agreements, including the imposition of tariffs, which could affect the outlook for Canadian exports, 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.

Continued growth and diversification of funding

Our strategic focus to grow and diversify funding sources will continue. This includes a continued goal to increase branch-raised deposits, with particular emphasis on demand and notice deposits.

We expect future growth in branch-raised funding to reflect success in acquiring more clients and developing broader, full-service client relationships across the country. We will continue to enhance our client experience by investing in digital capabilities, maintaining our strategic focus on business transformation and process improvement, and developing new and more effective products. In combination, we expect this effort to support core deposit growth by enhancing our capacity to deliver on our reputation for excellence in personalized service in a highly scalable manner through a full range of channels.

Support for deposit gathering capabilities will also include targeted strategies within Motive Financial and CWB Trust Services, as well as continued development of the full-service branch network, including the opening of our first full-service branch in Ontario. We also expect continued diversification of funding sources to include growth of both debt capital markets and securitization funding channels.

Strong revenue growth

We expect to deliver high single-digit growth of net interest income in fiscal 2020 from the benefits of stronger loan growth, partially offset by downward pressure on net interest margin.

Our strategic priorities to support net interest income include continued strong core deposit growth with further enhancement of our client experience through focused business transformation and ongoing investment in digital capabilities. However, the potential for Bank of Canada interest rate cuts in fiscal 2020 remains apparent, and we expect rising funding costs in our branch-raised deposits to continue as a result of competitive factors. We also anticipate slightly higher average levels of liquidity based on our expected deposit maturity profile, and the adoption of IFRS 16 *Leases* (IFRS 16) on November 1, 2019 will also contribute to net interest margin compression compared to 2019. That said, our net interest margin has operated within a fairly tight range of approximately 2.50 to 2.60% over the past several years, and we expect to remain around the mid point of that range in fiscal 2020 on a full-year basis, with the potential for quarterly volatility.

We expect to restore positive growth of non-interest income with increases across most categories, reflecting our strategy to extend and deepen relationships with both new and existing clients across all business lines. We expect credit related fees to grow approximately in proportion to loan growth. Enhanced transactional capabilities in cash management and other retail services, including our relationship-based, branch-raised deposit franchise, is expected to drive increases in retail services fees. We expect growth in revenue from CWB Wealth Management to reflect increases in assets under management, and we continue to consider strategically aligned wealth management acquisition opportunities. With renewed focus on targeted business lines aligned to our strategic direction, we expect revenue from CWB Trust Services to benefit from growth in new and expanding trustee and custody relationships. Based on the current composition of the debt securities portfolio, net gains and losses are not expected to contribute materially to non-interest income; however, the magnitude and timing of gains and losses are dependent on market factors that are difficult to predict. Growth in the above noted categories could be partially offset by lower 'other' non-interest income. In fiscal 2019 results in this category included gains from favourable foreign exchange activities, recoveries on loan realization assets, and proceeds from asset sales that may not recur at comparable levels.

Efficient operations and operating leverage

Our continued focus on business transformation and process improvement, alongside ongoing investment in digital capabilities, is intended to support improved efficiency and operating leverage through increasingly scalable client acquisition and business growth over the medium term.

Our annual efficiency ratio over the past three years has been approximately 46%. We expect a relatively consistent outcome in 2020, with slightly positive operating leverage on a full-year basis. This incorporates expectations for strong business growth supported through strategic investment in people, technology and infrastructure, along with effective control of non-interest expenses. Notwithstanding our commitment to prudently manage expenses based on expected revenue growth, quarterly volatility of operating leverage may occur based on the timing of expenditures.

Prudent capital management and dividends

We expect to submit our final application and receive regulatory approval in fiscal 2020 for transition to the AIRB approach for capital and risk management. A reduction in risk-weighted assets measured under the AIRB approach is expected to increase our regulatory capital ratios; however, we do not expect any other material impacts to our financial results in fiscal 2020. With a very strong CET1 capital ratio under the more conservative *Standardized* approach for calculating risk-weighted assets, we are well positioned to create value for shareholders through a range of capital deployment options consistent with our balanced growth strategic objectives while remaining conservatively capitalized. Ongoing support and development of each of CWB's businesses will remain a key priority, and we will continue to evaluate potential strategic acquisitions.

Transition to the AIRB approach will put us on more equal footing with our competition and increase our addressable market. It will add risk sensitivity to our framework for capital management, increase risk quantification processes, improve risk-based pricing capabilities and economic capital estimations, improve stress testing capabilities and enhance our Internal Capital Adequacy Assessment Process (ICAAP).

These improved risk management capabilities will better equip CWB to allocate resources to target business segments that generate the most attractive risk-adjusted returns.

A normal course issuer bid (NCIB) authorizing the purchase for cancellation prior to September 30, 2020, of a maximum of 1,740,000 common shares is in place. We may choose to activate the NCIB in fiscal 2020 should appropriate circumstances become apparent. Common share dividend increases are evaluated every quarter against capital requirements under the *Standardized* approach and opportunities to create value for shareholders through various forms of capital deployment, including support for ongoing strong and balanced asset growth.

We expect to deliver dividend growth in the high single digit range in fiscal 2020.

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 2019

- Solid 8% growth of net interest income to a record $786 million, reflecting 8% loan growth and stable net interest margin of 2.60%.
- Stable net interest margin reflects the positive impacts of higher asset yields and lower average balances of cash and securities as a percentage of total average assets, offset by higher funding costs and changes in funding mix.
- The yield on average loans increased 25 basis points to 5.07% in 2019. This primarily reflects an increase in the average prime rate of 47 basis points following Bank of Canada rate increases in July and October 2018, partially offset by competitive factors.
- The increase in funding costs also reflects the higher average prime rate, along with longer fixed term deposit duration and competitive factors.

Table 6 - Net Interest Income[1]
($ thousands)

	2019				2018			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	$ 2,405,937	8%	$ 37,470	1.56%	$ 2,731,904	10%	$ 39,574	1.45%
Securities purchased under resale agreements	80,956	-	1,500	1.85	13,915	-	191	1.37
Loans								
Personal	5,405,011	18	215,253	3.98	4,951,222	18	190,802	3.85
Business	21,782,700	72	1,164,477	5.35	19,653,260	70	994,728	5.06
	27,187,711	90	1,379,730	5.07	24,604,482	88	1,185,530	4.82
Total interest bearing assets	29,674,604	98	1,418,700	4.78	27,350,301	98	1,225,295	4.48
Other assets	556,757	2	-	0.00	550,806	2	-	0.00
Total Assets	$ 30,231,361	100%	$ 1,418,700	4.69%	$ 27,901,107	100%	$ 1,225,295	4.39%
Liabilities								
Deposits								
Personal	$ 15,347,419	51%	$ 377,345	2.46%	$ 13,911,075	50%	$ 287,519	2.07%
Business and government	9,288,447	31	195,881	2.11	8,906,830	32	164,244	1.84
	24,635,866	82	573,226	2.33	22,817,905	82	451,763	1.98
Securities sold under repurchase agreements	12,094	-	253	2.09	52,406	-	763	1.46
Other liabilities	629,682	2	-	0.00	608,108	2	-	0.00
Debt	2,139,110	7	59,637	2.77	1,894,203	7	47,779	2.52
Shareholders' equity	2,812,579	9	-	0.00	2,525,934	9	-	0.00
Non-controlling interests	2,030	-	-	0.00	2,551	-	-	0.00
Total Liabilities and Equity	$ 30,231,361	100%	$ 633,116	2.09%	$ 27,901,107	100%	$ 500,305	1.79%
Total Assets/Net Interest Income	$ 30,231,361		$ 785,584	2.60%	$ 27,901,107		$ 724,990	2.60%

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

Net interest income increased 8% to a record $786 million. Solid growth was primarily driven by the 8% increase in average interest-earning assets and stable net interest margin of 2.60% compared to the prior year.

The yield on average loans increased 25 basis points to 5.07% in 2019. This primarily reflects an increase in the average prime rate of 47 basis points following Bank of Canada rate increases in July and October 2018, partially offset by competitive factors.

The yield on average cash, securities and deposits with regulated financial institutions was up 11 basis points from last year, primarily reflecting the higher average prime rate. Average balances of cash and securities were lower compared to the prior year, reflecting reduced liquidity requirements based on the composition of our balance sheet and contractual maturities.

Average deposit costs were up 35 basis points from last year and the overall cost of average interest bearing liabilities and equity increased 30 basis points to 2.09%. The average cost of both personal, and business and government deposits were higher due to changes in the interest rate environment, competitive factors on deposit pricing, as well as deposit mix.

Debt-related costs were 25 basis points higher, mostly reflecting the higher average prime rate, partly offset by lower fixed rates on term debt.

NON-INTEREST INCOME

Highlights of 2019

- Non-interest income of $76 million was down 3%, or $2 million, from 2018.
- Growth of credit related fees, positive net gains on securities, compared to losses last year, and higher retail services fees were more than offset by the impact of approximately $4 million of gains realized from the CWT strategic transactions recorded within 'other' non-interest income in 2018, along with slightly lower wealth management fees.
- Non-interest income represented 9% of total revenues, down from 10% in 2018.

Table 7 - Non-interest Income
($ thousands)

	2019[(1)]	2018	Change from 2018 $	%
Credit related	$ 34,082	$ 32,165	$ 1,917	6%
Wealth management services	19,640	20,371	(731)	(4)
Retail services	10,627	10,334	293	3
Trust services	7,651	7,784	(133)	(2)
Gains (losses) on securities, net	301	(217)	518	nm[(3)]
Other[(2)]	3,719	7,931	(4,212)	(53)
Total Non-interest Income	$ 76,020	$ 78,368	$ (2,348)	(3)%

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2 of the audited annual financial statements). Prior year comparatives have been prepared in accordance with IAS 39 and have not been restated.
(2) Includes gains on loan portfolio sales, lease administration services, foreign exchange gains/losses, gains/losses on land, buildings and equipment disposals, and other miscellaneous non-interest revenues. Fiscal 2018 also includes the gains on CWT strategic transactions.

nm – not meaningful

Non-interest income of $78 million was down 3%, or $2 million, from 2018. Growth of credit related fees, positive net gains on securities, compared to losses last year, and higher retail services fees were more than offset by the impact of approximately $4 million of gains realized from the CWT strategic transactions recorded within 'other' non-interest income last year, along with slightly lower wealth management fees. Higher credit related and retail services fee income mainly reflects overall growth of loans and deposits.

NON-INTEREST EXPENSES, EFFICIENCY AND OPERATING LEVERAGE

Highlights of 2019

- The 2019 efficiency ratio of 46.5% compares to 45.7% in 2018. Revenue growth this year was outpaced by growth in expenses reflecting continued investment in strategic execution.
- Full-year operating leverage of negative 1.8%, reflects the same factors driving the change in the efficiency ratio.

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

			Change from 2018	
	2019	2018	$	%
Salaries and Employee Benefits				
Salaries	**$ 213,452**	$ 198,203	$ 15,249	8%
Employee benefits	**44,514**	39,025	5,489	14
	257,966	237,228	20,738	9
Premises				
Rent	**22,460**	20,730	1,730	8
Depreciation	**5,310**	5,074	236	5
Other	**3,842**	3,854	(12)	-
	31,612	29,658	1,954	7
Equipment and Software				
Depreciation	**22,127**	18,321	3,806	21
Other	**16,776**	14,775	2,001	14
	38,903	33,096	5,807	18
General				
Professional fees and services	**13,824**	12,241	1,583	13
Marketing and business development	**12,546**	11,151	1,395	13
Regulatory costs	**12,022**	10,107	1,915	19
Banking charges	**5,048**	5,519	(471)	(9)
Amortization of acquisition-related intangible assets	**5,007**	6,313	(1,306)	(21)
Employee recruitment and training	**4,690**	4,844	(154)	(3)
Travel	**4,028**	3,805	223	6
Staff relations	**2,248**	2,323	(75)	(3)
Communications	**1,995**	1,795	200	11
Capital and business taxes	**1,888**	1,453	435	30
Other	**13,704**	13,950	(246)	(2)
	77,000	73,501	3,499	5
Total Non-interest Expenses	**$ 405,481**	$ 373,483	$ 31,998	9%
Efficiency Ratio(1)(2)	**46.5%**	45.7%		80 bp(3)
Operating Leverage(1)	**(1.8)**	1.9		(370)

(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.

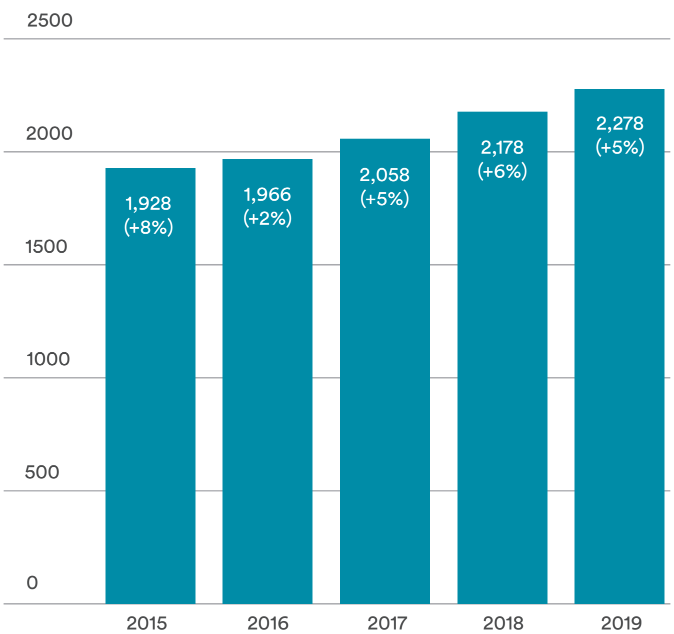
Total non-interest expenses of $405 million were up 9% ($32 million). Overall salaries and employee benefits increased 9% ($21 million), mainly reflecting hiring activity to support overall business growth and execution of strategic priorities, along with annual salary increments. The increase in overall full-time equivalent employees was moderate at 5%.

Equipment and software costs were up 18% ($6 million) primarily due to ongoing investment in technology infrastructure to position CWB for future growth and improve our client and employee experience. Premises expenses were up 7% ($2 million) to position us for future growth. General non-interest expenses were up 5%, or $3 million, mainly due to increases in regulatory costs, and expenses related to the launch of the renewed CWB brand.

The efficiency ratio of 46.5% compares to 45.7% last year. Revenue growth in 2019 was outpaced by growth of expenses reflecting continued investment in strategic execution.

Operating leverage, which is calculated as the growth rate of total revenue less the growth rate of adjusted non-interest expenses, over the last 12 months was negative 1.8%, compared to positive 1.9% last year. Operating leverage in 2019 was impacted by the same factors as our full-year efficiency ratio. In 2018, revenue growth benefited from very strong loan growth, a four basis point improvement in net interest margin and gains from the CWT strategic transactions.

Figure 1 - Number of Full-time Equivalent Staff



ACQUISITION-RELATED FAIR VALUE CHANGES

Acquisition-related fair value changes in 2019 were $8 million, compared to $20 million last year, reflecting completion of the earn-out period on February 28, 2019 for the contingent consideration related to the successful and accretive acquisition of CWB Maxium Financial. Total contingent payments in cash and CWB common shares over the earn-out period of $70 million represented the maximum payout under the purchase agreement and confirm the successful integration and growth of the acquired business.

CWB Maxium has delivered very strong performance since the acquisition in 2016, with contributions to financial performance and CWB's strategic diversification objectives exceeding our expectations.

INCOME TAXES

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. Our 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.

The 2019 effective income tax rate was 26.3%, compared to 26.8% in 2018. On June 28, 2019, the Alberta government enacted reductions to the provincial corporate income tax rate from 12% to 8% over four years, beginning with a 1% decrease on July 1, 2019 with further reductions of 1% on each of January 1, 2020, 2021 and 2022. Our 2019 effective income tax rate benefited from the re-measurement of our deferred tax assets and liabilities from the tax rate reductions, which resulted in a one-time deferred tax recovery of approximately $1.5 million. Our expected income tax rate for fiscal 2020 is approximately 26%.

COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes. Our OCI includes changes in unrealized gains and losses on debt securities measured at FVOCI and equity securities designated at FVOCI, and fair value changes for derivative instruments designated as cash flow hedges. The growth in comprehensive income was primarily driven by a $98 million increase in the change in fair value of derivatives designated as cash flow hedges and a $54 million increase in the change in fair value of debt securities measured at FVOCI. Very strong 9% ($23 million) growth of net income also contributed to the increase. Our debt securities portfolio, which is classified at FVOCI, is comprised primarily of debt securities issued or guaranteed by Canada, a province or municipality. 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)

	2019[1]	2018	Change from 2018
Net Income	**$ 287,846**	$ 264,647	$ 23,199
Other Comprehensive Income (Loss), net of tax			
Items that will be subsequently reclassified to net income			
Debt securities measured at fair value through other comprehensive income (2018: Available-for-sale securities debt and equity securities)			
Gains (losses) from change in fair value	**34,301**	(19,945)	54,246
Reclassification to net income	**(354)**	158	(512)
	33,947	(19,787)	53,734
Derivatives designated as cash flow hedges			
Gains (losses) from change in fair value	**71,361**	(26,848)	98,209
Reclassification to net income	**(383)**	(994)	611
	70,978	(27,842)	98,820
Items that will not be subsequently reclassified to net income			
Losses on equity securities designated at fair value through other comprehensive income	**(14,175)**	n/a	n/a
	90,750	(47,629)	138,379
Comprehensive Income	**$ 378,596**	$ 217,018	$ 161,578

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (see Notes 1 and 2 of the 2019 audited annual financial statements). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.

n/a – not applicable

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements amounted to $2.5 billion at October 31, 2019, compared to $2.2 billion last year. The cash and securities portfolio is mainly comprised of high-quality debt instruments along with a small portfolio of 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, 2019 were $13 million, compared to $67 million last year. Unrealized gains or losses are reflected in the following table.

Table 10 - Unrealized Gains (Losses) on Debt Securities and Cash Resources Measured at FVOCI and Equity
($ thousands)

	IFRS 9			
	As at October 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions	$ 293,865	$ -	$ 9	$ 293,856
Debt securities issued or guaranteed by				
Canada	1,344,455	477	3,606	1,341,326
A province or municipality	468,989	75	393	468,671
Other debt securities	190,803	291	48	191,046
Designated at FVOCI				
Preferred shares	26,648	-	8,484	18,164
Total	$ 2,324,760	$ 843	$ 12,540	$ 2,313,063

	IAS 39			
	As at October 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Interest bearing deposits with regulated financial institutions	$ 26,825	$ -	$ -	$ 26,825
Debt securities issued or guaranteed by				
Canada	1,362,647	-	36,831	1,325,816
A province or municipality	531,798	-	9,973	521,825
Other debt securities	146,610	1	3,075	143,536
Preferred shares	110,696	-	17,121	93,575
Total	$ 2,178,576	$ 1	$ 67,000	$ 2,111,577

We regularly review the level of unrealized losses on securities.

Impairment charges on debt securities are reflected in net gains (losses) on securities only in the case of an issuer credit event. We have no direct investment in any sovereign debt or other securities issued outside of Canada or the United States.

Net realized gains (losses) on securities recognized in income were insignificant in 2019 and 2018. For the preferred shares that have been designated as FVOCI, $20 million of realized losses were recognized directly in retained earnings in accordance with IFRS 9.

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 our overall liquidity management process; additional information is included in the Liquidity Management discussion of this MD&A.

Highlights of 2019

- Overall loan growth was solid at 8%, with strong execution against our balanced growth strategic objectives.
- Achieved further geographic diversification, with very strong 13% growth in Central and Eastern Canada and expansion in every province.
- Ontario-based loans represented 22% of total loans at year end, compared to 21% last year, and the proportion of loans in Central and Eastern Canada was 27%, compared to 26% in 2018.
- Growth in Ontario and Alberta was strong at 11% and 8%, respectively, while growth in BC was 5%.
- Achieved further industry diversification, with very strong 15% growth in general commercial loans and 9% growth in equipment financing and leasing.
- Solid 8% growth in personal loans and mortgages mainly reflected originations of "A" mortgages to leverage CWB's securitization capabilities.

Table 11 - Outstanding Loans by Portfolio
($ millions)

			Change from 2018	
	2019	2018	$	%
General commercial loans	$ 8,600	$ 7,458	$ 1,142	15%
Personal loans and mortgages	5,690	5,247	443	8
Equipment financing and leasing	5,192	4,779	413	9
Commercial mortgages	5,088	4,865	223	5
Real estate project loans	3,752	3,855	(103)	(3)
Oil and gas production loans	155	129	26	20
Total Outstanding Loans(1)	$ 28,477	$ 26,333	$ 2,144	8%

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

Total loans before the allowance for credit losses increased 8% to reach $28.5 billion at year end.

Growth by lending sector was consistent with our balanced growth strategic objectives. In dollar terms, growth was led by the strategically targeted general commercial category ($1.1 billion). In percentage terms, annual growth within this category was 15% overall, including growth of 22% in Ontario, 14% in BC and 8% in Alberta. General commercial lending reflects activity across a broad range of industries, such as manufacturing, construction, transportation, retail trade, hospitality, healthcare, professional services, and wholesale trade. Targeted growth and very strong performance within this category reflects ongoing efforts to leverage development of full-service relationships with business owners to support our funding diversification objectives.

Personal loans and mortgages increased 8% ($443 million). Overall growth reflects continued origination of both "A" and alternative mortgages. Alternative mortgages originated within CWB's broker-sourced residential mortgage business, CWB Optimum, represent approximately 52% of CWB's personal loans and mortgage portfolio, or approximately 10% of CWB's total loans (2018 – 11%).

Total loans of $3.0 billion within CWB Optimum were relatively unchanged from last year. New CWB Optimum originations in fiscal 2019 were primarily driven by alternative mortgages secured via first mortgages carrying a weighted average loan-to-value at initiation of approximately 69%, along with an increasing proportion of "A" mortgages. The average size of CWB Optimum mortgages originated was approximately $333,000 and the average size of mortgages outstanding at October 31, 2019 was $296,000. The renewal rate with existing CWB Optimum borrowers was 72%, compared to 77% last year. The renewal rate in 2018 was unusually high, and reflected a temporary market adjustment in response to changes to OSFI's Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* (B-20).

Coming into 2019, we expected growth within CWB Optimum to slow compared to prior years. This reflected the expected combined impacts of reduced housing market activity in certain regions following changes to B-20, our overall risk appetite for alternative mortgages as a proportion of total loans, and ongoing refinement of our risk appetite within the alternative mortgage market, including a preference for stronger credits. However, it is apparent that we tightened our risk appetite more than competing alternative mortgage originators, and growth within CWB Optimum this year was lower than expected.

Lending activity in bank branches and our participation in the *National Housing Act* Mortgage Backed Security (NHA MBS) program comprise the remainder of CWB's personal loans and mortgages exposure. The gross amount of mortgages securitized under the NHA MBS program was $837 million (2018 – $609 million).

Growth of equipment financing and leasing was strong at 9% ($413 million) overall, with ongoing contributions from CWB's branch-based equipment financing teams and CWB National Leasing.

Commercial mortgages increased 5% ($223 million), with strong 15% growth in BC and 4% growth in Saskatchewan partially offset by contractions in other provinces.

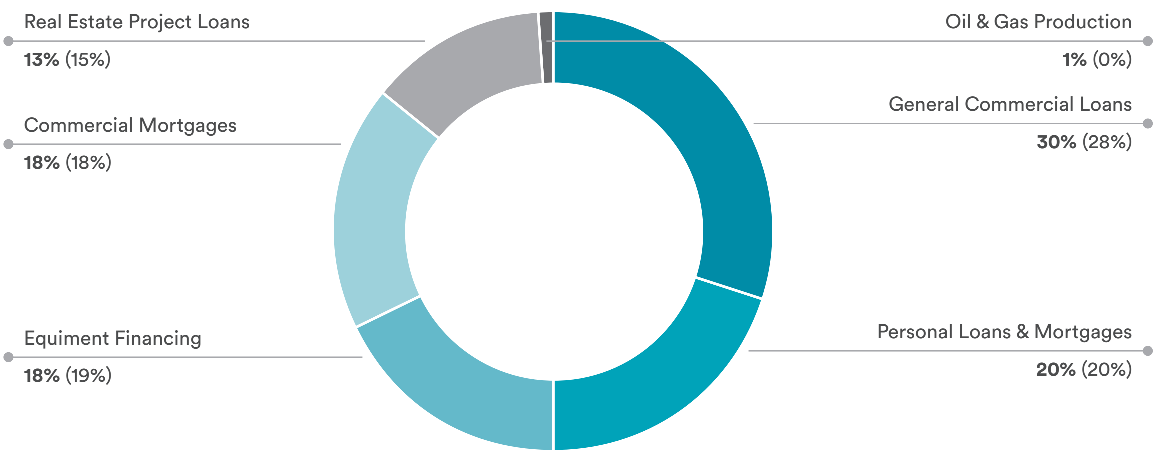
Real estate project loans contracted $103 million with growth in Alberta, Ontario and Quebec more than offset by the impact of successful project completions and payouts in BC. While the pace of new project development in greater Vancouver has moderated, originations related to projects under construction with high presale coverage continue and we have a strong pipeline of new lending opportunities. Recent growth in Alberta has skewed toward the industrial sector in the Calgary market.

We continue to lend into oil and gas production on a syndicated basis and maintain a proactive approach to manage our small portfolio in this space. The $26 million increase in the past year reflects participation in syndicated lending facilities. The total balance of loans in this category comprises approximately 1% of our total loans, with underlying commodity exposures skewed toward oil and liquid rich natural gas.

The mix of our portfolio (see Figure 2) shifted in a manner consistent with our balanced growth strategic objectives. Very strong growth in general commercial loans increased the proportion of loans in this category as a percentage of the total portfolio to 30%, compared to 28% in 2018. The proportion of loans in equipment financing and leasing decreased to 18% from 19% last year. Real estate project loans comprised 13% of the portfolio at year end, compared to 15% in 2018.

The change in the mix of our portfolio based on the location of security (see Figure 3) was also consistent with our balanced growth strategic objectives. BC and Alberta represented 33% and 32%, respectively, of total loans at October 31, 2019, compared to 34% and 32% in 2018, respectively. Ontario represented 22% of total loans at the end of fiscal 2019, up from 21% last year. This result was underpinned by strong performance from our businesses with a national footprint, particularly CWB Maxium and CWB Franchise Finance, with continued support from CWB National Leasing and stable balances in CWB Optimum.

