CWB Financial Group

ANNUAL REPORT

2020

Five Year Financial Summary[1]

($ thousands, except per share amounts)

	2020[2]	2019	2018	2017	2016
Results from Operations					
Net interest income	**$ 799,411**	$ 785,584	$ 724,990	$ 642,390	$ 585,224
Non-interest income	**97,984**	76,020	78,368	84,245	72,672
Total revenue	**897,395**	861,604	803,358	726,635	657,896
Pre-tax, pre-provision income	**469,318**	461,130	436,188	388,729	350,603
Common shareholders' net income	**248,956**	266,940	249,256	214,277	177,761
Earnings per share					
Basic	**2.86**	3.05	2.81	2.43	2.13
Diluted	**2.86**	3.04	2.79	2.42	2.13
Adjusted	**2.93**	3.15	3.01	2.63	2.26
Return on common shareholders' equity	**9.3%**	10.9%	11.0%	10.1%	9.3%
Adjusted return on common shareholders' equity	**9.5**	11.3	11.9	11.0	9.9
Return on assets	**0.76**	0.88	0.89	0.85	0.73
Efficiency ratio	**47.7**	46.5	45.7	46.5	46.7
Net interest margin	**2.45**	2.60	2.60	2.56	2.41
Number of full-time equivalent staff	**2,505**	2,278	2,178	2,058	1,966
Per Common Share					
Average common shares outstanding (thousands)	**87,159**	87,513	88,806	88,297	83,411
Cash dividends paid	**$ 1.15**	$ 1.08	$ 1.00	$ 0.93	$ 0.92
Book value	**31.76**	29.29	26.09	24.82	23.58
Market price					
High	**36.61**	33.89	40.83	37.36	29.30
Low	**15.70**	24.33	29.81	23.68	19.26
Close	**24.50**	33.35	30.62	36.34	25.45
Balance Sheet and Off-Balance Sheet Summary					
Assets	**$ 33,937,865**	$ 31,424,235	$ 29,021,463	$ 26,447,453	$ 25,222,549
Cash resources, securities and repurchase agreements	**3,083,021**	2,475,415	2,237,973	2,708,783	2,791,968
Loans	**30,008,393**	28,365,893	26,204,599	23,229,239	21,961,348
Deposits	**27,310,354**	25,351,361	23,699,957	21,902,982	21,194,553
Debt	**2,424,323**	2,412,293	2,007,854	1,476,336	1,268,198
Shareholders' equity	**3,331,538**	2,945,810	2,585,752	2,461,045	2,342,040
Wealth management AUM/AUA[3]	**8,454,513**	2,461,469	2,437,238	2,516,485	2,363,256
Assets under administration - other[4]	**11,081,581**	8,936,845	8,032,280	10,006,388	10,250,323
Capital Adequacy					
Common equity Tier 1 ratio	**8.8%**	9.1%	9.2%	9.5%	9.2%
Tier 1 ratio	**10.9**	10.7	10.3	10.8	11.0
Total ratio	**12.6**	12.8	11.9	12.5	13.1
Credit Metrics					
Provision for credit losses on total loans as a percentage of average loans	**0.32**	0.21	0.20	0.23	0.38
Provision for credit losses on impaired loans as a percentage of average loans	**0.18**	0.21	0.19	0.19	0.32
Net impaired loans as a percentage of total loans	**0.74**	0.43	0.42	0.65	0.51

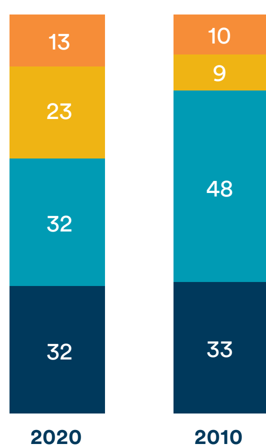
(1) See page 20 for a discussion of non-IFRS measures.
(2) Results for periods beginning on or after November 1, 2018 have been prepared in accordance with IFRS 9 *Financial Instruments* (IFRS 9). Prior year comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classi ication and Measurement* (IAS 39) and have not been restated.
(3) Wealth management assets under management, advisement and administration.
(4) Comprised of trust assets under administration, third-party leases under administration and loans under service agreements.

Performance Dashboard[1]

2020
(% CHANGE FROM 2019)

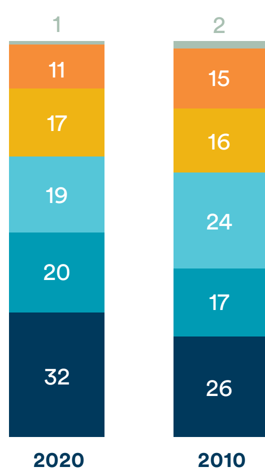
TOTAL ASSETS	TOTAL LOANS	BRANCH RAISED DEPOSITS	WEALTH MANAGEMENT AUM/AUA	CET1 CAPITAL RATIO
$33.9B	$30.0B	$16.6B	$8.5B	8.8%
8%	6%	20%	243%	

DIVERSIFYING LOANS BY PROVINCE (%)



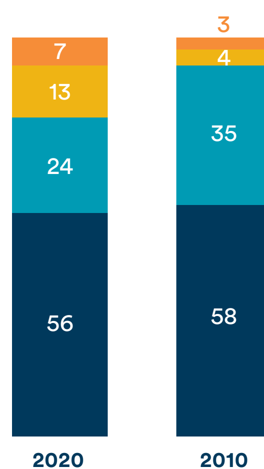
- British Columbia
- Alberta
- Ontario
- Remainder

DIVERSIFYING LOANS BY LENDING SECTOR (%)



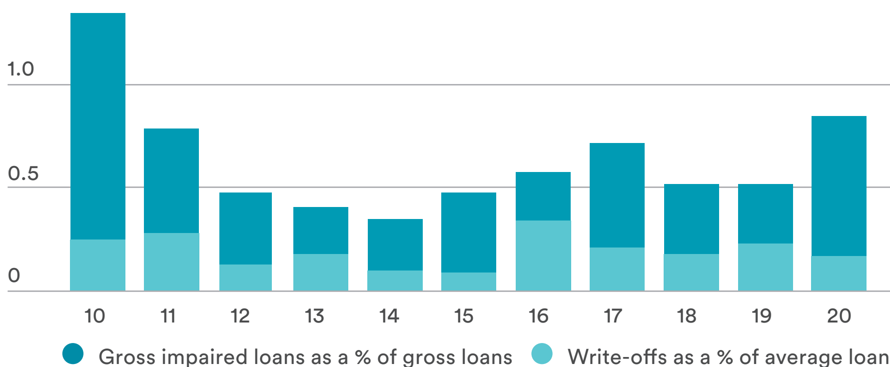
- General commercial loans
- Personal loans and mortgages
- Commercial mortgages
- Equipment financing and leasing
- Real estate project loans
- Oil and gas production loans

FUNDING DIVERSIFICATION (%)



- Branch-raised deposits
- Broker term deposits
- Sub debt and capital markets
- Securitization

STRONG CREDIT QUALITY



Our five-year and ten-year average write-offs as a percentage of average loans are 23 and 19 basis points, respectively

WHY INVEST IN CWB?

We are the only full-service bank in Canada with a focus to meet the unique financial needs of business owners

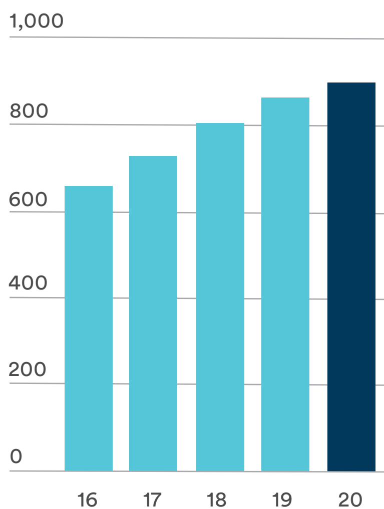
We are growing our brand and market share in Ontario

We are a secured lender and disciplined underwriter, proven by a history of low write-offs through economic cycles

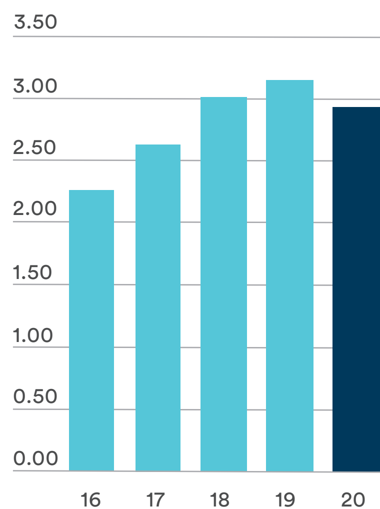
Our capital levels are strong and stable, with upside expected with a successful AIRB transition

Our enhanced digital client experience will support growth

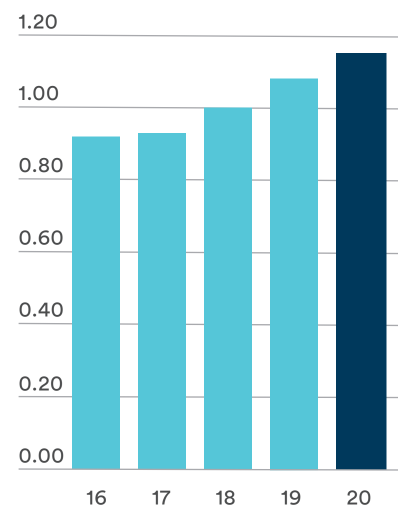
REVENUE $ MILLIONS



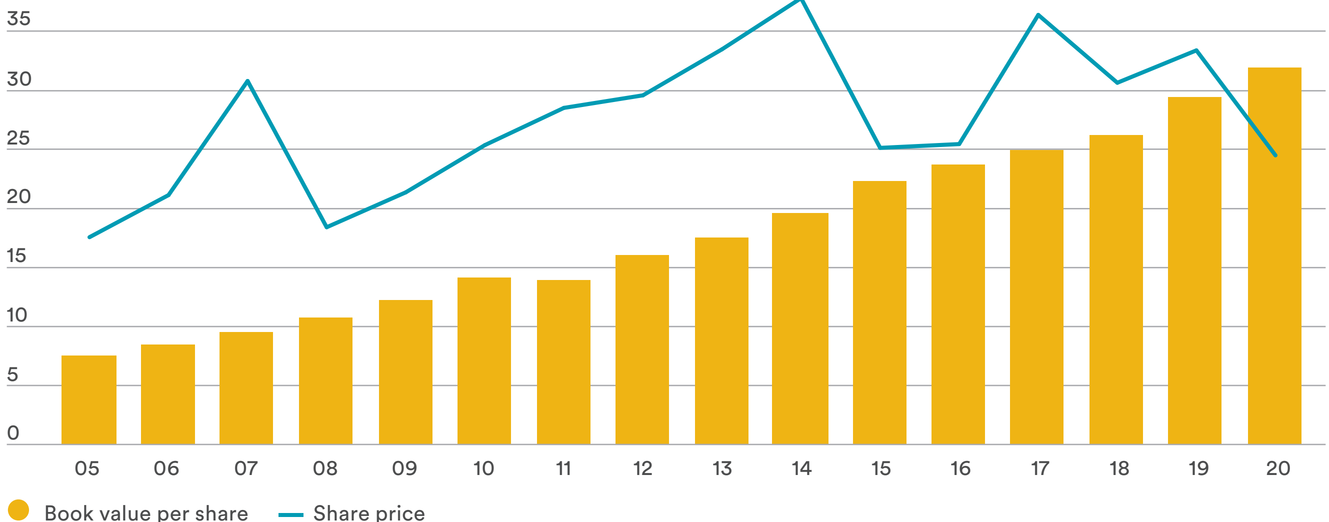
ADJUSTED EPS $/SHARE



DIVIDENDS $/SHARE



BOOK VALUE GROWTH AND VALUATION $



[1] Includes certain non-IFRS measures – refer to definitions and detail provided on page 20.

Enhanced Capabilities Provide Strong Platform for Growth

At CWB Financial Group we take a relationship-based approach 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 by targeted capabilities in deeply knowledgeable and highly-responsive business lines offering specialized financing, wealth management and trust services.

FULL-SERVICE BUSINESS BANKING

We offer our business owner clients access to a full suite of financing and cash management solutions through in-person and digital channels. Business owners can streamline their financial management to focus on what matters most: growing their business. Our continuing investment in digital capabilities will enhance their experience even further.

WEALTH MANAGEMENT

We offer our clients access to comprehensive wealth management approaches for their personal and business wealth. Discretionary wealth management, comprehensive financial planning and investment solutions are available through our boutique approach delivered within CWB Wealth Management and CWB branches.

FULL-SERVICE PERSONAL BANKING

We offer our personal clients, who are often our business owner clients and their families, access to a full complement of banking services through in-person and digital channels. We just launched digital client onboarding for our personal clients.

SPECIALIZED FINANCING

We offer our clients access to a differentiated, proactive client experience through highly personalized service, specialized expertise within specific industries, customized solutions and faster response times.

TRUST SERVICES

We offer a wide variety of comprehensive trustee and custodial solutions for individuals and businesses.

Our Vision

To be the best full-service bank for business owners in Canada

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.

About Us

CWB Financial Group (TSX: CWB) is the only full-service bank in Canada 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. Our teams deliver a uniquely proactive client experience through highly personalized service, specialized expertise, customized solutions and faster response times. We are thoughtful about everything we do and believe our success depends on the responsible creation of value for those who choose CWB: our clients, our people, and our investors.

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We are expanding to meet the needs of business owners with our first full-service banking centre in Ontario. Mark Stafford, Vice President and District Manager; Fatima Paulo, Manager Sales and Service; and Aneil D'Lima, AVP, Commercial Accounts, along with the CWB team bring premium service, advice and partnership to Mississauga.

Our Strategy

Creating value for the people who choose CWB every day

OUR CLIENTS
Unrivaled customer experience

OUR PEOPLE
Destination for top talent

OUR INVESTORS
Optimize our business

BUILD 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

MESSAGE FROM
PRESIDENT AND CEO

Chris Fowler

OPENED DOORS TO OPPORTUNITY

It would be an understatement to characterize fiscal 2020 as challenging. This year tested our collective strength and resilience. I'm so proud of the way our teams rose to face the challenges from the pandemic through our #CWBhasyourback program where we quickly adapted to support our clients and each other at every step. We strengthened existing client relationships through the turmoil, and found opportunities to start new relationships with clients who wanted to feel this same experience. Thanks to the tremendous effort of our teams we were able achieve all of this, continue to advance our strategic priorities, and deliver solid financial results against an unprecedented economic backdrop.

We know that the current economic volatility will pass, and with that will come many doors opened to new and exciting opportunities. Our strategic execution over the past several years has positioned CWB to be stronger and more resilient than ever. We will continue to aspire to be the best full-service bank for business owners in Canada and capitalize on the tremendous opportunity in front of us.

DESTINATION FOR TOP TALENT

This year, CWB was recognized as one of the 50 Best Workplaces in Canada™ and one of the Best Workplaces™ in Financial Services and Insurance. These achievements are rewarding as they are based on confidential feedback directly from our people, who have worked so hard to proactively support each other and thousands of clients navigate this ongoing period of uncertainty.

There is no question our people are a core competitive strength and it is critical that CWB remain a destination for top talent. We believe the best approach is to live our values – these are more than 'words on the wall' to us. With our People First core value firmly in mind, our top priority through the pandemic has been to protect the physical and psychological health and safety of our people and our clients. We took significant steps to ensure our people have the flexibility, resources and support they need. We increased our mental health and wellness support, through investments in our health benefits, time off provisions and employee tools and resources.

At CWB, we believe in our core value that Inclusion Has Power. This value confirms we reach our true potential by attracting top talent of all backgrounds through welcoming new ideas and perspectives. Events across North America this summer highlighted the challenges people continue to face in our communities due to systemic racism. In response to these events we acknowledged our gaps and our own commitments. We reflected on how we can positively contribute to change, and chose to tackle the work we need to do with intention. I personally signed the BlackNorth CEO Pledge and we committed to have Black, Indigenous and racialized people comprise at least 5% of our Executive Committee by 2025, and we now aim to have women comprise at least 30% of the Executive Committee. These composition targets will make us even stronger and more prepared for the opportunities and challenges of tomorrow.

UNRIVALED CLIENT EXPERIENCE

Our commitment to our clients did not waiver and our actions cemented strong relationships for years to come. At the outset of the pandemic, we launched our #CWBhasyourback campaign, to deliver proactive and individualized advice and support to our clients. From the start, we efficiently processed payment deferral requests to put our clients' minds more at ease and assisted them to adapt their banking to complete more of their operations remotely. As new government programs were offered we made it quick and easy for our clients to access them, and as economies reopened, we worked to help our clients resume normal payments. I continue to be encouraged by the resilience and ingenuity of our entrepreneurial clients. We are here to support them, and together we will get through this.

The current environment has accelerated changes in how clients want to interact with their financial institutions. Our clients value our proactive, personalized service, and specialized expertise, and they increasingly want their access to be fully digital. We have begun to replace our online and mobile platforms with a seamless end-to-end digital banking experience for business and personal clients, and already delivered several key milestones. Our progress will continue, and our investments will significantly enhance our digital capabilities and compliment our high-touch, personalized service.

We are excited by the opportunities our June acquisition of T.E. Wealth and Leon Frazer provides to CWB and our clients. This acquisition is a transformative step forward for CWB to become a leader in the Canadian private wealth industry, with focused capabilities in complex financial planning and investment management. We are integrating these capabilities into our full-service banking offering, to create a unique and differentiated wealth management experience.

PREPARED WHEN OPPORTUNITY KNOCKS

We have been through economic cycles before and know that opportunity knocks as we emerge from recession. We know how to be ready to capitalize on those opportunities. Our foundation encompasses our teams, our clients, and advances to our strategic priorities. In 2021, we will further optimize our business to ensure we are positioned to deliver on our future opportunities to provide an unrivaled experience to our clients.

We opened our first full-service banking centre in the Greater Toronto Area and we could not be happier with the positive response we have received from business owners in that market. Our new clients in Mississauga say it feels very different dealing with CWB and they value our specialized expertise and our proactive, personal service. Ontario business owners are ready for a clear alternative to the big banks, and we are ready to be that choice.

Adding even more fuel to our growth engine is our expected transition to the AIRB methodology for regulatory capital and risk management. Approval of our transition to the AIRB approach will result in improved risk-sensitive capital ratios that better reflect the strength of our balance sheet. While we are actively using the majority of our AIRB tools to manage credit risk, including comprehensive stress testing, internal capital adequacy assessment, and expected credit loss, we will take the next step towards approval with a full parallel run of our AIRB models and tools in 2021. Combined with the launch of our digital capabilities, AIRB will make us more competitive, support higher growth and achieve further diversification with an enhanced view of risk. Achievement of this next step will be a foundational capability for us and will enable us to realize our full potential across Canada.

I want to thank our people, clients and investors as we aspire to become the best full-service bank for business owners in Canada. Thank you for your continued confidence in us, to proactively weather this storm and be ready to fully capitalize on the opportunities ahead. I have no doubt our strategic priorities and demonstrated execution position us to deliver profitable long-term growth and enhance shareholder returns for years to come.

Expanding Full-Service Client Experiences with Digital

We have a long history of building outstanding client relationships and are making it faster and seamless for Canadians to experience CWB through all our channels. We are accelerating our digital transformation and enhancing capabilities to meet the evolving needs of our clients. The steps we are taking position us to grow full-service relationships in our target markets and expand our market share. We began this transformation with the successful replacement of our core banking system, and it continues with the expansion of our digital services through our strategic partnership with Temenos. Our partnership scales our ability to deliver leading edge digital technology to our clients without the large in-house technology investments of our larger competitors.

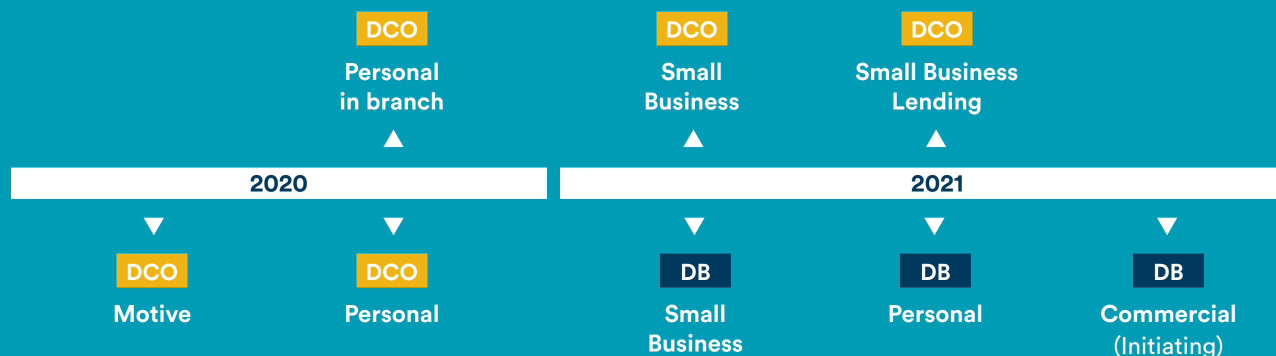
In 2020, we successfully delivered digital onboarding for Motive, our digital-only channel, followed by CWB personal accounts for branch based customers. In 2021, we will deliver digital client onboarding for our Small Business and mid-market commercial clients. We believe the combination of a new digital front-end with advanced analytics and explainable artificial intelligence (AI) will be a key enabler for CWB to be a leader for Business Banking in Canada with a seamless and differentiated experience for our Small Business, mid-market Commercial and personal clients. Access to more channels will continue to diversify our business by attracting new clients across Canada, while further broadening our access to lower cost funding.

DIGITAL CLIENT ONBOARDING

The Digital Client Onboarding (DCO) solution allows prospective clients to apply for and fund accounts online. Back-end integration automatically creates the new account in our banking system.

DIGITAL BANKING

The new Digital Banking (DB) platform replaces our existing solution, allowing clients to access banking products and services through online and mobile, with back-end integration and single sign-on. Team members can also access the platform to support clients in branch.



CYBER SECURITY

Protecting our clients' privacy and upholding their trust is critical for us to continue to grow long-term, full-service relationships. We were ready for the increased COVID-19 related-threats that targeted human vulnerability and throughout the year members of our information security office identified, detected and responded to emerging issues. The ongoing maturation of our cyber security controls ensured we could move quickly to enable up to 100% of our people to work from home in a safe environment during COVID-19. To keep pace with the evolving landscape, we benchmark and enhance the effectiveness of our industry-proven cyber security risk and control frameworks to stay ahead of new threats. The safety of our business and personal clients using all of our channels, including our growing digital services, is paramount.

"The energy of #CWBhasyourback reinforced my efforts to help clients optimize their cash management processes at a crucial time. It inspired me to know that I am part of creating a positive impact for business owners in a new environment."

AARON DREVER,
Senior Manager,
Cash Management, CWB

Stepping up for Clients Through COVID-19

We know that some of our strongest relationships were forged during our clients' most challenging times. When other banks turned away business owners or were difficult to deal with, we were there to help. That's the history of how our bank started 36 years ago, and it's what #CWBhasyourback is all about.

At the onset of COVID-19, we were among the first in to proactively reach out to our clients to offer support for their unique situation. More than providing loan payment deferrals, it meant extending timely operational advice to clients, who take guidance from experts like Aaron Drever, Senior Manager, Cash Management. With partners like Aaron, clients could quickly adapt their accounting processes to remote work arrangements by moving from manual cheque processing to Customer Automatic Funds Transfer (CAFT).

For those determined to adapt to the shifting market, like Luke Shaheen, Managing Partner for APEX Active Entertainment Group, it meant facilitating quick access to federal relief programs like the Canada Emergency Business Account (CEBA). "We were in constant contact with our relationship manager at CWB as soon as we heard about the CEBA program," says Luke. "After we submitted our application, it was three to four business days before we started to see those funds come into our account, so we could cover our expenses." With bolstered cash flow, Luke kept his focus to grow his business in areas that increased exponentially and ramp up his ecommerce efforts.

Our proactive approach and desire to support our clients when they needed us the most resulted in us granting loan deferral arrangements to over 25% of loans under our #CWBhasyourback program. As the economy began to recover, we also worked collaboratively with our clients to resume normal payments. With proactive advice, timely service and a belief in the power of relationships, CWB really made a difference for people through the COVID-19 pandemic.

LUKE SHAHEEN, Managing Partner,
APEX Active Entertainment Group

Opening the Door to Opportunities

There is no doubt that today, our work looks different as a result of the COVID-19 global pandemic. Faced with big decisions about how best to protect our people and our clients, in the middle of March we found ourselves moving more than 85% of our workforce to home offices. Through it all, we put our people first. Over the coming weeks and months we supported our employees through significantly enhanced technology solutions, access to home office equipment, mental health programming, creative engagement opportunities, and flexible work arrangements, as they juggled the many challenges of doing their jobs virtually for the first time, in a

Executive Committee

CHRIS FOWLER
President and
Chief Executive Officer

"While the COVID-19 pandemic was extremely disruptive to our economy, our clients, and our people, the strategic execution over the last several years allowed us to face this challenging period from a position of strength. When I, and nearly all of our team, made the transition to work remotely in March, we had all of the tools at our disposal to ensure that not only could we continue to support our clients through the challenges they faced, but that we could continue to execute our transformation. As you'll see, our success has been a collective effort, with significant contributions from each member of the executive team. I am so proud to lead this team and of the tremendous efforts of all our people this year."

CAROLYN GRAHAM
Executive Vice President and
Chief Financial Officer

Carolyn has been instrumental to build out our teams and capabilities to support our current and future growth. Under her guidance, we have diversified our funding channels and our balance sheet has remained strong through several economic cycles. Through her leadership, we continue to enhance our corporate responsibility reporting, and drive a strong and inclusive culture.

STEPHEN MURPHY
Executive Vice President,
Banking

Under Stephen's leadership, we have significantly improved our product offering and tools, which has driven full-service client growth and very strong branch raised deposit growth. He is instrumental in our initiative to deliver a seamless digital banking experience to our clients and in the enhancements of our differentiated private wealth experience. Stephen also oversees our growing equipment finance and wealth management businesses.

different place, using new and different tools. Many team members took this on while also caring for children and other loved ones. What we witnessed was an incredible show of resilience, commitment, compassion and effort on the part of our people, leaders and teams, who worked as they never had before to maintain an excellent client experience. Our people have shown us how to embrace the new, demonstrating new facets of our nimbleness and proactivity that will serve us well into the future.

We moved more than 85% of our workforce to home offices.

KELLY BLACKETT

Executive Vice President, Human Resources and Corporate Communications

Kelly is responsible for human resources and internal communications, with a focus to drive a positive and inclusive culture, and an employee experience that makes us a career destination for top talent. Over the past year, both Kelly and our approach to workplace and culture were recognized with multiple notable awards.

GLEN EASTWOOD

Executive Vice President, Business Transformation

Glen is responsible for business transformation and organizational change management – both critical components of our ongoing transformation. Under his oversight, we have made our operating model processes faster, smoother and scalable which has enhanced our client experience. Glen also oversees CWB Trust Services and CWB Optimum.

BOGIE OZDEMIR

Executive Vice President and Chief Risk Officer

As part of our AIRB transformation, Bogie has built out an advanced risk management function that provides independent review and oversight of enterprise-wide risk management, including credit risk, market risk, and operational risk. These tools and capabilities help us prudently manage through this current period of economic volatility.

DARRELL JONES

Executive Vice President and Chief Information Officer

Darrell leads transformational enhancements to our technology, information services and corporate services. Our scalable technology infrastructure enables us to efficiently develop seamless digital banking experiences and artificial intelligence tools for our clients. Under Darrell's leadership, our cyber security risk management program stays ahead of emerging threats, and enables our team members to work remotely through our secure platforms with uninterrupted access.

Corporate Responsibility Highlights

We believe our success depends on the responsible creation of long-term value for all of our stakeholders. Our ability to do this is rooted in our complementary commitments to deliver an exceptional client experience, cultivate an inclusive and engaged workplace culture, and contribute to a healthy society for future generations. Our response to the COVID-19 social and economic crises was guided by our values. We chose to be proactive in support of our clients and our teams, and we also took a strong public stance and made a commitment to actively support the fight against systemic racism. We are proud of these actions and they reflect our belief that The How Matters (one of our core values) in the way we operate our business.

This year, we added formal oversight of environmental, social, and governance (ESG) to our Board of Director's mandate and assigned accountability for leadership of our ESG strategy and initiatives to our Chief Financial Officer's responsibilities. Our Executive Committee and Board participated in workshops to explore our environmental priorities and potential impacts on our business, and we will continue to actively consider our approach to sustainability. As we look ahead, we will continue to put the needs of our stakeholders at the centre of everything we do. We will continue to update and enhance our ESG disclosures available on our website and invite you to follow our progress at **www.cwb.com/corporate-social-responsibility**.

OUR CLIENTS

Our commitment to our clients does not waiver and our actions in 2020 cemented strong relationships for years to come.

- Under our **#CWBhasyourback** program, we proactively delivered individualized advice and support, and provided payment deferrals on over 25% of our loan portfolio
- We moved quickly to provide business client access to relief through government lending initiatives
- We accelerated our digital strategy to enhance our full-service client experience with delivery of digital onboarding for personal banking clients
- We expanded our full service offering through our wealth management acquisition and the opening of our first full service banking centre in the Greater Toronto Area
- Together, our 2020 initiatives will support client growth, the proportion of clients we serve on a full-service basis and has already helped improve our Net Promoter Score

OUR PEOPLE

We are recognized as one of 50 Best Workplaces™ in Canada and named to the list of Best Workplaces™ in Financial Services and Insurance.

- We took a people first approach to our COVID-19 response:
  - Quickly transitioned 85% of our people to work from home and instituted strong safety protocols at all locations
  - Put in place flexible work arrangements, provided home office equipment and supports, and granted 12 additional paid days off to support team members with child or elder care, self-isolation and quarantine requirements
  - Strong mental health and wellness support, with increased mental health benefits
  - CWB Financial Group closed all locations on July 17 for all-employee Day of Thanks
- CWB named as one of Canada's Most Admired Corporate Cultures™
- In addition to CWB Women and CWB Pride, we launched five new Employee Represented Groups to support employees and allies, focused on: Black employees, Indigenous employees, new Canadians, people with disabilities and chronic illness, and to shine a light on mental health and wellness at CWB
- We published our Equity Narrative Report to be transparent about our progress toward equity
- We continued to drive initiatives to advance inclusion, including commitments to the UN Women's Empowerment Principles, and the BlackNorth Initiative pledge and anti-racism actions
- We invested more than 20,000 hours in employee training and development, with more than 3,300 hours focused on inclusion, diversity, and unconscious bias

OUR COMMUNITY

Over **$1.5 million** in charitable donations, benefitting over **150** organizations.

- Our community investment program contributes to economic prosperity with a focus on two areas of giving: Enabling Business and Promoting Inclusivity
- We support organizations that our people are passionate about through employee volunteerism, fundraising and our annual United Way Workplace Campaign
- CWB donated more than $155,000 through employee grants and matching initiatives
- Our environmental stewardship is focused to reduce the footprint of our operations, particularly greenhouse gas emissions, waste reduction and improved building sustainability
- We target a reduction in our total greenhouse gas emissions in the Alberta capital region by 15% by 2025 and 25% by 2035
  - Overall, CWB's fiscal 2019 emissions of 5,879 tCO2e (Scope 1, 2 & 3) in the Alberta capital region are flat to our baseline year (fiscal 2017)
  - We measure our natural gas heating, electricity purchased, paper consumption and staff commuting in the Alberta capital region to calculate our emissions

CWB Puts People First: My Story

January 16, 2019 is a day I won't soon forget. I underwent elective surgery to amputate my left leg, below the knee. It seems incomprehensible to most, but for me it was quite easy. At age four I was hit by a car while crossing the street, leaving me with a crush injury and a physical scar that altered every facet of my life.

The years that followed were filled with many surgeries, challenges and disappointments, coping the best I could and conditioning myself to adapt and persevere. I was always in pursuit of appearing normal and finding joy.

In 2012, over 30 years later, I gave birth to my son. He gave me all the strength and clarity I needed to make a plan for the future, and by now my ankle was retiring into sedentary life. I had also grown tired of making the best of it and my ego was finally at ease with being different. So I made a conscious decision for amputation. It was my only chance at leading a fulfilling and active life and I was far too young, and otherwise healthy, to accept anything less.

This wasn't an easy path, however. It took years of contemplation, research and persistence with my medical team. Eventually I convinced my surgeon that amputation was a reasonable option for me under the circumstances. It was time for my life experience to take on the challenge of amputation. This came not with guarantees, but with belief and hope.

Then came time to tell CWB. This decision had impact beyond me, affecting my employer and my "tealmates." I was anxious about sharing the news. My leader had seen me for years without observing my struggle, as did everyone else. But when faced with this news, she only asked: How can we help? And she meant it. A lesser employer would focus on the loss of productivity and cost, but with CWB, I was never made to feel like a burden. I left for surgery confident CWB's team and benefits would be there for me, and I could focus my energy on healing and rehabilitation. All they needed from me was a little paperwork.

Nadine with her husband Terry, after surgery.

NADINE COTTER, Senior Manager, Creative Services

"We know that a diverse workforce needs the right supports to really feel inclusive. Nadine's story is a powerful example of what living with a disability is like. Our employee represented group for team members with visible and invisible disabilities and chronic illness plays a central role in making sure our employees are seen, heard, and supported in their journeys inside and outside CWB. It also allows them a wonderful avenue to educate their peers and leaders about barriers that exist, and why inclusion matters."

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

And so, after a quiet holiday with my family, and preparing ourselves for an outcome we couldn't predict, the day came. I was eager for the next chapter to begin.

The next many months were filled with physical and emotional pain, innumerable prosthetic fittings, a lot of rehab, and a ton of help. Just like family, CWB was with me every step of the way: emotionally, financially, and professionally. My team sent care packages, our benefits provider was exceptional, my leaders provided me parking and a flexible return to work. I couldn't have asked for anything more.

Nearly two years after surgery, I have surpassed all my expectations. I'm pain free and can walk until my heart's content, doing things with my family that I was incapable of before. Some things are different, but I don't for one second regret my decision. I have reached the richest phase of my life thus far. I feel incredibly grateful and fortunate to have arrived at this crossroad in my life with CWB having my back.

"I was anxious about sharing the news. My leader had seen me for years without observing my struggle, as did everyone else. But when faced with this news, **she only asked: how can we help?"**

KATE LISTER, Sr. AVP, Communications, Culture & Talent Acquisition

"Windmill makes a difference at the individual, family, community and country level and I am proud of CWB's support for such an organization."

VLAD AHMAD,
Senior VP, Operations and Business Transformation, CWB

Our Communities

Enabling business and promoting inclusivity

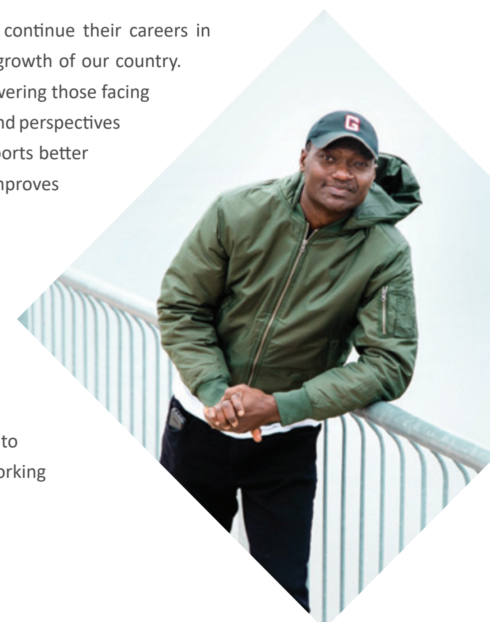
CWB continually works to make meaningful impacts in our communities. We firmly believe in driving economic prosperity so all Canadians have the opportunity to contribute to the success of our country.

We do this by focusing on two areas within the community: Enabling Business and Promoting Inclusivity. Through our charitable partnerships, we annually give over $1.5 million dollars back through donations, sponsorships, employee grants and our community banking program. Combined, our efforts this year benefited over 150 organizations, including:

- Partnered with DIVERSEcity Community Resources Society to launch a business incubator for women
- Supported financial literacy through organizations such as Junior Achievement, Bissell Centre and Read Saskatoon
- Supported anti-racism initiatives by partnering with several organizations across Canada offering skill development and education for Black youth

Over the past year, we've all struggled through unknowns and disruption brought on by the COVID-19 pandemic. We are incredibly proud to support community organizations serving Canadians in need at various phases of their life. Organizations like Windmill Microlending, offering microloans to skilled immigrants and refugees to continue their careers in Canada so they can contribute to the growth of our country. We recognize the importance of empowering those facing barriers and that valuing diverse ideas and perspectives leverages broader range of talent, supports better business decisions and success, and improves communities.

Through the CWB loan fund for medical professionals at Windmill, we're proud to support skilled professionals like Frederick, a Registered Nurse from Ghana, who is working on his Canadian accreditation with the added challenge to support his wife and new child while working at night at a hospital janitorial job.



FREDERICK TETTEH

Note – This photo was taken before the pandemic and has been altered to reflect current board membership.

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.I. Phillips Investments Inc., **Sarah A. Morgan-Silvester,** Corporate Director, **Raymond J. Protti,** Corporate Director, **E. Gay Mitchell,** Corporate Director

Back row (left to right): **Mary Filippelli,** Corporate Director, **Andrew J. Bibby,** Corporate Director, **H. Sanford Riley,** President and CEO, Richardson Financial Group Limited**, Chris H. Fowler,** President and CEO, Canadian Western Bank**, Robert A. Manning,** President, Cathton Investments Ltd.

Corporate Governance

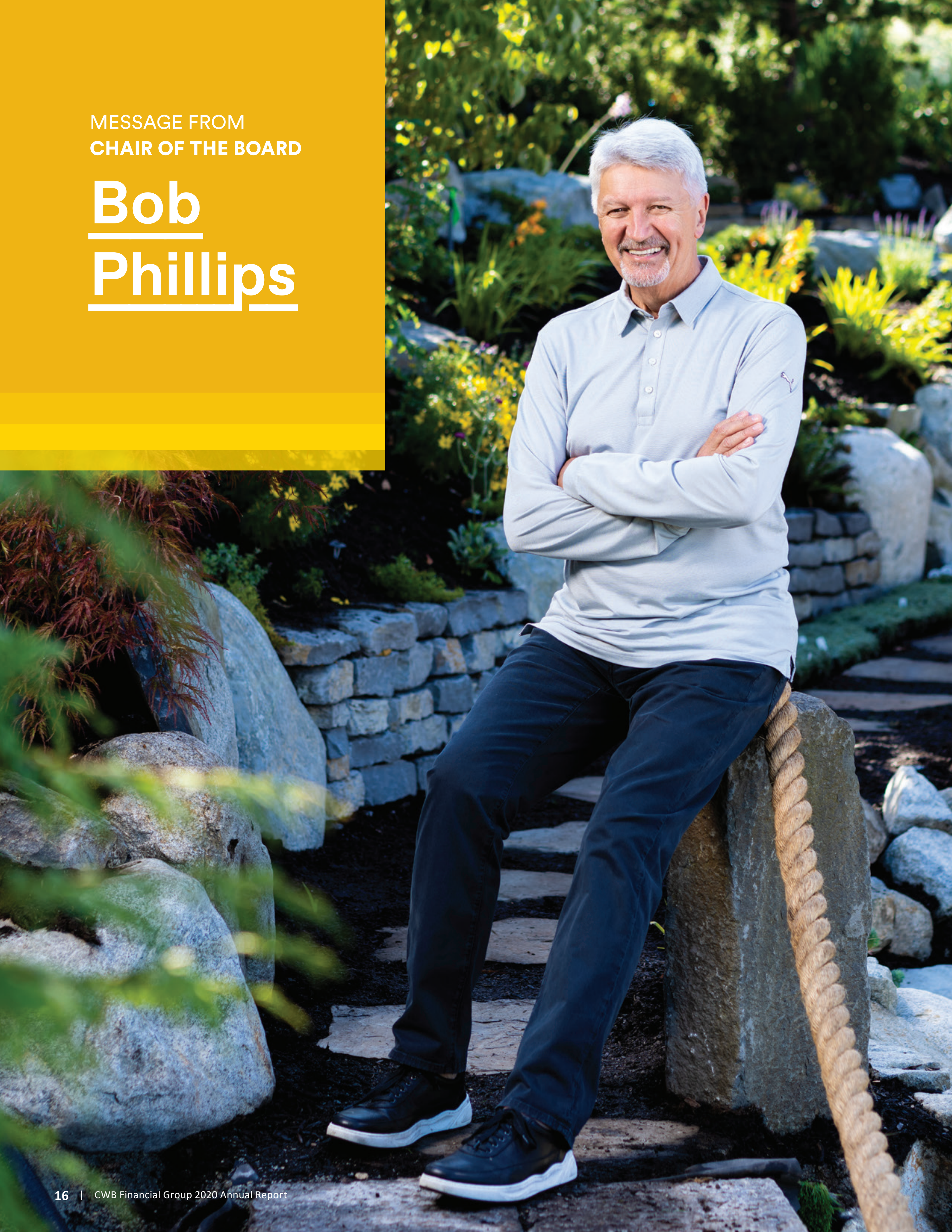
CWB Financial Group strives to earn and maintain the trust of our stakeholders through high standards of corporate governance. Our corporate governance practices, including our code of conduct, our director independence standards and our board and committee mandates, are available on our website at cwb.com/corporate-governance. The Board of Directors has oversight of CWB Financial Group's ESG program, including cyber security. The Board carries out much of its work through the following four standing committees:

- **Audit Committee:** Quality and integrity of financial reporting, including internal and external audit and internal controls.
- **Governance and Conduct Review Committee:** Governance policies and practices, oversight of regulatory compliance risk, director succession and compensation, and Board and individual director effectiveness.
- **Human Resources Committee:** Compensation practices and programs, talent management, succession planning, employee engagement, and employment equity, inclusion and diversity.
- **Risk Committee:** Enterprise risk management and risk appetite frameworks, and technology risk including data privacy.

CWB's Management Proxy Circular will be available on our website in February 2021. It will include information on our director nominees, reports of each board committee, and detailed descriptions of our corporate governance practices. Please review our circular to learn how shareholders can participate in our annual meeting on April 1, 2021.

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

ChairoftheBoard@cwbank.com | CorporateSecretary@cwbank.com



MESSAGE FROM
CHAIR OF THE BOARD

Bob Phillips

At CWB we will remember 2020 as a year our teams came together to support our clients and each other in an unprecedented environment. Our people's response to this situation has been truly outstanding and was recognized by Global Finance Magazine for distinguished crisis leadership. Thanks to their diligent efforts we supported strong client relationships and delivered solid results in a very challenging environment as we continued to make significant progress to become the best full-service bank for business owners in Canada.

We entered this period from a position of stability and confidence due to the transformational changes we undertook over many years that strengthened and diversified our business. Our strong capital and funding base enabled us to support our clients, when they've needed us the most, and to continue to invest in our strategic priorities. Our robust enterprise risk management framework continues to serve us well and your Board continues to maintain a sharp focus on the oversight of key risks.

I am impressed with our continued progress to enhance our differentiated client experience, especially our response to the accelerated changes in how clients interact with their financial institutions in the current environment. Our focused business transformation initiatives and achievement of key milestones in our digital roadmap are on strategy, and the acquisition of T.E. Wealth and Leon Frazer & Associates significantly adds to our full-service client offering across Canada. In October, we announced that our timeline for approval of our formal AIRB application has been extended to include a parallel run of our AIRB tools and models through 2021. We continue to expect AIRB to create long-term meaningful value for shareholders.

Our commitment to continuous improvement supported by our core values and a diverse team of qualified leaders, at every level of the organization, will drive our long-term success. I'm thrilled that CWB was recognized as one of Canada's Most Admired Corporate Cultures™. This achievement grows our reputation as a people-first company and destination for top talent. In the summer, we appointed Ms. Mary Filipelli to your Board and she will stand for election at our next annual general meeting. Her deep financial industry knowledge and extensive experience is an excellent addition.

We stand against systemic racism and, along with the Executive Committee, we too have chosen to tackle the work we need to do with intention. In addition to the new Executive Committee targets Chris discussed, I am proud to announce that we have set new Board composition targets that tie to our core value; Inclusion Has Power. We aim to have Black, Indigenous and racialized people comprise at least 5% of the Board by 2025 and have women comprise at least 40%. Currently 42% of our director nominees are women.

Further, we collectively committed to provide oversight to all aspects of our corporate responsibility and have formally added environmental, social, and governance (ESG) oversight to our mandate. We remain committed to engage with our stakeholders, as we work to create long-term value for all those who choose CWB Financial Group.

In closing, I would like to thank every CWB team member for their focus, flexibility and dedication to create value for our stakeholders in an unprecedented environment. I would also like to thank our executive team and my fellow directors for their unwavering commitment to our success. Together we are stronger and our combined efforts have made our future brighter. To my fellow shareholders, I am thankful for your confidence and commitment during our transformational journey. I am confident we are positioned to deliver high quality growth and profitability, and we will achieve our full potential across Canada.

"At CWB we will remember 2020 as a year our teams came together to support our clients and each other in an unprecedented environment. Our people's response to this situation has been truly outstanding."