Figure 2 - Outstanding Loans by Portfolio
(October 31, 2018 in brackets)



DIVERSIFICATION OF PORTFOLIO

Figure 3 - Geographical Distribution of Loans based on Location of Security
(October 31, 2018 in brackets)

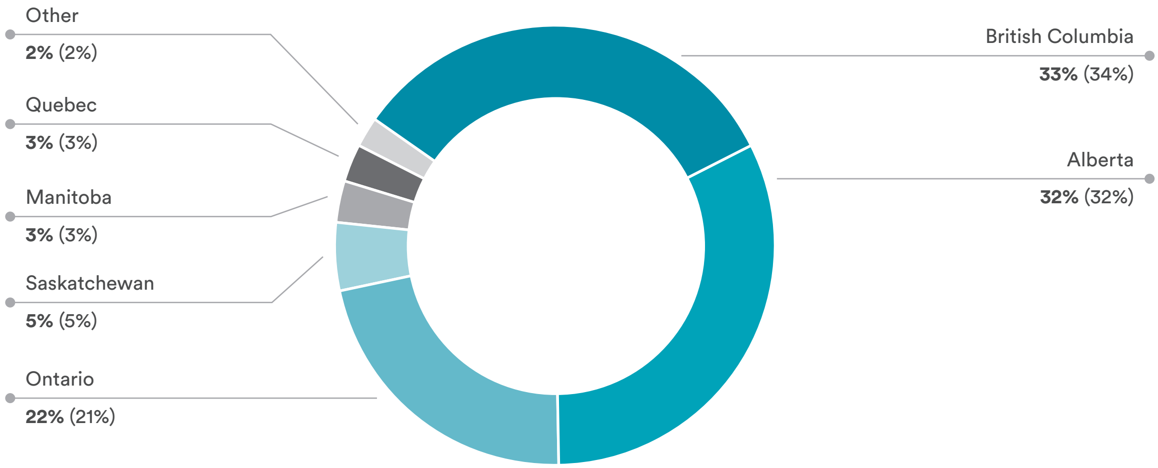


Table 12 - Total Advances Based on Industry Sector[1]
(% at October 31)

	2019	2018
Construction	**20%**	21%
Consumer loans and residential mortgages	**20**	20
Real estate operations	**18**	18
Transportation and storage	**8**	7
Finance and insurance	**7**	7
Retail trade	**5**	5
Hotel/motel	**4**	4
Health and social services	**3**	3
Manufacturing	**2**	2
Agriculture	**2**	2
Oil and gas service	**2**	2
Professional, scientific and technical services	**2**	1
Utilities	**1**	1
Wholesale trade	**1**	1
Logging/forestry	**1**	1
Oil and gas production	**1**	1
Accommodation and food services	**1**	1
All other	**2**	3
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 significantly increased geographic and industry diversification delivered over the past several years.

Highlights of 2019

- Stable credit quality with the provision for credit losses on impaired loans representing 21 basis points of average loans under IFRS 9, compared to 19 basis points last year under IAS 39.
- Gross impaired loans represented 0.52% of gross loans, unchanged from last year.

IMPAIRED LOANS

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

As shown in Table 13, the dollar level of gross impaired loans at October 31, 2019 totaled $148 million, up from $138 million last year. This amount represented 0.52% of total loans, unchanged from a year ago. Gross impaired loans within Alberta of $78 million accounted for 53% of total impairments at year end, compared to 56% last year. Gross impairments outside of Alberta represented 0.36% of non-Alberta loans at October 31, 2019, up from 0.34% last year. The ten largest accounts classified as impaired, measured by dollars outstanding, represented 36% of total gross impaired loans at year end, down from 41%. New formations of impaired loans totaled $192 million, compared to $97 million last year. Strong resolutions of $119 million this year, compared to $82 million last year, reflects our ongoing commitment to proactive management of the loan portfolio.

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

					Change from 2018		
		2019		2018		$	%
Gross impaired loans, beginning of period	**$**	**137,872**	$	168,261	$	(30,389)	(18)%
New formations		**191,662**		96,729		94,933	98
Reductions, impaired accounts paid down or returned to performing status		**(119,018)**		(81,759)		(37,259)	46
Write-offs		**(62,266)**		(45,359)		(16,907)	37
Total, end of period[1]	**$**	**148,250**	$	137,872	$	10,378	8%
Balance of the ten largest impaired accounts	**$**	**52,795**	$	56,748	$	(3,953)	(7)%
Total number of accounts classified as impaired[2]		**330**		214		116	54
Total number of accounts classified as impaired under $1 million[2]		**308**		195		113	58
Gross impaired loans as a percentage of gross loans[3]		**0.52%**		0.52%			- bp[4]

(1) Gross impaired loans includes foreclosed assets held for sale with a carrying value of $4,217 (2018 – $6,628). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(2) Total number of accounts excludes CWB National Leasing.
(3) Total loans do not include an allocation for credit losses or deferred revenue and premiums.
(4) bp – basis point change.

We regularly review the overall loan portfolio and undertake credit decisions on a case-by-case basis to provide early identification of possible adverse trends. The level of gross impaired loans fluctuates as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures. A specialized team closely monitors loans that have become impaired, with regular reviews of each loan and its realization plan. Please see the Risk Management section of this MD&A for further information.

ALLOWANCE FOR CREDIT LOSSES

Allowances for credit losses are maintained to absorb both identified and unidentified losses in the loan portfolio. At October 31, 2019, under IFRS 9, the total allowance for credit losses consisted of $26 million of impaired (Stage 3) allowances and $89 million of performing (Stage 1 and 2) allowance for credit losses. One year ago, under IAS 39, the total allowance for credit losses consisted of $27 million of specific allowances and $120 million in the collective allowance for credit losses.

The Stage 3 allowance for impaired loans consists of the amounts required to reduce the carrying value of individually identified impaired loans to their estimated realizable value. We establish estimates through detailed analysis of both the overall quality and ultimate marketability of the security held against each impaired account. The Stage 1 and 2 allowance for performing loans consists of expected credit losses for losses in the portfolio that are not presently identifiable on an account-by-account basis.

The year-over-year change in the allowance for credit losses split between the Stage 3 allowance by category of impaired loans and the Stage 1 and 2 allowance for credit risk is provided in the following table.

Upon adoption of the new impairment requirements of IFRS 9 on November 1, 2018, CWB's allowances for credit losses on performing loans (Stages 1 and 2) totaled $89 million, a decrease of $31 million from the IAS 39 collective allowance as at October 31, 2018. Further details related to the transition to IFRS 9 are included in Notes 1 and 2 of the audited annual consolidated financial statements.

Table 14 - Allowance for Credit Losses
($ thousands)

	IAS 39 2018 Ending Balance	IFRS 9 Remeasure-ment[1]	IFRS 9 2019 Opening Balance	Provision for Credit Losses	Write-Offs, net of Recoveries[2]	2019 Ending Balance
Impaired (Stage 3) Allowance						
Equipment financing and leasing	$ 15,606	$ -	$ 15,606	$ 24,833	$ (25,305)	$ 15,134
General commercial loans	5,484	-	5,484	30,508	(28,962)	7,030
Commercial mortgages	3,290	-	3,290	417	(943)	2,764
Personal loans and mortgages	647	-	647	1,773	(1,384)	1,036
Real estate project loans	2,000	-	2,000	(191)	(1,809)	-
Oil and gas production loans	-	-	-	(3)	3	-
	27,027	-	27,027	57,337	(58,400)	25,964
Performing (Stage 1 and 2) Allowance	119,766	(31,229)	88,537	524	-	89,061
Total	$ 146,793	$ (31,229)	$ 115,564	$ 57,861	$ (58,400)	$ 115,025

Represented by:	
Loans	$ 110,834
Committed but undrawn credit exposures and letters of credit[3]	4,191
Total	$ 115,025

(1) Represents the transition impact of adopting IFRS 9 on November 1, 2019. For further information see Notes 1 and 2 of the 2019 audited annual financial statements.
(2) Recoveries in 2019 totaled $3,866.
(3) The performing 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.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was estimated under IFRS 9 beginning in fiscal 2019, with the provision in fiscal 2018 estimated under IAS 39. Under IFRS 9, the provision for credit losses as a percentage of average loans of 21 basis points related entirely to impaired loans. This compares to 20 basis points last year under IAS 39, consisting of 19 basis points related to impaired loans and one basis point related to performing loans. In dollar terms, the 2019 provision for credit losses of $58 million compares to $48 million last year.

CWB has a long history of strong credit quality and low loan losses, both of which compare very favourably to the Canadian banking industry. We continually analyze macroeconomic and other external factors that may impact core geographic regions and/or industries in which our clients operate.

Table 15 - Provision for Credit Losses
($ thousands)

	IFRS 9	IAS 39			
	2019	2018	2017	2016[3]	2015
Provision for credit losses on total loans[1]	0.21%	0.20%	0.23%	0.38%	0.17%
Provision for credit losses on impaired loans[1][2]	0.21	0.19	0.19	0.32	0.12
Write-offs[1]	0.23	0.18	0.21	0.34	0.06

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

DEPOSITS AND FUNDING

Highlights of 2019

- Strong execution against our balanced growth strategic objectives for growth and diversification of funding.
- Very strong branch-raised deposit growth of 12% from last year, including 14% growth of demand and notice deposits.
- Branch-raised deposits comprised 55% of total deposits at year end, compared to 52% in 2018.
- Reduced broker deposits by $153 million and decreased their proportion as a percentage of total funding to 32% of total deposits at year end, down from 35% in 2018.
- Growth of debt capital markets with three successful senior deposit note issuances totaling $900 million.
- Growth of debt related to securitization to support originations of both equipment loans and leases, and residential mortgages.

Table 16 - Deposits
($ thousands)

	Demand	Notice	Term	2019 Total	% of Total
Personal	$ 34,296	$ 4,452,592	$ 10,813,617	$ 15,300,505	60%
Business and government	715,875	3,420,754	2,595,531	6,732,160	27
Capital markets	-	-	3,318,696	3,318,696	13
Total Deposits	$ 750,171	$ 7,873,346	$ 16,727,844	$ 25,351,361	100%
% of Total	3%	31%	66%	100%	

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

We delivered strong execution against our funding diversification strategy in 2019. Total deposits of $25.4 billion were up 7% ($1.7 billion).

Relationship-based, branch-raised funding increased 12% ($1.5 billion) from last year, with very strong 14% growth of demand and notice deposits. Branch-raised deposits represented 55% of total deposits at October 31, 2019, compared to 52% last year. Demand and notice deposits comprised 34% of total deposits, compared to 32% in 2018.

Personal deposits increased 6% ($817 million), including deposits issued through the deposit broker network, and business and government deposits increased 8% ($522 million). The proportion of deposits raised through the capital markets was stable at 13% of total deposits, with three successful senior deposit note issuances totaling $900 million. We also increased debt related to securitization to support originations of equipment leases and residential mortgages.

Table 17 - Deposits by Source
(as a percentage of total deposits at October 31)

	2019	2018
Branches	55%	52%
Deposit brokers	32	35
Capital markets	13	13
Total	100%	100%

References to branch-raised deposits within this MD&A include all deposits generated through CWB's full-service banking branches, including insured deposits raised through Valiant Trust's deposit-taking franchise, as well as deposits raised via CWB Trust Services and Motive Financial. Increasing the level of branch-raised business and personal deposits is an ongoing strategic focus for us as success in this area provides the most reliable and stable sources of funding. CWB's banking branches contributed approximately half of the increase in branch-raised deposits from last year, with Motive Financial contributing approximately one third of the increase and the remainder from CWB Trust Services.

CWB Trust Services raises deposits through notice accounts, including cash balances held in self-directed registered accounts as well as corporate trust deposits, and fixed term deposits through our CWB branch network. Motive Financial offers various deposit products to customers in all provinces and territories except Quebec. Deposits in Motive Financial at October 31, 2019 totaled $797 million, up from $305 million last year, mainly from strong growth in the Motive Savvy Savings account.

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

Other types of deposits are primarily sourced through a deposit broker network, through the deposit-taking franchises of both Canadian Western Bank and Canadian Western Trust, as well as debt capital markets. Deposits raised through deposit brokers are primarily insured, and the broker deposit market remains an efficient and liquid source of funding. Although these funds are subject to commissions, this cost is countered by a reduced dependence on a more extensive branch network and the benefit of generating insured fixed term retail deposits over a wide geographic base. Of note, we actively raise only fixed term deposits through this funding channel, with terms to maturity between one and five years, and do not offer a High Interest Savings Account (HISA) product. Strong core deposit growth this year resulted in lower outstanding balances of broker-sourced deposits compared to last year. Broker deposits comprised 32% of total deposits at year end, down from 35% in 2018.

We continue to invest in our securitization capabilities and utilize securitization funding through participation in lease securitization vehicles, the NHA MBS program and the Canada Mortgage Bond (CMB) program. Fiscal 2019 funding from the securitization of leases, loans and mortgages was $907 million (2018 – $1.2 billion), including $704 million (2018 – $1.1 billion) of equipment leases and loans, and $203 million (2018 – $182 million) from participation in the CMB program.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2019 totaled $583 million (2018 – $ 579 million). Goodwill and intangible assets recorded on the balance sheet at October 31, 2019 were $85 million (2018 – $85 million) and $174 million (2018 – $161 million), respectively.

Other liabilities totaled $713 million at October 31, 2019 (2018 – $725 million).

LIQUIDITY MANAGEMENT

Highlights of 2019

- Maintained a prudent liquidity position and conservative investment profile.
- Continued to enhance reporting, forecasting and control activities for both liquidity and asset/liability management through further execution of our Treasury Infrastructure Program, which will support the implementation of a more robust Funds Transfer Pricing (FTP) framework.
- Higher balances of cash and securities at year end partly reflect liquidity requirements related to the subordinated debenture redemption that occured early in fiscal 2020.

A schedule outlining the consolidated securities portfolio at October 31, 2019 is provided in Note 6 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 United States government debt securities), short-term money market instruments, and other marketable securities;
- specific investment criteria and procedures are in place; and,
- the Board Risk Committee, annually reviews and approves the structural interest rate, and liquidity and funding risk policies and risk appetite statements.

Our comprehensive liquidity management process includes, but is not limited to, the following priorities:

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

Table 18 - Liquid Assets
($ thousands)

	2019	2018	Change from 2018
Cash and non-interest bearing deposits with financial institutions	$ 116,963	$ 73,822	$ 43,141
Deposits with regulated financial institutions	293,856	26,825	267,031
Cheques and other items in transit	5,023	52,574	(47,551)
Total Cash Resources	415,842	153,221	262,621
Government of Canada, provincial and municipal debt, term to maturity 1 year or less	1,071,125	377,657	693,468
Government of Canada, provincial and municipal debt, term to maturity more than 1 year	738,872	1,469,984	(731,112)
NHA mortgage-backed securities(1)	394,342	330,599	63,743
Other debt securities	191,046	143,536	47,510
Securities purchased (sold) under resale agreements	10,401	(95,126)	105,527
Total Securities Sold Under Repurchase Agreements and Marketable Securities	2,405,786	2,226,650	179,136
Total Liquid Assets	$ 2,821,628	$ 2,379,871	$ 441,757
Total Assets	$ 31,424,235	$ 29,021,463	$ 2,402,772
Liquid Assets as a Percentage of Total Assets	9%	8%	100 bp(2)
Total Cash and Securities	$ 2,475,415	$ 2,237,973	$ 237,442
Cash and Securities as a Percentage of Total Assets	8%	8%	- bp(2)
Total Deposit Liabilities	$ 25,351,361	$ 23,699,957	$ 1,651,404
Liquid Assets as a Percentage of Total Deposit Liabilities	11%	10%	100 bp

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

Liquid assets, as defined by OSFI, comprised of cash, deposits, securities sold under repurchase agreements and marketable debt securities totaled $2.8 billion at October 31, 2019 (2018 – $2.4 billion). Liquid assets represented 9% (2018 – 8%) of total assets and 11% (2018 – 10%) of total deposit liabilities at year end.

Our 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 liabilities. The composition of total liquid assets supports ongoing compliance with the OSFI Liquidity Adequacy Requirements guideline. Higher balances of cash and securities at year end partly reflect liquidity requirements related to the planned subordinated debenture redemption that occured in early fiscal 2020. Other key changes in the composition of liquid assets at October 31, 2019 compared to the prior year include:

- maturities within one year comprise 59% (2018 – 39%);
- Government of Canada, provincial and municipal debt securities and unencumbered NHA MBS comprise 78% (2018 – 92%);
- deposits with regulated financial institutions comprise 15% (2018 – 6%); and,
- other marketable securities and securities sold under repurchase agreements comprise 7% (2018 – 2%).

Additional sources of liquidity and funding in 2019 included $907 million (2018 – $1.2 billion) from the securitization of leases and mortgages, including $837 million (2018 – $608 million) of residential mortgages which represent utilization of our NHA MBS allocation and $203 million (2018 – $182 million) from participation in the CMB program. Sources of incremental new funding included branch-raised deposits, issuances of senior deposit notes, subordinated debentures and preferred shares, as well as securitization activity. 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, 2019		Within 1 Month		1 to 3 Months		3 Months to 1 Year		Cumulative Within 1 Year
Demand deposits	$	750	$	-	$	-	$	750
Notice deposits		6,963		193		717		7,873
Deposits payable on a fixed date		685		1,261		4,748		6,694
Total	$	**8,398**	$	**1,454**	$	**5,465**	$	**15,317**
October 31, 2018 Total	$	8,201	$	1,216	$	4,285	$	13,702

Table 20 - Total Deposit Maturities
($ millions)

October 31, 2019		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	$	750	$	-	$	-	$	-	$	-	$	-	$	750
Notice deposits		7,873		-		-		-		-		-		7,873
Deposits payable on a fixed date		6,694		5,013		2,242		1,793		986		-		16,728
Total	$	**15,317**	$	**5,013**	$	**2,242**	$	**1,793**	$	**986**	$	**-**	$	**25,351**
October 31, 2018 Total	$	13,702	$	3,831	$	3,345	$	1,321	$	1,501	$	-	$	23,700

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. We continue to develop and implement strategies to compete for branch-raised deposits, and to strengthen this channel as 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.

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		Par Value
Non-NVCC subordinated debentures	3.463%(1)	December 17, 2024	December 17, 2019	$	250,000
NVCC subordinated debentures	3.668%(2)	June 11, 2029	June 11, 2024		250,000

(1) These conventional debentures had a 12-year term with a fixed interest rate for the first seven years. Thereafter, if not redeemed the interest rate would have reset quarterly at the 3-month Canadian Dollar Offered Rate (CDOR) plus 160 basis points. All of the outstanding 3.463% non-NVCC subordinated debentures were redeemed on November 18, 2019 at an aggregate amount of $253,900, representative of the early redemption value plus accrued interest.

(2) These conventional debentures have a 10-year term with a fixed interest rate for the first five years. Thereafter, the interest rate will be reset quarterly at the 3-month CDOR plus 199 basis points.

In addition to deposit liabilities and subordinated debentures, we have notional debt securities related to the securitization of loans, leases and mortgages to third parties (refer to Note 9 and 16 of the consolidated financial statements for additional information).

Highlights of 2019

- We expect to submit final application and receive regulatory approval in fiscal 2020 for transition to the AIRB approach for capital and risk management.
- Very strong Basel III CET1 regulatory capital ratio of 9.1% under the *Standardized* approach for calculating risk-weighted assets.
- Cash dividends of $1.08 per share paid to common shareholders, up 8%
- Very conservative Basel III leverage ratio of 8.3%, compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.
- Repurchased 1.8 million common shares on the open market at a weighted average price of $27.08 per share under the normal course issuer bid (NCIB) which terminated on September 30, 2019.
- Launched a new NCIB authorizing the purchase for cancellation up to 1.7 million common shares, terminating on September 30, 2020.
- Reset the fixed rate non-cumulative cash dividend for Series 5 preferred shares to 4.301% per annum.
- Issued $125 million five-year rate reset non-viability contingent capital (NVCC) First Preferred Shares Series 9.
- Issued $250 million of NVCC subordinated debentures due June 11, 2029.

Subsequent Highlights

- On December 4, 2019, the Board of Directors declared a cash dividend of $0.28 per common share, unchanged from the prior quarter and up 8% from the dividend declared in the same period last year. The Board also declared preferred share cash dividends of $0.2688125 per Series 5, $0.390625 per Series 7, and $0.375 per Series 9.
- Redeemed all $250 million of outstanding non-NVCC subordinated debentures on November 18, 2019.

This year we repositioned CWB's capital structure to both optimize our cost of capital and support ongoing profitable growth and strategic execution. We issued $125 million of new Series 9 preferred shares and reset the rate on outstanding Series 5 preferred shares to lower the cost. We issued $250 million of NVCC subordinated debentures, and subsequent to year end, redeemed all $250 million of non-NVCC subordinated debentures. We also repurchased 1,829,944 common shares on the open market at a weighted average price of $27.08 per common share under the NCIB which terminated on September 30, 2019. We launched a new NCIB authorizing the purchase for cancellation up to 1,740,000 common shares, representing approximately 2% of the issued and outstanding common shares, terminating on September 30, 2020.

We manage capital 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. We have implemented an ICAAP to establish target capital levels deemed prudent to effectively manage risks, including potential capital shocks from unexpected macroeconomic and/or CWB-specific events.

We provide a share incentive plan to officers and employees who are in a position to materially impact the longer term financial success of the organization, as measured by overall profitability, earnings growth, share price appreciation and dividends. Note 18 to the 2019 annual 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 all series of preferred shares are deemed eligible by the Board and 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 https://www.cwb.com/investor-relations.

We complied with all internal and external capital requirements in 2019.

AIRB TRANSITION PLAN

Our project continues in support of an application to OSFI for transition to the AIRB methodology for capital and risk management. In the second quarter of 2019, we revised our expected date to submit our final application from 2019 to 2020. This change reflected the iterative and conservative approach we have undertaken to achieve this transformational milestone, which we expect to create meaningful and lasting value for shareholders. We continue to expect to receive regulatory approval to transition in 2020.

Transition to the AIRB approach will put us on more equal footing with our competition and increase our addressable market. It will add risk sensitivity to our framework for capital management, increase risk quantification processes, improve risk-based pricing capabilities and economic capital estimations, improve stress testing capabilities and enhance our ICAAP. These improved risk management capabilities will better equip CWB to allocate resources to target business segments that generate the most attractive risk-adjusted returns.

Our AIRB transition project is comprised of several discrete phases, including: establishment of formalized project governance; creation of models including data collection, development and testing, deployment, operationalization and use test; model validation; and, submission of the final application to OSFI. All material AIRB models and related scorecards have been deployed into the business, with ongoing enhancement of existing models underway.

Further development of ERM function is also ongoing, including: three lines of defence enhancement, stress testing capabilities, and economic capital estimation. Implementation of CWB's AIRB risk-weighted asset calculation and capital reporting tools continues.

BASEL III CAPITAL ADEQUACY ACCORD

OSFI requires Canadian financial institutions to manage and report regulatory capital in accordance with the Basel III capital management framework. We currently report regulatory capital ratios using the *Standardized* approach for calculating risk-weighted assets, which requires CWB to carry significantly more capital for certain credit exposures compared to requirements under the AIRB methodology. For this reason, regulatory capital ratios of banks that utilize the *Standardized* approach are not directly comparable with the large Canadian banks and other financial institutions that utilize the AIRB methodology. CWB's required minimum regulatory capital ratios, 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.

With very strong capital ratios of 9.1% CET1, 10.7% Tier 1 and 12.8% Total capital at October 31, 2019, CWB is well positioned to create value for shareholders through a range of capital deployment options consistent with our balanced growth strategic objectives. Ongoing support and development of each of CWB's core businesses will remain a key priority, and we will continue to evaluate potential strategic acquisitions. CWB's Basel III leverage ratio of 8.3% at year end remains very strong.

The Basel Committee on Banking Supervision (BCBS) finalized Basel III reforms in fiscal 2017, with an effective date of January 2022. The final Basel III reforms included adjustments to the calculation of risk-weighted assets (RWAs), which more specifically included changes to both the standardized approach (SA) and internal ratings based (IRB) approach to credit risk, operational risk, and credit valuation adjustments as well as to the AIRB capital floors. The reforms are mainly intended to reduce the variability in capital levels and to address a number of weaknesses in the existing capital framework. OSFI is currently engaged in a consultation process with interested stakeholders on its proposed policy direction and its timelines for implementation of the final Basel III reforms in Canada.

On October 30, 2018, OSFI revised its securitization framework to reflect the adoption of the BCBS' Revisions to the *Securitisation Framework and Capital Treatment for Short-term "Simple, Transparent and Comparable" Securitisations*. The new requirements were effective November 1, 2018, however OSFI provided transitional arrangements for transactions undertaken before January 1, 2019. In addition, OSFI allowed a one-year grandfathering of the securitization framework for all exposures held at October 31, 2018. Upon adoption of the revised guidelines, there was no material impact to CWB's capital ratios.

On October 30, 2018, OSFI also revised its guidelines to incorporate the new BCBS *Standardized* approach methodologies for measuring counterparty credit risk and capital requirements for exposures to central counterparties. The adoption required over-the-counter derivative exposures to be reflected under the new *Standardized Approach for Measuring Counterparty Credit Risk* (SA-CCR), instead of the previous methodology based on the current exposure method. The adoption of these guidelines had no material impact to CWB's capital ratios.

On October 30, 2018, OSFI published its updated *Leverage Requirements Guideline*, effective for November 1, 2018. The revisions align the leverage guideline with OSFI's 2019 adoption of the BCBS standard on SA-CCR and the revisions to the securitization framework discussed above.

On November 20, 2018, OSFI also finalized the *Leverage Ratio Disclosure Requirements* guideline, effective for November 1, 2018. The adoption of these guidelines had no material impact to CWB's leverage ratio.

On July 11, 2019, OSFI released a discussion paper titled *Advancing Proportionality: Tailoring Capital and Liquidity Requirements for Small and Medium-Sized Deposit Taking Institutions*. OSFI launched a public consultation process on the discussion paper and is now considering the submissions.

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

	2019	2018	Change from 2018
Regulatory Capital, Net of Deductions			
Common equity Tier 1	**$ 2,302,551**	$ 2,153,019	$ 149,532
Tier 1	**2,692,714**	2,418,231	274,483
Total	**3,232,807**	2,788,048	444,759
Capital Ratios			
Common equity Tier 1	**9.1%**	9.2%	(10) bp
Tier 1	**10.7**	10.3	40
Total	**12.8**	11.9	90
Leverage Ratio	**8.3**	8.0	30

(1) bp – basis points.