Thank you from CWB

Thank you to Mr. Alan Rowe who retired at our last annual shareholders' meeting after 24 years of exemplary service as a CWB director. Mr. Rowe made many valuable contributions over his years, including as Chair of the Human Resources Committee. His thoughtful contributions will be missed.

Management's Discussion and Analysis

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This Management's Discussion and Analysis (MD&A), dated December 3, 2020, should be read in conjunction with the audited consolidated financial statements of Canadian Western Bank (CWB) for the year ended October 31, 2020 and the audited consolidated financial statements and MD&A for the year ended October 31, 2019. Additional information relating to CWB, including the Annual Information Form, is available on SEDAR at www.sedar.com and on our 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, transition to the *Advanced Internal Ratings Based* (AIRB) approach for calculating regulatory capital, legislative and regulatory developments, legal developments, the level of competition, the occurrence of natural catastrophes, outbreaks of disease or illness that affect local, national or international economies, 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. Any forward-looking statements contained in this document represent our views as of the date hereof. 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. The forward-looking statements contained in this document are presented for the purpose of assisting readers in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the performance of the Canadian economy over the forecast horizon and how it will affect our business 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. The full extent of the impact that the COVID-19 pandemic, including government and regulatory responses to the outbreak, will have on the Canadian economy and our business is highly uncertain and difficult to predict at this time. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the *Fiscal 2021 Outlook* and *Allowance for Credit Losses* sections of our MD&A.

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. 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 pre-tax amortization of acquisition-related intangible assets, and acquisition and integration costs (see Table 1). Acquisition and integration costs include one-time direct and incremental costs incurred as part of the execution and ongoing integration of the acquisition of the businesses of T.E. Wealth and Leon Frazer & Associates.
- Adjusted common shareholders' net income – total common shareholders' net income, excluding the amortization of acquisition-related intangible assets, acquisition and integration costs, and acquisition-related 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 earnings per common share – diluted earnings per common share calculated with adjusted common shareholders' net income. In 2019, this metric was named 'Adjusted cash earnings per common share'.
- 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 fair value through other comprehensive income (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.
- 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 guideline 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 2020	October 31 2019	**October 31 2020**	October 31 2019
Non-interest expenses	**$ 123,206**	$ 107,667	**$ 436,646**	$ 405,481
Adjustments (pre-tax):				
Amortization of acquisition-related intangible assets	**(1,991)**	(1,204)	**(6,127)**	(5,007)
Acquisition and integration costs[1]	**(907)**	-	**(2,442)**	-
Adjusted non-interest expenses	**$ 120,308**	$ 106,463	**$ 428,077**	$ 400,474
Common shareholders' net income	**$ 63,380**	$ 67,512	**$ 248,956**	$ 266,940
Adjustments (after-tax):				
Amortization of acquisition-related intangible assets	**1,443**	904	**4,515**	3,397
Acquisition and integration costs[1]	**669**	-	**1,804**	-
Acquisition-related fair value changes	**-**	-	**-**	5,773
Adjusted common shareholders' net income	**$ 65,492**	$ 68,416	**$ 255,275**	$ 276,110
Total revenue	**$ 236,575**	$ 220,853	**$ 897,395**	$ 861,604
Less:				
Adjusted non-interest expenses	**120,308**	106,463	**428,077**	400,474
Pre-tax, pre-provision income	**$ 116,267**	$ 114,390	**$ 469,318**	$ 461,130

(1) Includes one-time direct and incremental costs incurred as part of the execution and ongoing integration of the acquisition of the businesses of T.E. Wealth and Leon Frazer & Associates.

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. Our teams deliver a uniquely proactive client experience with highly personalized service, specialized expertise, customized solutions and faster response times for our clients across Canada through our branch network, dedicated wealth and trust offices, and growing digital capabilities. We provide full-service business and personal banking, nation-wide specialized financing in targeted industries, comprehensive wealth management offerings, and trust and custody services specifically tailored for business owners, their employees and their families.

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. The investments we have made over the past 10 years in pursuit of our strategic priorities have created great momentum. Despite the current challenging economic environment, 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 a clear alternative to the large Canadian banks.

We create long-term value for shareholders through strong, profitable growth of full-service client relationships across a growing geographic footprint. We maintain conservative capital ratios and our expected transition to the *Advanced Internal Ratings Based* (AIRB) approach for regulatory capital and risk management will further boost our capital ratios. A transition to AIRB will also increase our addressable market and 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, deliver profitable long-term growth and enhance shareholder returns for years to come.

FISCAL 2020 STRATEGIC HIGHLIGHTS

Table 2 - Execution against Strategic Priorities

To create value for the people who choose CWB	Strategic execution during fiscal 2020
Transform and optimize our capabilities to create an unrivaled experience for our clients	• Provided individualized advice, support and payment deferral options to our clients under our #CWBhasyourback program. • Embarked on a transformational initiative to deliver a seamless digital banking experience for small- and medium-sized business owners, complemented by artificial intelligence-powered conversational banking tools, in partnership with a global leader in banking software. • Launched end-to-end digital onboarding for Motive Financial clients to allow accounts to be opened virtually with immediate ability to transact. We extended these capabilities to all current and prospective CWB personal banking clients in November 2020. • Initiated the full integration of our wealth management operations to provide a differentiated private wealth experience to our clients. • Consolidated our equipment financing and leasing businesses under common leadership to leverage the strengths of our teams and create synergies that optimize client-facing interactions and enhance client relationships. • Streamlined lending administration and cash management processes to provide our teams with efficient, dynamic and intuitive tools and simplify interactions across all teams to support higher levels of client service and growth.
Drive a positive and inclusive culture and employee experience to create value for our people and remain a career destination for top talent	• Recognized by Great Place to Work Canada® as one of the 50 Best Workplaces™ in Canada and one of the Best Workplaces™ in Financial Services and Insurance in Canada for 2020. • Recognized by Waterstone Human Capital as one of Canada's Most Admired Corporate Cultures™ for 2020. • Enacted and expanded measures to communicate our stand against systemic racism, with concrete actions supported by our existing foundation of inclusion and diversity. • Enhanced the agility of our teams by fully supporting remote work arrangements while keeping our teams connected using virtual communication channels. • Expanded our mental health supports for team members, including the introduction of a new employee-represented group to support wellness – CWB Health 360.
Transform and diversify our business to create value for investors through break-out growth and enhanced profitability	• Submitted our final application to OSFI for transition to AIRB and continued progression towards approval, which now includes a parallel run of our tools and processes during 2021 to evaluate their operation through a period of economic stress. • Opened our Mississauga branch, our first full-service branch in Ontario. • Acquired the businesses of T.E. Wealth and Leon Frazer & Associates, positioning CWB to become a leader in the Canadian private wealth industry. • Grew relationship-based, branch-raised funding by 20%, driven by very strong 34% growth in lower-cost demand and notice deposits. • Achieved further geographic diversification, with Ontario contributing approximately 45% of annual loan growth.

STRATEGIC TRANSACTION

On June 1, 2020, we completed the acquisition of 100% of the common shares of iA Investment Counsel Inc., an investment counsellor operating under the brands T.E. Wealth and Leon Frazer & Associates (the wealth acquisition). The purchase price of $87 million was paid in cash upon closing and represented an investment of 30 basis points of regulatory capital.

The wealth acquisition is a transformative step forward for CWB to become a leader in the Canadian private wealth industry, with focused capabilities in complex financial planning and investment management and an extended geographic footprint, to support our continued growth of strong client relationships across the country. T.E. Wealth and Leon Frazer & Associates provide financial planning and wealth management services targeting high-net-worth Canadian families. T.E. Wealth is also one of the largest and most reputable providers of investment management and financial education services to Indigenous communities, with offerings provided under the T.E. Wealth Indigenous Services brand. With a significant portion of the client base in Ontario, the wealth acquisition will help to accelerate full-service client growth and achieve greater geographic diversification. The wealth acquisition's fiscal 2020 financial results as well as client and team retention have been consistent with our expectations. In fiscal 2021, we will focus on the continued integration of our wealth management operations to provide a differentiated private wealth experience to our clients.

The wealth acquisition contributed $5.9 billion to assets under management, advisement and administration at October 31, 2020. The operations of the wealth acquisition, which are included in our financial results for five months in this fiscal year, contributed $15 million to wealth management non-interest income and $18 million to non-interest expenses, which included $2 million of acquisition and integration costs as well as $1 million of amortization of acquisition-related intangible assets. The wealth acquisition is expected to support adjusted earnings per common share modestly at first, with further accretion beginning in fiscal 2022, and increase our contribution of non-interest income to total revenue to approximately 12% in fiscal 2021.

FISCAL 2021 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 2021 transformation priorities
Transform and optimize our capabilities to create an unrivaled experience for our clients	• Continue to further enhance our differentiated full-service client experience, with a focus on the launch of our digital banking platform to allow clients to access banking products and services through single sign-on access to digital channels, and digital onboarding for small business clients. • Enhance our boutique full-service client experience with a focus to optimize client-facing interactions, leverage the synergies created within our consolidated equipment financing and leasing strategy, and enhance our wealth management offering through further integration of our wealth operations. • Leverage our expanding capabilities to offer a superior client experience through a complete range of in-person and digital channels and grow our full-service client base.
Drive a positive and inclusive culture and employee experience to create value for our people and remain a career destination for top talent	• Continue to earn recognition as an employer of choice, and a Great Place to Work Canada™. • Continue to support our employee-represented groups focused on inclusion, diversity and mental health, including CWB Women, CWB Pride, New Canadians and Allies, Indigenous Peoples and Allies, Black Employees and Allies, CWB Health 360, and Employees with Disabilities and Chronic Illness. • Enhance our talent development and coaching programs to support our position as a destination for top talent.
Transform and diversify our business to create value for investors through break-out growth and enhanced profitability	• Continue progression towards AIRB approval, undertaking a parallel run of our tools and processes to evaluate their operation through a period of economic stress. • Capture increased market share within targeted industries across our growing geographic footprint. • Continue to grow our brand and market share in Ontario, with an expanded presence complemented by our full-service branch in Mississauga and growing wealth management business. • Continue to execute on our funding diversification strategy, with strong growth of branch-raised deposits.

IMPACT OF COVID-19 AND OUR RESPONSE

The impact of the market disruption related to the COVID-19 global pandemic on the Canadian economy continues to be unprecedented and widespread, creating a challenging operating environment for our teams and clients across all industries and provinces. Canadian federal, provincial, and municipal governments began restricting mobility and social interaction in March in an effort to limit the spread of infection, which significantly curtailed economic activity and energy demand. Initial efforts to control the pandemic had positive results and the subsequent phased re-opening of economies across the country occurred at varying speeds. Following a strong initial recovery in economic activity from the trough in April, supported by various programs put in place by policymakers to provide system-wide liquidity and financial support, there are encouraging signs that economic activity will continue to rebound, but at a slower pace. However, this pandemic is not static and all levels of government across Canada continue to adapt restrictions as COVID-19 infection rates fluctuate. The pandemic and evolution of containment measures remain unclear and we continue to closely monitor developments.

SUPPORTING OUR PEOPLE

Our first priority remains the well-being of our teams and clients. We continue to take measures to ensure their health and safety. Most restrictions on travel and in-person gatherings and events remain in place. A significant proportion of our team members continue to work remotely and we have taken steps to ensure they are appropriately equipped to do so. We recognize that our current remote working arrangements, which are in place to protect our teams, clients and communities, have an impact on our team members and we have expanded our focus on mental health supports. All business locations, including those that were temporarily closed, remain open with reduced operating hours and additional safety measures in place. Where employees are working on our premises, we follow physical distancing conventions and have implemented enhanced cleaning and sanitization practices as well as a mandatory mask protocol. We will prudently migrate our teams back to the workplace and open our locations to full occupancy based on a strategy that is focused on the continued well-being of our teams and clients and considers evolving government and health authority physical distancing restrictions.

We have had no layoffs or furloughs related to the economic impact of the COVID-19 pandemic. Our teams continue to proactively support our clients and maintain our normal high service levels.

SUPPORTING OUR CLIENTS

Our teams continue to provide a full range of services to our clients – through both digital channels and in-person. Under our #CWBhasyourback program, we mobilized our teams to proactively reach out to our clients to deliver individualized advice and support, and assist in adapting their banking to allow more operations to be completed remotely. We worked closely with our clients experiencing temporary financial difficulty to manage payment deferral options and support access to government programs on a case-by-case basis. We provided payment deferrals to over 25% of our loan portfolio to help our clients manage through the economic turbulence. As payment deferral periods conclude, we have been successful in working with clients to resume normal payments. The percentage of outstanding loans deferring payments has declined to approximately 1%, with three quarters of those clients paying the interest portion of their contractual payment.

Our teams continue to actively support our clients through government lending initiatives to provide businesses with relief through this period of market disruption. At October 31, 2020, we administered the advance of nearly $90 million of Canada Emergency Business Account loans, which are funded by the federal government and not carried on our balance sheet. At October 31, 2020, we also funded approximately $130 million of loans, carried on our balance sheet, with partial federal government guarantees through Export Development Canada's Business Credit Availability Program.

RISK MANAGEMENT

The emergence of COVID-19 and the potential for prolonged adverse general business and economic conditions combined with a very low interest rate environment has elevated certain risk factors that may impact our financial results. We remain well-positioned to manage these risks. We maintain an integrated and disciplined approach to risk management, which guides us in prudent risk-taking aligned with our strategic objectives for growth and our risk appetite. We continue to manage the evolving risks associated with the COVID-19 pandemic within our existing enterprise risk management framework. Our capital and liquidity positions remain strong and we are confident that our talented teams, supported by our strong, well-diversified balance sheet, will enable us to successfully navigate through this market disruption and maintain our focus on execution of targeted strategic initiatives. Comprehensive details on the risks that may impact our operations can be found in the *Risk Management* section of this MD&A. Significant risk impacts arising from the ongoing market disruption related to the COVID-19 pandemic are described below.

CREDIT RISK

To limit the spread of COVID-19, beginning in March, businesses across many industries ceased or substantially reduced operations in response to government mandates to close non-essential businesses, resulting in employee layoffs or furloughs, with small- and medium-sized businesses particularly hard hit. Programs put in place by government agencies have provided temporary relief to our clients and the relaxation of mandated containment measures has begun to positively impact the economy. The conclusion of payment deferrals and government relief programs, as well as further extended periods of curtailed economic activity combined with continued elevated levels of unemployment and existing levels of household debt, may adversely impact our credit risk and could result in higher credit loss experience in future periods. Prolonged adverse economic conditions also have the potential to negatively impact the market value of underlying collateral securing our loans.

As initial payment deferral arrangements concluded, predominantly under three-month terms, we have been successful in working with clients to resume normal payments. Requests for new, additional or extended payment deferrals largely subsided in July and August.

We have expanded our Special Asset Management Unit to support our teams as we work through the market disruption and economic recovery. Our exposure within industries particularly affected by the economic shutdown is well-diversified and supported by high-quality, resilient borrowers. Our strong credit risk management framework, including well-established underwriting standards, the secured nature of our lending portfolio with conservative loan-to-value ratios, and our proactive approach to working with clients through difficult periods, is further enhanced by the capabilities developed to support our final AIRB application. Our credit risk management practices have proven to be very effective, and we have a history of low write-offs as a percentage of total loans, including through periods of economic uncertainty.

LIQUIDITY RISK

Market volatility and prolonged periods of economic stress impact how our clients manage their deposits and loans, which may result in deposit withdrawals and draws on lines of credit as well as loan payment deferrals. Market disruption may also impact our ability to access other funding sources on a cost-effective basis. Despite initial turmoil in funding markets at the onset of the pandemic, the Bank of Canada, alongside other federal bodies, was quick to react with various programs to provide system-wide liquidity and funding costs have normalized. We offer competitive deposit rates across all channels and have generated robust branch-raised deposit growth without sacrificing net interest margin. Business client line of credit utilization has generally trended down through the year. Our liquidity position remains strong and we continue to prudently manage liquidity as the economy recovers.

OPERATIONAL RISK

With a significant number of our team members working from home, our dependence on remote access to information technology and supporting infrastructure has increased. We regularly monitor, assess and revise our business continuity approach and response to ensure our ability to maintain critical operations through periods of business disruption. Our dedicated team and low absenteeism have supported stability within our operations and we have maintained our normal high service levels. Our Information Services team has worked diligently to ensure that all of our teams have uninterrupted remote access to required technology and infrastructure through our secure platforms. We remain vigilant regarding the effectiveness of our risk controls related to increased cyber security and fraud risks, which are typically elevated during volatile periods.

CWB FINANCIAL GROUP PERFORMANCE

OVERVIEW

Financial Highlights of 2020 (compared to 2019)

- Solid loan growth of 6% with continued execution against our balanced growth strategic objectives for geographic and industry diversification, including very strong 13% growth in general commercial loans and 12% growth in Ontario.
- Very strong branch-raised deposit growth of 20%, including 34% growth of demand and notice deposits.
- Common shareholders' net income of $249 million, down 7%.
- Diluted and adjusted earnings per common share of $2.86 and $2.93, down 6% and 7%, respectively.
- Pre-tax, pre-provision income of $469 million, up 2%, and total revenue of $897 million, up 4%.
- Net interest margin of 2.45% was down only 15 basis points, despite a cumulative 150 basis point reduction in the Bank of Canada's policy interest rate in March, as a result of a favorable shift in our funding mix due to sustained strong branch-raised deposit growth and proactive deposit pricing changes executed in response to market conditions.
- Provision for credit losses on total loans representing 32 basis points of average loans, compared to 21 basis points last year, primarily due to the economic impact of the COVID-19 pandemic on the estimated performing loan allowance.
- Gross impaired loans represented 0.85% of gross loans, up from 0.52% last year. As a percentage of average loans, the provision for credit losses on impaired loans of 18 basis points was lower compared to 21 basis points last year and our five-year average of 22 basis points.
- Efficiency ratio of 47.7%, or 46.9% excluding the impact of the wealth acquisition, compared to 46.5% last year as continued investment in strategic execution outpaced revenue growth in the very low interest rate environment.
- Strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 8.8% common equity Tier 1 (CET1), 10.9% Tier 1 and 12.6% Total capital.

SELECT FINANCIAL HIGHLIGHTS

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

	2020	2019[2]	2018[2]	Change from 2019 $	Change from 2019 %
Key Performance Indicators					
Total revenue	$ **897,395**	$ 861,604	$ 803,358	$ 35,791	4 %
Pre-tax, pre-provision income	**469,318**	461,130	436,188	8,188	2
Common shareholders' net income	**248,956**	266,940	249,256	(17,984)	(7)
Earnings per share					
Basic	**2.86**	3.05	2.81	(0.19)	(6)
Diluted	**2.86**	3.04	2.79	(0.18)	(6)
Adjusted	**2.93**	3.15	3.01	(0.22)	(7)
Return on common shareholders' equity	**9.3 %**	10.9 %	11.0 %		(160) bp[6]
Adjusted return on common shareholders' equity	**9.5**	11.3	11.9		(180)
Return on assets	**0.76**	0.88	0.89		(12)
Net interest margin	**2.45**	2.60	2.60		(15)
Efficiency ratio[3]	**47.7**	46.5	45.7		120
Operating leverage[4]	**(2.7)**	(1.8)	1.9		(90)
Provision for credit losses on total loans as a percentage of average loans[5]	**0.32**	0.21	0.20		11
Provision for credit losses on impaired loans as a percentage of average loans[5]	**0.18**	0.21	0.19		(3)
Other Financial Information					
Total assets	$ **33,937,865**	$ 31,424,235	$ 29,021,463	$ 2,513,630	8 %
Dividends per common share	**1.15**	1.08	1.00	0.07	6

(1) See page 20 for a discussion of non-IFRS measures.
(2) In fiscal 2019, we adopted IFRS 9 *Financial Instruments* (IFRS 9) and in fiscal 2020, we adopted IFRS 16 *Leases* (IFRS 16) (refer to Note 1 of the consolidated financial statements). Comparative figures have been prepared in accordance with prior accounting standards, specifically IAS 39 *Financial Instruments: Classification and Measurement* (IAS 39) and IAS 17 *Leases* (IAS 17), and have not been restated.
(3) A decrease in the ratio reflects improved efficiency, while an increase reflects deterioration. Excluding the impact of the wealth acquisition, our efficiency ratio would have been 46.9% in fiscal 2020.
(4) Excluding the impact of the wealth acquisition, our operating leverage would have been negative 1.0% in fiscal 2020.
(5) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.
(6) bp – basis point

Summary of Operations

The emergence of COVID-19 resulted in a significant adverse shock to the Canadian economy, widespread curtailment of economic activity, elevated unemployment rates, decreased business investment and increased dependence on financial assistance, temporary loan payment deferrals and subsidy programs. Although these conditions put significant downward pressure on our operating results compared to the prior year, our investments in technology and product offering enhancements in recent years combined with our ongoing strategic execution to diversify our business and bolster funding sources allowed us to enter this period of volatility from a position of strength. We remain confident in our ability to continue to support our clients and people through these challenging times, while maintaining a prudent approach to lending, and managing our liquidity and capital levels.

Strong branch-raised deposit growth combined with successful execution of our diversified funding strategy provided a robust position leading into and through ongoing market disruption. Our number of full-service clients, who have a core banking relationship with us, increased during the year and contributed to branch-raised deposit growth. We delivered very strong 20% growth of branch-raised deposits, with the increase primarily driven by lower-cost demand and notice deposits. This strong performance resulted in a 13% reduction in our outstanding balance of broker deposits.

During the year, we generated solid loan growth of 6% as we continued to deliver against our balanced growth objectives. Loan growth was led by a 13% increase in the strategically targeted general commercial portfolio, which reflected ongoing efforts to increase full-service relationships across our national footprint. Ontario loans increased 12%, representing approximately 45% of overall loan growth.

Total revenue increased 4% during the year. Net interest income was up 2% compared to last year, reflecting the positive impact of 6% loan growth partially offset by a 15 basis point reduction in net interest margin. The decline in net interest margin was due to a cumulative reduction in the Bank of Canada policy interest rate of 150 basis points in March, partially offset by a favorable shift in our funding mix due to sustained strong branch-raised deposit growth and proactive deposit pricing changes. Non-interest income was up 29% from last year, primarily due to the five-month contribution of our wealth acquisition combined with higher net gains on securities related to re-balancing of our cash and securities portfolio in light of market volatility.

The performing loan allowance for credit losses is our most significant accounting estimate, using an expected credit loss (ECL) model that considers past performance and forward-looking economic variables. The 46% or $41 million increase in the estimated performing loan allowance compared to last year was driven by a significant adverse shift in current and forecast macroeconomic conditions primarily due to the COVID-19 pandemic. Our provision for credit losses on performing loans represented 14 basis points as a percentage of average loans, compared to nil last year.

Gross impaired loans of $257 million increased 73% from last year. 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. We remain confident in our strong credit risk management framework, including well-established underwriting standards, the secured nature of our lending portfolio with conservative loan-to-value ratios, and proactive approach to working with clients through difficult periods. As a percentage of average loans, the provision for credit losses on impaired loans of 18 basis points was lower than 21 basis points last year and our five-year average of 22 basis points.

Although the challenging operating environment dampened our revenue growth, we continued to execute on our strategic priorities to build the culture, capabilities, technology, and brand for CWB to be a disruptive force in Canadian financial services, deliver profitable long-term growth and enhance shareholder returns for years to come. We also expanded our brand and market share in Ontario, supported by the wealth acquisition and the opening of our Mississauga branch, our first CWB full-service branch in the province.

We continued to advance our business transformation and digital capabilities to ensure we are well-positioned to accommodate an expected shift in consumer preference towards digital banking. We launched digital onboarding for Motive Financial clients, our digital-only channel, and extended the capabilities to all current and prospective personal clients in November 2020. As we continue to replace our existing online platform with a seamless end-to-end digital banking experience for business and personal clients, our investments will significantly enhance our digital capabilities and complement our high-touch, personalized service. This will allow us to continue to diversify our business across Canada by attracting new clients both within and outside of our branch footprint, while further broadening our access to lower cost funding.

Initiatives to optimize client facing operations within our banking branches continued this year and included improved cash management processes to provide our teams with efficient and intuitive tools that simplify interactions across all teams, an expanded branch and client support centre to assist our frontline teams and streamlined lending administration activities to more efficiently support higher levels of client service and growth. We also relocated two branches to new locations featuring a client-inspired design with open, adaptable and collaborative spaces. Together, these initiatives 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.

Non-interest expenses were up 8% due to the combined impact of the wealth acquisition, continued investment in our teams and technology to support overall business growth, and non-recurring costs related to organizational redesign initiatives that will result in future cost savings and support accelerated delivery against our strategic priorities, partially offset by reduced spending on certain expenses in light of the current operating environment. Excluding the wealth acquisition and non-recurring costs related to organizational redesign initiatives, non-interest expense growth was 2%. Growth of non-interest expenses outpaced total revenue growth, resulting in an efficiency ratio of 47.7%, or 46.9% excluding the wealth acquisition, compared to 46.5% last year. Excluding the wealth acquisition, operating leverage of negative 1.0% improved compared to negative 1.8% last year.

The very low interest rate environment and elevated levels of estimated credit losses on performing loans put downward pressure on our earnings this year. Diluted earnings per common share of $2.86 and adjusted earnings per common share of $2.93 were down 6% and 7%, respectively. Our adjusted return on common shareholders' equity (ROE) of 9.5% decreased 180 basis points due to the impact of an 8% decline in adjusted common shareholders' net income and higher average common shareholders' equity.

The maintenance of strong 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, 2020 remained strong at 8.8%, compared to 9.1% last year. The change from last year primarily reflected the impact of the wealth acquisition. Including Tier 1 and Total capital ratios of 10.9%, and 12.6%, respectively, all of our capital ratios remain above both internal and regulatory minimums. Based on results of ongoing stress testing and scenario analysis, we remain confident in our ability to deliver positive earnings for shareholders while we maintain financial stability, our current dividend, and a strong capital position.

Fiscal 2021 Outlook

We began fiscal 2021 coming off a year of unprecedented economic volatility, in its scale and impact on our clients, people, and investors. We expect our overall financial performance in fiscal 2021 to reflect a balance between continued investment in our ability to deliver an unrivaled experience for our clients and recognition that revenue growth will be negatively impacted by curtailed economic activity and a very low interest rate environment in the near term. We will prudently manage expenses and continue to execute on priorities aligned with our strategic direction. We know that the current economic volatility will pass, and continued strategic execution will ensure we are well-positioned to deliver profitable long-term growth and enhance shareholder returns for years to come.

Based on our expectations related to a gradual Canadian economic recovery and key performance drivers discussed below, we expect to deliver in fiscal 2021:

- adjusted earnings per common share and adjusted ROE relatively consistent with fiscal 2020;
- an elevated efficiency ratio compared to our historical experience as we continue to execute on our strategic priorities and as a result of the wealth acquisition;
- a strong CET1 capital ratio; and,
- a quarterly common share dividend that remains at its current level in light of regulatory restrictions on dividend increases.

Expectation of a gradual Canadian economic recovery

After an initial rebound in the latter half of calendar 2020, the Canadian economy is expected to follow a more gradual recovery in 2021. A gross domestic product (GDP) recovery and reduction in unemployment rates fueled by the re-opening of the economy in mid-2020 and the impact of various government and central bank stimulus programs is expected to continue throughout 2021, albeit at a slower pace. We expect economic performance in 2021 within our largest provincial markets to vary based on factors unique to each region. Despite positive results of the re-opening measures, considerable uncertainty remains regarding the strength, speed and sustainability of the economic recovery and the ultimate impact it will have on businesses and consumers. Critical factors to the recovery of the Canadian economy include the evolution of COVID-19 infection rates, measures enacted by all levels of government to slow the spread of the virus and the speed of vaccine development and delivery. In our outlook for financial performance for fiscal 2021, we have assumed that the measures undertaken by health authorities do not trigger a second significant GDP recession and spike in unemployment levels like we experienced in the Spring of 2020.

Given the uncertainty of the economic outlook, we continue to perform additional stress testing, using our AIRB and IFRS 9 models to simulate the impacts of a more severe and prolonged period of challenging economic conditions throughout our geographic footprint. Considering the results of these stress tests and the uncertain economic outlook, we remain confident in our ability to deliver positive earnings for shareholders while we maintain financial stability, our current dividend, and a strong capital position.

Profitable loan growth with continued strategic diversification

Continued strategic execution has positioned us to capture increased market share within a larger addressable market, despite the potential for varying degrees of volatility in the current operating environment. We strive to be more proactive than our competitors and have embodied this aspiration during this period of market disruption, giving business owner clients a clear alternative to the large Canadian banks. We will continue to support high-quality borrowers with a focus on business owners operating within targeted industry segments across Canada. In fiscal 2021, we expect to deliver mid-single digit percentage 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 footprint. We expect growth in Ontario to continue to reflect ongoing contributions from our established businesses, as well as our first CWB branch in the province. We expect continued higher relative growth in our strategically targeted general commercial portfolio, which reflected ongoing efforts to increase full-service relationships across our national footprint.

We expect growth in our remaining portfolios to remain relatively consistent with our overall growth rate of loans, with the exception of real estate project loans. We continue to assess construction-related lending opportunities within targeted markets. Our expectations for restrained growth of real estate project loans 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, particularly as the economy recovers and delayed construction re-commences.

Credit quality

We expect impaired loans as a percentage of total loans to increase in fiscal 2021, particularly as government support and payment deferral programs conclude and the slow economic recovery continues. As a result, impaired loan allowances and write-offs may increase from current levels. However, we are confident in the strength, diversity and underwriting structure of the overall loan portfolio and our proactive approach to account management to help mitigate actual loan losses.

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. Consistent with the expectation of a gradual recovery of the economy in fiscal 2021, we expect the provision for credit losses on performing loans to decline from the level recognized in fiscal 2020, which was impacted by a severe adverse shift in the macroeconomic outlook following the emergence of COVID-19. While economic conditions are expected to gradually improve over fiscal 2021, key economic variables incorporated in our ECL models, such as unemployment rates, GDP growth, the Canadian dollar/U.S. dollar exchange rate, interest rates, oil prices and housing market conditions are inherently prone to volatility on a forward-looking basis.

There is considerable uncertainty in how quickly the economy will return to pre-pandemic levels. Potential risks that could have a material adverse impact on loan growth and credit quality include enhanced physical distancing or containment measures put in place to slow the spread of COVID-19, limited availability of an effective vaccine, deterioration in Canadian residential real estate prices, material changes to trade agreements, including the imposition of tariffs, which could affect the outlook for Canadian exports, further weakening of energy and other commodity prices, 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 an ongoing goal to increase branch-raised deposits, with particular emphasis on demand and notice deposits. We expect high-single digit percentage branch-raised deposit growth, which is lower than the growth achieved in fiscal 2020, which saw very robust growth as economic activity was curtailed and depositors showed a preference for liquidity. We anticipate slower deposit growth in fiscal 2021 as business and consumer spending increases in line with the expected economic recovery.

We expect future growth in branch-raised funding to reflect success in our ability to acquire more clients and develop broader, full-service client relationships across the country. We are pleased with our growth of full-service clients to-date and will continue to focus on growing our relationships with existing clients as well as further market penetration in fiscal 2021. In fiscal 2020, we successfully delivered digital onboarding for Motive Financial clients, followed by personal accounts for branch-based customers. During fiscal 2021, we will extend these capabilities to our small business clients to provide a seamless and differentiated client experience. We expect these efforts to broaden our access to lower cost funding by attracting new clients both within and outside of our branch footprint and enhance our capacity to deliver on our reputation for excellence in personalized service in a highly scalable manner through a full range of channels. We also expect continued diversification of funding sources to include growth of both debt capital markets and securitization funding channels.

Revenue growth

We expect to deliver mid-single digit percentage growth of net interest income in fiscal 2021 from the benefits of loan growth and a relatively stable net interest margin. Reflecting the full year impact of Bank of Canada policy interest rate reductions in fiscal 2020, we expect our annual net interest margin to remain relatively consistent with the fourth quarter of fiscal 2020 of 2.45%, with the potential for quarterly volatility. Our strategic priorities to support net interest income include continued strong branch-raised deposit growth with further enhancement of our client experience through focused business transformation and ongoing investment in digital capabilities. We will continue to assess deposit product pricing based on market conditions, while maintaining prudent levels of liquidity. On a full year basis, we expect average levels of liquidity to remain relatively consistent with fiscal 2020; however, actual balances will fluctuate throughout the year based on our deposit maturity profile. We do not anticipate any further Bank of Canada policy interest rate adjustments in fiscal 2021.

We expect growth of non-interest income across most categories, with the exception of net gains on securities, reflecting our strategy to extend and deepen relationships with both new and existing clients across all business lines. Based on the current composition of the debt securities portfolio, net gains on securities 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. Non-interest income is expected to represent approximately 12% of total revenue in fiscal 2021 as a result of a significant increase in wealth management fees driven by the full year contribution of the wealth acquisition combined with higher assets under management, advisement and administration due to new client growth and market appreciation. In fiscal 2021, we will focus on the integration of our wealth management operations to provide a differentiated private wealth experience to our clients.

Strategic investment will continue

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

While we will maintain disciplined control of less strategic non-interest expenses during fiscal 2021, our continued execution against our strategic priorities, including our digital transformation and AIRB parallel run, will result in non-interest expense growth in the mid-double digits, or high-single digits excluding the impact of operating and integrating the wealth acquisition. During fiscal 2021, the costs associated with operating as an AIRB bank, along with amortization of accumulated capital costs will be recognized in non-interest expenses. Based on the current very low interest rate environment, our continued strategic execution and reflecting the impact of our wealth acquisition, we expect our efficiency ratio to trend higher than our typical range of 45% to 47%. Our strategic execution over the past several years has positioned us to be stronger and more resilient than ever and the investments made in fiscal 2021 will further optimize our business as we position ourselves to continue to deliver an unrivaled experience to our clients, and accelerate our growth through the rebound of our economy.

Income taxes

As part of Alberta's COVID-19 economic recovery plan, the provincial government accelerated the previously announced corporate income tax rate reduction, from 10% to 8%, effective July 1, 2020. The reduction is expected to decrease our effective tax rate by approximately 110 basis points in fiscal 2021, compared to full year fiscal 2020.

Prudent capital management

With a strong CET1 capital ratio under the more conservative *Standardized* approach for calculating risk-weighted assets, we are well-positioned to support our clients through this period of economic volatility, pursue targeted growth opportunities and continue strategic execution.

Our final application to OSFI for transition to the AIRB methodology for regulatory capital and risk management will now include a parallel run of our AIRB tools and processes during 2021 to evaluate their operation through this period of economic volatility, followed by finalization of OSFI's review. The extended timeline for approval, compared to our expectation of approval within fiscal 2020, does not change our near-term financial outlook as OSFI's current industry restrictions limit the deployment of capital through increased dividends or use of a normal course issuer bid.

We are actively using the majority of our AIRB tools to manage credit risk, including comprehensive stress testing, risk quantification processes, our Internal Capital Adequacy Assessment Process (ICAAP) and ECL. These improved risk management capabilities better equip us to manage through economic downturns and allocate resources to target business segments that generate the most attractive risk-adjusted returns. This will prepare us for a transition to the AIRB approach for regulatory capital purposes. The AIRB approach will put us on more equal footing with our large Canadian bank competitors, increase our addressable market, boost our capital ratios, add risk sensitivity to our framework for capital management and improve risk-based pricing capabilities.

During fiscal 2020, OSFI mandated that federally-regulated financial institutions suspend dividend increases to support the economy and maintain strong capital positions. As a result, we expect to maintain our quarterly dividend at its current level in fiscal 2021.

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 2020

- Net interest income of $799 million was up 2% primarily reflecting 6% loan growth partially offset by a 15 basis point decline in net interest margin.
- Net interest margin of 2.45% was down only 15 basis points, despite a cumulative 150 basis point reduction in the Bank of Canada's policy interest rate, as a result of a favorable shift in our funding mix due to strong branch-raised deposit growth and proactive deposit pricing changes executed in response to market conditions. In response to the policy interest rate reductions, average prime rate declined 94 basis points from the prior year, to 3.01%.

Table 5 - Net Interest Income[(1)]

($ thousands)

	2020				2019			
	Average Balance	**Mix**	**Interest**	**Interest Rate**	Average Balance	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	**$ 2,799,760**	**9 %**	**$ 32,639**	**1.17 %**	$ 2,405,937	8 %	$ 37,470	1.56 %
Securities purchased under resale agreements	**32,436**	**-**	**273**	**0.84**	80,956	-	1,500	1.85
Loans								
Personal	**5,814,502**	**18**	**220,707**	**3.80**	5,405,011	18	215,253	3.98
Business	**23,171,792**	**71**	**1,115,295**	**4.81**	21,782,700	72	1,164,477	5.35
	28,986,294	**89**	**1,336,002**	**4.61**	27,187,711	90	1,379,730	5.07
Total interest bearing assets	**31,818,490**	**98**	**1,368,914**	**4.30**	29,674,604	98	1,418,700	4.78
Other assets	**748,411**	**2**	**-**	**0.00**	556,757	2	-	0.00
Total Assets	**$ 32,566,901**	**100 %**	**$ 1,368,914**	**4.20 %**	$ 30,231,361	100 %	$ 1,418,700	4.69 %
Liabilities								
Deposits								
Personal	**$ 15,562,654**	**48 %**	**$ 342,623**	**2.20 %**	$ 15,347,419	51 %	$ 377,345	2.46 %
Business and government	**10,564,415**	**32**	**156,472**	**1.48**	9,288,447	31	195,881	2.11
	26,127,069	**80**	**499,095**	**1.91**	24,635,866	82	573,226	2.33
Securities sold under repurchase agreements	**13,922**	**-**	**45**	**0.32**	12,094	-	253	2.09
Other liabilities[(2)]	**821,385**	**3**	**2,904**	**0.35**	629,682	2	-	0.00
Debt	**2,532,544**	**8**	**67,459**	**2.66**	2,139,110	7	59,637	2.77
Shareholders' equity	**3,070,800**	**9**	**-**	**0.00**	2,812,579	9	-	0.00
Non-controlling interests	**1,181**	**-**	**-**	**0.00**	2,030	-	-	0.00
Total Liabilities and Equity	**$ 32,566,901**	**100 %**	**$ 569,503**	**1.75 %**	$ 30,231,361	100 %	$ 633,116	2.09 %
Total Assets/Net Interest Income	**$ 32,566,901**		**$ 799,411**	**2.45 %**	$ 30,231,361		$ 785,584	2.60 %

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

(2) Fiscal 2020 results include the impact of the prospective adoption of IFRS 16, which requires the recognition of interest expense on lease liabilities (refer to Note 1 of the consolidated financial statements). Prior to the adoption of IFRS 16, all lease-related expenses were included in premises and equipment expenses. The adoption of IFRS 16 did not have a significant impact on net interest margin.

Net interest income of $799 million was up 2% ($14 million). Growth was primarily driven by the 7% increase in average interest-earning assets partially offset by a lower net interest margin of 2.45% compared to 2.60% in the prior year.

The yield on average cash, securities and deposits with regulated financial institutions of 1.17% decreased 39 basis points primarily due to market interest rate reductions. Average balances of cash and securities were slightly higher than last year due to additional liquidity carried through market volatility and our deposit maturity profile.

The average loan yield declined 46 basis points to 4.61% primarily due to a 94 basis point reduction in average prime rate, to 3.01%, following policy interest rate reductions in March.

Average deposit costs were down 42 basis points to 1.91% and the overall cost of average interest bearing liabilities and equity decreased 34 basis points to 1.75%, primarily due to market interest rate reductions and a favourable shift in our funding mix driven by strong branch-raised deposit growth and a resulting decline in broker deposits. We also proactively lowered interest rates on certain deposit products based on market conditions, while maintaining prudent levels of liquidity, which benefited overall deposits costs.

Beginning in March, market disruption impacted the cost-effectiveness of the securitization and broker funding channels and the availability of debt capital markets. Funding costs and access have since normalized in response to government programs implemented to support financial system liquidity. Several of the government programs are available to us and we, along with other Canadian banks, accessed the Bank of Canada's Standing Term Liquidity Facility (STLF), which drove the majority of the 13 basis point decline in debt-related funding costs. We fully repaid our advances under the STLF in the fourth quarter.

NON-INTEREST INCOME

Highlights of 2020

- Non-interest income of $98 million was up 29% primarily due to higher wealth management fees due to the contribution of the wealth acquisition and net gains on securities.
- Non-interest income represented 11% of total revenues, up from 9% in the prior year.

Table 6 - Non-interest Income
($ thousands)

			Change from 2019	
	2020	2019	$	%
Credit related	**$ 34,921**	$ 34,082	$ 839	2 %
Wealth management services	**33,565**	19,640	13,925	71
Retail services	**9,679**	10,627	(948)	(9)
Trust services	**8,377**	7,651	726	9
Gains on securities, net	**9,428**	301	9,127	nm
Other[1]	**2,014**	3,719	(1,705)	(46)
Total Non-interest Income	**$ 97,984**	$ 76,020	$ 21,964	29 %

(1) Primarily consists of foreign exchange gains/losses and other miscellaneous non-interest revenues.

nm – not meaningful

Non-interest income of $98 million was up 29% ($22 million) as higher wealth management fees contributed by the wealth acquisition, net gains on securities, credit related fees and trust services fees more than offset lower retail fees and foreign exchange revenue recorded in 'other' non-interest income. Elevated net gains on securities during the year reflected the re-balancing of our cash and securities portfolio in light of market volatility. The decline in retail fees compared to last year was related to reduced transaction volumes and the waiver of certain fees as part of our COVID-19 relief efforts.

NON-INTEREST EXPENSES, EFFICIENCY AND OPERATING LEVERAGE

Highlights of 2020

- Non-interest expenses increased 8%, or 2% excluding the wealth acquisition and non-recurring costs related to organizational redesign initiatives.
- The efficiency ratio of 47.7%, or 46.9% excluding the impact of the wealth acquisition, increased from 46.5% last year as non-interest expense growth outpaced revenue growth in the very low interest rate environment.
- Operating leverage was negative 2.7%. Excluding the impact of the wealth acquisition, operating leverage of negative 1.0% improved from negative 1.8% last year as non-interest expense growth outpaced revenue growth by a larger proportion in the prior year.

Table 7 - Non-interest Expenses, Efficiency Ratio and Operating Leverage
($ thousands)

			Change from 2019	
	2020	2019	$	%
Salaries and Employee Benefits				
Salaries	**$ 234,759**	$ 213,452	$ 21,307	10 %
Employee benefits	**46,649**	44,514	2,135	5
	281,408	257,966	23,442	9
Premises(1)				
Depreciation	**18,765**	5,310	13,455	253
Rent	**9,804**	22,460	(12,656)	(56)
Other	**4,089**	3,842	247	6
	32,658	31,612	1,046	3
Equipment and Software				
Depreciation	**25,556**	22,127	3,429	15
Other	**22,148**	16,776	5,372	32
	47,704	38,903	8,801	23
General				
Regulatory costs	**12,789**	12,022	767	6
Professional fees and services	**12,125**	13,824	(1,699)	(12)
Marketing and business development	**9,169**	12,546	(3,377)	(27)
Amortization of acquisition-related intangible assets	**6,127**	5,007	1,120	22
Banking charges	**5,743**	5,048	695	14
Employee recruitment and training	**3,412**	4,690	(1,278)	(27)
Loan-related credit reports	**3,241**	2,996	245	8
Acquisition and integration costs	**2,442**	-	2,442	100
Capital and business taxes	**2,385**	1,888	497	26
Communications	**2,111**	1,995	116	6
Travel	**2,010**	4,028	(2,018)	(50)
Staff relations	**1,539**	2,248	(709)	(32)
Other	**11,783**	10,708	1,075	10
	74,876	77,000	(2,124)	(3)
Total Non-interest Expenses	**$ 436,646**	$ 405,481	$ 31,165	8 %
Efficiency Ratio(2)(3)	**47.7 %**	46.5 %		120 bp(5)
Operating Leverage(2)(4)	**(2.7)**	(1.8)		(90)

(1) Fiscal 2020 results include the impact of the prospective adoption of IFRS 16, which requires the recognition of right-of-use assets and lease liabilities for premises leases on the consolidated balance sheet (refer to Note 1 of the consolidated financial statements). Depreciation of right-of-use assets is included in premises depreciation above and interest expense on lease liabilities is included in interest expense. Prior to the adoption of IFRS 16, all lease-related expenses were included in premises rent.
(2) See page 20 for a discussion of non-IFRS measures.
(3) A decrease in this ratio reflects improved efficiency, while an increase reflects deterioration. Excluding the impact of the wealth acquisition, our efficiency ratio would have been 46.9% in fiscal 2020.
(4) Excluding the impact of the wealth acquisition, our operating leverage would have been negative 1.0% in fiscal 2020.
(5) bp – basis point

Total non-interest expenses of $437 million were up 8% ($31 million). The increase reflected approximately $18 million due to the wealth acquisition, which included $2 million of acquisition and integration costs as well as $1 million of amortization of acquisition-related intangible assets, and $4 million of non-recurring costs related to organizational redesign initiatives that will reduce ongoing costs and support accelerated delivery against our growth, digital transformation and geographic diversification strategic priorities as well as simplify the way we do business and improve our efficiency. Excluding the wealth acquisition and non-recurring costs related to organizational redesign initiatives, non-interest expense growth was 2%.