Our very strong CET1 capital ratio of 9.1% compares to 9.2% last year. The impacts of earnings net of dividends, the IFRS 9 transitional adjustment to opening retained earnings and positive other comprehensive income were more than offset by the combined impact of strong risk-weighted asset growth, and common shares repurchased under the NCIB. The Tier 1 and Total capital ratios increased 40 basis points and 90 basis points, respectively, primarily reflecting the issuance of $125 million NVCC Series 9 Preferred Shares and $250 million of NVCC subordinated debentures, partially offset by the items noted above, as well as the fact that a portion of the $250 million of non-NVCC subordinated debentures outstanding during the year was not included in Total capital in 2019. At 8.3% (8.0% as at October 31, 2018), the Basel III leverage ratio remains very conservative.

Table 23 - Regulatory Capital
($ thousands)

	As at October 31 2019	As at October 31 2018
Common Equity Tier 1 Capital Instruments and Reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	$ 756,279	$ 768,638
Retained earnings	1,785,273	1,649,196
Accumulated other comprehensive income and other reserves	(8,600)	(48,962)
Common equity Tier 1 capital before regulatory adjustments	2,532,952	2,368,872
Regulatory adjustments to Common equity Tier 1(1)	(230,401)	(215,853)
Common equity Tier 1 capital	2,302,551	2,153,019
Additional Tier 1 Capital Instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	390,000	265,000
Additional Tier 1 instruments issued by subsidiaries and held by third parties	163	212
Additional Tier 1 capital	390,163	265,212
Tier 1 capital	2,692,714	2,418,231
Tier 2 Capital Instruments and Allowances		
Directly issued capital instruments	248,494	-
Directly issued capital instruments subject to phase out from Tier 2(2)	202,500	250,000
General allowance for credit losses	89,061	119,766
Tier 2 instruments issued by subsidiaries and held by third parties	38	51
Tier 2 capital before regulatory adjustments	540,093	369,817
Total capital	$ 3,232,807	$ 2,788,048

(1) CET1 deductions include goodwill and intangible assets, net of related tax.
(2) The 2019 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 30% (2018 – 40%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2019, $47,500 (2018 – nil) was excluded from Total regulatory capital related to outstanding non-NVCC subordinated debentures.

Table 24 - Risk-Weighted Assets
($ thousands)

				As at October 31, 2019	
	Cash, Securities and Resale Agreements	Loans	Other Items	Total	Risk-Weighted Assets
Corporate	$ 94,491	$ 17,689,942	$ -	$ 17,784,433	$ 17,708,342
Sovereign	1,852,338	9,297	-	1,861,635	1,859
Bank	426,966	51	-	427,017	77,370
Retail residential mortgages	65,086	5,690,445	-	5,755,531	1,667,224
Other retail					
Excluding small business entities	-	184,947	-	184,947	125,144
Small business entities	-	3,331,350	-	3,331,350	2,538,663
Equity	18,292	-	-	18,292	18,292
Undrawn commitments	-	339,641	-	339,641	335,935
Operational risk	-	-	114,690	114,690	1,433,625
Securitization risk	-	162,182	-	162,182	800,856
Derivative exposures	-	-	47,690	47,690	17,989
Other	-	242,186	511,431	753,617	476,994
As at October 31, 2019	$ 2,457,173	$ 27,650,041	$ 673,811	$ 30,781,025	$ 25,202,293
As at October 31, 2018	$ 2,174,038	$ 25,443,612	$ 689,488	$ 28,307,138	$ 23,486,242

Table 25 - Risk-Weighting Category
($ thousands)

	0%	20%	35%	50%	75%	100%	150% and greater	As at October 31, 2019 Balance	Weighted
Corporate	$ 30,938	$ 89,078	$ -	$ 10,065	$ -	$ 17,592,067	$ 62,285	$ 17,784,433	$ 17,708,342
Sovereign	1,852,338	9,297	-	-	-	-	-	1,861,635	1,859
Bank	40,376	386,589	-	-	-	52	-	427,017	77,370
Retail residential mortgages	1,067,378	-	4,641,167	-	19,937	25,422	1,627	5,755,531	1,667,224
Other retail									
Excluding small business entities	17,972	172	-	-	166,793	1	9	184,947	125,144
Small business entities	9,287	1,155	-	-	3,188,703	102,804	29,401	3,331,350	2,538,663
Equity	-	-	-	-	-	18,292	-	18,292	18,292
Undrawn commitments	-	-	-	-	15,000	324,553	88	339,641	335,935
Operational risk	-	-	-	-	-	-	114,690	114,690	1,433,625
Securitization risk	-	-	-	-	-	-	162,182	162,182	800,856
Derivative exposures	-	47,003	-	-	-	-	687	47,690	17,989
Other	318,092	5,164	-	-	48,520	344,175	37,666	753,617	476,994
As at October 31, 2019	**$ 3,336,381**	**$ 538,458**	**$ 4,641,167**	**$ 10,065**	**$ 3,438,953**	**$ 18,407,366**	**$ 408,635**	**$ 30,781,025**	**$ 25,202,293**
As at October 31, 2018	$ 3,052,548	$ 188,388	$ 4,412,605	$ 5,023	$ 3,133,833	$ 17,159,188	$ 355,553	$ 28,307,138	$ 23,486,242

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 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 this MD&A.

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.

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

Income and expenses are classified as to source, either securities or loans for income, and deposits or 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.

Table 26 - Derivative Financial Instruments
($ thousands)

	2019	2018
Notional Amounts		
Interest rate swaps designated as cash flow hedges(1)	$ 6,828,000	$ 4,908,000
Foreign exchange contracts not designated as accounting hedges(2)	270,913	189,128
Interest rate swaps designated as fair value hedges(3)	39,746	-
Bond forwards designated as cash flow hedges(4)	20,000	15,000
Equity swaps designated as cash flow hedges(5)	19,268	18,285
Equity swaps not designated as accounting hedges(6)	5,319	5,842
Total	$ 7,183,246	$ 5,136,255

(1) CWB receives interest at a fixed contractual rate and pays interest on the one-month (30-day) Canadian Bankers' Acceptance rate. Interest rate swaps designated as accounting cash flow hedges outstanding at October 31, 2019 mature between November 2019 and September 2024.
(2) Foreign exchange contracts outstanding at October 31, 2019 mature between November 2019 and April 2020.
(3) Interest rate swaps designated as accounting fair value hedges outstanding at October 31, 2019 mature in August and December 2022.
(4) Bond forward contracts outstanding at October 31, 2019 mature in December 2019.
(5) Equity swaps designated as accounting hedges outstanding at October 31, 2019 mature between June 2020 and June 2022.
(6) Equity swaps not designated as accounting hedges outstanding at October 31, 2019 mature in June 2020.

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. We do 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. As part of our structural Market Risk Policy the use of derivative financial instruments are approved, reviewed and monitored on a regular basis by Asset Liability Committee (ALCo), and are reviewed and approved by the Board Risk Committee no less than annually.

OFF-BALANCE SHEET

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets under administration, third-party leases under administration, and mortgages under service agreements, totaled $9.3 billion at October 31, 2019 (2018 – $8.4 billion).

Assets under management held within CWB Wealth Management, including CWB McLean & Partners Wealth Management, were $2.1 billion at year end (2018 – $2.1 billion).

Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit). We do not utilize, nor do we have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Note 20 of the consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER

QUARTERLY RESULTS

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

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

Detailed MD&A 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 our 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)

	2019(2)				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Results from Operations								
Net interest income	$ 201,439	$ 199,746	$ 191,057	$ 193,342	$ 189,093	$ 186,644	$ 177,986	$ 171,267
Non-interest income	19,414	18,738	18,711	19,097	19,473	18,345	18,600	21,950
Total revenue	220,853	218,484	209,828	212,439	208,566	204,989	196,586	193,217
Pre-tax, pre-provision income	114,390	116,975	111,692	118,073	111,182	110,695	107,247	107,064
Common shareholders' net income	67,512	70,964	61,965	66,499	64,501	62,362	60,464	61,929
Earnings per common share								
Basic	0.77	0.81	0.71	0.75	0.73	0.70	0.68	0.70
Diluted	0.77	0.81	0.71	0.75	0.72	0.70	0.68	0.69
Adjusted cash	0.78	0.82	0.74	0.80	0.78	0.75	0.73	0.75
Return on common shareholders' equity	10.6%	11.3%	10.5%	11.1%	11.1%	10.8%	11.1%	11.1%
Adjusted return on common shareholders' equity	10.7	11.4	11.0	11.9	11.9	11.7	12.0	12.0
Return on assets	0.86	0.92	0.85	0.90	0.89	0.88	0.89	0.91
Efficiency ratio	48.2	46.5	46.8	44.4	46.7	46.0	45.4	44.6
Net interest margin	2.55	2.60	2.63	2.61	2.61	2.64	2.61	2.52
Operating leverage	(3.4)	(1.1)	(3.1)	0.4	0.1	(1.4)	5.4	3.9
Provision for credit losses on total loans as a percentage of average loans	0.19	0.19	0.23	0.24	0.19	0.21	0.20	0.18
Provision for credit losses on impaired loans as a percentage of average loans	0.18	0.22	0.22	0.22	0.19	0.22	0.20	0.16

(1) See page 20 for a discussion of non-IFRS measures.
(2) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2 of the 2019 audited annual financial statements). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.

FOURTH QUARTER OF 2019

Overview of Operations

Q4 2019 VS. Q4 2018

Common shareholders' net income of $68 million and pre-tax, pre-provision income of $114 million were up 5% and 3%, respectively. Total revenue of $221 million was up 6% from last year, including a 7% increase in net interest income. Higher net interest income reflects solid 8% loan growth, partially offset by a six basis point decrease in net interest margin to 2.55%. Net interest margin declined as higher asset yields and favourable changes in funding mix were more than offset by increased funding costs and changes in asset mix. Non-interest income of $19 million was consistent with last year, with fourth quarter results in fiscal 2018 including $0.6 million of gains on sale related to the CWT strategic transactions. The IFRS 9 provision for credit losses on total loans as a percentage of average loans was 19 basis points. Under IAS 39, provisions for credit losses represented 19 basis points in the fourth quarter of last year. Non-interest expenses were up 9%, reflecting investments to support continued growth and strategic execution, including increased advertising. Higher salaries and benefits comprised two thirds of the increase and primarily reflect additional hiring. Three quarters of the increase in premises and equipment costs related to technology investment. Acquisition-related fair value changes were $5 million lower, reflecting completion of the earn-out period on February 28, 2019 for the contingent consideration related to the successful and accretive acquisition of CWB Maxium Financial. Preferred share dividends were $2 million higher. Diluted and adjusted cash earnings per common share of $0.77 and $0.78 were up 7% and nil, respectively. The higher growth rate of diluted earnings per common share primarily reflects no acquisition-related fair value changes this quarter.

Q4 2019 VS. Q3 2019

Common shareholders' net income and pre-tax, pre-provision income were down 5% and 2%, respectively. Total revenue was up 1%. Growth in net interest income of 1% reflected 1% loan growth, partially offset by a five basis point decrease in net interest margin. Moderate loan growth partly reflected payouts from successful project completions in our real estate portfolio. Within net interest margin, positive changes in funding mix from higher growth in demand and notice deposits was more than offset by changes in asset mix, lower asset yields and increased funding costs. Non-interest income was up 4% and the provision for credit losses as a percentage of average loans was unchanged. Non-interest expenses were 5% higher, reflecting the factors noted above. The fourth quarter also included higher consulting fees and customary seasonal increases in employee training and community investment. Diluted and adjusted cash earnings per common share were both down 5%.

ADJUSTED ROE AND ROA

The fourth quarter adjusted ROE of 10.7% was 120 basis points lower compared to the same period last year. The change mainly reflects 10% growth of average common shareholders' equity from the fourth quarter last year, with an increase in accumulated other comprehensive income and retained earnings growth, partially offset by the impact of common shares purchased for cancellation, compared to a 1% reduction in fourth quarter adjusted common shareholders net income.

Adjusted ROE was 70 basis points lower on a sequential basis, mainly reflecting 4% lower adjusted net income this quarter and 2% growth in average common shareholders' equity.

The fourth quarter return on assets (ROA) of 0.86% was three basis points lower than the prior year as growth of net income was outpaced by growth of average assets. ROA was down six basis points from the prior quarter, reflecting the same factors.

EFFICIENCY RATIO

The fourth quarter efficiency ratio of 48.2%, which measures adjusted non-interest expenses divided by total revenue, compares to 46.7% in the same period last year and 46.5% in the previous quarter. Compared to last year and last quarter, revenue growth was outpaced by growth of non-interest expenses, mainly reflecting continued investment in strategic execution.

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 expected credit losses for both performing assets and impaired assets based on management's estimate at the balance sheet date and forward-looking information. Under IFRS 9 effective November 1, 2018, the allowance for credit losses related to performing and impaired assets is estimated using an ECL approach that represents the discounted probability-weighted estimate of cash shortfalls expected to result from defaults over the relevant time horizon. To do this, the ECL approach incorporates a number of underlying assumptions which involve a high degree of management judgment and can have a significant impact on financial results. Significant key drivers impacting the estimation of ECL, which are interrelated, include:

- changes in internal risk ratings attributable to a borrower or instrument reflecting changes in credit quality;
- thresholds used to determine when a borrower has experienced a significant increase in credit risk; and,
- changes in forward-looking information, specifically related to variables to which the ECL models are calibrated.

The inputs and models used for estimating ECL may not always capture all emerging market conditions and as such, qualitative adjustments based on expert judgment that consider reasonable and supportable information may be incorporated. 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. At October 31, 2019, our total allowance for credit losses was $115 million which includes an allowances for credit losses related to impaired assets of $26 million and an allowances for credit losses related to performing assets of $89 million. Additional information on the process and methodology for determining the allowance for credit losses under IFRS 9 and IAS 39 during fiscal 2019 and 2018, respectively, and the transition between the standards on November 1, 2018 can be found in the discussions of Credit Quality and Changes in Accounting Policies and Financial Statement Presentation, respectively, in this MD&A and in Note 1, 2 and 8 to the consolidated financial statements.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Cash resources, securities, 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 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.

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, 2019	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	$ 415,842	$ 139,876	$ 275,966	$ -
Securities	2,019,207	141,070	1,878,137	-
Securities purchased under resale agreements	40,366	-	40,366	-
Loans	28,478,436	-	-	28,478,436
Derivatives	47,815	-	47,815	-
Total Financial Assets	$ 31,001,666	$ 280,946	$ 2,242,284	$ 28,478,436
Financial Liabilities				
Deposits	$ 25,544,270	$ -	$ 25,544,270	$ -
Securities sold under resale agreements	29,965	-	29,965	-
Debt	2,444,034	-	2,444,034	-
Derivatives	14,016	-	14,016	-
Total Financial Liabilities	$ 28,032,285	$ -	$ 28,032,285	$ -

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

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

Notes 3, 5, 6, 7, 8, 12, 14, 16, 25 and 27 to the consolidated financial statements provide additional information regarding these financial instruments.

CHANGES IN ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

IFRS 9 FINANCIAL INSTRUMENTS

CWB adopted IFRS 9, which replaces IAS 39 for the fiscal year beginning November 1, 2018. As permitted by IFRS 9, we have not restated prior period comparative figures and have recognized an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) to reflect the application of the new requirements at the adoption date. For further details, refer to Notes 1 and 2 of the consolidated financial statements.

The most significant impact to CWB with the transition to IFRS 9 is the introduction of an ECL approach for measuring impairment that is applicable to financial assets measured at amortized cost, debt securities measured at FVOCI, and certain off-balance sheet loan commitments and financial guarantee contracts. The implementation of an ECL approach under IFRS 9, which results in allowances for credit losses being recognized on financial assets regardless of whether there has been an actual loss event, is a significant change from the incurred loss model under IAS 39.

Under IFRS 9, we refer to allowances and provisions for credit losses on impaired loans (Stage 3) and performing loans (Stages 1 and 2). Our specific allowances under IAS 39 are consistent with Stage 3 allowances for credit losses under IFRS 9, while the collective allowance under IAS 39 is replaced by Stage 1 and 2 allowances for credit losses under IFRS 9.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) was issued in May 2014, and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related Interpretations. IFRS 15 provides a single, principles-based five-step model that applies to all contracts with customers. The standard excludes from its scope revenue arising from items such as financial instruments and leases as these fall within the scope of other IFRSs. We performed a detailed analysis on each revenue stream that is within the scope of the new standard. We adopted IFRS 15 using the modified retrospective approach and have concluded that there is no significant impact in relation to the adoption of IFRS 15.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of standards and amendments have been issued by the International Accounting Standards Board (IASB), and the following changes may have an impact on our future financial statements.

IFRS 16 LEASES

In January 2016, the IASB issued IFRS 16, which supersedes IAS 17 *Leases* (IAS 17). This standard provides principles for the recognition, measurement, presentation and disclosure of leases. The standard sets out a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize a right-of use asset and lease liability on the consolidated balance sheets for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the consolidated statements of income. Lessor accounting remains substantially unchanged other than additional disclosure requirements. IFRS 16 is effective for our fiscal year beginning November 1, 2019.

There are two methods by which the new standard may be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in opening retained earnings as of the date of adoption.

At initial application, we will elect the modified retrospective option permitted by IFRS 16, in which the lessee recognizes the cumulative effect, if any, on initial application in retained earnings as of November 1, 2019, subject to allowable and elected practical expedients. On initial adoption, we intend to use the following recognition exemptions and practical expedients, where applicable:

- not apply the requirements of IFRS 16 to short-term and low value leases;
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclude initial direct costs relating to existing leases from the measurement of the right-of-use assets;
- rely on previous assessment of whether leases are onerous in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review;
- use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease; and,
- treat existing operating leases with a remaining term of less than 12 months at November 1, 2019 as short-term leases.

We have completed the process of assessing existing contractual relationships to identify leases that will be recorded on the consolidated balance sheets upon the adoption of IFRS 16. The main impact for CWB will be recognizing right-of-use assets and lease liabilities for premises leases. Currently, premises leases are classified as operating leases, with lease expense recorded over the term of the lease with no asset or liability recorded on the consolidated balance sheets. Based on preliminary assessments, we expect to recognize right-of-use assets of approximately $75 million to $85 million, lease liabilities of $90 million to $100 million and a decrease in the common equity Tier 1 capital ratio of approximately 10 basis points upon transition to IFRS 16. The adoption of IFRS 16 is expected to have a nominal impact to ongoing profitability, as amortization of right-of-use assets and interest expense on lease liabilities will be mostly offset by a reduction in lease expense previously recognized in premises and equipment expense. The recognition of interest expense on premises leases will marginally contribute to net interest margin compression. The actual impact of adopting IFRS 16 on November 1, 2019, may differ from these estimates as we continue to review our calculations and refine certain inputs.

HEDGE ACCOUNTING

In September 2019, the IASB issued amendments to hedge accounting requirements in IFRS 9, IAS 39 and IFRS 7 *Financial Instruments: Disclosures* which address the possible effects of uncertainties created by Inter-bank Offered Rate (IBOR) reform. The amendments are effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of these amendments.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

In March 2018, the IASB issued a revised version of the *Conceptual Framework for Financial Reporting* which assists the IASB in developing IFRS standards and serves as an accounting policy guide when no IFRS standard applies. The amendments provide revised definitions and recognition criteria for assets and liabilities, and guidance on different measurement bases. The IASB also issued amendments to IFRS standards to refer to the revised framework. The revisions are effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of the revised framework.

RISK MANAGEMENT

The shaded areas of this MD&A represent a discussion of risk management policies and procedures relating to credit, market and liquidity risks as required under IFRS, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas presented on pages 52 to 68 of this MD&A form an integral part of the audited consolidated financial statements for the year ended October 31, 2019.

CWB'S APPROACH TO RISK MANAGEMENT

We maintain an integrated and disciplined approach to risk management. Effective risk management supports the creation of long-term shareholder value by providing a framework to optimize capital management and risk-adjusted capital returns. Our risk management framework guides us in prudent, balanced and measured risk-taking aligned with our balanced growth strategic objectives.

The ERM group develops and maintains our 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. To achieve our balanced growth strategic objectives and our long-term goal to be the best full-service bank for business owners in Canada requires continuous consideration, understanding and responsible management of all key risks at both the strategic and operational levels. CWB's core strategic objectives include an effective balance of risk and reward. This requires that each team member make common-sense business decisions by assessing risk and reward trade-offs considering our strategic objectives and risk appetite, along with regulatory and legal requirements. We consciously accept risks to create long-term value for stakeholders and support the responsible and efficient delivery of products and services to valued clients, provided those risks:

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

Highlights of 2019

We undertook further enhancements to CWB's Risk Management Framework in 2019 as part of the ongoing development and implementation of our 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 capital and risk management:
  - We plan to submit our final application and expect to receive regulatory approval for transition in 2020
  - We developed, operationalized, and enhanced AIRB models and AIRB-based stress testing capabilities
  - The transition will enhance CWB's competitive position and facilitate risk-based pricing, enable further optimization of capital allocation, facilitate business mix optimization, and enhance CWB's risk quantification, stress testing, and overall ERM capabilities
- Continued to enhance risk analytics, economic forecasting, and portfolio and systematic risk management capabilities;
- Further developed and matured CWB's ERM function and the three lines of defence framework to provide consistent, transparent and clearly documented allocation of accountabilities and segregation of functional responsibilities;
- Developed an overall legal, regulatory compliance and reputation risk management policy and continued to develop and enhance underlying supporting frameworks, including regulatory compliance risk management capabilities;
- Further developed and matured data governance frameworks;
- Continued to mature a second line of defence for risk-based pricing to support profitable growth; and,
- Continued to implement an advanced operational risk management framework.

Outlook for Risk Management

We will continue to support enhanced risk management capabilities through further development of ERM and risk appetite frameworks, and related risk policies. Key risk management priorities for 2020 include:

- Submission of CWB's final application and expected regulatory approval to transition to the AIRB approach for capital and risk management;
- Further development of second line frameworks for liquidity and technology risk;
- Utilization of CWB's economic capital framework;
- Continuous utilization of CWB's newly developed systematic risk management capabilities, including stress testing applications; and,
- Production of an AIRB model-enabled ICAAP.

RISK MANAGEMENT OVERVIEW

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

As with all financial institutions, we are in the business of managing risk and are therefore exposed to various risk factors that could adversely affect our 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 our businesses is subject to certain risks that require unique mitigation strategies.

We have demonstrated our 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 our direct control.

A description of key internal and external risk factors we consider is included in this risk management discussion. We actively evaluate 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 a robust risk management framework which addresses risks throughout CWB;
- Relatively low operational risk profile;
- No trading book;
- In-depth knowledge of CWB's clients;
- Increasing geographic diversification;
- Low balance sheet leverage;
- Low average duration of lending portfolios; and,
- Relatively low exposure to economically sensitive, unsecured retail lending portfolios.

RISK MANAGEMENT CHALLENGES

- Capital requirements under the *Standardized* approach, which are insensitive to the underlying economic risk, and do not adequately reflect CWB's demonstrated risk management strengths through multiple credit cycles;
- The potential impact of low interest rates on net interest income;
- Market volatility related to factors outside of CWB's control which affect investors' decisions to buy, sell or hold CWB shares or other securities;
- Macroeconomic volatility, including the impacts of constrained energy transportation infrastructure in Western Canada;
- Uncertainty related to trade agreements which could affect the outlook for Canadian exports and future economic growth;
- Increasing volume and complexity of regulatory requirements and expectations; and,
- Cyber security and other technology related risk.

RISK MANAGEMENT PRINCIPLES

CWB's risk management principles are based on the premise that we are in the business of accepting risks for appropriate return. We do not seek to eliminate financial risk, but seek to manage risk appropriately and optimize risk-adjusted returns on capital.

In conducting our business activities, we will take financial risks that are aligned with our balanced growth strategic objectives in a manner expected to create sustainable, long-term value for shareholders and other stakeholders. Our risk management principles are therefore aligned with CWB's strategic objectives, and embedded within our management practices.

The following principles guide the management of risks across all of our operations:

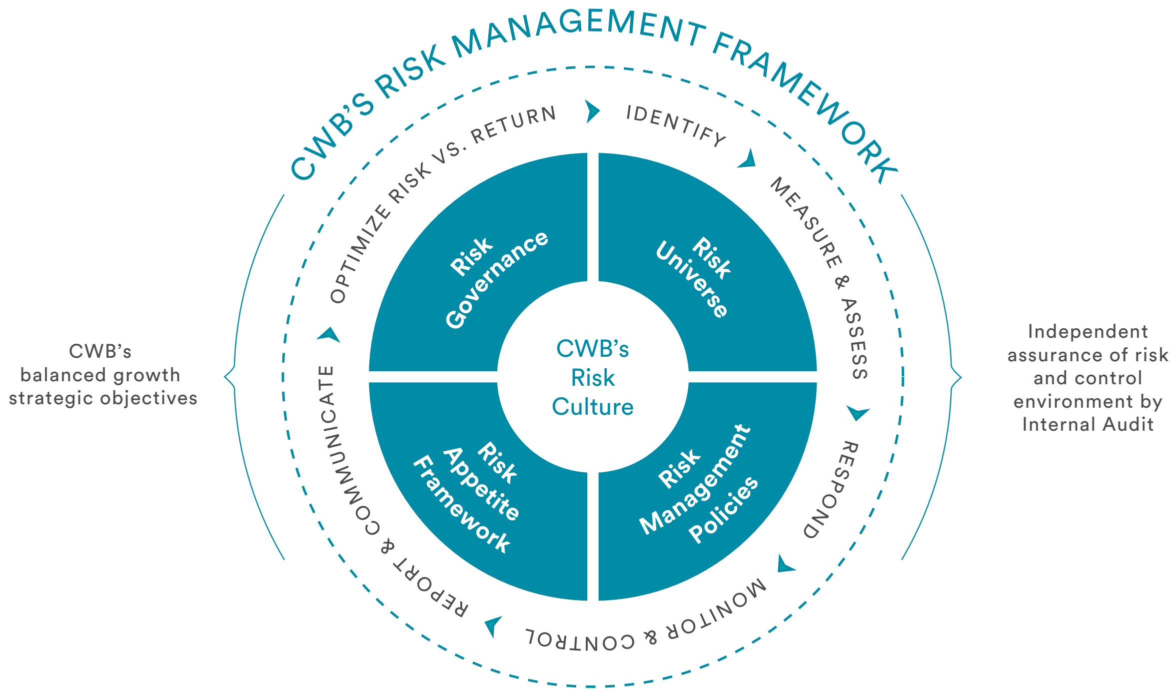
- Ongoing commitment to a three lines of defence risk governance framework with independent oversight and effective challenge from the second line, and an independent and effective Internal Audit function comprising the third line;
- A commitment to utilize AIRB capabilities for management of systematic risk, capital and risk return optimization, stress testing and balance sheet optimization;
- An effective balance of risk and reward through alignment of business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through sound preventative and detection controls;
- An enterprise-wide view of risk and the acceptance of risks required to build the business with continuous consideration for how those risks may affect CWB's reputation;
- The belief that every employee is accountable to understand and manage the risks inherent in their 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; and,
- Recognition that "knowing your client" reduces risks by ensuring the services provided are suitable for, and understood by, the client.