Overall salaries and employee benefits increased 9% ($23 million) mainly due to hiring activity to support overall business growth and execution of strategic priorities, the wealth acquisition, annual salary increments and costs related to organizational redesign initiatives. The wealth acquisition increased our full-time equivalent employees by approximately 120 during the year. Excluding the impact of the wealth acquisition, the increase in full-time equivalent employees was 5%.

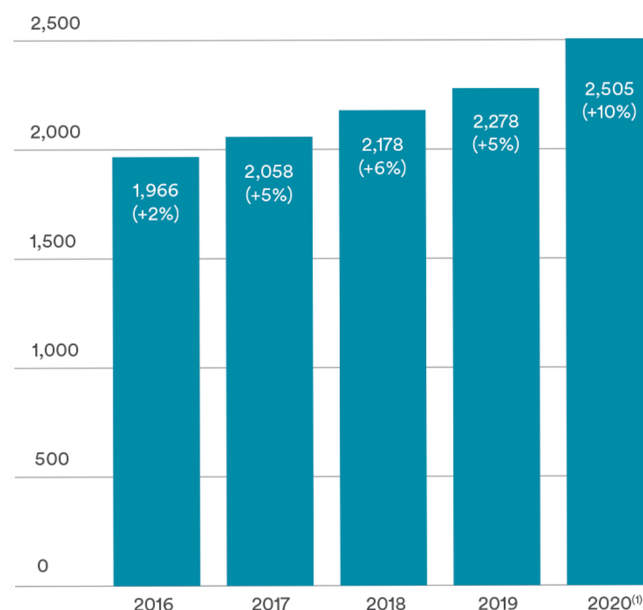
Equipment and software costs were up 23% ($9 million) primarily due to ongoing investment in technology infrastructure, to position us for future growth and improve our client and employee experience, combined with costs related to organizational redesign initiatives.

General non-interest expenses were down 3% ($2 million) mainly due to reduced spending in the current operating environment and lower marketing costs partially offset by the wealth acquisition. Marketing expenses were elevated last year due to the launch of the renewed CWB brand.

The efficiency ratio of 47.7%, or 46.9% excluding the impact of the wealth acquisition, increased from 46.5% last year as non-interest expense growth outpaced revenue growth in the very low interest rate environment.

Operating leverage, which is calculated as the growth rate of total revenue less the growth rate of adjusted non-interest expenses, was negative 2.7%. Excluding the impact of the wealth acquisition, operating leverage of negative 1.0% improved from negative 1.8% last year as non-interest expense growth outpaced revenue growth by a larger proportion in the prior year.

Figure 1 - Number of Full-time Equivalent Employees



(1) Approximately half of the fiscal 2020 increase related to the wealth acquisition.

ACQUISITION-RELATED FAIR VALUE CHANGES

There were no acquisition-related fair value changes this year. Prior to the completion of the earn-out period for the contingent consideration related to the successful and accretive acquisition of CWB Maxium, acquisition-related fair value changes of $8 million were recorded in fiscal 2019.

INCOME TAXES

The current year effective income tax rate of 26.3% was consistent with last year. In 2019, the Alberta government enacted reductions to the corporate income tax rate from 12% to 8% over four years, beginning with a 1% decrease on July 1, 2019 and further reductions of 1% expected on each of January 1, 2020, 2021 and 2022. As part of Alberta's COVID-19 economic recovery plan, the provincial government accelerated the reduction of the corporate income tax rate from 10% to 8% effective July 1, 2020, rather than the schedule noted above. The corporate income tax rate reduction did not have a significant impact on our effective tax rate in fiscal 2020 as the current income tax benefit was offset by the negative impact of the re-measurement of our deferred tax assets and liabilities at the lower tax rate.

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 performing loan 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.

COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of 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. Comprehensive income of $353 million was down 7% ($25 million) due to a $16 million decline in net income combined with a $9 million reduction in OCI. Lower OCI, net of tax, was primarily driven by a lower change in fair value of debt securities measured at FVOCI ($26 million) partially offset by higher changes in fair value of equities measured at FVOCI ($15 million), due to the conclusion of the planned divestiture of our preferred share investment portfolio, and derivatives designated as cash flow hedges ($2 million). 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 8 - Comprehensive Income
($ thousands)

	2020	2019	Change from 2019
Net Income	**$ 271,550**	$ 287,846	$ (16,296)
Other Comprehensive Income, net of tax			
Items that will be subsequently reclassified to net income			
Debt securities measured at fair value through other comprehensive income			
Gains from change in fair value	**14,046**	34,301	(20,255)
Reclassification to net income	**(5,900)**	(354)	(5,546)
	8,146	33,947	(25,801)
Derivatives designated as cash flow hedges			
Gains from change in fair value	**105,003**	71,361	33,642
Reclassification to net income	**(31,855)**	(383)	(31,472)
	73,148	70,978	2,170
Items that will not be subsequently reclassified to net income			
Gains (losses) on equity securities designated at fair value through other comprehensive income	**528**	(14,175)	14,703
	81,822	90,750	(8,928)
Comprehensive Income	**$ 353,372**	$ 378,596	$ (25,224)

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements amounted to $3.1 billion at October 31, 2020, compared to $2.5 billion last year. The cash and securities portfolio is mainly comprised of high-quality debt instruments that are not held for trading purposes and, where applicable, are typically held to maturity. The balance and mix of cash and securities are managed as part of our overall liquidity management process. Refer to the *Liquidity Management* section of this MD&A for more information.

Table 9 - Unrealized Gains (Losses) on Debt Securities and Cash Resources Measured at FVOCI and Equity[1]
($ thousands)

	As at October 31, 2020			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions[2]	**$ 254,442**	**$ 11**	**$ 2**	**$ 254,451**
Debt securities issued or guaranteed by				
Canada	**1,313,002**	**5,232**	**267**	**1,317,967**
A province or municipality	**964,084**	**3,394**	**63**	**967,415**
Other debt securities[3]	**376,377**	**1,126**	**259**	**377,244**
Designated at FVOCI				
Preferred shares	**1,953**	**39**	**-**	**1,992**
Total	**$ 2,909,858**	**$ 9,802**	**$ 591**	**$ 2,919,069**

	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[2]	$ 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	489,361	290	390	489,261
Other debt securities[3]	170,431	76	51	170,456
Designated at FVOCI				
Preferred shares	26,648	-	8,484	18,164
Total	$ 2,324,760	$ 843	$ 12,540	$ 2,313,063

(1) Excludes financial instruments measured at amortized cost, including cash, non-interest bearing deposits with financial institutions and cheques and other items in transit of $114 million (2019 – $122 million) and securities purchased under resale agreements of $50 million (2019 – $40 million).
(2) Included in cash resources on the consolidated balance sheets.
(3) Includes securities issued or guaranteed by the United States Treasury of $93 million (2019 – $76 million).

Fluctuations in the value of securities are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve. Net unrealized gains, before tax, recorded on the consolidated balance sheet at October 31, 2020 totaled $9 million, compared to net unrealized losses of $12 million last year. We recognized in earnings $9 million of net gains on securities related to re-balancing our cash and securities portfolio through market disruption, compared to a negligible amount last year. For preferred shares designated as FVOCI, $6 million of realized losses on sales were recognized directly in retained earnings in accordance with IFRS 9.

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

LOANS

Highlights of 2020

- Overall loan growth of 6%, with strong 13% growth in our strategically targeted general commercial portfolio.
- Achieved further geographic diversification, with strong 12% growth in Ontario, which represented approximately 45% of overall loan growth. Ontario-based loans represented 23% of total loans at October 31, 2020, compared to 22% last year.
- Very strong 12% growth in commercial mortgages and solid 7% growth in personal loans and mortgages, mainly comprised of "A" mortgage growth to support participation in the *National Housing Act Mortgage Backed Securities* (NHA MBS) program.

Table 10 - Outstanding Loans by Portfolio
($ millions)

	2020	2019	Change from 2019 $	Change from 2019 %
General commercial loans	**$ 9,697**	$ 8,600	$ 1,097	13 %
Personal loans and mortgages	**6,074**	5,690	384	7
Commercial mortgages	**5,696**	5,088	608	12
Equipment financing and leasing	**5,254**	5,192	62	1
Real estate project loans	**3,252**	3,752	(500)	(13)
Oil and gas production loans	**195**	155	40	26
Total Outstanding Loans[(1)]	**$ 30,168**	$ 28,477	$ 1,691	6 %

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

Total loans, excluding the allowance for credit losses, surpassed $30 billion to reach $30.2 billion, up 6% from last year.

Growth by lending sector was consistent with our ongoing efforts to increase full-service relationships across our national footprint. Growth was led by the strategically targeted general commercial portfolio, which increased 13% ($1.1 billion) this year, including growth of 20% in Ontario. 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.

Personal loans and mortgages increased 7% ($384 million) primarily due to "A" mortgage portfolio growth, which largely consists of residential mortgages eligible for bulk portfolio insurance to support our participation in the NHA MBS program. Alternative mortgages originated within our broker-sourced residential mortgage business, CWB Optimum, represent approximately 47% of total personal loans and mortgages compared to 49% last year, or approximately 10% of total loans, consistent with last year.

Commercial mortgages increased 12% ($608 million), with growth driven by strong new lending volumes with well-capitalized, high-quality borrowers.

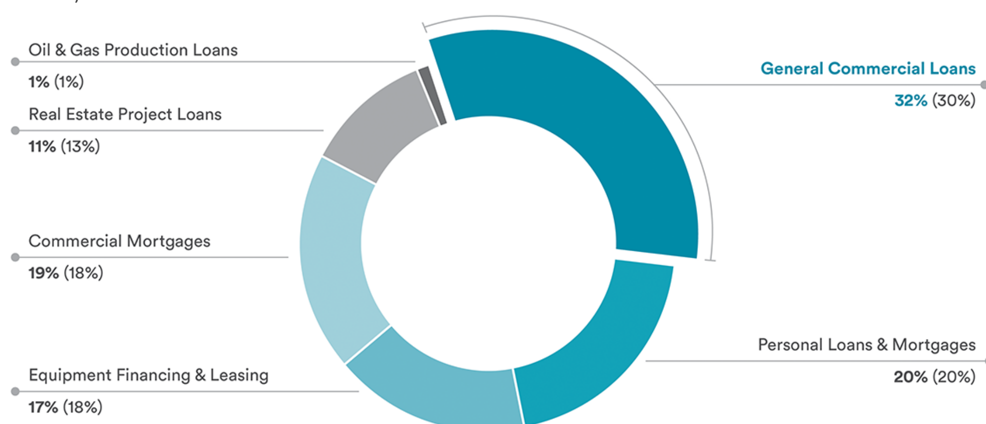
The equipment financing and leasing portfolio remained relatively consistent with last year as a result of curtailed economic activity and capital projects.

Real estate project loans contracted 13% ($500 million) with new growth more than offset by the impact of successful project completions and payouts. Projects underway prior to the economic impact of the COVID-19 pandemic continue to progress, although at a slower pace given physical distancing protocols. Reduced demand for condominiums and high land prices negatively impacted project starts, which have been further impacted by curtailed economic activity related to the COVID-19 pandemic.

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 $40 million increase from last year reflected participation in syndications within our risk appetite. Our exposure to oil and gas production and service businesses each represent 1% of total loans.

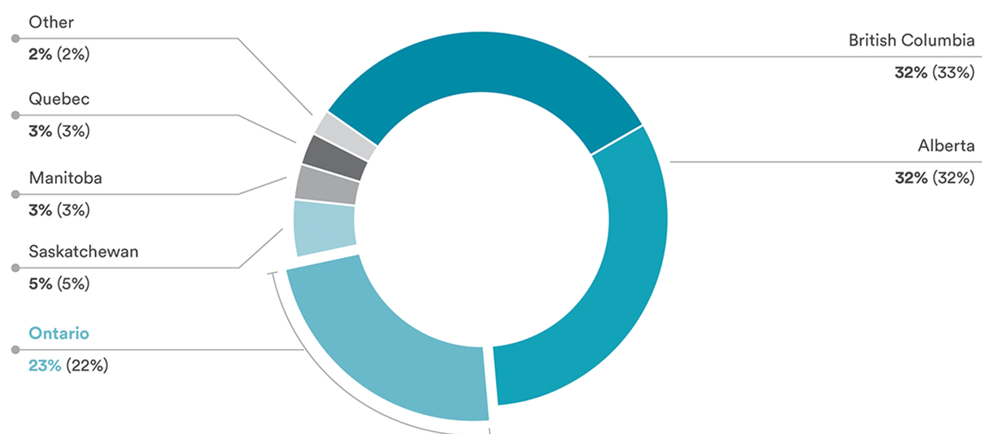
The mix of our portfolio (see Figure 2) shifted in a manner consistent with our strategic priorities. Very strong growth in general commercial loans increased the proportion of loans in this category as a percentage of the total portfolio to 32% at October 31, 2020, compared to 30% last year. The proportion of loans in equipment financing and leasing decreased to 17% from 18% last year. Real estate project loans comprised 11% of the portfolio at year end, compared to 13% in 2019.

Figure 2 - Outstanding Loans by Portfolio
(October 31, 2019 in brackets)



The change in the mix of our portfolio based on the location of security (see Figure 3) was also consistent with our strategic priorities. BC and Alberta each represented 32% of total loans at October 31, 2020, compared to 33% and 32% in 2019, respectively. Ontario represented 23% of total loans at year end, up from 22% last year.

Figure 3 - Geographical Distribution of Outstanding Loans based on Location of Security
(October 31, 2019 in brackets)



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.

Table 11 - Outstanding Loans by Industry Sector(1)
(% at October 31)

	2020	2019
Consumer loans and residential mortgages	**20 %**	20 %
Real estate operations	**19**	18
Construction	**19**	20
Transportation and storage	**8**	8
Finance and insurance	**7**	7
Hotel/motel	**5**	4
Retail trade	**4**	5
Health and social services	**3**	3
Manufacturing	**2**	2
Professional, scientific and technical services	**2**	2
Agriculture	**2**	2
Oil and gas service	**1**	2
Accommodation and food services	**1**	1
Logging/forestry	**1**	1
Wholesale trade	**1**	1
Utilities	**1**	1
Oil and gas production	**1**	1
All other	**3**	2
Total	**100 %**	100 %

(1) Based on North American Industry Classification System (NAICS) codes.

CREDIT QUALITY

Highlights of 2020

- The provision for credit losses on total loans represented 32 basis points of average loans, compared to 21 basis points last year.
- As a percentage of average loans, the provision for credit losses on performing loans was 14 basis points, compared to nil last year, primarily due to the economic impact of the COVID-19 pandemic.
- As a percentage of average loans, the provision for credit losses on impaired loans of 18 basis points was lower compared to 21 basis points last year and our five-year average of 22 basis points. As a percentage of average loans, write-offs of 17 basis points compared to our five-year average of 23 basis points.
- Gross impaired loans represented 0.85% of gross loans, compared to 0.52% last year.

IMPAIRED LOANS

The loan portfolio is delineated by the assignment of internal risk ratings to each borrower, which are 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 personal loans and mortgages.

Table 12 - Change in Gross Impaired Loans
($ thousands)

					Change from 2019		
		2020		2019		$	%
Gross impaired loans, beginning of year	**$**	**148,250**	$	137,872	$	10,378	8 %
New formations		**310,704**		191,662		119,042	62
Reductions, impaired accounts paid down or returned to performing status		**(153,282)**		(119,018)		(34,264)	29
Write-offs		**(48,531)**		(62,266)		13,735	(22)
Total, end of year[1]	**$**	**257,141**	$	148,250	$	108,891	73 %
Balance of the 10 largest impaired accounts	**$**	**72,311**	$	52,795	$	19,516	37
Total number of accounts classified as impaired[2]		**420**		330		90	27
Total number of accounts classified as impaired under $1 million[2]		**365**		308		57	19
Gross impaired loans as a percentage of gross loans[3]		**0.85 %**		0.52 %			33 bp[4]

(1) Gross impaired loans include foreclosed assets held for sale with a carrying value of $4,357 (2019 – $4,217).
(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

The dollar level of gross impaired loans at October 31, 2020 totaled $257 million, up from $148 million last year. This amount represented 0.85% of total loans compared to 0.52% last year. 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.

Gross impaired loans increased across most provinces during the year. Gross impaired loans within Alberta of $105 million accounted for 41% of total impairments at year end, compared to 53% last year. Gross impairments outside of Alberta represented 0.73% of non-Alberta loans at year end, up from 0.36% last year. New formations of impaired loans totaled $311 million, compared to $192 million last year. Strong resolutions of $153 million this year, compared to $119 million last year, reflected our ongoing proactive management of the loan portfolio.

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. As we continue to actively work with our clients experiencing financial difficulty, we simultaneously triage our loan portfolio to assess evolving risk profiles, with a focus on portfolios particularly affected by the challenging economic environment, including the hospitality industry, equipment financing, oil and gas production and service businesses and real estate project loans. Our exposure within these industries is well-diversified and supported by high-quality, resilient borrowers. We continue to carefully monitor the entire loan portfolio for additional signs of weakness and work closely with borrowers experiencing financial hardship. We have expanded our Special Asset Management Unit to support our teams as we work through market disruption and economic recovery. Our strong credit risk management framework, including well-established underwriting standards, the secured nature of our lending portfolio with conservative loan-to-value ratios, and our proactive approach to working with clients through difficult periods, is further enhanced by the capabilities developed to support our final AIRB application. Our credit risk management practices have proven to be very effective, and we have a history of low write-offs as a percentage of total loans, including through periods of financial uncertainty. 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 expected credit losses in the loan portfolio. The performing loan allowance (Stage 1 and 2), which is our most significant accounting estimate, consists of ECL for losses in the portfolio that are not presently identifiable on an account-by-account basis. The 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.

At October 31, 2020, the total allowance for credit losses of $164 million consisted of $130 million for performing loans and $34 million related to impaired loans (Stage 3). One year ago, the total allowance for credit losses of $115 million consisted of $89 million for performing loans and $26 million related to impaired loans. The change in the allowance for credit losses compared to last year, with the allowance for impaired loans split by loan portfolio, is provided in the following table.

Table 13 - Allowance for Credit Losses

($ thousands)

	2020 Opening Balance	Provision for Credit Losses	Write-Offs, net of Recoveries[1]	**2020 Ending Balance**
Impaired (Stage 3) Allowance				
General commercial loans	$ 7,030	$ 25,764	$ (11,533)	**$ 21,261**
Equipment financing and leasing	15,134	12,428	(17,236)	**10,326**
Commercial mortgages	2,764	10,871	(11,916)	**1,719**
Personal loans and mortgages	1,036	1,526	(1,733)	**829**
Real estate project loans	-	(709)	709	**-**
Oil and gas production loans	-	675	(675)	**-**
	25,964	50,555	(42,384)	**34,135**
Performing (Stage 1 and 2) Allowance	89,061	41,217	-	**130,278**
Total	$ 115,025	$ 91,772	$ (42,384)	**$ 164,413**
Represented by:				
Loans				**$ 159,326**
Committed but undrawn credit exposures and letters of credit[2]				**5,087**
Total				**$ 164,413**

(1) Recoveries in fiscal 2020 totaled $6,147 (2019 – $3,866).

(2) 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.

The performing loan allowance increased from the prior year primarily due to the significant deterioration in the macroeconomic outlook reflecting the estimated economic impact of the COVID-19 pandemic, which increased the conditional probability of default across our portfolios and resulted in a larger proportion of loans in Stage 2. The adverse shift in the economic forecast increased the conditional probability of default of all portfolios, but in particular our small- and medium-sized entities, hotel/motel, and oil and gas production portfolios. The forecast used in our estimation of the performing loan allowance, which was based on an average of the large Canadian banks' macroeconomic forecasts, assumes a gradual economic recovery reflecting a phased re-opening of the economy and the estimated impact of various government and central bank stimulus programs. Housing price growth typically lags behind other economic factors, with a slight dip forecasted in 2021, followed by a resumption of growth. The oil price forecast begins at the current price with a gradual recovery following increased energy demand as the economy re-opens. Further information on the economic factors used within the estimation of the performing loan allowance can be found in Note 7 of the consolidated financial statements.

The proportion of performing loans in Stage 2 at October 31, 2020 was 34%, compared to 6% last year. The performing loan allowance is estimated based on 12-month credit losses for loans in Stage 1, while loans in Stage 2 require the recognition of lifetime credit losses. At October 31, 2020, approximately 90% (2019 – 50%) of the loans in Stage 2 migrated from Stage 1 based on an increase in conditional probability of default, as estimated by our ECL models with consideration for current and forward-looking macroeconomic conditions, rather than a deterioration of borrower-specific credit quality. The average credit quality of a borrower that migrates to Stage 2 based on model-driven factors is significantly higher than a borrower who migrates to Stage 2 based on borrower-specific criteria, such as days past due or watchlist status.

The relatively short duration of our loan portfolios, particularly our personal loans and mortgages, contributed to a higher proportion of performing loans in Stage 2 due to the significant near-term volatility in macroeconomic forecasts used to estimate ECL. The short duration of our portfolios also limits the impact on our allowance for credit losses when loans migrate from Stage 1 to Stage 2. Tangible security held and conservative loan-to-value ratios also softens the impact of increased probabilities of default on the estimated performing loan allowance and decreases the overall sensitivity of our allowance for credit losses to changes in forecasted economic conditions. We did not adjust our ECL models to prevent the migration of loans on payment deferral arrangements into Stage 2, or use expert credit judgment to reduce the amount of loans categorized in Stage 2 by our ECL models.

The rapidly changing nature of the COVID-19 pandemic and its impacts on the economy, along with the government and relief stimulus, has led to evolving macroeconomic assumptions. Hindsight cannot be used, so while these evolving assumptions may result in future forecasts that differ from those used in the ECL estimation at October 31, 2020, those changes will be reflected in future periods. In estimating the performing loan allowance, we continue to supplement our modeled ECL to reflect expert credit judgments. These expert credit judgments account for the variability in the results provided by the models and consider the impact of both tail-risk events and the lagging impacts of typical credit cycles. These expert credit judgments also allow us to incorporate the estimated impact of the unprecedented levels of government stimulus and support, which cannot be modelled historically as they have not occurred in the past.

PROVISION FOR CREDIT LOSSES

We have a long history of strong credit quality and low loan losses, both of which compare favourably to the Canadian banking industry. We continually analyze macroeconomic and other external factors that may affect core geographic regions and/or industries in which our clients operate. As a percentage of average loans, write-offs of 17 basis points compared to our five-year average of 23 basis points.