The mandate of our 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. Independent of the business, ERM measures and reports risk exposures against risk appetite limits for all risk types.

RISK MANAGEMENT FRAMEWORK

The primary goal of risk management is to ensure that the outcomes of risk-taking are consistent with our overall risk appetite, our balanced growth strategic objectives, and related business activities. The ERM framework provides the foundation for achieving this goal. We utilize the ISO 31000 Standard for Risk Management as a comprehensive framework to help ensure risk is managed effectively and efficiently.

Figure 4 - CWB's Risk Management Framework



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

Principal risks within our 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.

Our strong risk culture starts with an appropriate "tone at the top" that demonstrates and sends consistent and clear messages throughout the organization. Our 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: people first, relationships get results, embrace the new, the how matters, inclusion has power;
- Effective integration of our compensation strategy with desired risk behaviours;
- Risk management principles, policies and processes, including implementation of a three lines of defence framework;
- An environment where the first, second and third line can freely raise and escalate risk issues and concerns, issues are discussed diligently, and acted upon appropriately; and,
- Zero tolerance for inappropriate risk taking in violation of core values, risk appetite and reputational risk management principles.

Our 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. Our three lines of defence framework is described in Table 29.

Table 29 - Three Lines of Defence Framework

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

RISK APPETITE FRAMEWORK

Our 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 we are willing to assume through our business activities, while considering the priorities of all stakeholders. The risk appetite framework is forward-looking and integrates with CWB's balanced growth strategic objectives, including consideration for our 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 our overall risk appetite include the following:

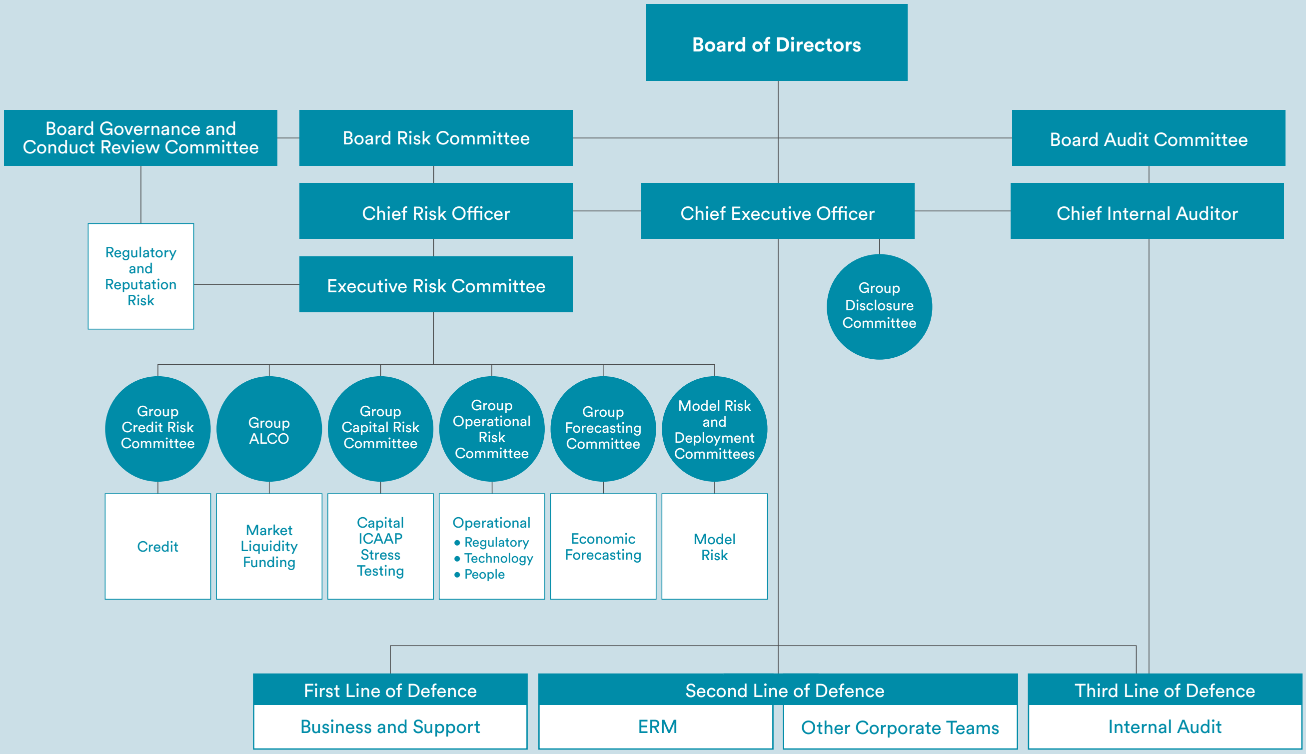
- An appropriately conservative risk culture that is prevalent throughout CWB, from the Board to senior management to front-line employees;
- A philosophy to only take risks that are aligned with our balanced growth strategic objectives and are expected to create sustainable, long-term value for stakeholders;
- A philosophy to only take risks that are transparent and understood, and that can be measured, monitored and managed;
- Careful and diligent management of risks at all levels led by a knowledgeable and experienced leadership 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, standards, guidelines and controls, with 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 and other corporate functions, as the second line, endorsed by senior management, and ultimately approved by the Board Risk Committee.

We conduct 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 periodic sensitivity testing of earnings and capital ratios ensures that CWB operates within Risk Limits.

Risk Management Governance Structure

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

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



Board of Directors – responsible for setting the strategies of CWB and overseeing management. 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, promotion of 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 and Conduct Review Committee – assists the Board in fulfilling its oversight responsibilities with respect to developing CWB's corporate governance policies and practices, including oversight of legal, regulatory compliance and reputation risk.

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

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

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

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

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

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

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

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

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

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

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

Group Forecasting Committee – develops an enterprise-wide view of the economic outlook;

Group Model Risk and Model Deployment Committees – develop and oversee CWB's model risk management framework and enterprise-wide model deployment.

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

Oversight teams 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;
- Integrated Risk Management – responsible for our interest rate and liquidity risk management framework, and to provide second line oversight for interest rate and liquidity risk management; implements the operational risk management framework; operationalizes second line oversight of risk-based pricing, with responsibility for profitability reporting and analysis; provides economic forecasting and develops stress-testing models;
- Risk Technology and Model Deployment – responsible to deploy AIRB and other risk models within CWB's risk technology infrastructure and produce AIRB risk ratings for Basel Capital Adequacy Requirements, Economic Capital and ICAAP purposes;
- 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;
- Model Vetting – responsible for development and maintenance of an enterprise-wide model risk management framework, and to monitor, effectively challenge and report on model risk in accordance with related policy and guidelines;
- Risk Capital and IFRS 9 – produces risk-based expected credit losses (ECL) under IFRS 9, Economic Capital and oversees all periodic risk production, as well as CWB's ICAAP;
- Finance – provides independent oversight of processes to manage financial reporting, external credit ratings, certain regulatory reporting, tax, and capital risk, including capital adequacy and capital management. This activity is overseen by CWB's CFO, who reports functionally to the Audit Committee;
- Legal, Regulatory Compliance and Investigations – provides second line oversight of legal, regulatory compliance, financial crime (including fraud, corruption and bribery, and anti-money laundering risks) and reputation risks with established and maintained relevant policies, frameworks and standards used by the first and second lines to identify, measure, mitigate and report on significant legal, regulatory compliance and reputation risks; and,
- Human Resources – provides second line oversight of people risks across the organization by establishing and maintaining relevant policies, frameworks and standards related to workforce practices and safety.

RISK MANAGEMENT POLICIES

To support effective communication, implementation, and governance of our risk management framework, ERM and other corporate functions codify processes and operational requirements in comprehensive management policies, frameworks, and standards. The first line in turn implements these second line protocols in guidelines and procedures. Such first and second line governance documentation promotes the application of a consistent approach to manage risk exposures across the enterprise. All risk policies are developed by the second line and approved by the Board Risk Committee, Governance and Conduct Review Committee, or the full Board of Directors, on an annual basis.

RISK UNIVERSE – REPORT ON PRINCIPAL RISKS

We pursue opportunities and the associated risks that are aligned with CWB's balanced growth strategic objectives and are expected to create sustainable long-term value for shareholders and other stakeholders. 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 our ERM 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. Our credit risk management culture reflects the unique combination of policies, standard 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 potential loss, most of our loans are secured by tangible collateral. CWB's approach to managing credit risk has proven to be very effective, as demonstrated by our 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

We are 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, standards, 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 review by Internal Audit of the adequacy and effectiveness of governance, risk management and control over credit risk across CWB Financial Group, which includes direct reporting of results to senior management, the CEO and the Audit Committee of the Board; and,
- Detailed quarterly reviews of accounts rated less than satisfactory. Reviews include a recap of action plans for each less than satisfactory account, the completion of a watch list report recording accounts with evidence of weakness and an impaired report covering loans that show impairment to the point where a loss is possible. Subject to independent oversight, effective challenge and independent assessment by the second line. A summary report of less than satisfactory accounts is reviewed on a quarterly basis by the Board Risk Committee.

Credit Risk Concentration

Risk diversification is addressed by establishing portfolio limits by geographic area, industry sector and product. The policy is to limit loans to connected corporate borrowers to not more than 10% of shareholders' equity. Under the Credit Risk Concentration Policy, the single risk exposure lending limit is $75 million. Our Credit Risk Concentration policy for certain quality connections with investment grade credit ratings of A- or better, that confirm debt service capacity and loan security from more than one source, will increase to $200 million commencing in fiscal 2020, up from $150 million. The connection limit remains $150 million for borrowers with credit ratings of BBB+. 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 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

Our 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. We target lending to small- and medium-sized businesses, and to individuals. Relationship banking and "knowing your client" are important tenets of effective account management. Earning an appropriate financial return for the level of risk is also fundamental.

Geographic diversification of the loan portfolio outside of Western Canada is achieved through ongoing strong growth within CWB's established businesses with a national footprint, including CWB Optimum, CWB National Leasing, CWB Maxium, and CWB Franchise Finance, as well as participation in syndicated lending facilities primarily led by other Canadian banks, and periodically through acquisition. We will also open our first full-service branch location in Ontario in fiscal 2020.

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. Our market risk is primarily comprised of structural interest rate risk on the balance sheet, liquidity and funding risk, and foreign exchange risk.

Risk Overview

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

We maintain a diversified cash and securities portfolio 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. We have limited direct exposure to foreign exchange risk. We maintain some investment risk from exposure to our discretionary investment portfolio comprised of preferred shares issued by public Canadian companies across a variety of industries.

Risk Governance

Market risk is managed in accordance with the approved structural interest rate risk, and liquidity and funding risk policies, the second line standard and the accompanying first line guideline. As the first line of defence, Treasury owns and manages CWB's market risk on a daily basis. ALCo provides tactical and strategic direction and is responsible for ongoing oversight, review and endorsement of operational guidelines. Integrated Risk Management provides independent second line monitoring and reporting of market risk exposure against risk appetite to ALCo, the Executive Risk Committee and Board Risk Committee.

Subcategories of Market Risk
INTEREST RATE RISK

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

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

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

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

Management of structural interest rate risk balances short-term income volatility against volatility in the long-term value of CWB's equity. Treasury manages the economic value of the balance sheet within a range around a target duration. Duration limits are approved by ALCo. The duration limits consider 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 historical simulations to evaluate 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.
- 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.

Both EaR and EVaR are measured against stress scenarios historically observed (historical simulation or historical Value at Risk (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 after Treasury hedging activity for periods of up to one year. The interest rate gap is measured at least monthly. Note 25 to the consolidated financial statements shows the gap position at October 31, 2019 for select time intervals.

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

The one-year and under cumulative gap represented 1.4% of total assets at October 31, 2019, compared to 0.8% one year ago, while the one-month and under gap was negative 3.1% compared to negative 1.8% 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 one year 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	2019	2018
1 year	$ 4,556	$ 6,234
1 year percentage change	0.58%	0.86%

Impact of 1% decrease in interest rates

Period	2019	2018
1 year	$ (7,463)	$ (7,467)
1 year percentage change	(0.95)%	(1.03)%

We estimate that a one-percentage point increase in all interest rates at October 31, 2019 would decrease unrealized gains related to FVOCI securities and the fair value of interest rate swaps designated as cash flow hedges, and result in a reduction in other comprehensive income of approximately $108 million, net of tax (October 31, 2018 – $105 million).

We estimate that a one-percentage point decrease in all interest rates at October 31, 2019 would result in an increase of unrealized gains related to FVOCI securities and the fair value of interest rate swaps designated as cash flow hedges, which would increase other comprehensive income by approximately $112 million, net of tax (October 31, 2018 – $107 million).

We maintain 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 our customers, we have assets and liabilities denominated in U.S. dollars. At October 31, 2019, assets denominated in U.S. dollars were 1.3% (2018 – 1.4%) of total assets and U.S. dollar liabilities were 1.4% (2018 – 1.6%) of total liabilities. We do not buy or sell currencies other than U.S. dollars other than to meet specific client needs. We have no material exposure to currencies other than U.S. dollars.

We have established policies that include limits on the maximum allowable differences between U.S. dollar assets and liabilities. We measure the difference daily and manage it through use of U.S. dollar forward contracts or other means. The Board Risk Committee reviews and approves policy respecting foreign exchange exposure at least annually. Any deviations from compliance with policy are reported monthly to ALCo and quarterly to the Board Risk Committee.

LIQUIDITY AND FUNDING RISK

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

Risk Overview

We maintain a sound, prudent and conservative approach to managing exposure to liquidity risk, including holding a portfolio of high-quality liquid assets to allow continued operation as a going concern under stressed conditions that may be caused by CWB-specific or systemic events. This pool of high-quality liquid assets 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.

Our key risk mitigation strategies include:

- An appropriate balance between the level of risk we undertake and the corresponding cost of risk mitigation that considers the potential impact of extreme but plausible events;
- Broad funding access, including preserving and growing a reliable base of core deposits and continual access to diversified sources of funding;
- A comprehensive group-wide liquidity contingency plan supported by a pool of unencumbered high-quality liquid assets and marketable securities that would provide assured access to liquidity in a crisis; and,
- 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 liquidity and funding risk. ALCo oversees the treasury function and provides tactical and strategic direction. Integrated Risk Management, as the second line, is responsible for independent oversight.

RISK MANAGEMENT

We have a comprehensive liquidity risk management policies. The key elements of managing liquidity risk for CWB include the following:

- Policy – Liquidity risk management policies establish a target 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 supports 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 to our liquidity position. Liquidity stress tests consider the effect of changes in funding assumptions, depositor behaviour and the market behaviour of liquid assets.

  We stress test liquidity as per the OSFI Liquidity Adequacy Requirement guideline. Stress test results are reviewed by ALCo and considered in making liquidity management decisions. Liquidity stress testing has many purposes, including, but not limited to:
  - Helping the Board Risk Committee and senior management understand the potential behaviour of various positions on CWB's balance sheet in circumstances of stress; and,
  - Facilitating the development of effective funding, risk mitigation and contingency plans.
- Contingency planning – A liquidity contingency plan is maintained that defines a liquidity event and specifies the desired approaches for analyzing and responding to actual and potential liquidity events. The plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential countermeasures to be considered at various stages of an event;
- Funding diversification – We actively pursue diversification of our deposit liabilities by source, type of depositor, instrument and term. Supplementary funding sources currently include securitization, capital market issuance and whole loan sales; and,
- Core liquidity – We maintain a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to CWB-specific events.

We remain in compliance with OSFI's Liquidity Adequacy Requirements guideline.

Contractual Obligations

We enter into contracts in the normal course of business that give rise to commitments of future minimum payments that may affect the liquidity position. In addition to the obligations related to deposits and subordinated debentures discussed in the Deposits and Liquidity Management sections of this MD&A, as well as Notes 14, 16, 20 and 24 to the consolidated financial statements, the following contractual obligations are outstanding at October 31, 2019:

Table 31 - Contractual Obligations
($ thousands)

		Within 1 Year		1 to 3 Years		4 to 5 Years		More than 5 Years		Total
Lease commitments	$	14,946	$	27,192	$	22,503	$	27,943	$	92,584
Purchase obligations for operating and capital expenditures		1,659		1,393		-		-		3,052
October 31, 2019	**$**	**16,605**	**$**	**28,585**	**$**	**22,503**	**$**	**27,943**	**$**	**95,636**
October 31, 2018	$	15,768	$	37,713	$	8,971	$	24,338	$	86,790

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 our 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 Morningstar for CWB, as well as the corresponding rating agency outlook, last confirmed on November 27, 2019. DBRS Morningstar has discontinued CWB's legacy, non-NVCC subordinated debt rating as all outstanding non-NVCC debt was repaid on November 18, 2019.

Table 32 - DBRS Morningstar Credit Ratings

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

CAPITAL RISK

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

Risk Overview

We follow 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 expectations of our 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;
  - We have the capability to access appropriate sources of capital in a timely and cost-effective manner; and,
  - Return on capital is sufficient to support projected business growth and satisfy the expectations of investors.

Risk Governance

The Board approves the annual regulatory capital plan, and the Board Risk Committee approves the periodic ICAAP and capital management policies. The Group Capital Risk Committee is responsible for capital risk management. ERM oversees the demand side of capital management, including risk capital and economic capital. Separate from ERM, CWB's Finance team provides independent oversight of processes to manage capital risk. In effect, the CFO is responsible for the supply side of capital adequacy, and the CRO is responsible for the demand side of risk capital and capital risk management.

In addition, Integrated Risk Management, Risk Capital and IFRS 9, 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, and Strategy.

Risk Management

The following are key elements of capital risk management:

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

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

OPERATIONAL RISK

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

Risk Overview

Operational risk is inherent in all of CWB's business activities, including banking, trust, and wealth management. We are 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 eliminated, proactive operational risk management is a key strategy to mitigate this risk. The primary financial measure of operational risk is actual losses incurred.

The regulatory framework requires certain amounts of capital to be allocated to support operational risk. We use the *Standardized* approach to measure operational risk. We have 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 are the first line of defence, and are fully accountable to manage and mitigate the operational risks associated with their activities. The Operational Risk Committee oversees the implementation and adoption of the Operational Risk Management Policy across the enterprise and facilitates the involvement of relevant stakeholders in the first and second line of defence across the enterprise. Integrated Risk Management, as the second line, is responsible for the continual enhancement of the Operational Risk Management Framework and supporting policies. The Board Risk Committee has ultimate oversight and approves the 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 is very engaged with promoting CWB's operational risk tolerance and appetite; and,
- Ongoing enhancement of enterprise-wide operational risk management processes.

Key elements of the Operational Risk Management Framework include:

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

In addition to the second line Operational Risk Management Framework, 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, a robust employee code of conduct and ethical concerns hotline;
- Maintenance of an outsourcing management program;
- At least annual assessment and benchmarking of business insurance;
- Human resource guidelines 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 protection 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).

We have adopted an Operational Risk Taxonomy as part of our Operational Risk Management Framework. This taxonomy forms the basis for all operational risk management reporting, with loss events and identified risks categorized consistently.

The taxonomy is based on 15 distinct risk types that are aligned within the seven Basel Operational Risk categories.

Table 33 - Operational Risk Taxonomy

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

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

People Risk

Competition for qualified employees in our key markets has remained consistent and reflects the generally stable level of economic activity and evolving needs of other financial services participants within and outside CWB's geographic footprint.

We intend to continually attract and retain qualified employees to successfully execute against our vision to become the best full-service bank for business owners in Canada. We do this by proactively investing in our practices and programs to build a positive, rewarding and collaborative work environment, where teams are empowered to deliver exceptional client experiences. Our refreshed brand and values include a people first approach to planning and execution, a focus to drive inclusion and diversity as key business advantages, and specific strategies to increase CWB's brand awareness in the markets where we operate. We complement this with a specialized and knowledgeable approach to talent acquisition, a competitive total rewards offering with differentiated benefits, flexible work arrangements, comprehensive learning and development opportunities and a proactive focus on succession planning.

An inability to attract and retain an appropriate staff complement would adversely affect our ability to achieve CWB's strategic objectives.

Technology Risk

We are 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 our ability to conduct regular business and/or deliver products and services to clients. Ongoing diligence is required to ensure systems are secure from threats. CWB currently has a number of projects underway focused to increase our digital capabilities which increase risk exposure related to information systems and technology. We continuously identify and assess key services to ensure potential failure points are highlighted and related risk is mitigated the best possible way (i.e. upgrades, enhancements, new products). In the last year, our Information Services team has worked closely with ERM to apply further rigour to, and enhanced governance around, identification and evaluation of potential risks in the technology environment.

Information and Cyber Security Risk

We manage 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. We rely upon a complete suite of advanced controls to protect CWB's operations and our customers from attack and have partnered with leading third-party service providers to provide counsel and support should the need arise. We regularly test the completeness and effectiveness of our information and cyber security program.

Legal, Regulatory Compliance and Reputation Risk

Legal and regulatory compliance risk is the potential for loss or harm created by legal, regulatory compliance, financial crimes and reputation risks. Failing to manage these risks may result in civil or criminal litigation, administrative penalties, supervisory findings, enforcement actions, financial loss, reputation damage, restricted business activities, increased regulatory supervision or intervention or the imprisonment or regulatory examination of officers and directors, an inability to execute our strategic direction, a decline in client and shareholder confidence, and damage to our reputation. Management of these risks is a key priority for us, and we do so in accordance with our three lines of defence framework.

Legal Risk

Legal risk is the potential for loss or harm resulting from a failure to comply with laws or satisfy contractual obligations. We are subject to litigation arising in the ordinary course of business, and the unfavourable resolution of any such litigation could have a material adverse effect on our financial results and damage our reputation. We are required to disclose material litigation to which we are party. In assessing the materiality of litigation, factors considered include a case-by-case assessment of specific facts and circumstances, our past experience and the opinions of legal experts.

Regulatory Compliance Risk

Our businesses are highly regulated through the laws, regulatory requirements and prescribed practices applicable to CWB that have been put in place by various authorities, including federal and provincial governments and regulators. Changes to these applicable requirements, including changes in their interpretation or implementation, could adversely affect us, and we anticipate ongoing scrutiny from our regulatory authorities and strict enforcement of such requirements as reforms continue at the federal and provincial levels to strengthen the stability of the financial system and protect stakeholders. Over the past several years, the intensity of supervisory oversight of all federally regulated Canadian financial institutions has increased significantly in terms of both regulation and new standards. This includes amplified supervisory activities, an increase in the volume of regulation, more frequent data and information requests from regulators, and shorter implementation timeframes for new requirements. Certain requirements may also impact our ability to compete against both federally regulated and non-federally regulated entities. We actively monitor these developments and implement required changes to systems and processes. We have implemented a robust regulatory compliance risk management framework and developed supporting protocols to manage regulatory compliance risk across the enterprise.

Financial Crime Risk

Safeguarding our customers, employees, information and assets from exposure to criminal risk is an important priority for us. Criminal risk is the potential for loss or harm resulting from a failure to comply with criminal laws and includes acts by employees or third parties against us and acts by external parties using CWB to engage in unlawful conduct, such as fraud, theft, money laundering, violence, cyber crime, bribery and corruption. We govern, oversee and assess principles and procedures designed to help ensure compliance with legal and regulatory requirements and internal risk parameters related to anti-money laundering, anti-terrorist financing and sanctions measures, and our compliance with anti-corruption and anti-bribery laws and regulations.

Reputation Risk

Damage to our reputation and negative public perception could be an outcome of operational risk events that result from breakdowns in internal processes, deficient systems, actual or alleged misconduct of employees or external partners representing non-conformance with our ethical standards, or external events. Significant reputation risk events typically lead to questions about business ethics and integrity, competence, corporate governance practices, quality and accuracy of financial reporting disclosures, or quality of products and service.

Negative public opinion could adversely affect our ability to attract and retain clients and/or employees and could expose us to litigation and/or regulatory action. Responsibility for managing the impact of operational (and other) risks on our reputation falls to all of our teams, including senior management and the Board. All directors, officers and employees have a responsibility to conduct their activities in accordance with our personal conduct policies, in a manner that minimizes operational risks and aligns to our three lines of defence framework.

OTHER RISK FACTORS

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

GENERAL BUSINESS AND ECONOMIC CONDITIONS

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

LEVEL OF COMPETITION

Our performance is impacted by competition in the markets in which we operate. Client retention may be influenced by many factors, including relative client experience, the relative price and attributes of products and services, changes in products and services, and actions taken by competitors.

While transition from the *Standardized* to the AIRB approach for risk and capital management will not affect the attributes or behaviour of our competitors, we expect this transition to enhance our competitiveness by enabling CWB to price more effectively for risk.

ACCURACY AND COMPLETENESS OF INFORMATION ON CLIENTS AND COUNTERPARTIES

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

We 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. Our 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 our transformational strategy, we intend to continue growing our business through a combination of organic growth and strategic acquisitions. The ability to successfully grow organically will depend 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 we anticipate.

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 our business, financial condition and results of operations.

ADEQUACY OF CWB'S RISK MANAGEMENT FRAMEWORK

The Risk Management Framework is comprised of various processes and strategies for managing risk exposure. Given the structure and scope of our 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 IASB continues to change the financial accounting and reporting standards that govern the preparation of our financial statements. These types of changes can be significant and may materially impact how we record and report our financial condition and results of operations. Where we are required to retroactively apply a new or revised standard, we may be required to restate prior period financial statements

OTHER FACTORS

We caution that the above discussion of risk factors is not exhaustive. Other factors beyond our 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, 2019, there were 87,264,636 common shares and 1,615,178 stock options outstanding. On December 4, 2019, CWB's Board of Directors declared a cash dividend of $0.28 per common share, payable on January 7, 2020 to shareholders of record on December 17, 2019. This quarterly dividend is consistent with the prior quarter and 8% higher than the dividend declared one year ago. The Board of Directors also declared preferred share cash dividends of $0.2688125 per Series 5, $0.390625 per Series 7, and $0.375 per Series 9, all payable on January 31, 2020 to shareholders of record on January 24, 2020.

CONTROLS AND PROCEDURES

As of October 31, 2019, an evaluation was carried out on the effectiveness of CWB's disclosure controls and procedures. Based on that evaluation, the CEO and CFO have certified that the design and operating effectiveness of CWB's disclosure controls and procedures were effective.

Also at October 31, 2019, 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.

On November 1, 2018, CWB adopted IFRS 9 and updated or modified certain internal controls over financial reporting as a result of the new accounting standard. There were no other significant changes in CWB's ongoing internal controls over financial reporting that occurred during the year ended October 31, 2019 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.

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements, MD&A and related financial information reflect amounts which must, of necessity, be based on informed estimates and judgments of management with appropriate consideration to materiality. The financial information represented elsewhere in this annual report is fairly presented and consistent with 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 consolidated financial statements and annual report, including the MD&A, and recommending them to the Board of Directors for approval. Other key responsibilities of the Audit Committee include meeting with management, the Chief Internal Auditor and the external auditors to discuss the effectiveness of certain internal controls over the financial reporting process and the planning and results of the external audit. The Audit Committee also meets regularly with the Chief Financial Officer, Chief Internal Auditor and the external auditors without management present.

The Governance and Conduct Review 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 any resulting matters.

Chris H. Fowler
President and Chief Executive Officer

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

December 4, 2019

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canadian Western Bank

OPINION

We have audited the consolidated financial statements of Canadian Western Bank (the Entity), which comprise:

- the consolidated balance sheets as at October 31, 2019 and October 31, 2018
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2019 and October 31, 2018, and its consolidated financial performance, and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

EMPHASIS OF MATTER – CHANGE IN ACCOUNTING POLICY

Without qualifying our opinion on the consolidated financial statements, we draw attention to Note 1(J) to the consolidated financial statements, which indicates that the Bank has changed its method of accounting for financial instruments in 2019 due to the adoption of IFRS 9 *Financial Instruments*. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Carlo De Mello.

KPMG LLP
Chartered Professional Accountants

Edmonton, Canada
December 4, 2019

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2019[1]	As at October 31 2018
Assets			
Cash Resources	(Note 5)		
Cash and non-interest bearing deposits with financial institutions		$ 116,963	$ 73,822
Interest bearing deposits with regulated financial institutions		293,856	26,825
Cheques and other items in transit		5,023	52,574
		415,842	153,221
Securities	(Note 6)		
Issued or guaranteed by Canada		1,341,326	1,325,816
Issued or guaranteed by a province or municipality		468,671	521,825
Other debt securities		191,046	143,536
Preferred shares		18,164	93,575
		2,019,207	2,084,752
Securities Purchased Under Resale Agreements	(Note 7)	40,366	-
Loans	(Note 8)		
Personal		5,689,833	5,247,160
Business		22,786,894	21,085,968
		28,476,727	26,333,128
Allowance for credit losses		(110,834)	(128,529)
		28,365,893	26,204,599
Other			
Property and equipment	(Note 10)	63,166	59,098
Goodwill	(Note 11)	85,392	85,168
Intangible assets	(Note 11)	173,748	160,790
Derivatives	(Notes 12 and 28)	47,815	2,496
Other assets	(Note 13)	212,806	271,339
		582,927	578,891
Total Assets		$ 31,424,235	$ 29,021,463
Liabilities and Equity			
Deposits	(Note 14)		
Personal		$ 15,300,505	$ 14,483,686
Business and government		10,050,856	9,216,271
		25,351,361	23,699,957
Other			
Cheques and other items in transit		22,532	28,489
Securities sold under repurchase agreements	(Notes 7 and 9)	29,965	95,126
Derivatives	(Notes 12 and 28)	14,016	69,581
Other liabilities	(Note 15)	646,386	531,953
		712,899	725,149
Debt			
Debt related to securitization activities	(Notes 9 and 16)	1,913,799	1,757,854
Subordinated debentures	(Note 16)	498,494	250,000
		2,412,293	2,007,854
Equity			
Preferred shares	(Note 17)	390,000	265,000
Common shares	(Note 17)	731,970	744,701
Retained earnings		1,785,273	1,649,196
Share-based payment reserve	(Note 18)	24,309	23,937
Accumulated other comprehensive income		14,258	(97,082)
Total Shareholders' Equity		2,945,810	2,585,752
Non-controlling interests	(Note 19)	1,872	2,751
Total Equity		2,947,682	2,588,503
Total Liabilities and Equity		$ 31,424,235	$ 29,021,463

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 *Financial Instruments* (IFRS 9) (refer to Notes 1 and 2). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classification and Measurement* (IAS 39) and have not been restated.

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

Robert L. Phillips
Chair of the Board

Chris H. Fowler
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF INCOME

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

		2019[1]	2018
Interest Income	(Note 26)		
Loans		$ 1,379,730	$ 1,185,530
Securities		30,696	35,529
Deposits with regulated financial institutions		8,274	4,236
		1,418,700	1,225,295
Interest Expense			
Deposits		573,479	452,526
Debt		59,637	47,779
		633,116	500,305
Net Interest Income		785,584	724,990
Non-interest Income			
Credit related		34,082	32,165
Wealth management services		19,640	20,371
Retail services		10,627	10,334
Trust services		7,651	7,784
Gains (losses) on securities, net		301	(217)
Other		3,719	7,931
		76,020	78,368
Total Revenue		861,604	803,358
Provision for Credit Losses	(Notes 6 and 8)	57,758	48,257
Acquisition-related Fair Value Changes	(Note 27)	7,854	20,094
Non-interest Expenses			
Salaries and employee benefits		257,966	237,228
Premises and equipment		70,515	62,754
Other expenses		77,000	73,501
		405,481	373,483
Net Income before Income Taxes		390,511	361,524
Income Taxes	(Note 22)	102,665	96,877
Net Income		287,846	264,647
Net income attributable to non-controlling interests		1,052	1,141
Shareholders' Net Income		286,794	263,506
Preferred share dividends	(Note 17)	19,854	14,250
Common Shareholders' Net Income		$ 266,940	$ 249,256
Average number of common shares (in thousands)		87,513	88,806
Average number of diluted common shares (in thousands)		87,739	89,285
Earnings Per Common Share	(Note 23)		
Basic		$ 3.05	$ 2.81
Diluted		3.04	2.79

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended October 31
($ thousands)

	2019[1]	2018
Net Income	$ 287,846	$ 264,647
Other Comprehensive Income (Loss), net of tax		
Items that will be subsequently reclassified to net income		
Debt securities measured at fair value through other comprehensive income (2018: Available-for-sale debt and equity securities)		
Gains (losses) from change in fair value[2]	34,301	(19,945)
Reclassification to net income[3]	(354)	158
	33,947	(19,787)
Derivatives designated as cash flow hedges		
Gains (losses) from change in fair value[4]	71,361	(26,848)
Reclassification to net income[5]	(383)	(994)
	70,978	(27,842)
Items that will not be subsequently reclassified to net income		
Losses on equity securities designated at fair value through other comprehensive income[6]	(14,175)	n/a
	90,750	(47,629)
Comprehensive Income	$ 378,596	$ 217,018
Comprehensive income for the year attributable to:		
Shareholders	$ 377,544	$ 215,877
Non-controlling interests	1,052	1,141
Comprehensive Income	$ 378,596	$ 217,018

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.
(2) Net of income tax of $12,132 (2018 – $7,351).
(3) Net of income tax of $116 (2018 – $59).
(4) Net of income tax of $26,007 (2018 – $9,930).
(5) Net of income tax of $140 (2018 – $367).
(6) Net of income tax of $4,982 (2018 – n/a).

n/a – not applicable

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended October 31

($ thousands)

		2019(1)	2018
Preferred Shares	(Note 17)		
Balance at beginning of year		$ 265,000	$ 265,000
Issued		125,000	-
Balance at end of year		390,000	265,000
Common Shares	(Note 17)		
Balance at beginning of year		744,701	731,885
Purchased for cancellation		(15,326)	-
Issued under dividend reinvestment plan		1,350	4,248
Transferred from share-based payment reserve on the exercise or exchange of options		1,245	2,818
Issued on acquisition-related contingent consideration instalment payment	(Note 27)	-	5,750
Balance at end of year		731,970	744,701
Retained Earnings			
Balance at beginning of year under IAS 39		1,649,196	1,488,634
Impact of adopting IFRS 9 on November 1, 2018	(Note 2)	22,514	n/a
Balance at beginning of year under IFRS 9		1,671,710	n/a
Shareholders' net income		286,794	263,506
Dividends - Preferred shares	(Note 17)	(19,854)	(14,250)
- Common shares	(Note 17)	(94,573)	(88,819)
Net premium on common shares purchased for cancellation	(Note 17)	(34,266)	-
Realized losses reclassified from accumulated other comprehensive income	(Note 6)	(20,370)	n/a
Issuance costs on preferred shares		(3,007)	-
Increase (decrease) in equity attributable to non-controlling interests ownership change		(1,161)	125
Balance at end of year		1,785,273	1,649,196
Share-based Payment Reserve	(Note 18)		
Balance at beginning of year		23,937	24,979
Amortization of fair value of options		1,617	1,776
Transferred to common shares on the exercise or exchange of options		(1,245)	(2,818)
Balance at end of year		24,309	23,937
Accumulated Other Comprehensive Income (Loss)			
Debt securities measured at fair value through other comprehensive income (2018: Available-for-sale debt and equity securities)			
Balance at beginning of year under IAS 39		(48,962)	(29,175)
Impact of adopting IFRS 9 on November 1, 2018	(Note 2)	12,994	n/a
Balance at beginning of year under IFRS 9		(35,968)	n/a
Other comprehensive income (loss)		33,947	(19,787)
Balance at end of year		(2,021)	(48,962)
Derivatives designated as cash flow hedges			
Balance at beginning of year		(48,120)	(20,278)
Other comprehensive income (loss)		70,978	(27,842)
Balance at end of year		22,858	(48,120)
Equity securities designated at fair value through other comprehensive income			
Impact of adopting IFRS 9 on November 1, 2018	(Note 2)	(12,774)	n/a
Balance at beginning of year under IFRS 9		(12,774)	n/a
Other comprehensive loss		(14,175)	n/a
Realized losses reclassified to retained earnings	(Note 6)	20,370	n/a
Balance at end of year		(6,579)	n/a
Total accumulated other comprehensive income (loss)		14,258	(97,082)
Total Shareholders' Equity		2,945,810	2,585,752
Non-controlling Interests	(Note 19)		
Balance at beginning of year		2,751	2,797
Net income attributable to non-controlling interests		1,052	1,141
Dividends to non-controlling interests		(1,071)	(1,431)
Partial ownership increase (decrease)		(860)	244
Balance at end of year		1,872	2,751
Total Equity		$ 2,947,682	$ 2,588,503

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.

n/a – not applicable

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended October 31
($ thousands)

		2019[(1)]	2018[(2)]
Cash Flows from Operating Activities			
Net income		$ 287,846	$ 264,647
Adjustments to determine net cash flows:			
Provision for credit losses	(Note 8)	57,758	48,257
Current income taxes receivable and payable, net		56,162	(3,456)
Accrued interest receivable and payable, net		41,672	28,415
Depreciation and amortization		32,444	29,708
Fair value change in contingent consideration	(Note 27)	7,854	20,094
Amortization of fair value of employee stock options	(Note 18)	1,617	1,776
Deferred income taxes, net		(1,433)	(7,677)
(Gains) losses on securities, net		(301)	217
Net gains on CWT strategic transactions	(Note 4)	-	(4,030)
Change in operating assets and liabilities			
Deposits, net		1,651,404	1,796,975
Loans, net		(2,202,000)	(3,024,939)
Securities sold under repurchase agreements, net		(65,161)	36,768
Securities purchased under resale agreements, net		(40,366)	-
Debt related to securitization activities, net		155,945	531,518
Other items, net		36,547	17,436
		19,988	(264,291)
Cash Flows from Financing Activities			
Debentures issued, net of issuance costs	(Note 16)	248,447	-
Preferred shares issued, net of issuance costs	(Note 17)	121,993	-
Dividends		(113,077)	(98,821)
Common shares purchased for cancellation	(Note 17)	(49,592)	-
Purchases from non-controlling interests		(2,708)	-
Dividends to non-controlling interests		(1,071)	(1,431)
Contributions by non-controlling interests		459	1,316
		204,451	(98,936)
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		(267,031)	477,070
Securities, purchased		(5,543,483)	(2,892,129)
Securities, sales proceeds		2,454,694	1,266,827
Securities, matured		3,219,365	1,704,328
Property, equipment and intangible assets		(49,069)	(44,203)
Acquisition-related contingent consideration instalment payments	(Note 27)	(37,368)	(17,250)
Proceeds from CWT strategic transactions	(Note 4)	-	4,135
		(222,892)	498,778
Change in Cash and Cash Equivalents		1,547	135,551
Cash and Cash Equivalents at Beginning of Year		97,907	(37,644)
Cash and Cash Equivalents at End of Year *		$ 99,454	$ 97,907
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		$ 116,963	$ 73,822
Cheques and other items in transit (included in Cash Resources)		5,023	52,574
Cheques and other items in transit (included in Other Liabilities)		(22,532)	(28,489)
Cash and Cash Equivalents at End of Year		$ 99,454	$ 97,907
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		$ 1,428,117	$ 1,237,809
Interest paid		588,740	462,691
Income taxes paid		80,566	88,116

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.
(2) During fiscal 2019, cash flows from debt related to securitization activities, net was reclassified from Financing Activities to Operating Activities. Comparative figures have been reclassified to conform to the current period presentation.

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 4, 2019.

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 CWB's subsidiaries.

The consolidated financial statements have been prepared on a historic cost basis, except the revaluation of the following items: financial instruments classified as fair value through profit or loss, or as fair value through other comprehensive income 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, impairment of goodwill and intangible assets, valuation of deferred tax assets and liabilities, impairment of financial instruments classified as fair value through profit or loss, or as fair value through other comprehensive income 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 Note 8 Loans, Impaired Loans and Allowance for Credit Losses.

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 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 a non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

G) FUNCTIONAL AND FOREIGN CURRENCIES

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

H) PROVISIONS AND CONTINGENT LIABILITIES

Management exercises judgment in determining whether a past event or transaction may result in the recognition of a provision or the disclosure of a contingent liability. Provisions are recognized in the consolidated financial statements when management determines that it is 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	Transition to IFRS 9	16	Debt
3	Financial instruments	17	Capital stock
4	Strategic transactions	18	Share-based payments
5	Cash resources	19	Non-controlling interests
6	Securities	20	Contingent liabilities and commitments
7	Securities sold under repurchase agreements and purchased under resale agreements	21	Employee future benefits
		22	Income taxes
		23	Earnings per common share
8	Loans, impaired loans and allowance for credit losses	24	Related party transactions
9	Financial assets transferred but not derecognized	25	Interest rate sensitivity
10	Property and equipment	26	Interest income
11	Goodwill and intangible assets	27	Fair value of financial instruments
12	Derivative financial instruments and hedging activities	28	Financial instruments - offsetting
		29	Risk management
13	Other assets	30	Capital management
14	Deposits	31	Subsidiaries
15	Other liabilities		

J) CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

CWB adopted IFRS 9 *Financial Instruments* (IFRS 9) effective November 1, 2018, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The adoption of IFRS 9 resulted in changes in accounting policies primarily related to the classification, measurement and impairment of financial assets. Classification of CWB's financial liabilities is unchanged. Additional information on significant accounting policy changes related to the transition to IFRS 9 are described in Notes 2, 6 and 8.

IFRS 9 was applied on a retrospective basis and as permitted, prior period comparatives were not restated. Upon transition, an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) was recorded to reflect the application of the new requirements at the adoption date. Refer to Note 2 for further details on the impact of the transition to the opening balance sheet on November 1, 2018.

CWB has elected to continue to apply the hedge accounting requirements of IAS 39. CWB's policy for hedge accounting is described in Note 12.

i. Classification and Measurement of Financial Assets

Initial Recognition and Measurement

Financial assets consist of both debt and equity instruments. Under IFRS 9, financial assets are initially recognized at fair value and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost.

Derivatives continue to be measured at FVTPL under IFRS 9, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements continue to apply as described in Note 12.

Debt Instruments

Debt instruments, including loans and debt securities, are initially measured at fair value and are subsequently classified and measured at FVTPL, FVOCI or amortized cost based on the contractual cash flow characteristics of the instrument and the business model under which the asset is held.

The intent of the assessment of the contractual cash flow characteristics of an instrument is to determine if contractual payments to be received represent solely principal and interest (SPPI), consistent with a basic lending arrangement. Principal, for the purposes of the test, is defined as the fair value of the instrument at initial recognition and is subject to change over its life due to transactions such as repayments and amortization of related premiums or discounts. Interest represents consideration for the time value of money, credit risk, other basic lending risks and costs, such as liquidity risk and administrative costs, as well as a profit margin. Contractual terms that introduce risks or volatility that are unrelated to a basic lending arrangement do not represent cash flows that are SPPI and as a result, the related financial asset is classified and measured at FVTPL.

For debt instruments that meet the requirements of the SPPI test, classification at initial recognition is determined based on the business model under which the assets are managed. Considerations include how performance of the debt instruments is evaluated, the risks that affect the performance of the business model, and how those risks are managed, and the manner in which management is compensated. Potential business models are as follows:

- Held to collect: Objective is to collect contractual cash flows.
- Held to collect and sell: Objective is to both collect contractual cash flows and sell the financial assets.
- Held for sale or other business models: Encompasses all other business models. CWB does not currently hold assets within this category.

The use of judgment is required in assessing both the contractual cash flow characteristics and the business model of debt instruments.

Measured at Amortized Cost

Debt instruments measured at amortized cost are managed under a 'held to collect' business model and have contractual cash flows that satisfy the requirements of the SPPI test. These financial assets are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of allowance for credit losses estimated based on the expected credit loss (ECL) approach.

Measured at Fair Value through Other Comprehensive Income

Debt instruments measured at FVOCI, which are managed under a 'held to collect and sell' business model and have contractual cash flows that represent SPPI, are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, unrealized gains and losses related to the debt instruments are recorded in other comprehensive income (OCI), net of tax. Impairment losses and recoveries, estimated using an ECL approach, are recognized in the consolidated statements of income and correspondingly reduce the accumulated changes in fair value recorded in OCI. Gains and losses realized on disposal of debt instruments classified at FVOCI are included in the consolidated statements of income.

Equity Instruments

Equity instruments are classified and measured at FVTPL unless an irrevocable election is made to designate non-trading instruments at FVOCI at the time of initial recognition. If the election is applied, unrealized gains and losses are recorded in OCI, net of tax, and are not subsequently reclassified to the consolidated statements of income. When realized, gains and losses that arise upon derecognition are reclassified from AOCI to retained earnings. Equity securities are not subject to an impairment assessment under IFRS 9.

ii. Impairment

Expected Credit Loss Approach

IFRS 9 introduces an ECL approach to estimate the allowance for credit losses that is applicable for financial assets measured at amortized cost, debt securities measured at FVOCI, and certain off-balance sheet loan commitments and financial guarantee contracts which were previously provided for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37). The implementation of an ECL approach under IFRS 9, which results in the recognition of an allowance for credit losses on financial assets regardless of whether an actual loss event has occurred, is a significant change from the incurred loss model under IAS 39 as described in Note 2.

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

Performing Assets

- Stage 1: From initial recognition until the date on which the financial asset experiences a significant increase in credit risk (SICR), the allowance for credit losses is measured based on ECL from defaults occurring in the 12 months following the reporting date.
- Stage 2: A financial asset migrates to Stage 2 when it experiences a SICR since initial recognition and the allowance for credit losses is measured based on ECL from defaults occurring over the remaining life of the asset.

Impaired Assets

- Stage 3: When a financial asset is identified as credit-impaired, it migrates to Stage 3 and an allowance for credit losses equal to full lifetime ECL is recognized. Interest income is recognized on the carrying amount of the asset, net of the allowance for credit losses.

ECL represents the discounted probability-weighted estimate of cash shortfalls expected to result from defaults over the relevant time horizon. ECL estimations are a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). PD, which represents the estimate of the likelihood of default, considers past events, current market conditions and forward-looking information over the relevant time horizon. LGD represents an estimate of loss arising from default based on the difference between the contractual cash flows due and those that CWB expects to receive, including consideration for the amount and quality of collateral held. EAD represents an estimate of the exposure at a future default date, taking into account estimated future repayments of principal and draws on committed facilities.

For most financial assets, ECL is estimated on an individual basis. Financial assets for which an allowance for credit losses is estimated on a collective basis are grouped based on similar credit risk characteristics.

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

Forward-looking Information

The estimation of ECL and the assessment of SICR consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

With consideration of several external sources of information, CWB formulates a base case view of the future direction of relevant macroeconomic variables, which is updated quarterly. A representative range of other possible forecast scenarios is developed to incorporate multiple probability-weighted outcomes. The base case scenario represents the best estimate of forecast macroeconomic variables while other scenarios represent more optimistic or pessimistic outcomes.

Additional information regarding the incorporation of forward-looking information and the related judgment and estimation involved in the process is described in Note 8.

Assessment of Significant Increases in Credit Risk

At each reporting date, CWB assesses whether a financial asset has experienced a SICR since initial recognition by comparing the risk of a default occurring over the asset's remaining expected life at the reporting date and the date of initial recognition.

The assessment of changes in credit risk is performed at least quarterly, generally at the instrument level. Significant judgment is also required in the application of SICR thresholds. The thresholds used to define SICR are not expected to change frequently, and will be reassessed as needed based on significant changes in credit risk management practices.

Refer to Note 8 for additional information regarding the assessment of SICR.

Expected Life

When measuring ECL, CWB considers the maximum contractual period over which an exposure to credit risk exists. For most instruments, the expected life is limited to the remaining contractual life, including prepayment and extension options. For certain revolving credit facilities, the expected life is estimated based on the period over which CWB is exposed to credit risk and how credit losses are mitigated by management actions.

Modified Financial Assets

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in an impact to contractual cash flows. In particular, in an effort to minimize CWB's realized losses, modifications may be granted in situations where a borrower experiences financial difficulty. Modifications may include payment deferrals, extension of amortization periods, interest rate reductions, principal forgiveness, debt consolidation or forbearance. If it is determined that the modification results in expiry of cash flows, the original asset is derecognized and a new asset is recognized based on the new contractual terms.

Where a modification does not result in derecognition, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate, and a gain or loss is recognized immediately in the consolidated statements of income. The financial asset continues to be subject to the same assessment for SICR relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when estimating ECL for the modified asset. Financial assets that are modified while having an allowance for credit losses equal to lifetime ECL may revert to having to an allowance for credit losses equal to 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Definition of Default

The definition of default used in the estimation of ECL is consistent with the definition of default used for internal credit risk management purposes. Loans are determined to be in default and classified as impaired when payments are contractually past due 90 days or more, 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 may include significant financial difficulty of a borrower, default or delinquency of a borrower, breach of loan covenants or conditions, or indications that a borrower will enter bankruptcy.

Financial assets are reviewed on an ongoing basis to assess whether any should be classified as impaired. Loans that have become impaired are monitored closely by a specialized team with regular reviews of each loan and its realization plan. Impaired loans are returned to performing status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Write-offs

Financial assets are written off, either partially or in full, against the related allowance for credit losses when CWB concludes that there is no realistic prospect of future recovery in respect of those amounts. When financial instruments are secured, this is generally after all collateral has been realized or transferred to CWB, or in certain circumstances, when the net realizable value of any collateral and other available information suggests that there is no reasonable expectation of further recovery. In subsequent periods, any recoveries of amounts previously written off are recorded as a reduction to the provision for credit losses in the consolidated statements of income.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) was issued in May 2014, and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related Interpretations. IFRS 15 provides a single, principles-based five-step model that applies to all contracts with customers. The standard excludes from its scope revenue arising from items such as financial instruments and leases as these fall within the scope of other IFRSs. CWB performed a detailed analysis on each revenue stream that is within the scope of the new standard. CWB adopted IFRS 15 using the modified retrospective approach and has concluded that there is no significant impact in relation to the adoption of IFRS 15.

K) FUTURE ACCOUNTING CHANGES

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

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16), which supersedes IAS 17 *Leases* (IAS 17). This standard provides principles for the recognition, measurement, presentation and disclosure of leases. The standard sets out a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize a right-of-use asset and lease liability on the consolidated balance sheets for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the consolidated statements of income. Lessor accounting remains substantially unchanged other than additional disclosure requirements. IFRS 16 is effective for CWB's fiscal year beginning November 1, 2019.

There are two methods by which the new standard may be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in opening retained earnings as of the date of adoption. At initial application, CWB will elect to adopt the modified retrospective option permitted by IFRS 16, in which the lessee recognizes the cumulative effect, if any, on initial application in retained earnings as of November 1, 2019, subject to allowable and elected practical expedients. On initial adoption CWB intends to use the following recognition exemptions and practical expedients:

- not apply the requirements of IFRS 16 to short-term and low value leases;
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclude initial direct costs relating to existing leases from the measurement of the right-of-use assets;
- rely on previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
- use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease; and
- treat existing operating leases with a remaining term of less than 12 months at November 1, 2019 as short-term leases.

CWB has completed the process of assessing existing contractual relationships to identify leases that will be recorded on the consolidated balance sheets upon the adoption of IFRS 16. The main impact for CWB will be recognizing right-of-use assets and lease liabilities for premises leases. Currently, premises leases are classified as operating leases, with lease expense recorded over the term of the lease with no asset or liability recorded on the consolidated balance sheets. Based on preliminary assessments, CWB expects to recognize right-of-use assets of approximately $75 million to $85 million, lease liabilities of $90 million to $100 million and a decrease in the common equity Tier 1 capital ratio of approximately 10 basis points upon transition to IFRS 16. The adoption of IFRS 16 is expected to have a nominal impact to ongoing profitability, as amortization of right-of-use assets and interest expense on lease liabilities will be mostly offset by a reduction in lease expense previously recognized in premises and equipment expense. The actual impact of adopting IFRS 16 on November 1, 2019, may differ from these estimates as CWB continues to review its calculations and refine certain inputs.

Hedge Accounting

In September 2019, the IASB issued amendments to hedge accounting requirements in IFRS 9, IAS 39 and IFRS 7 *Financial Instruments: Disclosures* which address the possible effects of uncertainties created by Inter-bank Offered Rate (IBOR) reform. The amendments are effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of these amendments.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a revised version of the *Conceptual Framework for Financial Reporting* which assists the IASB in developing IFRS standards and serves as an accounting policy guide when no IFRS standard applies. The amendments provide revised definitions and recognition criteria for assets and liabilities, and guidance on different measurement bases. The IASB also issued amendments to IFRS standards to refer to the revised framework. The revisions are effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of the revised framework.