The provision for credit losses as a percentage of average loans of 32 basis points consisted of 18 basis points related to impaired loans and 14 basis points related to performing loans. This compared to 21 basis points last year, related entirely to impaired loans. In dollar terms, the provision for credit losses of $92 million compared to $58 million last year. The provision for credit losses on impaired loans of $51 million declined from $57 million last year while the provision for credit losses on performing loans of $41 million increased from a negligible amount last year. For further details on the estimation of the performing loan allowance, see the *Allowance for Credit Losses* section of this MD&A.

Table 14 - Provision for Credit Losses

(as a percentage of average loans)

	IFRS 9		IAS 39[1]		
	2020	2019	2018	2017	2016[3]
Provision for credit losses on total loans	**0.32 %**	0.21 %	0.20 %	0.23 %	0.38 %
Provision for credit losses on impaired loans[2]	**0.18**	0.21	0.19	0.19	0.32
Write-offs	**0.17**	0.23	0.18	0.21	0.34

(1) Fiscal 2020 and 2019 results have been prepared in accordance with IFRS 9. Previous years have been prepared in accordance with IAS 39 and have not been restated.

(2) Represents the portion of the provision for credit losses related to impaired loans.

(3) Provision for credit losses 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.

PAYMENT DEFERRALS

Throughout the market disruption during the year, we mobilized our teams under our #CWBhasyourback program to proactively reach out to our clients to provide individualized advice and support, and have provided payment deferrals to over 25% of our loan portfolio. We have been successful in working with clients to resume normal payments and the percentage of outstanding loans deferring payments decreased to 2% at October 31, 2020, and has since further declined to approximately 1%. Of the loans remaining on payment deferral, approximately three quarters are paying the interest portion of their contractual payment.

On its own, the implementation of a payment deferral does not represent a significant increase in credit risk for an individual borrower that requires migration from Stage 1 to Stage 2 under IFRS 9, nor are facilities with payment deferrals considered past due or impaired. Loans under payment deferral arrangements that have migrated to Stage 2 have experienced a significant increase in credit risk, as defined by IFRS 9, primarily due to the adverse shift in economic conditions and forecasts. In assessing changes in credit risk, we continue to closely monitor the credit quality of impacted borrowers and follow sound credit risk management practices. Further details regarding the number and balance of loans provided payment relief and included within Stages 1 and 2, can be found in Note 7 of the consolidated financial statements.

DEPOSITS AND FUNDING

Highlights of 2020

- Continued execution of our diversified funding strategy, which provided a robust position leading into and throughout the market disruption in fiscal 2020.
- Very strong branch-raised deposit growth of 20%, including 34% growth of demand and notice deposits.
- Branch-raised deposits comprised 61% of total deposits at year end, compared to 55% last year.
- Reduced broker deposits by 13% and decreased their proportion as a percentage of total funding to 26% of total deposits at year end, down from 32% last year.
- Growth of debt capital market funding, with three senior deposit note issuances.
- Growth of securitization funding to support originations of both equipment loans and leases, and residential mortgages.

Table 15 - Deposits

($ thousands)

	Demand	Notice	Term	2020 Total	% of Total
Personal	$ **35,520**	$ **6,128,753**	$ **9,497,047**	$ **15,661,320**	**57** %
Business and government	**949,514**	**4,399,327**	**2,750,691**	**8,099,532**	**30**
Capital markets	**-**	**-**	**3,549,502**	**3,549,502**	**13**
Total Deposits	$ **985,034**	$ **10,528,080**	$ **15,797,240**	$ **27,310,354**	**100** %
% of Total	**4** %	**38** %	**58** %	**100** %	

	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 %	

We delivered strong execution against our funding diversification strategy during the year. Total deposits of $27.3 billion were up 8% ($2.0 billion).

Personal deposits increased 2% ($361 million) during the year as strong performance from CWB Trust Services and Motive Financial were largely offset by lower broker deposit balances. Business and government deposits increased 20% ($1.4 billion) driven by our full-service banking branches. The proportion of deposits raised through debt capital markets was stable with last year at 13% of total deposits, with two senior deposit note issuances denominated in Canadian dollars, totaling $800 million, and one issuance of $125 million denominated in U.S. dollars. Lower-cost demand and notice deposits comprised 42% of total deposits at October 31, 2020, compared to 34% last year.

Table 16 - Deposits by Source

(as a percentage of total deposits at October 31)

	2020	2019
Branches	**61** %	55 %
Deposit brokers	**26**	32
Capital markets	**13**	13
Total	**100** %	100 %

References to branch-raised deposits within this MD&A include all deposits generated through our 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.

We have delivered seven consecutive quarters with strong sequential increases in branch-raised deposits. Relationship-based, branch-raised funding of $16.6 billon increased 20% ($2.8 billion) from last year, with very strong 34% growth of demand and notice deposits, as we leveraged our enhanced cash management tools and products to broaden our access to lower cost funding by attracting new clients both within and outside of our branch footprint. Branch-raised deposits represented 61% of total deposits at October 31, 2020, compared to 55% last year. Our banking branches contributed approximately half of the increase in branch-raised deposits from last year, CWB Trust Services contributed approximately one third and Motive Financial generated the remainder.

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 branch network and broker channel. Motive Financial offers various deposit products to customers in all provinces and territories except Quebec. Deposits in Motive Financial increased 41% and surpassed $1 billion during the year, totalling $1.1 billion at October 31, 2020. During the year, we launched end-to-end digital onboarding for Motive Financial clients to allow accounts to be opened virtually with immediate ability to transact. These capabilities, which were extended to all current and prospective CWB personal banking clients in November 2020, are expected to support our funding diversification strategy.

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 and debt capital markets. Deposits raised through deposit brokers are primarily insured, and the broker deposit market remains an efficient and liquid source of funding. Although these funds are subject to commissions, this cost is countered by a reduced dependence on a more extensive branch network and the benefit of generating insured fixed term retail deposits over a wide geographic base. Access to the broker market was not affected by market disruption due to the COVID-19 pandemic; however, the cost of this funding channel was negatively impacted, beginning in March. Pricing in the broker deposit market has since normalized in response to policy interest rate cuts and the implementation of several facilities put in place by the Bank of Canada to support financial system liquidity. We only raise 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 branch-raised deposit growth this year resulted in lower outstanding balances of broker-sourced deposits compared to last year. Broker deposits of $7.1 billion comprised 26% of total deposits at year end, down from $8.2 billion, or 32%, last year.

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. The gross amount of securitized leases and loans was $1.7 billion, compared to $1.6 billion one year ago. The gross amount of mortgages securitized under the NHA MBS program was $1.1 billion, up from $0.8 billion one year ago. Funding from the securitization of leases, loans and mortgages totaled $1.3 billion (2019 – $0.9 billion) during the year, including $1.1 billion (2019 – $0.7 billion) of equipment leases and loans, and $0.2 billion (2019 – $0.2 billion) from participation in the CMB program.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2020 totaled $846 million (2019 – $583 million). The change from last year was driven by the impact of the transition to IFRS 16, which resulted in an $85 million increase in other assets, as well as a $100 million increase in goodwill and intangible assets primarily due to the wealth acquisition. Further details related to the transition to IFRS 16 can be found in Note 1 of the consolidated financial statements.

Other liabilities totaled $871 million at October 31, 2020 (2019 – $713 million), with the increase from last year primarily due to the transition to IFRS 16 and an increase in securities sold under repurchase agreements.

LIQUIDITY MANAGEMENT

Highlights of 2020

- Maintained a prudent liquidity position and conservative investment profile, including through significant market disruption related to the COVID-19 pandemic.
- To broaden funding sources in light of market disruption, we, along with other Canadian banks, accessed the Bank of Canada's Standing Term Liquidity Facility (STLF). Continued strong branch-raised deposit growth and stable liquidity enabled us to fully repay our advances under the STLF in the fourth quarter.

A schedule outlining the consolidated securities portfolio at October 31, 2020 is provided in Note 5 of the consolidated financial statements. A conservative liquid asset profile is maintained by ensuring:

- all investments are high-quality and include government debt securities (both Canadian and U.S. government debt securities), short-term money market instruments, and other marketable securities;
- specific investment criteria and procedures are in place; and,
- Asset Liability Committee (ALCo) reviews and approves operational guidelines and programs for liquidity management and control, funding sources and structural interest rate risk. The Board Risk Committee annually reviews and approves these 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 17 - Liquid Assets
($ thousands)

	2020	2019	Change from 2019
Cash and non-interest bearing deposits with financial institutions	**$ 113,868**	$ 116,963	$ (3,095)
Interest bearing deposits with regulated financial institutions	**254,451**	293,856	(39,405)
Cheques and other items in transit	**-**	5,023	(5,023)
	368,319	415,842	(47,523)
Government of Canada, provincial and municipal debt, term to maturity one year or less	**1,077,517**	1,071,125	6,392
Government of Canada, provincial and municipal debt, term to maturity more than one year	**1,207,865**	759,462	448,403
NHA mortgage-backed securities[1]	**577,449**	394,342	183,107
Other debt securities	**377,244**	170,456	206,788
Securities purchased (sold) under resale agreements	**(15,114)**	10,401	(25,515)
	3,224,961	2,405,786	819,175
Total Liquid Assets	**$ 3,593,280**	$ 2,821,628	$ 771,652
Total Assets	**$ 33,937,865**	$ 31,424,235	$ 2,513,630
Liquid Assets as a Percentage of Total Assets	**11 %**	9 %	200 bp[2]
Total Cash and Securities	**$ 3,083,021**	$ 2,475,415	$ 607,606
Cash and Securities as a Percentage of Total Assets	**9 %**	8 %	100 bp
Total Deposit Liabilities	**$ 27,310,354**	$ 25,351,361	$ 1,958,993
Liquid Assets as a Percentage of Total Deposit Liabilities	**13 %**	11 %	200 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 point

The composition of total liquid assets supports ongoing compliance with the OSFI *Liquidity Adequacy Requirements* (LAR) guideline. Liquid assets, as defined by OSFI, comprised of cash, deposits, securities purchased (sold) under resale agreements and marketable debt securities totaled $3.6 billion at October 31, 2020 (2019 – $2.8 billion). Liquid assets represented 11% (2019 – 9%) of total assets and 13% (2019 – 11%) 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. We adopted the final version of *Guideline B-6: Liquidity Principles* (Guideline B-6), which complements the LAR guideline and sets out OSFI's expectations for how deposit-taking institutions should manage liquidity risk, on January 1, 2020 with no significant impact on our liquidity management. Consistent with our conservative risk appetite, we maintained higher levels of cash and securities in fiscal 2020 to support our strong liquidity position and manage market volatility. Higher balances of cash and securities at October 31, 2020 also reflect a regulatory capital issuance just before year end.

Other key changes in the composition of liquid assets at October 31, 2020 compared to the prior year include:

- maturities within one year comprise 50% (2019 – 59%);
- Government of Canada, provincial and municipal debt securities and unencumbered NHA MBS comprise 80% (2019 – 78%);
- cash and deposits with regulated financial institutions comprise 10% (2019 – 15%); and,
- other marketable securities and securities purchased (sold) under resale agreements comprise 10% (2019 – 7%).

In the second quarter of fiscal 2020, the Bank of Canada put numerous facilities in place to support liquidity in the financial system, several of which are available to us, including the STLF, the Insured Mortgage Purchase Program and the Contingent Term Repo Facility. To broaden funding access in light of ongoing market disruption, we, along with numerous other Canadian banks, chose to access the STLF. Under the STLF, eligible financial institutions can raise liquidity by pledging a broad set of collateral, including mortgages. With strong branch-raised deposit growth and stability in our liquidity position, we fully repaid our $350 million advance under the STLF in the fourth quarter of fiscal 2020.

A summary of all outstanding deposits by contractual maturity date is presented in the two following tables.

Table 18 - Deposit Maturities Within One Year

($ millions)

October 31, 2020	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
Demand deposits	$ 985	$ -	$ -	$ 985
Notice deposits	8,840	336	1,352	10,528
Deposits payable on a fixed date	717	1,220	6,131	8,068
Total	**$ 10,542**	**$ 1,556**	**$ 7,483**	**$ 19,581**
October 31, 2019 Total	$ 8,398	$ 1,454	$ 5,465	$ 15,317

Table 19 - Total Deposit Maturities

($ millions)

October 31, 2020	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	$ 985	$ -	$ -	$ -	$ -	$ -	$ 985
Notice deposits	10,528	-	-	-	-	-	10,528
Deposits payable on a fixed date	8,068	3,366	2,584	1,071	708	-	15,797
Total	**$ 19,581**	**$ 3,366**	**$ 2,584**	**$ 1,071**	**$ 708**	**$ -**	**$ 27,310**
October 31, 2019 Total	$ 15,317	$ 5,013	$ 2,242	$ 1,793	$ 986	$ -	$ 25,351

A breakdown of deposits by source is provided in Table 16. 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. Additional sources of liquidity include deposits raised through broker channels, issuances of senior deposit notes, subordinated debentures and preferred shares, as well as securitization activity.

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

Table 20 - Subordinated Debentures Outstanding

($ thousands)

	Interest Rate[1]	Maturity Date	Reset Spread[1]	Earliest Date Redeemable by CWB at Par	Par Value[2]
Series F NVCC subordinated debentures	3.668%	June 11, 2029	199 bp[3]	June 11, 2024	$ 250,000
Series G NVCC subordinated debentures	4.840%	June 29, 2030	410.2 bp	June 29, 2025	125,000

(1) The interest rate will paid until the earliest date redeemable, after which the interest rate will reset quarterly at the reset spread basis points over the then three-month Bankers' Acceptance rate.
(2) The balance reported on the consolidated balance sheet as at October 31, 2020 includes unamortized financing costs related to the issuance of subordinated debentures of $2,357 (2019 - $1,506).
(3) bp – basis point

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. Further details can be found in Note 8 and 15 of the consolidated financial statements.

CAPITAL MANAGEMENT

Highlights of 2020

- Strong Basel III CET1 regulatory capital ratio of 8.8% under the *Standardized* approach for calculating risk-weighted assets.
- Paid a cash dividend of $1.15 per share to common shareholders, up 6%.
- Very strong Basel III leverage ratio of 8.5%, compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.
- Completed the issuance of $125 million Non-Viability Contingent Capital (NVCC) subordinated debentures.
- Completed the issuance of $175 million NVCC Limited Recourse Capital Notes (LRCN), making us the first bank outside of the large Canadian banks to do so.
- Redeemed all $250 million of outstanding non-NVCC subordinated debentures.
- Prior to the OSFI-mandated suspension of share buyback programs on March 13, 2020, we repurchased and cancelled 179,176 common shares under the normal course issuer bid (NCIB), which terminated on September 30, 2020.
- Submitted our final application to OSFI in April 2020 for transition to AIRB and continued progression towards approval, which now includes a parallel run of our tools and processes during 2021 to evaluate their operation through a period of economic stress.

Subsequent Highlights

- On December 3, 2020, the Board of Directors declared a cash dividend of $0.29 per common share, unchanged from the prior quarter and up 4% from the dividend declared in the same period last year. The Board also declared preferred share cash dividends of $0.2688125 per Series 5, $0.390625 per Series 7, and $0.375 per Series 9.

We maintain a capital structure that both optimizes our cost of capital and supports ongoing profitable growth and strategic execution. 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 established target capital levels, which are informed by our ICAAP and stress tests, that are deemed prudent to effectively manage risks, including potential capital shocks from unexpected macroeconomic and/or CWB-specific events.

Given the uncertainty of the economic outlook, we performed additional stress testing in fiscal 2020, using our AIRB and IFRS 9 models to simulate the impacts of a more severe and prolonged period of challenging economic conditions throughout our geographic footprint. Considering the results of these stress tests and the uncertain economic outlook, we remain confident in our ability to deliver positive earnings for shareholders while we maintain financial stability, our current dividend, and a strong capital position.

During the year, we issued $125 million of NVCC subordinated debentures and redeemed $250 million of non-NVCC subordinated debentures. We also completed our inaugural $175 million NVCC LRCN issuance, making us the first bank outside of the large Canadian banks to do so. The LRCN have a preferential tax treatment for the issuer compared to other sources of Tier 1 capital, which lowers our overall cost of capital. Notes 15 and 16 of the consolidated financial statements provide details related to the conversion features of our NVCC capital instruments.

Prior to the OSFI-mandated suspension of share buyback programs, we repurchased and cancelled 179,176 common shares on the open market at a weighted average price of $28.70 per common share under the NCIB, which terminated on September 30, 2020. During the year we invested 30 basis points of regulatory capital in the strategic acquisition of the businesses of T.E. Wealth and Leon Frazer & Associates to enhance our ability to provide a full suite of wealth management services with an extended geographic footprint and support our continued growth of strong client relationships across the country.

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 17 of the consolidated financial statements provides details related to 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 www.cwb.com/investor-relations.

We complied with all internal and external capital requirements in 2020.

AIRB TRANSITION PLAN

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. We submitted our final application to OSFI in April 2020. Our application will now include a parallel run of our AIRB tools and processes to evaluate their operation through this period of economic volatility. The timeline for approval is extended, compared to our original expectation of the end of fiscal 2020. We expect to complete our parallel run in 2021, followed by finalization of OSFI's review.

We are actively using the majority of our AIRB tools to manage credit risk, including comprehensive stress testing, risk quantification processes, ICAAP and ECL. These improved risk management capabilities better equip us to manage through economic downturns and allocate resources to target business segments that generate the most attractive risk-adjusted returns. Transition to the AIRB approach for regulatory capital purposes will put us on more equal footing with our competition and increase our addressable market. Approval of our application is expected to boost our capital ratios, as risk-weighted assets will be calculated using more risk-sensitive models, add risk sensitivity to our framework for capital management and improve risk-based pricing capabilities and economic capital estimations.

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 us 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. Our 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.

REGULATORY RESPONSE TO COVID-19

Beginning in March, OSFI introduced temporary measures to support the economy and maintain financial system resiliency in the face of the COVID-19 pandemic. Those most applicable to CWB include:

- OSFI introduced transitional arrangements related to the capital treatment of performing loan allowances, resulting in a portion of the allowance that would otherwise be included in Tier 2 capital to be included in CET1 capital. Subject to a scaling factor, the after-tax increase in performing loan allowances between the current quarter end and January 31, 2020 will be included in CET1 capital. The scaling factor is 70% for fiscal 2020, 50% for fiscal 2021 and 25% for fiscal 2022. At October 31, 2020, this transitional arrangement resulted in a $21 million increase to CET1 and Tier 1 capital and an approximate 10 basis point increase in the CET1 and Tier 1 ratios.
- For the leverage ratio, central bank reserves and sovereign-issued securities that qualify as High Quality Liquid Assets (HQLA) under the LAR guideline can be temporarily excluded from the exposure measure until December 31, 2021. This change improved our leverage ratio by approximately 10 basis points at October 31, 2020.
- OSFI encourages banks to use their leverage ratio buffers that are held above the authorized leverage ratio of the bank and will permit HQLA to fall below the 100% level in the LAR guideline. These buffers are held in normal times to help ensure that an institution has additional flexibility in times of stress.
- OSFI advised that it is acceptable for deposit-taking institutions, including those using the *Standardized* approach to credit risk, to utilize Pillar II capital buffers. In assessing the appropriateness of capital management actions in the current environment, deposit-taking institutions must consider appropriate capital conservation actions, capital restoration plans, and stress testing information, while ensuring that prudent actions to protect depositors and other creditors are undertaken.
- The Basel Committee on Banking Supervision (BCBS) finalized Basel III reforms in fiscal 2017, mainly intended to reduce the variability in capital levels and to address a number of weaknesses in the existing capital framework. During the year, the BCSB delayed the implementation of Basel III reforms to January 2023, from the original effective date of January 2022. In line with this extension, OSFI's domestic implementation date for the Basel III reforms is now also scheduled for January 2023. Consultation on the domestic implementation of Basel III reforms, and Pillar III disclosures, will re-commence in fiscal 2021.
- During fiscal 2019, OSFI released a discussion paper titled *Advancing Proportionality: Tailoring Capital and Liquidity Requirements for Small and Medium-Sized Deposit Taking Institutions* and completed an initial public consultation process on the discussion paper. OSFI released a second document in January 2020 to provide stakeholders with an overview of initial feedback received along with updated proposals. The second consultation process was delayed and the implementation deferred to January 2023. The consultation process will re-commence in fiscal 2021.
- OSFI mandated that federally-regulated financial institutions halt dividend increases and suspend the use of share buyback programs until further notice to support the economy and maintenance of strong capital positions.
- Following a temporary delay in fiscal 2020, OSFI has also restarted the exploration of the implications of the *Expected Credit Loss Accounting Framework* and its interaction with regulatory capital.
- The implementation of the new benchmark rate announced by the Department of Finance Canada to determine whether borrowers qualify for insured mortgages and OSFI's related consultation process to consider using the same methodology for uninsured mortgages have been suspended until further notice.

REGULATORY CAPITAL AND CAPITAL ADEQUACY RATIOS

With strong capital ratios of 8.8% CET1, 10.9% Tier 1 and 12.6% Total capital, we are well-positioned to create value for shareholders and support our clients. Our Basel III leverage ratio of 8.5% was very strong compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.

Table 21 - Capital Structure and Regulatory Ratios at Year End
($ thousands)

	2020	2019	Change from 2019
Regulatory Capital, Net of Deductions			
Common equity Tier 1	**$ 2,371,753**	$ 2,302,551	$ 69,202
Tier 1	**2,936,845**	2,692,714	244,131
Total	**3,418,997**	3,232,807	186,190
Capital Ratios			
Common equity Tier 1	**8.8 %**	9.1 %	(30) bp[1]
Tier 1	**10.9**	10.7	20
Total	**12.6**	12.8	(20)
Leverage Ratio	**8.5**	8.3	20

(1) bp – basis point

Our CET1 capital ratio remains strong at 8.8%. The 30 basis point reduction from last year primarily reflected earnings net of dividends more than offset by the combined impact of strong risk-weighted asset growth, the wealth acquisition and the IFRS 16 transitional adjustment to opening retained earnings.

The Tier 1 capital ratio increased 20 basis points, primarily due to the benefit of the $175 million LRCN issuance, which qualifies as a Tier 1 capital, partially offset by the items noted above.

The Total capital ratio decreased 20 basis points primarily due to items noted above and the redemption of $250 million Non-NVCC subordinated debentures, which largely offset the positive impacts of two regulatory capital issuances this year.

Table 22 - Regulatory Capital

($ thousands)

	2020	2019
Common Equity Tier 1 Capital Instruments and Reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	**$ 756,595**	$ 756,279
Retained earnings	**1,907,739**	1,785,273
Accumulated other comprehensive income and other reserves[1]	**6,198**	(8,600)
Common equity Tier 1 capital before regulatory adjustments	**2,670,532**	2,532,952
Regulatory adjustments to Common equity Tier 1[2]	**(298,779)**	(230,401)
Common equity Tier 1 capital	**2,371,753**	2,302,551
Additional Tier 1 Capital Instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	**565,000**	390,000
Additional Tier 1 instruments issued by subsidiaries and held by third parties	**92**	163
Additional Tier 1 capital	**565,092**	390,163
Tier 1 capital	**2,936,845**	2,692,714
Tier 2 Capital Instruments and Allowances		
Directly issued capital instruments	**372,643**	248,494
Directly issued capital instruments subject to phase out from Tier 2[3]	**-**	202,500
General allowance for credit losses[4]	**109,487**	89,061
Tier 2 instruments issued by subsidiaries and held by third parties	**22**	38
Tier 2 capital before regulatory adjustments	**482,152**	540,093
Total capital	**$ 3,418,997**	$ 3,232,807

(1) Excludes accumulated other comprehensive income related to derivatives designated as cash flow hedges.

(2) CET1 deductions include goodwill and intangible assets, non-significant investments in financial institutions above a specific percentage of CET1 capital and transitional arrangements related to the capital treatment of the performing loan allowance, net of related tax.

(3) At October 31, 2019, $48 million was excluded from Total regulatory capital related to the Basel III transitional adjustments on non-NVCC subordinated debentures. With the redemption of $250 million of non-NVCC subordinated debentures during fiscal 2020, all outstanding capital instruments now qualify for full inclusion in regulatory capital.

(4) In fiscal 2020, excludes the portion of the performing loan allowance that is included in CET1 capital under transitional arrangements.

Table 23 - Risk-Weighted Assets

($ thousands)

	Cash, Securities and Resale Agreements	Loans	Other Items	Total	Risk-Weighted Assets
Corporate	**$ 213,519**	**$ 19,009,102**	**$ -**	**$ 19,222,621**	**$ 19,005,971**
Sovereign	**2,252,636**	**3,469**	**-**	**2,256,105**	**24,659**
Bank	**463,739**	**1,367**	**-**	**465,106**	**84,097**
Retail residential mortgages	**160,064**	**6,176,216**	**-**	**6,336,280**	**1,770,282**
Other retail					
Excluding small business entities	**-**	**175,449**	**-**	**175,449**	**119,209**
Small business entities	**-**	**3,148,316**	**-**	**3,148,316**	**2,400,718**
Equity	**1,993**	**-**	**-**	**1,993**	**1,993**
Undrawn commitments	**-**	**469,969**	**-**	**469,969**	**466,870**
Operational risk	**-**	**-**	**122,919**	**122,919**	**1,536,482**
Securitization risk	**-**	**168,929**	**-**	**168,929**	**1,046,975**
Derivative exposures	**-**	**-**	**7,661**	**7,661**	**2,718**
Other	**-**	**227,411**	**758,058**	**985,469**	**583,708**
As at October 31, 2020	**$ 3,091,951**	**$ 29,380,228**	**$ 888,638**	**$ 33,360,817**	**$ 27,043,682**
As at October 31, 2019	$ 2,457,173	$ 27,650,041	$ 673,811	$ 30,781,025	$ 25,202,293

Table 24 - Risk-Weighting Category

($ thousands)

	0%	20%	35%	50%	75%	100%	150% and greater	Balance	Weighted
Corporate	$ 107,590	$ 219,964	$ -	$ -	$ -	$ 18,761,243	$ 133,824	$ 19,222,621	$ 19,005,971
Sovereign	2,149,440	95,577	-	11,088	-	-	-	2,256,105	24,659
Bank	50,085	413,654	-	-	-	1,367	-	465,106	84,097
Retail residential mortgages	1,418,186	-	4,817,528	-	71,000	26,905	2,661	6,336,280	1,770,282
Other retail									
Excluding small business entities	16,357	303	-	-	158,714	-	75	175,449	119,209
Small business entities	16,201	1,257	-	-	3,014,392	70,052	46,414	3,148,316	2,400,718
Equity	-	-	-	-	-	1,993	-	1,993	1,993
Undrawn commitments	-	-	-	-	13,600	455,767	602	469,969	466,870
Operational risk	-	-	-	-	-	-	122,919	122,919	1,536,482
Securitization risk	-	-	-	-	-	-	168,929	168,929	1,046,975
Derivative exposures	-	7,558	-	-	7	-	96	7,661	2,718
Other	463,414	5	-	-	51,711	420,617	49,722	985,469	583,708
As at October 31, 2020	**$ 4,221,273**	**$ 738,318**	**$ 4,817,528**	**$ 11,088**	**$ 3,309,424**	**$ 19,737,944**	**$ 525,242**	**$ 33,360,817**	**$ 27,043,682**
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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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.

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 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.

DERIVATIVE FINANCIAL INSTRUMENTS

More detailed information on the nature of derivative financial instruments is shown in Note 11 to the consolidated financial statements. The notional amounts of derivative financial instruments are not reflected on the consolidated balance sheets.

Table 25 - Derivative Financial Instruments

($ thousands)

	2020	2019
Notional Amounts		
Interest rate swaps designated as cash flow hedges[(1)]	$ 4,458,000	$ 6,828,000
Interest rate swaps designated as fair value hedges[(2)]	335,825	39,746
Foreign exchange contracts not designated as accounting hedges[(3)]	120,840	270,913
Equity swaps designated as cash flow hedges[(4)]	20,470	19,268
Equity swaps not designated as accounting hedges[(5)]	6,184	5,319
Bond forwards designated as cash flow hedges	-	20,000
Total	**$ 4,941,319**	$ 7,183,246

(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, 2020 mature between November 2020 and January 2025.

(2) Interest rate swaps designated as accounting fair value hedges outstanding at October 31, 2020 mature between June 2022 and December 2024.

(3) Foreign exchange contracts outstanding at October 31, 2020 mature between November 2020 and February 2021.

(4) Equity swaps designated as accounting hedges outstanding at October 31, 2020 mature between June 2021 and June 2023.

(5) Equity swaps not designated as accounting hedges outstanding at October 31, 2020 mature in June 2021.

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 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 management, advisement and administration.

Table 26 - Off-balance sheet items
($ thousands)

		2020		2019
Wealth management				
Assets under management	$	**6,229,674**	$	2,099,569
Assets under advisement and administration		**2,224,839**		361,900
Assets under administration - other[(1)]		**11,081,581**		8,936,845

(1) Comprised of trust assets under administration, third-party leases under administration and loans under service agreements.

Wealth management assets under management, advisement and administration, including the wealth acquisition, were $8.5 billion at year end (2019 – $2.5 billion). The wealth acquisition contributed $5.8 billion to assets under management and administration at the June 1, 2020 acquisition date.

Other assets under administration totaled $11.1 billion at October 31, 2020 (2019 – $8.9 billion). The increase from last year reflected CWB Trust Services growth.

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 19 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, such as 2020. Among other things, quarterly results can also fluctuate from the recognition of periodic income tax items. The financial results beginning in the second quarter of 2020 were adversely impacted primarily by the emergence of COVID-19 and related market disruption. For further details, see the *Impact of COVID-19 and our Response* section of this MD&A.

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)

	2020				2019			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Results from Operations								
Net interest income	**$ 206,640**	**$ 200,773**	**$ 190,988**	**$ 201,010**	$ 201,439	$ 199,746	$ 191,057	$ 193,342
Non-interest income	**29,935**	**25,711**	**23,376**	**18,962**	19,414	18,738	18,771	19,097
Total revenue	**236,575**	**226,484**	**214,364**	**219,972**	220,853	218,484	209,828	212,439
Pre-tax, pre-provision income	**116,267**	**119,949**	**113,314**	**119,788**	114,390	116,975	111,692	118,073
Common shareholders' net income	**63,380**	**62,252**	**51,381**	**71,943**	67,512	70,964	61,965	66,499
Earnings per share								
Basic	**0.73**	**0.71**	**0.59**	**0.82**	0.77	0.81	0.71	0.75
Diluted	**0.73**	**0.71**	**0.59**	**0.82**	0.77	0.81	0.71	0.75
Adjusted	**0.75**	**0.74**	**0.60**	**0.83**	0.78	0.82	0.74	0.80
Return on common shareholders' equity	**9.2 %**	**9.1 %**	**7.9 %**	**11.2 %**	10.6 %	11.3 %	10.5 %	11.1 %
Adjusted return on common shareholders' equity	**9.5**	**9.4**	**8.0**	**11.3**	10.7	11.4	11.0	11.9
Return on assets	**0.75**	**0.75**	**0.65**	**0.91**	0.86	0.92	0.85	0.90
Net interest margin	**2.45**	**2.40**	**2.40**	**2.54**	2.55	2.60	2.63	2.61
Efficiency ratio[(2)]	**50.9**	**47.0**	**47.1**	**45.5**	48.2	46.5	46.8	44.4
Operating leverage[(3)]	**(5.9)**	**(1.3)**	**(0.8)**	**(2.6)**	(3.4)	(1.1)	(3.1)	0.4
Provision for credit losses on total loans as a percentage of average loans[(4)]	**0.26**	**0.33**	**0.49**	**0.18**	0.19	0.19	0.23	0.24
Provision for credit losses on impaired loans as a percentage of average loans[(4)]	**0.10**	**0.22**	**0.22**	**0.15**	0.18	0.22	0.22	0.22

(1) See page 20 for a discussion of non-IFRS measures.
(2) Excluding the impact of the wealth acquisition, our efficiency ratio would have been 49.2% and 45.7% and for the fourth and third quarter of fiscal 2020, respectively.
(3) Excluding the impact of the wealth acquisition, our operating leverage ratio would have been negative 2.2% and positive 1.7% for the fourth and third quarter of fiscal 2020, respectively.
(4) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.

FOURTH QUARTER OF 2020

Q4 2020 VS. Q4 2019

Common shareholders' net income of $63 million and diluted earnings per common share of $0.73 each declined 6% and 5%, respectively. Adjusted common shareholders' net income of $65 million and adjusted earnings per common share of $0.75 each declined 4%. Pre-tax, pre-provision income of $116 million was up 2%. Total revenue of $237 million grew 7%, due to a 54% increase in non-interest income combined with a 3% increase in net interest income. Higher non-interest income reflected the contribution of the wealth acquisition and net gains on securities as a result of re-balancing of our cash and securities portfolio in light of market volatility. Net interest income increased as the benefit of 6% loan growth was partially offset by a 10 basis point reduction in net interest margin. The 26 basis point provision for credit losses on total loans as a percentage of average loans was seven basis points higher due to an increase in the estimated performing loan allowance related to an adverse shift in forward-looking economic conditions partially offset by a decline in the provision for credit losses on impaired loans, which is determined on a case-by-case basis for each account. Non-interest expenses increased 14% as the impact of the wealth acquisition, costs incurred related to organizational redesign initiatives, and continued investment in our teams and technology to support overall business growth were partially offset by reduced spending on certain expenses in light of the current operating environment. Excluding the wealth acquisition and $4 million of non-recurring costs related to organizational redesign initiatives, non-interest expense growth was 2%.

Q4 2020 VS. Q3 2020

Common shareholders' net income and diluted earnings per common share each increased 2% and 3%, respectively. Adjusted common shareholders' net income and adjusted earnings per common share each increased 1%. Pre-tax, pre-provision income was down 3%. Total revenue increased 4%, due to 3% higher net interest income, combined with a 16% increase in non-interest income related to the full quarter contribution of the wealth acquisition and higher credit-related fees, partially offset by lower net gains on securities. Net interest income benefited from a five basis point improvement in net interest margin and 2% loan growth during the fourth quarter. Our provision for credit losses on total loans as a percentage of average loans of 26 basis points was seven basis points below last quarter as a lower provision on impaired loans was partially offset by an increase in the provision on performing loans primarily due to the continued evolution of the impact of the COVID-19 pandemic. Non-interest expenses increased 12%. Excluding the wealth acquisition and non-recurring costs related to organizational redesign initiatives, non-interest expenses were up 7% primarily due to the customary seasonal increase in certain costs combined with continued investment in technology to support overall business growth.

ADJUSTED ROE AND ROA

Compared to last year, the fourth quarter ROE of 9.2% was 140 basis points lower and adjusted ROE of 9.5%, which removes the impact of one-time acquisition and integration costs as well as amortization of acquisition-related intangible assets, fell 120 basis points due to higher average common shareholders' equity combined with lower earnings. Fourth quarter ROE and adjusted ROE were consistent with last quarter.

The fourth quarter ROA of 0.75% was 11 basis points below last year, due to higher average assets and lower earnings, and consistent with last quarter.

EFFICIENCY RATIO

The fourth quarter efficiency ratio of 50.9%, which measures adjusted non-interest expenses divided by total revenue, compared to 48.2% in the same period last year and 47.0% in the previous quarter. Excluding the impact of the wealth acquisition, the fourth quarter efficiency ratio was 49.2% and 45.7% 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 of the 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 ECL for both performing assets and impaired assets based on management's estimate at the balance sheet date and forward-looking information. Under IFRS 9, 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 to estimate ECL may not always capture all emerging market conditions and as such, qualitative adjustments based on expert credit judgments that consider reasonable and supportable information may be incorporated. These expert credit judgments account for the variability in the results provided by the models and consider the impact of both tail-risk events and the lagging impacts of typical credit cycles. These expert credit judgments also allow us to incorporate the estimated impact of current unprecedented levels of government stimulus and support, which cannot be modelled historically as they have not occurred in the past. 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, 2020, our total allowance for credit losses was $164 million (2019 – $115 million), which includes an estimated allowance related to performing assets of $130 million (2019 – $89 million) and an allowance for credit losses related to impaired assets of $34 million (2019 – $26 million). Additional information on the process and methodology for determining the allowance for credit losses can be found in the discussions of *Credit Quality* section of this MD&A and in Note 7 of the consolidated financial statements.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Cash resources, securities, and derivative financial instruments are reported on the consolidated balance sheets at fair value.

We categorize our 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 can be accessed 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. Notes 2, 4, 5, 6, 7, 11, 13, 15, 24 and 26 of the consolidated financial statements provide additional information regarding these financial instruments.

Table 28 - Valuation of Financial Instruments
($ thousands)

		Valuation Technique		
As at October 31, 2020	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash resources	**$ 368,319**	**$ 134,385**	**$ 233,934**	**$ -**
Securities	**2,664,618**	**561,868**	**2,102,750**	**-**
Securities purchased under resale agreements	**50,084**	**-**	**50,084**	**-**
Loans	**30,541,660**	**-**	**-**	**30,541,660**
Derivatives	**96,615**	**-**	**96,615**	**-**
Total Financial Assets	**$ 33,721,296**	**$ 696,253**	**$ 2,483,383**	**$ 30,541,660**
Financial Liabilities				
Deposits	**$ 27,738,072**	**$ -**	**$ 27,738,072**	**$ -**
Securities sold under repurchase agreements	**65,198**	**-**	**65,198**	**-**
Debt	**2,483,015**	**-**	**2,483,015**	**-**
Derivatives	**6,285**	**-**	**6,285**	**-**
Total Financial Liabilities	**$ 30,292,570**	**$ -**	**$ 30,292,570**	**$ -**

		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	$ -

CHANGES IN ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

IFRS 16 LEASES

CWB adopted IFRS 16, which replaces IAS 17, for the fiscal year beginning November 1, 2019. As permitted by IFRS 16, we have not restated prior period comparative figures and have recognized an adjustment to opening retained earnings to reflect the application of the new requirements at the adoption date. The recognition of right-of-use assets within property and equipment and lease liabilities within other liabilities was the most significant change as a result of adopting IFRS 16. Under IFRS 16, interest expense on lease liabilities is recorded using the effective interest rate method and presented within interest expense in the consolidated statements of income over the remaining lease term. Prior to the adoption of IFRS 16, our leases were classified as operating leases and were not capitalized. Total costs, including free rent periods and step rent increases, were expensed on a straight-line basis over the lease term within premises and equipment in the consolidated statements of income. For further details, refer to Notes 1 and 9 of the consolidated financial statements.

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.

INTEREST RATE BENCHMARK REFORM

In September 2019, the IASB issued Phase 1 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. We have not early adopted the revised standards and determined there will be no significant impact upon adoption.

In August 2020, the IASB finalized its Phase 2 response to the ongoing IBOR and other interest rate benchmark reform by issuing a package of amendments to IFRS standards which focus on accounting and disclosure matters that will arise once an existing benchmark is replaced with an alternative benchmark rate. The amendments provide practical expedients if contract modifications result directly from IBOR reform and occur on an economic equivalent basis. In these cases, changes may be accounted for by updating the effective interest rate. Further, existing hedging relationships are not required to be discontinued if changes in hedge documentation are required solely by IBOR reform. The amendments are effective for CWB's fiscal year beginning November 1, 2021 with early adoption permitted. We are 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. We have assessed the revised framework and determined there will be no significant impact upon adoption.

RISK MANAGEMENT

The shaded areas of this section 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. The shaded areas presented on pages 49 to 61 form an integral part of the consolidated financial statements for the year ended October 31, 2020.

The emergence of COVID-19 and the potential for prolonged adverse general business and economic conditions combined with a very low interest rate environment has elevated certain risk factors that may impact our financial results. Significant risk impacts arising from ongoing market disruption are further described in the *Impact of COVID-19 and our Response* section of this MD&A, which also forms an integral part of the consolidated financial statements for the year ended October 31, 2020.

OUR 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, which is developed and maintained by our Enterprise Risk Management (ERM) group, 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.

Our risk management framework guides us in prudent and measured risk-taking aligned with our strategic objectives, which include an effective balance of risk and reward. To achieve our vision 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. 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 our strategic objectives;
- are thoroughly understood, measured and managed within the confines of well-communicated risk tolerances, including the highest ethical standards; and,
- serve the interests of stakeholders, including our clients, investors, people, creditors, regulators and communities.

Highlights of 2020

During fiscal 2020, we prudently managed the evolving risks associated with market disruption following the emergence of COVID-19 within our existing framework and maintained strong capital and liquidity positions. We also implemented further enhancements to CWB's Risk Management Framework as part of the ongoing maturation of our risk management processes. Key initiatives included:

- Made significant progress on our multi-year project in support of our transition to the AIRB approach for capital and risk management and submitted our final application to OSFI in April 2020. We actively used the majority of our AIRB tools to manage credit risk, including risk quantification processes, completion of our Internal Capital Adequacy Assessment Process (ICAAP) and to assist in estimating ECL to help us prudently manage through the current period of economic volatility;
- Given the uncertainty of the current economic outlook, we leveraged our AIRB and IFRS 9 models to perform enhanced stress tests covering a variety of macroeconomic scenarios to support our assessment of the adequacy of our capital and resiliency of our earnings;
- Continued to enhance risk analytics, economic forecasting, and portfolio and systematic risk management capabilities;
- Expanded our Special Asset Management Unit, a specialized team that proactively works with clients experiencing financial difficulty, in anticipation of an elevated level of impaired loans emerging as a result of the challenging economic conditions;
- Further matured our three lines of defence, including progress on the implementation of an advanced operational risk management framework, continued development of our data governance framework and introduction of risk management frameworks related to third party risk, anti-bribery and corruption;
- Continued to enhance our cyber security risk management program and controls and worked diligently to ensure that all of our team members have uninterrupted access to required technology and infrastructure through our secure platforms while working remotely;
- Facilitated our inaugural, confidential, enterprise-wide Risk Culture survey; and,
- Commenced a process with senior management and directors to explore the potential impact on our business of climate change risk.

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 2021 include:

- Completion of a parallel run of our AIRB tools and processes to evaluate their operation through this period of economic volatility in support of OSFI's final review of our application;
- Utilization of our AIRB tools, including economic capital analysis, to establish lending portfolio limits to achieve further portfolio diversification with an enhanced view of risk; and,
- Continued progress on our multi-year project in support of the implementation of an enhanced cyber-security risk management program.

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 remains 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. We believe the following factors help to mitigate our overall risk profile:

- Secured lending portfolio, with no significant exposure to economically sensitive, unsecured retail lending portfolios;
- Low average duration of lending portfolios;
- Disciplined underwriting with demonstrated strength through multiple credit cycles;
- No trading book;
- Relatively small number of clients, which facilitates more in-depth knowledge of our clients and their businesses; and,
- Very low balance sheet leverage.

We have demonstrated our ability to effectively manage risks, including through periods of financial uncertainty, with 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 PRINCIPLES

Our 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 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 our strategic objectives, and embedded within our management practices.

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

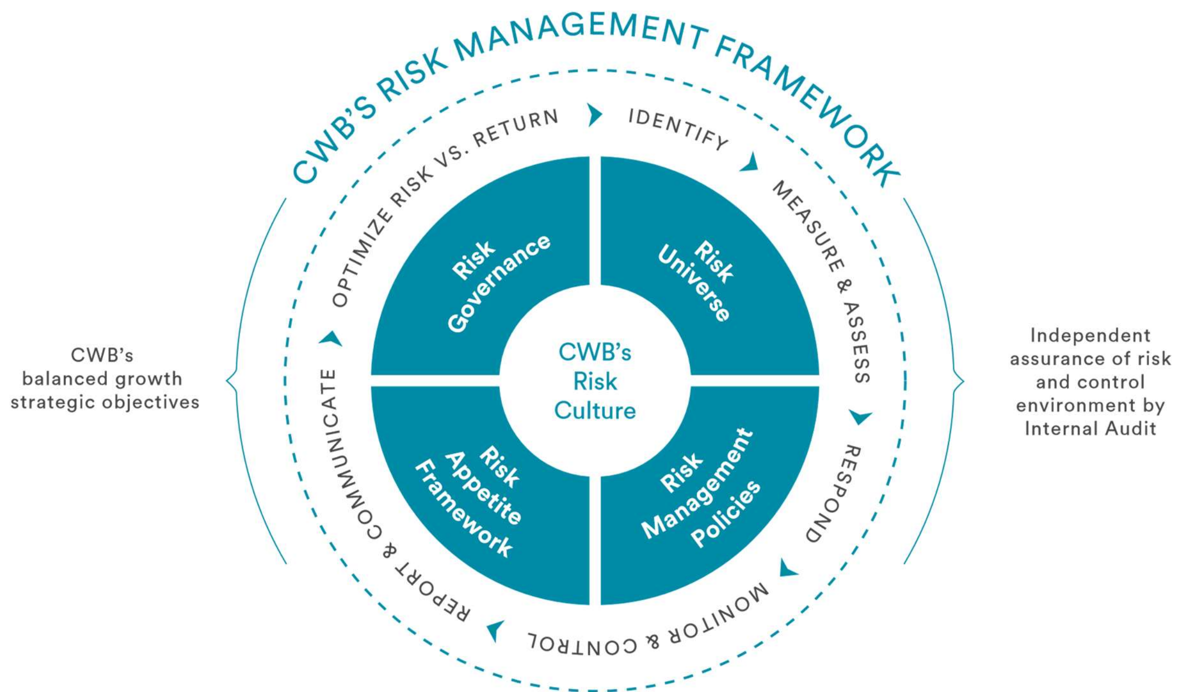
- Ongoing commitment to a three lines of defence risk governance framework with independent oversight and effective challenge from the second line, and an independent and effective Internal Audit function comprising the third line;
- A commitment to utilize AIRB capabilities for management of systematic 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;
- A risk culture in which 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, our clients.