2. TRANSITION TO IFRS 9

Reconciliation of IAS 39 to IFRS 9

The following table details the impact of the transition to IFRS 9 on the consolidated balance sheets as at November 1, 2018. Reclassification adjustments reflect the movement of assets between measurement categories with no impact to shareholders' equity or change to the assets' carrying value. Remeasurement adjustments, which include changes to the allowance for credit losses related to the adoption of the impairment requirements of IFRS 9, result in a change to the carrying value of the assets and an impact to shareholders' equity, net of tax. Refer to Note 1 for additional information regarding accounting policy changes related to the transition to IFRS 9.

	IAS 39 Measurement Category	IFRS 9 Measurement Category	IAS 39 Carrying Value as at October 31, 2018	Re-classification	Re-measurement	IFRS 9 Carrying Value as at November 1, 2018
Assets						
Cash resources	Amortized cost	Amortized cost	$ 126,396	$ -	$ (35)(1)	$ 126,361
	Available-for-sale	n/a	26,825	(26,825)(2)	-	-
	n/a	FVOCI	-	26,825(2)	-	26,825
			153,221	-	(35)	153,186
Securities	Available-for-sale	n/a	2,084,752	(2,084,752)(3)	-	-
	n/a	FVOCI	-	2,084,752(3)	-	2,084,752
			2,084,752	-	-	2,084,752
Loans, net of allowance for credit losses	Amortized cost	Amortized cost	26,204,599	-	19,810(4)	26,224,409
Other			578,891	-	(7,633)(5)	571,258
Total Assets			$ 29,021,463	$ -	$ 12,142	$ 29,033,605
Liabilities and Equity						
Deposits	Amortized cost	Amortized cost	$ 23,699,957	$ -	$ -	$ 23,699,957
Other			725,149	-	(10,592)(6)	714,557
Debt	Amortized cost	Amortized cost	2,007,854	-	-	2,007,854
Total Liabilities			26,432,960	-	(10,592)	26,422,368
Equity						
Preferred shares			265,000	-	-	265,000
Common shares			744,701	-	-	744,701
Retained earnings			1,649,196	-	22,514(7)	1,671,710
Share-based payment reserve			23,937	-	-	23,937
Accumulated other comprehensive income			(97,082)	-	220(8)	(96,862)
Total Shareholders' Equity			2,585,752	-	22,734	2,608,486
Non-controlling interests			2,751	-	-	2,751
Total Equity			2,588,503	-	22,734	2,611,237
Total Liabilities and Equity			$ 29,021,463	$ -	$ 12,142	$ 29,033,605

(1) Recognition of an allowance for credit losses related to cash resources measured at amortized cost.
(2) Available-for-sale interest bearing deposits with regulated financial institutions have been reclassified to FVOCI as the securities met the SPPI criteria and are managed in a 'hold to collect and sell' business model. Cash and non-interest bearing deposits with regulated financial institutions as well as cheques and other items in transit continue to be measured at amortized cost.
(3) Available-for-sale debt securities totaling $1,991,177 have been reclassified to FVOCI as the securities met the SPPI criteria and are managed in a 'hold to collect and sell' business model. Available-for-sale equity securities of $93,575 have been designated at FVOCI.
(4) Decrease in the allowance for credit losses related to loans (see the 'Reconciliation of Allowance for Credit Losses' below).
(5) Decrease in deferred tax assets of $7,563 combined with the recognition of an allowance for credit losses of $70 related to other financial assets.
(6) Decrease in the allowance for credit losses related to committed but undrawn credit exposures and letters of credit of $11,419 (see the 'Reconciliation of Allowance for Credit Losses' below) partially offset by an increase in deferred tax liabilities of $827.
(7) Cumulative after-tax impact of the adoption of IFRS 9.
(8) After-tax impact of the recognition of an allowance for credit losses related to debt securities measured at FVOCI.

n/a – not applicable.

Reconciliation of Allowance for Credit Losses

The reconciliation of CWB's allowance for credit losses in accordance with IAS 39 and provisions for committed but undrawn credit exposures and letters of credit in accordance with IAS 37 to the corresponding amount determined under IFRS 9 as at November 1, 2018 follows:

	IAS 39 / IAS 37 as at October 31, 2018				IFRS 9 as at November 1, 2018			
	Specific Allowance	Collective Allowance	Total	Re-measurement	Stage 1	Stage 2	Stage 3	Total
Debt securities at FVOCI[(1)(2)]	$ -	$ -	$ -	$ 301	$ 301	$ -	$ -	$ 301
Loans	27,027	101,502	128,529	(19,810)	57,999	23,693	27,027	108,719
Committed but undrawn credit exposures and letters of credit[(3)]	-	18,264	18,264	(11,419)	2,787	4,058	-	6,845
Total[(4)]	$ 27,027	$ 119,766	$ 146,793	$ (30,928)	$ 61,087	$ 27,751	$ 27,027	$ 115,865

(1) The allowance for credit losses on debt securities measured at FVOCI is recorded in AOCI in the consolidated balance sheets.
(2) Previously available-for-sale debt securities under IAS 39.
(3) Included in other liabilities in the consolidated balance sheets.
(4) Excludes an insignificant allowance for credit losses related to cash resources and other financial assets of $105.

Accounting Policies for Financial Instruments Under IAS 39

The following accounting policies were applied to comparative information for CWB's 2018 fiscal year end as prior periods were not restated upon adoption of IFRS 9.

Cash Resources

Interest bearing deposits with regulated financial institutions included in cash resources were designated as available-for-sale and reported on the consolidated balance sheets at fair value with changes in fair value reported in other comprehensive income, net of income taxes.

Securities

Available-for-sale securities were 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 was sold or became impaired. Interest income from securities, which included amortization of premiums and discounts, was recognized using the effective interest method in the consolidated statements of income. Dividend income was recognized when the right to receive payment was established, which was 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 were included in non-interest income.

At each reporting date, CWB assessed whether there was objective evidence that available-for-sale securities were impaired. Objective evidence that a security was impaired included significant financial difficulty of the issuer, indications that an issuer would enter bankruptcy or the lack of an active market for a security.

Impairment losses on available-for-sale securities were recognized by reclassifying the cumulative loss recognized in other comprehensive income to the income statement as gains (losses) on securities, net. The reclassified amount was 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 increased and the increase could be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss was reversed, with the reversal recognized in net income.

Securities Sold Under Repurchase Agreements and Purchased Under Resale Agreements

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

Embedded Derivatives

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

Loans

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

Loans were determined to be impaired when payments were contractually past due 90 days, where CWB had commenced realization proceedings, or where CWB was of the opinion that the loan should be regarded as impaired based on objective evidence. Objective evidence that a loan was impaired included significant financial difficulty of the borrower, default or delinquency of a borrower, breach of loan covenants or conditions, or indications that a borrower would enter bankruptcy. An exception could be made where CWB determined that the loan was well secured and in the process of collection, and the collection efforts were 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 were classified as impaired when a payment was 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 were classified as impaired when payment was 365 days in arrears.

Impairment was measured as the difference between the carrying value of the loan at the time it was 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 could not 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 was used to measure the estimated realizable amount. Impaired loans were returned to performing status when the timely collection of both principal and interest were reasonably assured, all delinquent principal and interest payments were brought current, and all charges for loan impairment had been reversed.

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

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

Allowance for Credit Losses

The allowance for credit losses was 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 was reviewed at least quarterly. The allowance for credit losses related to drawn exposures was deducted from the outstanding loan balance. The allowance for credit losses related to committed but undrawn credit exposures and letters of credit was included with other liabilities. Losses expected from future events were not recognized.

Specific Allowance

The specific allowance included 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 8 for the identification process of impaired loans.

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

Collective Allowance

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

The collective allowance for credit risk was 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 were such that the actual level of inherent losses at the balance sheet date was likely to be greater or less than that suggested by historical experience.

3. 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, cheques and other items in transit, securities sold under repurchase agreements, derivative financial instruments, debt and certain other liabilities.

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

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

4. STRATEGIC TRANSACTIONS

Equipment Loans and Leases and General Commercial Lending Assets

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

Canadian Western Trust (CWT)

On August 16, 2017, CWB announced that CWT, a wholly-owned subsidiary of CWB, will no longer offer self-directed account services to clients holding certain securities, and CWT initiated a process to appoint successor trustees for these accounts. Pre-tax gains of $4,030 related to these transactions are recorded in other non-interest income on the consolidated statements of income for the year ended October 31, 2018, reflecting sales proceeds less the carrying value of assets sold and related transaction costs. The carrying value of deposits transferred in fiscal 2018 totaled $30,409. The transactions were completed in fiscal 2018 with no further transfers conducted in fiscal 2019.

5. CASH RESOURCES

Cash resources include highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of change in value. Cheques and other items in transit included in cash resources are recorded at amortized 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 are classified and measured at FVOCI as the requirements of the SPPI test are satisfied and the deposits are managed under a 'hold to collect and sell' business model. Changes in fair value are reported in other comprehensive income, net of income taxes.

At October 31, 2019, the fair value of deposits with regulated financial institutions was $293,856 (October 31, 2018 – $26,825) with $20,355 (October 31, 2018 – $20,310) restricted from use in relation to the securitization of equipment financing leases and loans.

6. SECURITIES

Classification and Measurement

The securities portfolio consists of both debt securities and preferred shares. The applicable measurement categories are as follows:

Debt Securities

Debt securities, which are measured at FVOCI, have contractual cash flows that satisfy the requirements of the SPPI test and are purchased with the objective of collecting contractual cash flows and selling the assets in response to, or in anticipation of, changes in interest rate, credit or foreign currency risk, funding sources, terms or to meet liquidity requirements.

Debt securities measured at FVOCI are initially recorded at fair value, net of transaction costs. They are subsequently measured at fair value, with unrealized gains and losses recorded in OCI, net of tax, until the security is sold. Gains and losses realized upon sale of the securities are recorded in gains (losses) on securities, net in the consolidated statements of income. Interest income earned is recorded using the effective interest method.

Preferred Shares

CWB has made the irrevocable election to measure preferred shares, which are equity instruments held for long-term investment purposes, at FVOCI. Dividends from preferred shares are recognized in interest income in the consolidated statements of income. Unrealized gains and losses are recorded in OCI, net of tax, and are subsequently transferred directly to retained earnings if the instrument is sold.

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

	IFRS 9			
	Maturity/Reprice			
	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2019
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions(1)	$ 293,856	$ -	$ -	$ 293,856
Debt securities issued or guaranteed by				
Canada	705,704	608,274	27,348	1,341,326
A province or municipality	365,421	93,244	10,006	468,671
Other debt securities(2)	150,653	19,803	20,590	191,046
Designated at FVOCI				
Preferred shares	3,670	5,672	8,822	18,164
Total	$ 1,519,304	$ 726,993	$ 66,766	$ 2,313,063

	IAS 39			
	Maturity/Reprice			
	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2018
Available-for-sale				
Interest bearing deposits with regulated financial institutions(1)	$ 26,825	$ -	$ -	$ 26,825
Debt securities issued or guaranteed by				
Canada	322,435	599,537	403,844	1,325,816
A province or municipality	55,222	257,475	209,128	521,825
Other debt securities(2)	61,205	54,951	27,380	143,536
Preferred shares	14,022	57,654	21,899	93,575
Total	$ 479,709	$ 969,617	$ 662,251	$ 2,111,577

(1) Included in cash resources on the consolidated balance sheets.
(2) Includes securities issued or guaranteed by the United States of $76,033 (October 31, 2018 – $125,995).

Unrealized Gains and Losses

Unrealized gains and losses related to debt securities and cash resources measured at FVOCI and equity securities designated at FVOCI are as follows:

	IFRS 9			
	As at October 31, 2019			
	Amortized Cost[(1)]	Unrealized Gains	Unrealized Losses	Fair Value
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions	$ 293,865	$ -	$ 9	293,856
Debt securities issued or guaranteed by				
Canada	1,344,455	477	3,606	1,341,326
A province or municipality	468,989	75	393	468,671
Other debt securities	190,803	291	48	191,046
Designated at FVOCI				
Preferred shares	26,648	-	8,484	18,164
Total	$ 2,324,760	$ 843	$ 12,540	$ 2,313,063

	IAS 39			
	As at October 31, 2018			
	Amortized Cost[(1)]	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale				
Interest bearing deposits with regulated financial institutions	$ 26,825	$ -	$ -	$ 26,825
Debt securities issued or guaranteed by				
Canada	1,362,647	-	36,831	1,325,816
A province or municipality	531,798	-	9,973	521,825
Other debt securities	146,610	1	3,075	143,536
Preferred shares	110,696	-	17,121	93,575
Total	$ 2,178,576	$ 1	$ 67,000	$ 2,111,577

(1) The amortized cost of debt securities and cash resources measured at FVOCI is net of an allowance for credit losses of $196 (October 31, 2018 – n/a).

During the year ended October 31, 2019, CWB disposed of preferred shares with a fair value of $56,279. Related to the dispositions, CWB reclassified cumulative after-tax realized losses of $20,370 from AOCI to retained earnings. Dividend income recognized in the consolidated statements of income on preferred shares that were held at October 31, 2019 totaled $999. Dividend income recognized in the consolidated statements of income related to preferred shares disposed during the year totaled $1,355.

Impairment

Impairment losses and recoveries on debt securities measured at FVOCI, estimated using an ECL approach, are recognized in the provision for credit losses in the consolidated statements of income and correspondingly reduce the accumulated changes in fair value recorded in OCI.

During the year ended October 31, 2019, reversals for credit losses of $103 were recorded in the consolidated statements of income related to a reduction in the estimated allowance for credit losses on performing debt securities measured at FVOCI, all of which were in Stage 1 as at October 31, 2019.

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

Securities sold under repurchase agreements represent the 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 the purchase of Government of Canada or United States Treasury 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 sold under repurchase agreements and purchased under resale agreements are classified and measured at amortized cost on the consolidated balance sheets.

8. LOANS, IMPAIRED LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans at Amortized Cost

Loans, including leases, which are measured at amortized cost and stated net of unearned income, unamortized premiums or discounts and allowance for credit losses, are originated or purchased with the objective of collecting contractual cash flows and generate cash flows that satisfy the requirements of the SPPI test. Loan fees integral to the yield, net of transaction costs, are amortized to interest income using the effective interest method.

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

									Composition Percentage	
($ millions)	BC	AB	ON	SK	MB	QC	Other	Total	Oct. 31 2019	Oct. 31 2018
Personal[1]	$ 1,509	$ 1,558	$ 2,122	$ 261	$ 126	$ -	$ 114	$ 5,690	20%	20%
Business										
General commercial loans	2,497	2,766	2,339	298	266	269	165	8,600	30	28
Equipment financing and leasing[2]	772	1,398	1,385	463	248	586	340	5,192	18	18
Commercial mortgages	2,343	2,160	144	289	137	15	-	5,088	18	19
Real estate project loans	2,227	1,052	275	132	47	17	2	3,752	13	15
Oil and gas production loans	-	139	-	16	-	-	-	155	1	-
	7,839	7,515	4,143	1,198	698	887	507	22,787	80	80
Total[3]	$ 9,348	$ 9,073	$ 6,265	$ 1,459	$ 824	$ 887	$ 621	$28,477	100%	100%
Composition Percentage										
October 31, 2019	33%	32%	22%	5%	3%	3%	2%	100%		
October 31, 2018	34%	32%	21%	5%	3%	3%	2%	100%		

(1) Includes mortgages securitized through the *National Housing Act* Mortgage Backed Securities program reported on-balance sheet of $837 (October 31, 2018 – $609) (see Note 9).
(2) Includes securitized leases and loans reported on-balance sheet of $1,613 (October 31, 2018 – $1,622) (see Note 9).
(3) This table does not include an allocation of the allowance for credit losses.

Credit Quality

Internal Risk Ratings

Within CWB's loan portfolios, borrowers are assigned a borrower risk rating (BRR) that reflects the credit quality of the obligor using industry and sector-specific risk models and expert credit judgment. BRRs are assessed and assigned at the time of loan origination and reviewed at least annually, with the exception of consumer loans and single-unit residential mortgages. More frequent reviews are conducted for borrowers with weaker risk ratings, borrowers that trigger a review based on adverse changes in financial performance and borrowers requiring or requesting changes to credit facilities. Each BRR has a PD calibrated against it, which is estimated based on CWB's historical loss experience for each risk segment or risk rating level, adjusted for forward-looking information. CWB's BRR scale broadly aligns to external ratings as follows:

Description	CWB Rating Category	Standard & Poor's	Moody's Investor Services
Investment grade or low risk	1 to 6M	AAA to BBB-	Aaa to Baa3
Non-investment grade or medium risk	6L to 8L	BB+ to CCC+	Ba1 to Caa1
Watchlist or high risk	9H to 10L	CCC and below	Caa2 and below
Impaired	11 to 12	Default	Default

Carrying Value of Exposures by Risk Rating

Gross carrying amounts of loans and the contractual amounts of committed but undrawn credit exposures and letters of credit, categorized based on internal risk ratings, are as follows:

	As at October 31, 2019			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Loans – Personal				
Low risk	$ 2,955,248	$ 48,534	$ -	$ 3,003,782
Medium risk	2,034,651	507,047	-	2,541,698
Watchlist or high risk	-	114,085	-	114,085
Impaired	-	-	30,268	30,268
Total	4,989,899	669,666	30,268	5,689,833
Allowance for credit losses	(1,614)	(1,469)	(1,036)	(4,119)
Total, net of allowance for credit losses	4,988,285	668,197	29,233	5,685,714
Loans – Business				
Investment grade or low risk	1,667,859	32,794	-	1,700,653
Non-investment grade or medium risk	20,059,887	617,162	-	20,677,049
Watchlist or high risk	-	291,210	-	291,210
Impaired	-	-	117,982	117,982
Total	21,727,746	941,166	117,982	22,786,894
Allowance for credit losses	(59,957)	(21,830)	(24,928)	(106,715)
Total, net of allowance for credit losses	21,667,789	919,336	93,054	22,680,179
Total loans	26,717,645	1,610,832	148,250	28,476,727
Allowance for credit losses	(61,571)	(23,299)	(25,964)	(110,834)
Total Loans, Net of Allowance for Credit Losses	$26,656,074	$ 1,587,533	$ 122,286	$28,365,893
Committed but Undrawn Credit Exposures and Letters of Credit				
Investment grade or low risk	$ 1,029,967	$ 2,655	$ -	$ 1,032,622
Non-investment grade or medium risk	4,518,220	108,812	-	4,627,032
Watchlist or high risk	-	19,484	-	19,484
Impaired	-	-	-	-
Total	5,548,187	130,951	-	5,679,138
Allowance for credit losses	(2,601)	(1,590)	-	(4,191)
Total, Net of Allowance for Credit Losses	$ 5,545,586	$ 129,361	$ -	$ 5,674,947

Impaired and Past Due Loans

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

	IFRS 9				IAS 39			
	As at October 31, 2019				As at October 31, 2018			
	Gross Amount	Gross Impaired Amount(1)(2)	Stage 3 Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount(1)(2)	Specific Allowance	Net Impaired Loans
Personal	$ 5,689,833	$ 30,268	$ 1,036	$ 29,232	$ 5,247,160	$ 28,961	$ 647	$ 28,314
Business								
General commercial loans	8,599,527	26,030	7,030	19,000	7,458,010	21,815	5,484	16,331
Equipment financing and leasing	5,191,901	43,767	15,134	28,633	4,779,005	47,800	15,606	32,194
Commercial mortgages(3)	5,088,193	22,950	2,764	20,186	4,865,183	29,376	3,290	26,086
Real estate project loans	3,752,480	5,446	-	5,446	3,854,681	9,920	2,000	7,920
Oil and gas production loans	154,793	19,789	-	19,789	129,089	-	-	-
Total	$ 28,476,727	$ 148,250	$ 25,964	$ 122,286	$26,333,128	$ 137,872	$ 27,027	$ 110,845

(1) Under IFRS 9, all loans that are over 90 days past due are considered impaired. Under IAS 39, residential mortgages guaranteed or insured for both principal and interest by the Canadian government, a province, or a Canadian government agency and loans that were fully secured and in the process of collection were not classified as impaired until payments were 365 or 180 days in arrears, respectively.

(2) Gross impaired loans include foreclosed assets with a carrying value of $4,217 (October 31, 2018 – $6,628). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.

(3) Multi-family residential mortgages are included in commercial mortgages.

During the year, interest recognized as income on impaired loans totaled $3,328 (2018 – $5,743).

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

	IFRS 9			IAS 39		
	As at October 31, 2019			As at October 31, 2018		
	Gross Impaired Amount	Stage 3 Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 77,891	$ 10,692	$ 67,199	$ 77,018	$ 12,627	$ 64,391
British Columbia	17,488	1,349	16,139	13,699	2,069	11,630
Ontario	20,126	4,157	15,969	16,829	3,016	13,813
Saskatchewan	10,529	2,181	8,348	8,957	1,330	7,627
Manitoba	11,831	4,795	7,036	9,873	4,006	5,867
Quebec	6,622	1,886	4,736	4,826	2,345	2,481
Other	3,763	904	2,859	6,670	1,634	5,036
Total	$ 148,250	$ 25,964	$ 122,286	$ 137,872	$ 27,027	$ 110,845

Loans are considered past due when a customer has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due but not classified as impaired:

As at October 31, 2019	1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days(1)	Total
Personal	$ 40,138	$ 18,902	$ 591	$ -	$ 59,631
Business	143,206	62,468	10,764	-	216,438
Total	$ 183,344	$ 81,370	$ 11,355	$ -	$ 276,069
As at October 31, 2018	$ 169,739	$ 49,387	$ 9,779	$ 1,970	$ 230,875

(1) Under IFRS 9, all loans that are over 90 days past due are considered impaired. Under IAS 39, residential mortgages guaranteed or insured for both principal and interest by the Canadian government, a province, or a Canadian government agency and loans that were fully secured and in the process of collection were not classified as impaired until payments were 365 or 180 days in arrears, respectively.

Allowance for Credit Losses

Allowance for credit losses related to performing loans is estimated using an ECL approach that incorporates a number of underlying assumptions which involve a high degree of management judgment and can have a significant impact on financial results. The allowance for credit losses is CWB's most significant accounting estimate.

Significant key drivers impacting the estimation of ECL, which are interrelated, include:

- changes in internal risk ratings attributable to a borrower or instrument reflecting changes in credit quality;
- thresholds used to determine when a borrower has experienced a SICR; and
- changes in forward-looking information, specifically related to variables to which the ECL models are calibrated.

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

Assessment of Significant Increases in Credit Risk

The determination of whether a loan has experienced a SICR has a significant impact on the estimation of allowance for credit losses as 12-month ECL is recorded for loans in Stage 1 and lifetime ECL are recorded for loans that have migrated to Stage 2. Movement between Stages 1 and 2 is impacted by changes in borrower-specific risk characteristics as well as changes in applicable forward-looking information. The main factors considered in assessing whether a loan has experienced a SICR are relative changes in internal risk ratings since initial recognition, incorporating forward-looking information, and certain other criteria such as 30 days past due and migration to watchlist status.

Forecasting Forward-looking Information for Multiple Scenarios

Forward-looking information is incorporated into both the assessment of whether a loan has experienced a SICR since its initial recognition and the estimation of ECL. The models used to estimate ECL consider macroeconomic factors that are most closely correlated with credit risk in the relevant portfolios and are calibrated to consider CWB's geographic diversification.

To account for the non-linear nature of projected losses, CWB incorporates multiple probability-weighted macroeconomic scenarios into the estimation of ECL. Each scenario includes a projection of all relevant macroeconomic variables for a five year period. While the base case scenario represents the best estimate of projected macroeconomic variables, additional scenarios represent more optimistic or pessimistic outcomes. To capture a wide range of possible outcomes, CWB simulates multiple macroeconomic scenarios that are above or below the base case based on historical and current trends and with consideration for the degree of uncertainty surrounding macroeconomic outlooks.

ECL is sensitive to changes in both the base case scenario as well as the incorporation of multiple probability-weighted macroeconomic scenarios. Incorporating multiple probability-weighted macroeconomic scenarios into ECL estimates resulted in an increase of approximately 9% to the performing loan allowance for credit losses, relative to the base case scenario, as at October 31, 2019.

The primary macroeconomic variables, over the next 12 months and the remaining forecast period, incorporated into the estimation of ECL are as follows:

	Base Scenario		Optimistic[1]		Pessimistic[2]	
Macroeconomic Variable	Next 12 Months	Remaining Forecast Period	Next 12 Months	Remaining Forecast Period	Next 12 Months	Remaining Forecast Period
Annual GDP growth	1.5%	1.7%	2.1%	3.1%	1.0%	0.4%
Unemployment rate	6.0%	6.3%	5.8%	5.7%	6.3%	7.0%
MLS housing resale price growth (decline)	3.0%	1.9%	6.0%	10.9%	0.1%	(7.2)%
Three month treasury bill rate	1.6%	1.8%	2.2%	2.7%	1.1%	0.9%
U.S. dollar/Canadian dollar exchange rate	$ 1.32	$ 1.33	$ 1.36	$ 1.44	$ 1.28	$ 1.21
Oil price (U.S. dollar per barrel)	$ 62	$ 61	$ 73	$ 81	$ 52	$ 40

(1) Represents one standard deviation above the base case scenario.
(2) Represents one standard deviation below the base case scenario.

The primary macroeconomic variables impacting ECL for personal loan portfolios are unemployment rates and Multiple Listings Service (MLS) housing resale price growth. Business portfolios are impacted by all of the variables in the table above, to varying degrees. Increases in unemployment rates and interest rates will generally correlate with higher expected credit losses while increases in oil price, annual gross domestic product (GDP) growth, and MLS housing resale price growth, and the U.S. dollar/Canadian dollar exchange rate will generally result in lower ECL.

Stage 3 Allowance for Credit Losses

For impaired loans in Stage 3, the allowance for credit losses 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 cash flows CWB expects to receive, 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. Security can vary by type of loan and may include real property, working capital, guarantees, or other equipment.

Reconciliation

A reconciliation of changes in the allowance for credit losses related to loans, committed but undrawn credit exposures and letters of credit under IFRS 9 follows:

	IFRS 9			
	2019			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Personal				
Balance at beginning of year	$ 1,461	$ 1,181	$ 647	$ 3,289
Transfers to (from)				
Stage 1[1]	211	(211)	-	-
Stage 2[1]	(369)	389	(20)	-
Stage 3[1]	(10)	(96)	106	-
Net remeasurement[2]	(1,236)	594	1,860	1,218
New originations	1,870	-	-	1,870
Derecognitions and maturities	(307)	(377)	(172)	(856)
Provision for (reversal of) credit losses[3]	159	299	1,774	2,232
Write-offs	-	-	(1,422)	(1,422)
Recoveries	-	-	37	37
Balance at end of year	1,620	1,480	1,036	4,136
Business				
Balance at beginning of year	$ 59,325	$ 26,570	$ 26,380	$ 112,275
Transfers to (from)				
Stage 1[1]	13,802	(13,802)	-	-
Stage 2[1]	(5,780)	6,788	(1,008)	-
Stage 3[1]	(158)	(3,231)	3,389	-
Net remeasurement[2]	(34,446)	14,896	53,477	33,927
New originations	46,846	-	-	46,846
Derecognitions and maturities	(17,037)	(7,812)	(295)	(25,144)
Provision for (reversal of) credit losses[3]	3,227	(3,161)	55,563	55,629
Write-offs	-	-	(60,844)	(60,844)
Recoveries	-	-	3,829	3,829
Balance at end of year	62,552	23,409	24,928	110,889
Total Allowance for Credit Losses[4]	$ 64,172	$ 24,889	$ 25,964	$ 115,025
Represented by:				
Loans	$ 61,571	$ 23,299	$ 25,964	$ 110,834
Committed but undrawn credit exposures and letters of credit[4]	2,601	1,590	-	4,191
Total Allowance for Credit Losses[5]	$ 64,172	$ 24,889	$ 25,964	$ 115,025

(1) Represents stage movements prior to remeasurement of the allowance for credit losses.
(2) Represents credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions, including changes in forward-looking macroeconomic forecasts and qualitative adjustments, and changes due to partial repayment.
(3) Included in the provision for credit losses in the consolidated statements of income.
(4) Included in other liabilities in the consolidated balance sheets.
(5) Allowance for credit losses related to debt securities measured at FVOCI, cash resources and other financial assets classified at amortized cost were excluded from the table above. See Note 6 for details related to the allowance for credit losses on debt securities measured at FVOCI. Cash resources and other financial assets classified at amortized cost are presented in the consolidated balance sheets, net of allowance for credit losses.

The following table shows the changes in the allowance for credit losses under IAS 39:

	IAS 39		
	2018		
	Specific Allowance	Collective Allowance	Total
Balance at beginning of year	$ 16,617	$ 119,298	$ 135,915
Provision for credit losses	47,789	468	48,257
Write-offs	(45,359)	-	(45,359)
Recoveries	7,980	-	7,980
Balance at End of Year	$ 27,027	$ 119,766	$ 146,793
Represented by:			
Loans	$ 27,027	$ 101,502	$ 128,529
Committed but undrawn credit exposures and letters of credit	-	18,264	18,264
Total Allowance	$ 27,027	$ 119,766	$ 146,793

9. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Securitization of equipment financing leases and loans

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

During 2019, CWB securitized equipment financing leases and loans of $784,125 (2018 – $1,178,726) which were sold to thrid parties for cash proceeds of $704,392 (2018 – $1,063,792).

Securitization of residential mortgages

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

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

During 2019, CWB securitized residential mortgages of $203,455 which were sold to the CHT for cash proceeds of $202,871 (2018 – $184,213 sold for cash proceeds of $181,635) and did not sell any securitized residential mortgages directly to third party investors (2018 – nil).

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 7). These securities are not derecognized and the cash proceeds from the sale are recognized within other liabilities on the consolidated balance sheets.

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

	As at October 31, 2019		As at October 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized leases and loans	**$ 1,613,426**	**$ 1,616,653**	$ 1,621,943	$ 1,690,933
Securitized residential mortgages	**442,310**	**440,983**	277,942	271,492
Securities sold under repurchase agreements	**29,965**	**29,965**	95,126	95,126
	2,085,701	**2,087,601**	1,995,011	2,057,551
Associated Liabilities(1)	**1,943,764**	**1,965,313**	1,852,980	1,786,645
Net Position	**$ 141,937**	**$ 122,288**	$ 142,031	$ 270,906

(1) Associated liabilities consist of $1,469,509 related to securitized leases and loans (October 31, 2018 – $1,479,133), $444,290 related to residential mortgages securitized through the NHA MBS program (October 31, 2018 – $278,721) and $29,965 related to securities sold under repurchase agreements (October 31, 2018 – $95,126).

Additionally, CWB has securitized residential mortgages through the NHA MBS program totaling $394,342 with a fair value of $393,159 (2018 – $330,599 with a fair value of $322,926) 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
- 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, 2018	$ 76,505	$ 18,905	$ 36,701	$ 44,321	$ 176,432
Additions	4,277	165	5,713	5,326	15,481
Disposals	-	(417)	(217)	(495)	(1,129)
Balance at October 31, 2019	80,782	18,653	42,197	49,152	190,784
Accumulated Depreciation and Impairment					
Balance at November 1, 2018	51,324	6,129	26,140	33,741	117,334
Depreciation for the year	4,389	564	3,539	2,810	11,302
Disposals	-	(307)	(217)	(494)	(1,018)
Balance at October 31, 2019	55,713	6,386	29,462	36,057	127,618
Net Carrying Amount at October 31, 2019	$ 25,069	$ 12,267	$ 12,735	$ 13,095	$ 63,166
Cost					
Balance at November 1, 2017	$ 72,398	$ 18,754	$ 31,444	$ 40,842	$ 163,438
Additions	4,179	151	5,262	3,573	13,165
Disposals	(72)	-	(5)	(94)	(171)
Balance at October 31, 2018	76,505	18,905	36,701	44,321	176,432
Accumulated Depreciation and Impairment					
Balance at November 1, 2017	47,263	5,580	23,461	31,019	107,323
Depreciation for the year	4,133	549	2,684	2,816	10,182
Disposals	(72)	-	(5)	(94)	(171)
Balance at October 31, 2018	51,324	6,129	26,140	33,741	117,334
Net Carrying Amount at October 31, 2018	$ 25,181	$ 12,776	$ 10,561	$ 10,580	$ 59,098

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

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

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

	MX	NL	M&P	WM	Total
Balance at November 1, 2018	$ 38,869	$ 35,776	$ 6,575	$ 3,948	$ 85,168
Partial ownership change	-	-	13	211	224
Balance at October 31, 2019	**$ 38,869**	**$ 35,776**	**$ 6,588**	**$ 4,159**	**$ 85,392**
Balance at November 1, 2017	$ 38,869	$ 35,776	$ 7,099	$ 3,925	$ 85,669
Partial ownership change	-	-	(524)	23	(501)
Balance at October 31, 2018	$ 38,869	$ 35,776	$ 6,575	$ 3,948	$ 85,168

Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance 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. 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. The assets' useful lives are assessed at least annually.

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
- Other: 3 to 5 years

	Software and Related Assets	Customer Relation-ships	Trademarks and Tradenames	Non-competition Agreements	Other	Total
Cost						
Balance at November 1, 2018	$ 184,271	$ 59,211	$ 6,564	$ 11,084	$ 5,150	$ 266,280
Additions	34,073	-	-	-	-	34,073
Partial ownership change	-	4	23	-	-	27
Disposals	(749)	-	-	-	-	(749)
Balance at October 31, 2019	217,595	59,215	6,587	11,084	5,150	299,631
Accumulated Amortization						
Balance at November 1, 2018	60,066	29,745	-	11,039	4,640	105,490
Amortization	16,135	4,657	-	20	330	21,142
Disposals	(749)	-	-	-	-	(749)
Balance at October 31, 2019	75,452	34,402	-	11,059	4,970	125,883
Net Carrying Amount at October 31, 2019	$ 142,143	$ 24,813	$ 6,587	$ 25	$ 180	$ 173,748
Cost						
Balance at November 1, 2017	$ 154,761	$ 59,606	$ 6,632	$ 11,153	$ 5,150	$ 237,302
Additions	31,118	-	-	-	-	31,118
Partial ownership change	-	(395)	(68)	(69)	-	(532)
Disposals	(1,608)	-	-	-	-	(1,608)
Balance at October 31, 2018	184,271	59,211	6,564	11,084	5,150	266,280
Accumulated Amortization						
Balance at November 1, 2017	48,462	24,709	-	10,288	4,113	87,572
Amortization	13,212	5,036	-	751	527	19,526
Disposals	(1,608)	-	-	-	-	(1,608)
Balance at October 31, 2018	60,066	29,745	-	11,039	4,640	105,490
Net Carrying Amount at October 31, 2018	$ 124,205	$ 29,466	$ 6,564	$ 45	$ 510	$ 160,790

Impairment

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

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

The recoverable amounts for CWB's cash-generating units are calculated based on the higher of their value in use and fair value less costs of disposal. Fair value less costs of disposal is determined by using a market-based approach of the associated cash-generating unit, whereby the fair value is determined using comparable market transactions for similar businesses. Value in use is 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 is determined similarly as in the comparative year. The calculation of the value in use is based on the following key assumptions:

- Cash flows are projected based on past experience, actual operating results and the five-year future business plan. Cash flows for a further 15-year period are extrapolated using a constant growth rate of 1.7% (2018 – 2.0%), which is based on the long-term forecast Canadian GDP 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 9.3% (2018 – 10.1%) is applied in determining the recoverable amounts, which is 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 2019 or 2018.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

Use of Derivatives

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

Derivative financial instruments primarily used by CWB include:

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

Embedded Derivatives

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument and there is no separation of the embedded derivative. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are treated as separate derivatives when their economic characteristics and risk are not closely related to those of the host contract, unless an election is made to measure the contract at fair value. Identified embedded derivatives that are separated from the host contract are recorded at fair value.

Fair Value

Derivative financial instruments are recorded on the balance sheet at fair value 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 non-interest income on the consolidated statements of income.

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, 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.

Potential sources of ineffectiveness can be attributed to the differences between hedging instruments and the hedged items:

- Mismatches in terms of hedged item and hedging instrument, such as the repricing dates and frequency of payments.
- The effect of the counterparty and CWB's own credit risk.

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 consolidated 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 consolidated statements of income.

Interest Rate Risk

Interest rate risk arises when changes in interest rates affect the cash flows, earnings and values of assets and liabilities. CWB has a policy of interest rate risk management to maintain an appropriate balance between earnings volatility and economic value volatility while keeping both within their respective risk appetite limits. 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 achieved partly by using interest rate swaps and bond forward contracts as a hedge to interest rate changes.

Only the changes in fair value and cash flows related to changes in benchmark interest rates are designated as hedges for accounting purposes. Other risk elements present in these relationships, such as credit risk, have a less significant impact on changes in fair value and cash flows, and are not designated as accounting hedges.

The hedging ratio is established by matching the notional amount of the hedging instrument with the notional amount of the hedged item. The existence of an economic relationship between the hedging instrument and hedged item is based on the reference interest rates, tenors, repricing dates and maturities, and the notional or par amounts.

Equity Risk

Equity risk arises when changes in CWB common share price affects the payout of share-based payment plans (see Note 18) that have not yet vested. CWB has a policy to hedge a portion of the earnings volatility related to restricted share unit (RSU) and deferred share unit (DSU) grants by using equity swaps, where CWB makes periodic interest payments to a counterparty and receives the capital gain or loss plus dividends of a CWB common share.

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, 2019				As at October 31, 2018			
	Favourable Contracts		Unfavourable Contracts		Favourable Contracts		Unfavourable Contracts	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Cash Flow Hedges								
Interest rate risk								
Interest rate swaps	$ 4,952,000	$ 42,855	$ 1,876,000	$ (13,104)	$ -	$ -	$ 4,908,000	$ (65,130)
Bond forward contracts	-	-	20,000	(91)	15,000	55	-	-
Equity risk								
Equity swaps	13,084	3,049	6,184	(159)	9,008	2,203	9,277	(1,339)
Fair Value Hedges								
Interest rate risk								
Interest rate swaps	19,746	20	20,000	(58)	-	-	-	-
Not Designated as Accounting Hedges								
Foreign exchange contracts	106,575	1,005	164,338	(604)	27,195	238	161,933	(2,307)
Equity swaps	5,319	886	-	-	-	-	5,842	(805)
Total	$ 5,096,724	$ 47,815	$ 2,086,522	$ (14,016)	$ 51,203	$ 2,496	$ 5,085,052	$ (69,581)

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:

	2019	2018
Favourable derivative financial instruments (assets)	$ 40,853	$ 9,248
Unfavourable derivative financial instruments (liabilities)	$ 22,174	$ 49,001

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

	As at October 31, 2019				As at October 31, 2018			
	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
Cash Flow Hedges								
Interest rate risk								
Interest rate swaps(1)	$2,100,000	1.92%	$4,728,000	2.01%	$1,070,000	1.72%	$3,838,000	1.98%
Bond forward contracts(2)	20,000	-	-	-	15,000	-	-	-
Equity risk								
Equity swaps(3)	9,365	2.58%	9,903	2.62%	9,233	2.85%	9,052	2.86%
Fair Value Hedges								
Interest rate risk								
Interest rate swaps(4)	-	-	39,746	1.72%	-	-	-	-
Not Designated as Accounting Hedges								
Foreign exchange contracts(5)	270,913	-	-	-	189,128	-	-	-
Equity swaps(6)	5,319	2.47%	-	-	5,842	2.65%	-	-
Total	$2,405,597		$4,777,649		$1,289,203		$3,847,052	

(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 cash flow hedges outstanding at October 31, 2019 mature between November 2019 and September 2024.
(2) Bond forward contracts outstanding at October 31, 2019 mature in December 2019.
(3) Equity swaps designated as accounting hedges outstanding at October 31, 2019 mature between June 2020 and June 2022.
(4) Interest rate swaps designated as accounting fair value hedges outstanding at October 31, 2019 mature in August and December 2022.
(5) Foreign exchange contracts outstanding at October 31, 2019 mature between November 2019 and April 2020. The contractual interest rate is not meaningful for foreign exchange contracts.
(6) Equity swaps not designated as accounting hedges outstanding at October 31, 2019 mature in June 2020.

The following tables present the details of the hedged items categorized by their hedging relationships:

	As at October 31, 2019		
	Statement of Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness	AOCI - Cash Flow Hedges
Cash Flow Hedges			
Interest rate risk			
Variable rate liabilities	Deposits - Personal, Deposits - Business and government	$ 94,881	$ 21,991
Forecasted NHA MBS issuances	n/a	(146)	(224)
Equity risk			
Restricted share units	Other - Other liabilities	2,024	1,091

n/a - not applicable

	As at October 31, 2019					
	Carrying Amount of Hedged Item		Accumulated Amount of Fair Value Adjustments on the Hedged Item		Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities		
Fair Value Hedges						
Interest rate risk						
Fixed rate assets	$ 40,393	$ -	$ (13)	$ -	Securities - Issued or guaranted by a province or municipality, Other debt securities	$ (38)

The following table contains information regarding the effectiveness of the hedging relationships, as well as the impacts on the consolidated statements of income and consolidated statements of comprehensive income:

	2019			
	Change in Fair Value of Hedging Instrument	Hedge Ineffectiveness Recognized in Income	Change in the Fair Value of the Hedging Instrument Recognized in OCI	Amount Reclassified from AOCI - Cash Flow Hedges to Income
Cash Flow Hedges				
Interest rate risk				
Interest rate swaps(1)	$ 94,881	$ -	$ 69,538	$ (3)
Bond forward contracts(1)	(146)	-	(99)	147
Equity risk				
Equity swaps(2)	2,024	-	1,922	(527)
Fair Value Hedges				
Interest rate risk				
Interest rate swaps	(38)	-	-	-

(1) Amounts reclassified from OCI into Interest Expense – Deposits
(2) Amounts reclassified from OCI into Non-interest expenses – Salaries and employee benefits

The following table shows a reconciliation of the accumulated other comprehensive income from derivatives designated as cash flow hedges and an analysis of other comprehensive income relating to hedge accounting:

Accumulated Other Comprehensive Income - Cash Flow Hedges	2019
Balance at beginning of year	$ (48,120)
Amounts recognized in other comprehensive income:	
Interest rate risk - Interest rate swaps and bond forward contracts	
Effective portion of changes in fair value	69,439
Amounts reclassified to net income	144
Equity risk - Equity swaps	
Effective portion of changes in fair value	1,922
Amounts reclassified to net income	(527)
Balance at End of Year	$ 22,858

At October 31, 2019, hedged cash flows are expected to occur and affect profit or loss within the next five years.

13. OTHER ASSETS

		As at October 31 2019	As at October 31 2018
Accrued interest receivable		$ 79,709	$ 77,004
Accounts receivable		63,150	60,533
Deferred tax asset	(Note 22)	37,868	45,877
Prepaid expenses		10,396	9,181
Financing costs(1)		6,986	6,480
Derivative collateral receivable	(Note 28)	4,070	55,550
Income tax receivable		2,092	7,547
Other		8,535	9,167
Total		$ 212,806	$ 271,339

(1) Amortization for the year amounted to $3,016 (2018 – $2,502).

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, 2019		
	Individuals	Business and Government	Total
Payable on demand	$ 34,296	$ 715,875	$ 750,171
Payable after notice	4,452,592	3,420,754	7,873,346
Payable on a fixed date	10,813,617	5,914,227	16,727,844
Total	$ 15,300,505	$ 10,050,856	$ 25,351,361

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

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

	As at October 31 2019	As at October 31 2018
Within 1 year	$ 6,694,117	$ 6,108,436
1 to 2 years	5,013,286	3,830,943
2 to 3 years	2,242,094	3,344,859
3 to 4 years	1,793,324	1,320,789
4 to 5 years	985,023	1,500,751
Total	$ 16,727,844	$ 16,105,778

15. OTHER LIABILITIES

		As at October 31 2019	As at October 31 2018
Accounts payable and accrued liabilities		$ 333,123	$ 290,560
Accrued interest payable		208,548	164,171
Income taxes payable		60,501	9,794
Derivative collateral payable	(Note 28)	19,370	-
Deferred tax liability	(Note 22)	4,716	5,745
Deferred revenue		4,357	5,534
Allowance for committed but undrawn credit exposures and letters of credit(1)	(Note 8)	4,191	18,264
Leasehold inducements		2,694	3,170
Contingent consideration	(Note 27)	-	29,814
Other		8,886	4,901
Total		$ 646,386	$ 531,953

(1) Amounts for fiscal 2019 have been prepared in accordance with IFRS 9 (refer to Notes 1 and 2). Fiscal 2018 comparatives have been prepared in accordance with IAS 39 and have not been restated.

16. DEBT

A) DEBT SECURITIES

A summary of outstanding debt related to the securitization of equipment financing leases and loans and residential mortgages by contractual maturity date follows:

	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2019	As at October 31 2018
Securitized leases and loans	$ 576,621	$ 756,426	$ 136,462	$ 1,469,509	$ 1,479,133
Securitized residential mortgages	88,404	133,051	222,835	444,290	278,721
Total	$ 665,025	$ 889,477	$ 359,297	$ 1,913,799	$ 1,757,854

B) SUBORDINATED DEBENTURES

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

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

	Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	Par Value
Non-NVCC subordinated debentures	3.463%(1)	December 17, 2024	December 17, 2019	$ 250,000
NVCC subordinated debentures(2)	3.668%	June 11, 2029	June 11, 2024	250,000

(1) These conventional debentures have a 12-year term with a fixed interest rate for the first seven years. Thereafter, if not redeemed, the interest rate would have been reset quarterly at the three month Canadian Dollar Offered Rate (CDOR) plus 160 basis points.

(2) The balance reported on the consolidated balance sheets as at October 31, 2019 includes unamortized financing costs relating to the issuance of subordinated debentures of $1,506.

On June 11, 2019, CWB issued $250,000 Non-Viability Contingent Capital (NVCC) subordinated debentures with a fixed annual interest rate of 3.668% until June 11, 2024. Thereafter, the rate will be set quarterly at the three-month CDOR plus 199 basis points until maturity on June 11, 2029. The debentures are redeemable by CWB on or after June 11, 2024, subject to the prior written consent of OSFI.

Upon the occurrence of a trigger event (as defined by OSFI), each subordinated debenture will be automatically converted, without the consent of the holders, into CWB common shares. Conversion to common shares will be determined by dividing the debenture conversion value (the principal amount of the debenture plus accrued but unpaid interest times a multiplier of 1.5) 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 conversion).

On October 18, 2019, CWB announced the redemption of all $250,000 of outstanding 3.463% non-NVCC subordinated debentures. The debentures were redeemed on November 18, 2019 at an aggregate amount of $253,900, representative of the early redemption value plus accrued interest.

17. CAPITAL STOCK

Authorized:

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

Issued and Fully Paid:

		2019		2018	
		Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 5					
Outstanding at beginning and end of year		5,000,000	$ 125,000	5,000,000	$ 125,000
Preferred Shares - Series 7					
Outstanding at beginning and end of year		5,600,000	140,000	5,600,000	140,000
Preferred Shares - Series 9					
Outstanding at beginning of year		-	-	-	-
Issued		5,000,000	125,000	-	-
Outstanding at end of year		5,000,000	125,000	-	-
		15,600,000	390,000	10,600,000	265,000
Common Shares					
Outstanding at beginning of year		88,952,099	744,701	88,494,353	731,885
Purchased for cancellation		(1,829,944)	(15,326)	-	-
Issued on exercise or exchange of options(1)		77,667	1,245	178,279	2,818
Issued under dividend reinvestment plan		49,889	1,350	119,174	4,248
Issued on acquisition-related contingent consideration instalment payment	(Note 27)	-	-	160,293	5,750
Outstanding at end of year		87,249,711	731,970	88,952,099	744,701
Share Capital			$ 1,121,970		$ 1,009,701

(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

The normal course issuer bid (NCIB) announced on September 27, 2018, originally for the purchase of up to 1,767,000 common shares and amended on April 10, 2019 to 3,534,000 common shares, was for the 12-month period that expired on September 30, 2019. CWB repurchased 1,829,944 common shares at an average price of $27.08 under this NCIB, all in fiscal 2019. The total cost of these purchases, including related transaction costs was $49,592.

On September 26, 2019, CWB announced the approval of OFSI and the Toronto Stock Exchange (TSX) to repurchase for cancellation up to 1,740,000 common shares, representing approximately 2% of the issued and outstanding common shares, under a NCIB during the 12-month period expiring September 30, 2020. No common shares have been repurchased under this NCIB.

B) PREFERRED SHARES

PREFERRED SHARES – SERIES 5

On April 30, 2019, CWB elected to reset the NVCC First Preferred Shares Series 5 (Series 5 Preferred Shares) annual dividend rate from 4.40% to 4.30%, representing the five year Government of Canada Bond Yield as at April 1, 2019 plus 276 basis points. Beginning May 1, 2019, holders of Series 5 Preferred Shares are entitled to receive quarterly fixed rate non-cumulative preferential cash dividends in the amount of $0.2688125 per share, when declared by the Board of Directors of CWB. CWB may redeem the Series 5 Preferred Shares, in whole or in part, on April 30, 2024 and on April 30 every five years thereafter. All other terms remain unchanged.

PREFERRED SHARES – SERIES 9

On January 29, 2019, CWB issued 5,000,000 non-cumulative, five year rate reset NVCC First Preferred Shares Series 9 (Series 9 Preferred Shares) at $25.00 per share, for gross proceeds of $125,000. Holders of Series 9 Preferred Shares are entitled to receive a non-cumulative fixed dividend in the amount of $0.3832 per share on April 30, 2019 and thereafter, dividends will be at a quarterly rate of $0.375 per share, when declared by the Board of Directors of CWB, for the initial period ending April 30, 2024. The quarterly dividend represents an annual yield of 6.00% based on the stated issue price per share. Thereafter, the dividend rate will reset every five years at 404 basis points over the then five year Government of Canada Bond Yield.

NON-VIABILITY CONTINGENT CAPITAL PREFERRED SHARE RIGHTS AND PRIVILEGES

	Redemption Amount	Quarterly Non-cumulative Dividend[1]	Annual Yield[5]	Date Redeemable/ Convertible[6][7]	Convertible to[8]
Preferred Shares - Series 5	$ 25.00	$ 0.2688125[2]	4.30%	April 30, 2024	Preferred Shares - Series 6
Preferred Shares - Series 7	$ 25.00	$ 0.390625[3]	6.25%	July 31, 2021	Preferred Shares - Series 8
Preferred Shares - Series 9	$ 25.00	$ 0.375[4]	6.00%	April 30, 2024	Preferred Shares - Series 10

(1) Non-cumulative fixed dividends are payable quarterly as and when declared by the Board of Directors of CWB.
(2) The dividend rate reset on April 30, 2019 and 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. Prior to the April 30, 2019, the annual yield was 4.40% representing a quarterly non-cumulative dividend of $0.275 per share.
(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) The dividend rate will reset on the date redeemable and every five years thereafter at a level of 404 basis points over the then five year Government of Canada Bond Yield.
(5) Based on the stated issue price per share of $25.00.
(6) Redeemable by CWB, subject to the approval of OSFI, on the date noted and every five years thereafter.
(7) 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, Series 8, and Series 10 which are non-cumulative, floating rate preferred shares.
(8) If converted, holders of the First Preferred Shares Series 6, Series 8, and Series 10 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, 547, and 404 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:

	2019	2018
$1.08 per common share (2018 – $1.00)	**$ 94,573**	$ 88,819
$1.09 per preferred share - Series 5 (2018 – $1.10)	**5,438**	5,500
$1.56 per preferred share - Series 7 (2018 – $1.56)	**8,750**	8,750
$1.13 per preferred share - Series 9 (2018 – nil)	**5,666**	-
Total	**$ 114,427**	$ 103,069

Subsequent to October 31, 2019, the Board of Directors of CWB declared a dividend of $0.28 per common share payable on January 7, 2020 to shareholders of record on December 17, 2019, and cash dividends for preferred shares of $0.2688125 per Series 5, $0.390625 per Series 7, and $0.375 per Series 9 preferred share payable on January 31, 2020 to shareholders of record on January 24, 2020. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheets at October 31, 2019.

D) DIVIDEND REINVESTMENT PLAN

Under the dividend reinvestment plan (plan), CWB provides holders of CWB's common shares and holders of any other class of shares deemed eligible by CWB's Board of Directors with the opportunity to direct cash dividends paid on any class of their eligible shares towards the purchase of additional common shares. Currently, the Board of Directors has deemed that the holders of CWB's Series 5, Series 7, and Series 9 Preferred Shares are also eligible to participate in the plan. The plan is 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 TSX for the five trading days immediately preceding the dividend payment date, with a discount of between 0% to 5% or through the open market at market prices. During the year, 49,889 (2018 – 119,174) common shares were issued under the plan from CWB's treasury with no discount (2018 – no discount). Beginning in the third quarter of 2019, CWB satisfied the requirements of the plan through purchases of common shares in the open market.

18. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

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

CWB has authorized 6,321,061 common shares (2018 – 6,398,728) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 1,676,604 shares (2018 – 2,833,461) 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 the grant date. Previously granted options expire within five years of the grant date. Outstanding options expire from March 2020 to March 2026.

The details of, and changes in, the issued and outstanding options are as follows:

	2019			2018		
Options	**Number of Options**		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance at beginning of year	**2,833,461**	**$**	**31.90**	3,390,759	$	31.02
Granted	**380,728**		**29.43**	262,563		35.15
Exercised or exchanged	**(407,134)**		**25.66**	(782,769)		28.95
Expired	**(1,105,653)**		**38.58**	(37,092)		36.94
Forfeited	**(24,798)**		**31.50**	-		-
Balance at End of Year	**1,676,604**	**$**	**28.41**	2,833,461	$	31.90
Exercisable at End of Year	**718,481**	**$**	**24.36**	1,628,324	$	34.64

Further details relating to stock options outstanding and exercisable are as follows:

	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	718,481	2.6	$	24.36	718,481	$	24.36
$29.43 to $29.99	376,409	6.3		29.44	-		-
$30.85 to $35.15	581,714	4.8		32.74	-		-
Total	1,676,604	4.2	$	28.41	718,481	$	24.36

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 2019, option holders exchanged the rights to 407,134 (2018 – 782,769) options and received 77,667 (2018 – 178,279) shares in return by way of cashless settlement.

Salary expense of $1,617 (2018 – $1,776) 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 1.6% (2018 – 2.0%), (ii) expected option life of 5.0 (2018 – 5.0) years, (iii) expected annual volatility of 29% (2018 – 28%), and (iv) expected annual dividends of 3.7% (2018 – 2.9%). 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 $4.93 (2018 – $6.48) per share.

During the year, $1,245 (2018 – $2,818) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 407,134 (2018 – 782,769) options exercised during the year.

B) RESTRICTED SHARE UNITS

Under the 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 $9,683 (2018 – $9,160) was recognized related to RSUs. As at October 31, 2019, the liability for the RSUs held under this plan was $10,966 (October 31, 2018 – $10,821). At the end of each period, the liability is adjusted to reflect changes in the fair value of the RSUs.

Number of RSUs	2019	2018
Balance at beginning of year	626,814	731,930
Granted	410,225	283,083
Vested and paid out	(337,425)	(367,752)
Forfeited	(24,418)	(20,447)
Balance at End of Year	675,196	626,814

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 set at grant date 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 $1,643 (2018 – $2,951) was recognized related to PSUs. As at October 31, 2019, the liability for the PSUs held under this plan was $4,416 (October 31, 2018 – $5,225). 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	2019	2018
Balance at beginning of year	194,233	209,263
Granted	78,789	54,929
Vested and paid out	(87,652)	(69,959)
Balance at End of Year	185,370	194,233

D) DEFERRED SHARE UNITS

Under the DSU plan, non-employee directors receive a portion 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 $1,180 (2018 – $858) related to the DSUs. As at October 31, 2019, the liability for DSUs held under this plan was $6,575 (October 31, 2018 – $5,238). 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	2019	2018
Balance at beginning of year	171,069	172,833
Granted	41,002	28,888
Paid out	(14,860)	(30,652)
Balance at End of Year	197,211	171,069

19. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

	As at October 31 2019	As at October 31 2018
CWB Wealth Management Ltd.	$ 1,091	$ 2,056
CWB McLean & Partners Wealth Management Ltd.	781	695
Total	**$ 1,872**	$ 2,751

20. CONTINGENT LIABILITIES AND COMMITMENTS

A) CREDIT INSTRUMENTS

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

	As at October 31 2019	As at October 31 2018
Credit Instruments		
Commitments to extend credit	$ 5,173,866	$ 4,748,747
Guarantees and standby letters of credit	505,272	480,341
Total	**$ 5,679,138**	$ 5,229,088

Commitments to extend credit to customers also arise in the normal course of business and include undrawn availability under lines of credit and business operating loans of $2,568,449 (October 31, 2018 – $2,374,512) and authorized but unfunded loan commitments of $2,605,417 (October 31, 2018 – $2,374,235). In the majority of instances, availability of undrawn business 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. 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.

B) LEASE COMMITMENTS

CWB has obligations under long-term, non-cancellable operating leases for the rental of premises and automated teller machines. The leases typically run 5 to 15 years, with an option to renew the lease for an additional five years. 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:

2020	**$ 14,946**
2021	**14,795**
2022	**12,397**
2023	**11,995**
2024	**10,508**
2025 and thereafter	**27,943**
Total	**$ 92,584**

C) PURCHASE OBLIGATIONS

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

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

2020	$	1,659
2021		1,393
Total	**$**	**3,052**

D) GUARANTEES

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

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

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

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

E) LEGAL AND REGULATORY PROCEEDINGS

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

21. EMPLOYEE FUTURE BENEFITS

All employee future benefits related to CWB's group retirement savings and employee share purchase plans are recognized in the periods during which services are rendered by employees. CWB's contributions to the group retirement savings plan and employee share purchase plan totaled $16,654 (2018 – $15,038).

22. INCOME TAXES

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

The provision for income taxes consists of the following:

	2019	2018
Consolidated statements of income		
Current	$ 105,140	$ 105,381
Deferred	(2,475)	(8,504)
	102,665	96,877
Other comprehensive income		
Tax expense (recovery) related to:		
Items that will be subsequently reclassified to net income	12,016	(7,410)
Items that will not be subsequently reclassified to net income[1]	(4,982)	n/a
Derivatives designated as cash flow hedges	25,867	(10,297)
	32,901	(17,707)
Total	$ 135,566	$ 79,170

(1) Amounts for fiscal 2019 have been prepaid in accordance with IFRS 9 (refer to note 1 and 2). Fiscal 2018 comparatives have been prepaid in accordance with IAS 38 and have not been restated.

n/a – not applicable

The combined statutory tax rate changed in 2019 as a result of a decrease in the Alberta provincial tax rate from 12% to 8% over four years, beginning with a 1% decrease on July 1, 2019 with further reductions of 1% on each of January 1, 2020, 2021 and 2022.

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:

	2019		2018	
Combined Canadian federal and provincial income taxes and statutory tax rate	$ 104,433	26.7%	$ 97,324	26.9%
Increase (decrease) arising from:				
Deferred tax related to provincial tax rate increase	(1,530)	(0.4)	-	-
Tax-exempt income	(634)	(0.1)	(1,708)	(0.4)
Stock-based compensation	428	0.1	479	0.1
Other	(32)	-	782	0.2
Provision for Income Taxes and Effective Tax Rate	$ 102,665	26.3%	$ 96,877	26.8%

Deferred tax balances are comprised of the following:

	2019	2018
Deferred Tax Assets		
Allowance for credit losses	$ 13,527	$ 25,847
Leasing income	21,869	18,608
Deferred loan fees	10,573	12,068
Deferred deposit broker commission	(6,367)	(8,219)
Other temporary differences	(1,734)	(2,427)
	$ 37,868	$ 45,877
Deferred Tax Liabilities		
Intangible assets	$ 3,324	$ 4,373
Other temporary differences	1,392	1,372
	$ 4,716	$ 5,745

23. EARNINGS PER COMMON SHARE

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

The calculation of earnings per common share follows:

	2019	2018
Numerator		
Common shareholders' net income	$ 266,940	$ 249,256
Denominator		
Weighted average number of common shares outstanding - basic	87,512,616	88,806,458
Dilutive instruments:		
Stock options(1)	225,988	478,441
Weighted Average Number of Common Shares Outstanding - Diluted	87,738,604	89,284,899
Earnings Per Common Share		
Basic	$ 3.05	$ 2.81
Diluted	3.04	2.79

(1) At October 31, 2019, the denominator excludes 958,123 (2018 – 1,368,216) employee stock options with an average exercise price of $33.22 (2018 – $38.76), adjusted for unrecognized stock-based compensation, that is greater than the average market price.

24. RELATED PARTY TRANSACTIONS

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

Preferred Rates and Terms

CWB makes loans, primarily residential mortgages, to its officers and employees at various preferred rates and terms. The total amount outstanding for these types of loans is $184,130 (October 31, 2018 – $147,886). 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 $323,308 (October 31, 2018 – $313,004).

Key Management Personnel

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

Compensation of key management personnel follows:

	2019	2018
Salaries, benefits and directors' compensation	$ 5,168	$ 5,326
Share-based payments (stock options, RSUs, PSUs and DSUs)(1)	3,449	3,132
Total	$ 8,617	$ 8,458

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

Loans outstanding with key management personnel totaled $259 as at October 31, 2019 (October 31, 2018 – $190). No loans were outstanding with CWB's independent directors as at October 31, 2019 and 2018, reflecting CWB's policies that preclude lending to those directors.

25. INTEREST RATE SENSITIVITY

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

Asset Liability Gap Positions
($millions)

October 31, 2019	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	$ 752	$ 318	$ 654	$ 1,724	$ 744	$ -	$ 7	$ 2,475
Loans[(1)]	13,195	1,298	4,484	18,977	9,184	294	(89)	28,366
Other assets[(2)]	-	-	-	-	-	-	583	583
Derivatives[(3)]	190	510	1,475	2,175	4,738	-	270	7,183
Total	14,137	2,126	6,613	22,876	14,666	294	771	38,607
Liabilities and Equity								
Deposits[(1)]	8,151	1,536	4,823	14,510	10,869	-	(27)	25,352
Securities sold under repurchase agreements	30	-	-	30	-	-	-	30
Other liabilities[(2)]	-	-	-	-	-	-	683	683
Debt	311	118	483	912	1,499	-	-	2,411
Equity	-	-	-	-	390	-	2,558	2,948
Derivatives[(3)]	6,828	45	-	6,873	40	-	270	7,183
Total	15,320	1,699	5,306	22,325	12,798	-	3,484	38,607
Interest Rate Sensitive Gap	$ (1,183)	$ 427	$ 1,307	$ 551	$ 1,868	$ 294	$ (2,713)	$ -
Cumulative Gap	$ (1,183)	$ (756)	$ 551	$ 551	$ 2,419	$ 2,713	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	(3.1)%	(2.0)%	1.4%	1.4%	6.3%	7.0%	-	-
October 31, 2018								
Cumulative Gap	$ (619)	$ (318)	$ 287	$ 287	$ 2,326	$ 2,526	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	(1.8)%	(0.9)%	0.8%	0.8%	6.8%	7.4%	-	-

(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, 2019	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total assets	4.4%	3.5%	3.8%	4.1%	3.7%	5.3%	3.9%
Total liabilities	1.9	2.3	2.4	2.1	2.7	-	2.1
Interest Rate Sensitive Gap	2.5%	1.2%	1.4%	2.0%	1.0%	5.3%	1.8%
October 31, 2018							
Total assets	4.4%	3.5%	4.1%	4.3%	3.6%	6.0%	4.0%
Total liabilities	1.7	2.3	2.2	1.9	2.5	-	2.1
Interest Rate Sensitive Gap	2.7%	1.2%	1.9%	2.4%	1.1%	6.0%	1.9%

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 $4,556 (October 31, 2018 – $6,234) and decrease other comprehensive income $107,812 (October 31, 2018 – $104,554) net of tax, respectively, over the following twelve months. A one percentage point decrease in all interest rates would decrease net interest income by approximately $7,463 (October 31, 2018 – $7,467) and increase other comprehensive income $111,563 (October 31, 2018 – $107,162), net of tax.

26. INTEREST INCOME

The composition of CWB's interest income follows:

		2019
Loans measured at amortized cost(1)	$	1,379,730
Securities		
Debt securities measured at FVOCI(1)		26,841
Equity securities designated at FVOCI		2,354
Securities purchased under resale agreements measured at amortized cost(1)		1,501
Deposits with regulated financial institutions measured at FVOCI(1)		8,274
Total	$	1,418,700

(1) Interest income is calculated using the effective interest method.

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 related to securitization activities 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 IFRS 9 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.

		IFRS 9					
October 31, 2019[1]		**Derivatives**	**Amortized Cost**	**FVOCI**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
Financial Assets							
Cash resources	(Note 5)	$ -	$ 121,986	$ 293,856	$ 415,842	$ 415,842	$ -
Securities[2]	(Note 6)	-	-	2,019,207	2,019,207	2,019,207	-
Securities purchased under resale agreements		-	40,366	-	40,366	40,366	-
Loans[3]		-	28,450,811	-	28,450,811	28,478,436	27,625
Derivatives		47,815	-	-	47,815	47,815	-
Total Financial Assets		$ 47,815	$ 28,613,163	$ 2,313,063	$ 30,974,041	$ 31,001,666	$ 27,625
Financial Liabilities							
Deposits[3]		$ -	$ 25,380,204	$ -	$ 25,380,204	$ 25,544,270	$ 164,066
Securities sold under repurchase agreements		-	29,965	-	29,965	29,965	-
Debt		-	2,412,293	-	2,412,293	2,444,034	31,741
Derivatives		14,016	-	-	14,016	14,016	-
Total Financial Liabilities		$ 14,016	$ 27,822,462	$ -	$ 27,836,478	$ 28,032,285	$ 195,807

		IAS 39					
October 31, 2018		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 5)	$ -	$ -	$ 153,221	$ 153,221	$ 153,221	$ -
Securities	(Note 6)	-	-	2,084,752	2,084,752	2,084,752	-
Loans[3]		-	26,390,375	-	26,390,375	26,551,146	160,771
Derivatives		2,496	-	-	2,496	2,496	-
Total Financial Assets		$ 2,496	$ 26,390,375	$ 2,237,973	$ 28,630,844	$ 28,791,615	$ 160,771
Financial Liabilities							
Deposits[3]		$ -	$ 23,743,618	$ -	$ 23,743,618	$ 23,502,200	$ (241,418)
Securities sold under repurchase agreements		-	-	95,126	95,126	95,126	-
Debt		-	2,007,854	-	2,007,854	1,942,472	(65,382)
Contingent consideration		-	29,814	-	29,814	29,814	-
Derivatives		69,581	-	-	69,581	69,581	-
Total Financial Liabilities		$ 69,581	$ 25,781,286	$ 95,126	$ 25,945,993	$ 25,639,193	$ (306,800)

(1) For further information on interest rates associated with financial assets and liabilities, including derivative instruments, refer to Note 25.
(2) Under IFRS 9, securities are comprised of $2,001,043 measured at FVOCI and $18,164 designated at FVOCI.
(3) Loans and deposits exclude deferred premiums, deferred revenue and allowance for credit losses, which are not financial instruments.

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

- Interest bearing deposits with regulated financial institutions and securities are reported on the consolidated balance sheets at the fair value disclosed in Notes 5 and 6. Remaining cash resources and securities purchased under resale agreements are reported at amortized cost, which is equal to fair value, 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 reflect changes in the general level of interest rates that have occurred since the loans were originated and exclude the allowance for credit losses. 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 floating rate loans at October 31, 2018 where, due to a differing estimation method at that time, the fair value was assumed to be equal to book value.
- With the exception of derivative financial instruments and contingent consideration, other assets and other liabilities reported on the consolidated balance sheets are either not considered financial instruments, or are assumed to approximate their carrying value due to their short-term nature. Other assets and other liabilities which are not considered financial instruments include property and equipment, goodwill and other intangible assets, deferred tax asset, prepaid and deferred expenses, financing costs, deferred tax liability, deferred revenue and leasehold inducements.
- For derivative financial instruments where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.
- For contingent consideration, included in other liabilities, where an active market does not exist, fair value was determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities.
- The estimated fair values of deposits are determined by discounting the contractual cash flows at current market rates for deposits of similar terms, with the exception of deposits with no stated maturity at October 31, 2018 where, due to a differing estimation method at that time, the fair values were assumed to be equal to their carrying values.
- 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 are 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 are 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, 2019	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash resources	$ 415,842	$ 139,876	$ 275,966	$ -
Securities	2,019,207	141,070	1,878,137	-
Securities purchased under resale agreements	40,366	-	40,366	-
Loans	28,478,436	-	-	28,478,436
Derivatives	47,815	-	47,815	-
Total Financial Assets	**$ 31,001,666**	**$ 280,946**	**$ 2,242,284**	**$ 28,478,436**
Financial Liabilities				
Deposits	$ 25,544,270	$ -	$ 25,544,270	$ -
Securities sold under repurchase agreements	29,965	-	29,965	-
Debt	2,444,034	-	2,444,034	-
Derivatives	14,016	-	14,016	-
Total Financial Liabilities	**$ 28,032,285**	**$ -**	**$ 28,032,285**	**$ -**

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

B) LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Level 3 financial liabilities measured at fair value on the consolidated balance sheets as at October 31, 2019 are related to the acquisition of CWB Maxium Financial Inc. and the divestiture related to the CWT strategic transactions (see Note 4). Fair value was determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities. The following table shows a reconciliation of the fair value measurements related to the Level 3 financial instruments:

	2019	2018
Acquisitions		
Balance at beginning of year	$ 29,514	$ 32,420
Acquisition-related fair value changes	7,854	20,094
Contingent consideration instalment payments[(1)]	(37,368)	(23,000)
	-	29,514
Divestitures		
Balance at beginning of year	300	500
Divestiture-related fair value changes	(300)	(200)
	-	300
Balance at End of Year	$ -	$ 29,814

(1) Under the terms of the March 2016 purchase agreement relating to the acquisition of CWB Maxium Financial Inc., contingent consideration payment instalments were made annually with determination of the total amount payable based on CWB Maxium Financial Inc.'s cumulative business performance over a 36-month period ended February 28, 2019. Up to 50% of each contingent consideration payment could have been settled with CWB common shares at the vendor's option, provided the average share price over the preceding 20 days exceeded $30.00, with the remainder paid in cash. CWB completed the third instalment and final settlement contingent payments in cash in fiscal 2019. The 2018 instalment was paid with cash totaling $17,250 and the issuance of 160,293 CWB common shares with a fair value of $5,750.

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 and pledged 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.

As at October 31, 2019	Gross Amounts Reported on the Consolidated Balance Sheet	Amounts not Offset on the Consolidated Balance Sheet: Impact of Master Netting Agreements	Cash Collateral(1)	Securities Received as Collateral(1)(2)	Net Amount
Financial Assets					
Derivatives	$ 47,815	$ 13,788	$ 19,370	$ 5,939	$ 8,718
Financial Liabilities					
Derivatives	$ 14,016	$ 13,788	$ 228	$ -	$ -

As at October 31, 2018	Gross Amounts Reported on the Consolidated Balance Sheet	Amounts not Offset on the Consolidated Balance Sheet: Impact of Master Netting Agreements	Cash Collateral(1)	Securities Received as Collateral(1)(2)	Net Amount
Financial Assets					
Derivatives	$ 2,496	$ 2,496	$ -	$ -	$ -
Financial Liabilities					
Derivatives	$ 69,581	$ 2,496	$ 55,550	$ -	$ 11,535

(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 aspects 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 and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well-capitalized, protect customer deposits and provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, all while providing a satisfactory return for shareholders.

CWB has a share incentive plan that is provided to officers and employees who are in a position to impact the longer term financial success of CWB as measured by share price appreciation and dividend yield. Note 18 to the consolidated financial statements details the number of shares under options outstanding, the weighted average exercise price and the amounts exercisable at year end.

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI. Capital is managed and reported in accordance with the requirements of the Basel III Capital Adequacy Accord (Basel III) using the *Standardized* approach. OSFI requires banks to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the deemed credit risk of each type of asset, a standardized weighting of 0% to 150% is assigned. As an example, a loan that is fully insured by CMHC is applied a risk weighting of 0% as CWB's risk of loss is nil, while uninsured business 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.

CWB's required minimum regulatory capital ratios, 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.

Significant Changes

Basel III rules, effective January 1, 2013, provide for transitional adjustments with certain aspects of the new rules phased in between 2013 and 2019. The only available transition allowance in the Basel III capital standards permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments. The 2019 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 30% (2018 – 40%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2019, $47,500 (2018 – nil) was excluded from Total regulatory capital related to outstanding non-NVCC subordinated debentures. This resulted in a decrease to the Total capital ratio of approximately 20 basis points.

CWB adopted IFRS 9 on November 1, 2018 and recorded an increase to shareholders' equity of $22,734 upon transition, primarily related to the implementation of the new impairment guidelines. This resulted in an increase to the CET1 and Tier 1 capital ratios of approximately 10 basis points and a nominal impact to the Total ratio. For further details, refer to Notes 1 and 2.

During the year, CWB purchased for cancellation 1,829,944 common shares at an average price of $27.08 per share for a total cost of $49,592. This resulted in a decrease to the capital ratios of approximately 20 basis points. For further details, refer to Note 17.

On January 29, 2019, CWB issued First Preferred Shares Series 9 for gross proceeds of $125,000. This issuance resulted in an increase to the Tier 1 and Total capital ratios of approximately 50 basis points. For further details, refer to Note 17.

On June 11, 2019, CWB issued $250,000 NVCC subordinated debentures. This issuance resulted in an increase in the Total capital ratio of approximately 100 basis points. For further details, refer to Note 16.

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

Capital Structure and Regulatory Ratios

	2019	2018
Regulatory Capital, Net of Deductions		
Common equity Tier 1	$ 2,302,551	$ 2,153,019
Tier 1	2,692,714	2,418,231
Total	3,232,807	2,788,048
Capital Ratios		
Common equity Tier 1	9.1%	9.2%
Tier 1	10.7	10.3
Total	12.8	11.9
Leverage Ratio	8.3	8.0

Subsequent Event

On November 18, 2019, CWB redeemed all $250,000 non-NVCC subordinated debentures. The redemption will result in a decrease in the Total capital ratio of approximately 80 basis points. For further details, refer to Note 16. With the redemption of the non-NVCC subordinated debentures, the Basel III transitional adjustments will no longer be applicable to CWB as all remaining issued and outstanding capital instruments are considered qualifying capital instruments.

31. SUBSIDIARIES

As at October 31, 2019, CWB, either directly or indirectly through its subsidiaries, controls the following significant subsidiaries.

Canadian Western Bank Subsidiaries[1]
(annexed in accordance with subsection 308 (3) of the Bank Act)

	Address of Head Office	Carrying Value of Voting Shares Owned by the Bank[4]
CWB National Leasing Inc.	1525 Buffalo Place Winnipeg, Manitoba	$ 134,458
CWB Maxium Financial Inc.	30 Vogell Road, Suite 1 Richmond Hill, Ontario	30,812
CWB Wealth Management Ltd.[2]	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	30,454
CWB McLean & Partners Wealth Management Ltd.[3]	801 10th Ave SW Calgary, Alberta	
Canadian Western Financial 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

(1) Unless otherwise noted, CWB, either directly or through its subsidiaries, owns 100% of the voting shares of each entity.
(2) CWB owns 93.91% of the voting shares of CWB Wealth Management Ltd. (October 31, 2018 – 89.14%).
(3) CWB Wealth Management Ltd. owns 73.70% of CWB Mclean & Partners Wealth Management Ltd. (October 31, 2018 – 73.55%).
(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
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
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
Series 9 Preferred Shares: CWB.PR.D

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
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 2019 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.

2020 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, AB, on April 2, 2020 at The Fairmont Hotel Macdonald (Empire Ballroom) at 1:00 p.m. MT (3:00 p.m. ET).

Corporate Secretary

Bindu Cudjoe
Senior Vice President,
General Counsel and
Corporate Secretary
CWB Financial Group
corporatesecretary@cwbank.com

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) 969-8326
carolyn.graham@cwbank.com

or

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

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

Kelly Martin
Senior Vice President and Chief Internal Auditor

Niall Boles
Senior Vice President and Treasurer

David L. Thompson
Senior Vice President,
Credit Risk Management

Bindu Cudjoe
Senior Vice President,
General Counsel and
Corporate Secretary

Vlad Ahmad
Senior Vice President,
Operations and Transformation

Matt Rudd, CPA, CA
Senior Vice President, Finance

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

John Steeves
Senior Vice President and Regional General Manager, Northern Alberta

Mario Furlan
Senior Vice President,
Real Estate and Specialized Lending

Jeff Wright
Senior Vice President,
Client Solutions

CWB National Leasing

Michael Dubowec
President and Chief Executive Officer

CWB Optimum Mortgage

Rejean Roberge
Vice President

Canadian Western Trust

Scott Scobie
Vice President and General Manager

CWB Wealth Management

David Schaffner
President and
Chief Executive Officer

McLean & Partners Wealth Management

Kevin Dehod
President and
Chief Executive Officer

CWB Maxium Financial

Daryl MacLellan
President and Chief Executive Officer

Ombudsman

Michael Novak

Locations

Canadian Western Bank Regional Offices

British Columbia
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John Steeves

Prairies
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Calgary
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Jeff Bowling

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P.O. Box 32
(647) 598-0788

Equipment Financing
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Mario Furlan

BRANCHES

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Edmonton Downtown:

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Andy McPherson

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Andy McPherson

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7933 - 104 Street NW
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David Hardy

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2142 - 99 Street NW
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Surinder Gakhal

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606 - 4 Street SW
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Dean Proctor

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Rick Vandergraaf

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Rick Vandergraaf

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Daryn Wenaas

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Brian Korpan

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Brian Korpan

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Dylan Watson

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Kevin Wilson

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Kevin Wilson

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Hill Tower III
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Kelly Dennis

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(306) 477-8888
Kelly Walker

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Kelly Walker

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Kelly Denis

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Mike McAulay

Winnipeg Kenaston
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Chris Voogt

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Puneet Agrawal

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(403) 750-3591
Ryan Bradley

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George Bawden

CWB National Leasing Group

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(204) 954-9000
Toll-free: 1-800-665-1326
cwbnationalleasing.com
(Representation across all provinces and territories in Canada)

Motive Financial

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3000, 10303 Jasper Avenue NW
(780) 441-2249
Toll-free: 1-877-441-2249
motivefinancial.com

CWB Trust Services

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

Vancouver
300, 750 Cambie Street
(604) 685-2081

CWB Optimum Mortgage

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

CWB Maxium Financial

Richmond Hill
30 Vogell Road #1
(905) 780-6150
cwbmaxium.com

CWB Franchise Finance

Mississauga
2000 Argentia Road
Plaza 1, Suite 300
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cwbfranchise.com

CWB Wealth Management

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cwbwealth.com

CWB McLean & Partners Wealth Management

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