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 our 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 - Risk Management Framework



RISK CULTURE

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

Our 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.

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.

Our risk culture includes:

- An established Code of Conduct and governance processes, including a periodic, confidential enterprise-wide Risk Culture survey;
- CWB's core values, especially our value of The How Matters, which recognizes that how we do things is as important as what we do, and that we always act with integrity, and balance risk and reward;
- 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 lines 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 our 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 our 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 aligns with our balanced growth strategic objectives, including consideration for our capital plan and budget processes.

Key components of our risk appetite framework include:

- Risk Capacity – the maximum level of risk we can assume before breaching regulatory or other stakeholders constraints;
- Risk Appetite – the aggregate level and type of risk we are willing to assume; and,
- Risk Limits – the allocation of risk to specific risk categories, business units and lines of business, at the portfolio or product level. ERM measures, monitors, and manages our 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:

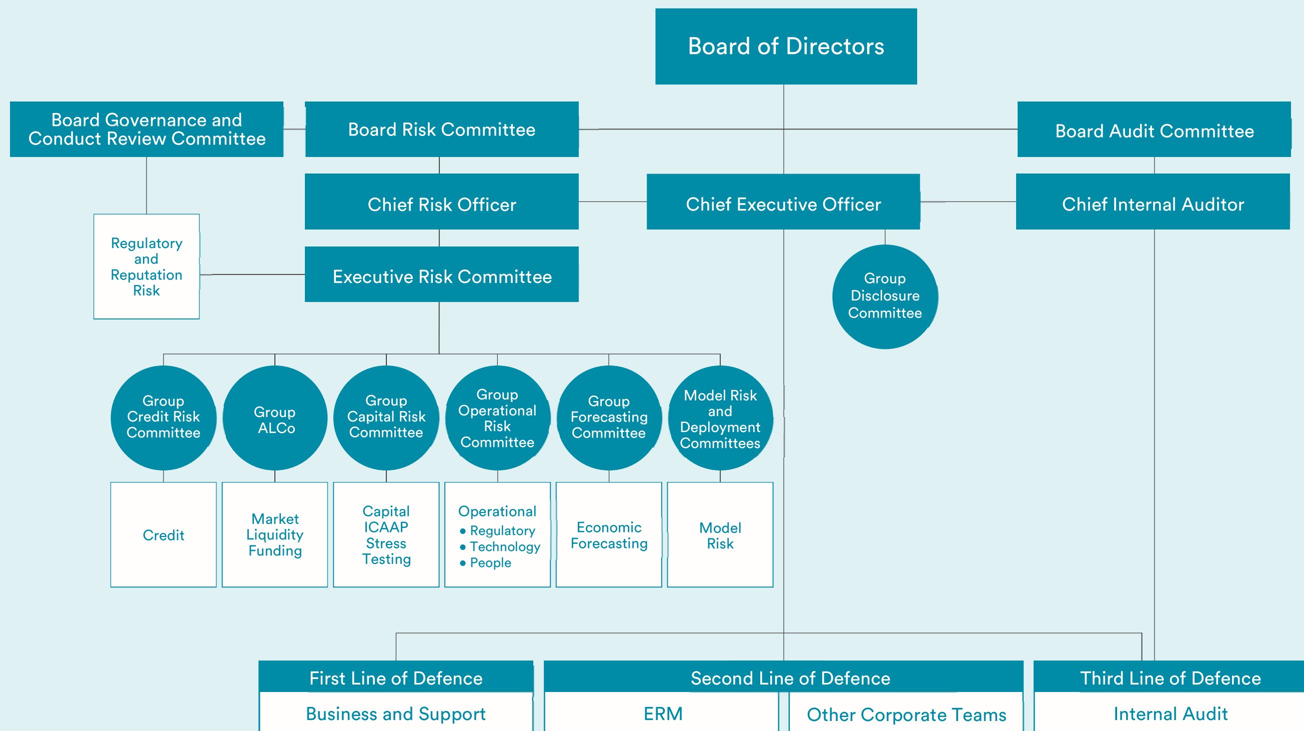
- An appropriately conservative risk culture that is prevalent throughout CWB, from the Board to senior management to front-line employees;
- A philosophy to only take risks that are aligned with our balanced growth strategic objectives and are expected to create sustainable, long-term value for stakeholders;
- 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 our 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 we operate within Risk Limits.

RISK MANAGEMENT GOVERNANCE STRUCTURE

The foundation of our 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 CWB Strategic Direction 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, corporate governance and environmental, social, and governance oversight.

Board Risk Committee – assists the Board in fulfilling its oversight responsibilities in relation to CWB's identification and management of risk (excluding regulatory compliance), 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 in relation to legal, regulatory compliance and reputation risk, including conduct review and consumer matters as well as development of CWB's corporate governance policies and practices.

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

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 subcommittees, as well as the ERM 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 standards and guidelines are in place. An escalation subcommittee 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, 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; and,

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

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

- 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 second line oversight for our information security, technology and fraud risk management frameworks; provides economic forecasting and develops stress-testing models;
- Risk Technology and Model Deployment – responsible to deploy AIRB and other risk models within our 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 ECL under IFRS 9, Economic Capital and oversees all periodic risk production, as well as the measurement of capital demand in our ICAAP and ongoing stress testing;
- 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 supply management. This activity is overseen by our CFO, who reports functionally to the Audit Committee;
- Legal, 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, standards, frameworks, protocols, directives and procedures. 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 achieving balanced growth within our strategic objectives and are expected to create sustainable long-term value for shareholders and other stakeholders. While our 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. Our approach to managing credit risk has proven to be very effective, and we have a history of low write-offs as a percentage of total loans, including through past periods of financial uncertainty.

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/CRO 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 personal 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 the management of higher-risk loans to the Special Asset Management Unit, a specialized loan workout group that performs regular monitoring and close management of these loans;
- 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 significant accounts rated less than satisfactory. Reviews include a recap of action plans for each less than satisfactory account, the completion of a watchlist 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 is $200 million. The connection limit is $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.

Credit-related Environmental Risk

While our day-to-day operations do not have a material impact on the environment, we face certain environmental risks including the risk of loss if a borrower is unable to repay loans due to environmental clean up costs, and the risk of damage to our reputation resulting from the same. In order to manage these risks, and to help mitigate our overall impact on the environment, we evaluate potential environmental risks as part of the credit granting process. If potential environmental risks are identified that cannot be resolved to our satisfaction, the loan application will be denied. Where financing is provided, Internal Audit provides third line oversight to ensure all required processes and documentation are in place. Reports on environmental inspections and findings are provided quarterly to the Board Risk Committee.

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 granting credit, account management and timely action when problems develop. We target lending to small- and medium-sized businesses, and to individuals. We continue to target further geographic and industry diversification through growth of client relationships in targeted industries across our national geographic footprint. 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.

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

Our most material market risks 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.

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 our 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 our 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 our 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 our 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 our 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).

Interest Rate Risk Exposures

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.

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 24 of the consolidated financial statements provides the gap position at October 31, 2020 for select time intervals and information on the estimated impact of a one-percentage point increase or decrease in interest rates on net interest income and other comprehensive income. The analysis in Note 24 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 estimates provided in Note 24 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.

We maintain the asset liability structure and interest rate sensitivity within our 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, 2020, assets denominated in U.S. dollars were 3% (2019 – 2%) of total assets and U.S. dollar liabilities were 4% (2019 – 2%) 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 our liquidity and funding risk policy which includes monitoring of our U.S. dollar liquidity 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 we cannot meet a demand for cash or fund our financial obligations in a cost-effective 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 we manage 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 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 – our 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 – we perform 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 LAR 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.

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 13, 15, 19 and 23 of the consolidated financial statements, the following contractual obligations are outstanding at October 31, 2020:

A summary of purchase obligations for operating and capital expenditures is presented in the following table.

Table 30 - Contractual Obligations

($ thousands)

	Within 1 Year	1 to 3 Years	More than 4 Years	Total
October 31, 2020	**$ 10,034**	**$ 7,785**	**$ 957**	**$ 18,776**
October 31, 2019[1]	$ 1,659	$ 1,393	$ -	$ 3,052

(1) The prospective adoption of IFRS 16 on November 1, 2019 resulted in the recognition of lease liabilities of $98,863 in other liabilities on the consolidated balance sheet (refer to Note 1 of the consolidated financial statements), primarily related to premises leases previously classified as operating leases under IAS 17. The fiscal 2019 information has been restated to exclude lease commitments totaling $92,584, which are now carried on the consolidated balance sheet under IFRS 16.

Credit Ratings

Our 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 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 our 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 our current credit ratings issued by DRBS Morningstar, as well as the corresponding rating agency outlook.

Table 31 - DBRS Morningstar Credit Ratings

	Short-term instruments	Long-term senior debt and long-term deposits	Subordinated debentures (NVCC)	Preferred shares (NVCC)	Limited recourse capital notes (NVCC)
Rating	R1 (low)	A (low)	BBB (low)	Pfd-3	BB (high)
Outlook	Stable	Negative	Negative	Negative	Negative

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 policy. 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. 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;
- AIRB tools used to support comprehensive stress testing, risk quantification processes and completion of our ICAAP to help us prudently manage our capital through periods of economic volatility; and,
- Regulatory capital ratios reported to senior management and the Board on a recurring basis, at least quarterly.

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 our business activities, including our full-service business and personal banking, specialized financing, wealth management offerings, and trust services. 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 our 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 our comprehensive suite of cyber security program and controls;
- 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;
- Development of a third party risk management framework;
- 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 32 - Operational Risk Taxonomy

Operational Risk Type	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 our 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 our key operational risks follows:

People Risk

Competition for qualified employees in our key markets has remained consistent and reflects evolving needs of other financial services participants within and outside our 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 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 our 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 our strategic objectives.

Technology Risk

More now than ever, 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. We currently have 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). Our Information Services team continues to work 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. Our Information Security team continues to enhance our comprehensive suite of 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. As we continue to enhance our digital capabilities, a focus to advance our cyber security enables our growth trajectory. By implementing and benchmarking the effectiveness of our industry-proven cyber security risk and control frameworks, we ensure our ability to safely deliver services to our clients through digital channels.

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 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 identified below and those discussed in the *Impact of COVID-19 and Our Response* and *Forward-looking Statements* sections of this MD&A, may adversely affect our businesses and financial results.

GENERAL BUSINESS AND ECONOMIC CONDITIONS

Our overall financial performance is impacted by general business and economic conditions across the country. In addition to the emergence of COVID-19 or other similar pandemic events, and the potential for prolonged adverse general business and economic conditions, several factors that could impact the markets that we operate in include, but are not limited to, further 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.

ENVIRONMENTAL AND SOCIAL RISK

Environmental and social risk is the potential for loss or harm resulting from environmental or social impacts or concerns related to our business or customers. This risk involves a broad spectrum of issues, including pollution, energy and other resource usage, climate change, human rights, labour standards, the strength of communities we operate in, and minority rights and inclusion. We recognize the importance of environmental and social risk management practices and processes. Governance is provided by the Board of Directors, who provide direct oversight to thoughtfully consider these risks as part of our enterprise-wide strategy.

Social risks are managed through our business policies and procedures across the enterprise. Environmental risks within our lending portfolio are managed through our credit granting process (see the *Credit Risk* section above). To manage our environmental footprint, we have commenced development of various practices targeted to reduce the amount of energy consumed, increase materials recovered and recycled, and manage ecological maintenance products. Through sound environmental management, we follow acknowledged standards, adhere to applicable regulations, and operate our premises in a sustainable manner.

We are deeply committed to our employees and the communities in which we operate. For further information on our corporate social responsibility activities, please visit the corporate social responsibility page of our website at www.cwb.com/corporate-social-responsibility, where we publish our Public Accountability Statement, Corporate Social Responsibility Report, and other materials outlining our activities related to community investment, inclusions, corporate governance, and the environment.

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 more risk-sensitive pricing.

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 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 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 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, we 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 27, 2020, there were 87,100,635 common shares and 1,784,624 stock options outstanding. On December 3, 2020, the Board of Directors declared a cash dividend of $0.29 per common share, payable on January 7, 2021 to shareholders of record on December 17, 2020. This quarterly dividend is up one cent, or 4%, from the dividend declared one year ago and consistent with the dividend paid to common shareholders on September 24, 2020. Consistent with the dividends paid to preferred shareholders on October 31, 2020, the Board of Directors also declared cash dividends of $0.2688125 per Series 5, $0.390625 per Series 7, and $0.375 per Series 9 Preferred Shares, all payable on January 31, 2021 to shareholders of record on January 22, 2021.

RELATED PARTY TRANSACTIONS

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

We provide banking services to our officers and employees, including key management personnel, and their immediate family at various preferred rates and terms. Key management personnel are those that have authority and responsibility for planning, directing and controlling our activities and include our independent directors.

Further information on our related party transactions are included in Note 23 of the consolidated financial statements.

CONTROLS AND PROCEDURES

As of October 31, 2020, 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, 2020, 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.

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

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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 3, 2020

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, 2020 and October 31, 2019
- the consolidated statements of income for the years then ended
- the consolidated statements of 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, 2020 and October 31, 2019, 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 ethical 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.

OTHER INFORMATION

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

- the information 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 "2020 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 included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. 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 "2020 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.

KPMG LLP
Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Arnold Singh

Edmonton, Canada
December 3, 2020

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2020	As at October 31 2019
Assets			
Cash Resources	(Note 4)		
Cash and non-interest bearing deposits with financial institutions		$ **113,868**	$ 116,963
Interest bearing deposits with regulated financial institutions		**254,451**	293,856
Cheques and other items in transit		**-**	5,023
		368,319	415,842
Securities	(Note 5)		
Issued or guaranteed by Canada		**1,317,967**	1,341,326
Issued or guaranteed by a province or municipality		**967,415**	489,261
Other debt securities		**377,244**	170,456
Preferred shares		**1,992**	18,164
		2,664,618	2,019,207
Securities Purchased Under Resale Agreements	(Note 6)	**50,084**	40,366
Loans	(Note 7)		
Personal		**6,073,643**	5,689,833
Business		**24,094,076**	22,786,894
		30,167,719	28,476,727
Allowance for credit losses		**(159,326)**	(110,834)
		30,008,393	28,365,893
Other			
Property and equipment	(Note 9)	**139,349**	63,166
Goodwill	(Note 10)	**138,256**	85,392
Intangible assets	(Note 10)	**220,708**	173,748
Derivatives	(Notes 11 and 27)	**96,615**	47,815
Other assets	(Note 12)	**251,523**	212,806
		846,451	582,927
Total Assets		$ **33,937,865**	$ 31,424,235
Liabilities and Equity			
Deposits	(Note 13)		
Personal		$ **15,661,320**	$ 15,300,505
Business and government		**11,649,034**	10,050,856
		27,310,354	25,351,361
Other			
Cheques and other items in transit		**52,326**	22,532
Securities sold under repurchase agreements	(Notes 6 and 8)	**65,198**	29,965
Derivatives	(Notes 11 and 27)	**6,285**	14,016
Other liabilities	(Note 14)	**746,979**	646,386
		870,788	712,899
Debt			
Debt related to securitization activities	(Notes 8 and 15)	**2,051,680**	1,913,799
Subordinated debentures	(Note 15)	**372,643**	498,494
		2,424,323	2,412,293
Equity			
Preferred shares	(Note 16)	**390,000**	390,000
Limited recourse capital notes	(Note 16)	**175,000**	-
Common shares	(Note 16)	**730,846**	731,970
Retained earnings		**1,907,739**	1,785,273
Share-based payment reserve	(Note 17)	**25,749**	24,309
Accumulated other comprehensive income		**102,204**	14,258
Total Shareholders' Equity		**3,331,538**	2,945,810
Non-controlling interests	(Note 18)	**862**	1,872
Total Equity		**3,332,400**	2,947,682
Total Liabilities and Equity		$ **33,937,865**	$ 31,424,235

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)

			2020		2019
Interest Income	(Note 25)				
Loans		$	**1,336,002**	$	1,379,730
Securities			**29,046**		30,696
Deposits with regulated financial institutions			**3,866**		8,274
			1,368,914		1,418,700
Interest Expense					
Deposits			**499,140**		573,479
Debt			**70,363**		59,637
			569,503		633,116
Net Interest Income			**799,411**		785,584
Non-interest Income					
Credit related			**34,921**		34,082
Wealth management services			**33,565**		19,640
Retail services			**9,679**		10,627
Trust services			**8,377**		7,651
Gains on securities, net			**9,428**		301
Other			**2,014**		3,719
			97,984		76,020
Total Revenue			**897,395**		861,604
Provision for Credit Losses	(Notes 5 and 7)		**92,167**		57,758
Acquisition-related Fair Value Changes	(Note 26)		**-**		7,854
Non-interest Expenses					
Salaries and employee benefits			**281,408**		257,966
Premises and equipment			**80,362**		70,515
Other expenses			**74,876**		77,000
			436,646		405,481
Net Income before Income Taxes			**368,582**		390,511
Income Taxes	(Note 21)		**97,032**		102,665
Net Income			**271,550**		287,846
Net income attributable to non-controlling interests			**968**		1,052
Shareholders' Net Income			**270,582**		286,794
Preferred share dividends	(Note 16)		**21,626**		19,854
Common Shareholders' Net Income		$	**248,956**	$	266,940
Average number of common shares (in thousands)			**87,159**		87,513
Average number of diluted common shares (in thousands)			**87,192**		87,739
Earnings Per Common Share	(Note 22)				
Basic		$	**2.86**	$	3.05
Diluted			**2.86**		3.04

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended October 31

($ thousands)

		2020		2019
Net Income	$	**271,550**	$	287,846
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				
Gains from change in fair value(1)		**14,046**		34,301
Reclassification to net income(2)		**(5,900)**		(354)
		8,146		33,947
Derivatives designated as cash flow hedges				
Gains from change in fair value(3)		**105,003**		71,361
Reclassification to net income(4)		**(31,855)**		(383)
		73,148		70,978
Items that will not be subsequently reclassified to net income				
Gains (losses) on equity securities designated at fair value through other comprehensive income(5)		**528**		(14,175)
		81,822		90,750
Comprehensive Income	$	**353,372**	$	378,596
Comprehensive income for the year attributable to:				
Shareholders	$	**352,404**	$	377,544
Non-controlling interests		**968**		1,052
Comprehensive Income	$	**353,372**	$	378,596

(1) Net of income tax of $4,623 (2019 – $12,132).

(2) Net of income tax of $2,003 (2019 – $116).

(3) Net of income tax of $34,277 (2019 – $26,007).

(4) Net of income tax of $10,843 (2019 – $140).

(5) Net of income tax of $171 (2019 – $4,982).

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)

		2020	2019
Preferred Shares	(Note 16)		
Balance at beginning of year		$ 390,000	$ 265,000
Issued		-	125,000
Balance at end of year		390,000	390,000
Limited Recourse Capital Notes	(Note 16)		
Balance at beginning of year		-	-
Issued		175,000	-
Balance at end of year		175,000	-
Common Shares	(Note 16)		
Balance at beginning of year		731,970	744,701
Purchased for cancellation		(1,503)	(15,326)
Transferred from share-based payment reserve on the exercise or exchange of options		379	1,245
Issued under dividend reinvestment plan		-	1,350
Balance at end of year		730,846	731,970
Retained Earnings			
Balance at beginning of year		1,785,273	1,649,196
Impact of adopting IFRS 16 on November 1, 2019	(Note 1)	(13,035)	n/a
Impact of adopting IFRS 9 on November 1, 2018		n/a	22,514
Shareholders' net income		270,582	286,794
Dividends - Preferred shares	(Note 16)	(21,626)	(19,854)
- Common shares	(Note 16)	(100,211)	(94,573)
Net premium on common shares purchased for cancellation	(Note 16)	(3,642)	(34,266)
Realized losses reclassified from accumulated other comprehensive income	(Note 5)	(6,124)	(20,370)
Issuance costs on limited recourse capital notes		(2,157)	-
Issuance costs on preferred shares		-	(3,007)
Decrease in equity attributable to non-controlling interests ownership change		(1,321)	(1,161)
Balance at end of year		1,907,739	1,785,273
Share-based Payment Reserve	(Note 17)		
Balance at beginning of year		24,309	23,937
Amortization of fair value of options		1,819	1,617
Transferred to common shares on the exercise or exchange of options		(379)	(1,245)
Balance at end of year		25,749	24,309
Accumulated Other Comprehensive Income			
Debt securities measured at fair value through other comprehensive income			
Balance at beginning of year		(2,021)	(35,968)
Other comprehensive income		8,146	33,947
Balance at end of year		6,125	(2,021)
Derivatives designated as cash flow hedge			
Balance at beginning of year		22,858	(48,120)
Other comprehensive income		73,148	70,978
Balance at end of year		96,006	22,858
Equity securities designated at fair value through other comprehensive income			
Balance at beginning of year		(6,579)	(12,774)
Other comprehensive income (loss)		528	(14,175)
Realized losses reclassified to retained earnings	(Note 5)	6,124	20,370
Balance at end of year		73	(6,579)
Total accumulated other comprehensive income		102,204	14,258
Total Shareholders' Equity		3,331,538	2,945,810
Non-controlling Interests	(Note 18)		
Balance at beginning of year		1,872	2,751
Net income attributable to non-controlling interests		968	1,052
Dividends to non-controlling interests		(862)	(1,071)
Ownership change		(1,116)	(860)
Balance at end of year		862	1,872
Total Equity		$ 3,332,400	$ 2,947,682

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)

		2020	2019
Cash Flows from Operating Activities			
Net income		**$ 271,550**	$ 287,846
Adjustments to determine net cash flows:			
Provision for credit losses	(Notes 5 and 7)	**92,167**	57,758
Depreciation and amortization		**50,448**	32,444
Amortization of fair value of employee stock options	(Note 17)	**1,819**	1,617
Current income taxes receivable and payable, net		**(60,813)**	56,162
Accrued interest receivable and payable, net		**(25,458)**	41,672
Deferred income taxes, net		**(10,173)**	(1,433)
Gains on securities, net		**(9,428)**	(301)
Fair value change in contingent consideration	(Note 26)	**-**	7,854
Change in operating assets and liabilities			
Deposits, net		**1,958,993**	1,651,404
Debt related to securitization activities, net		**137,881**	155,945
Derivative collateral payable		**67,220**	9,282
Securities sold under repurchase agreements, net		**35,233**	(65,161)
Accounts payable and accrued liabilities		**19,275**	42,563
Loans, net		**(1,733,375)**	(2,202,000)
Securities purchased under resale agreements, net		**(9,718)**	(40,366)
Other items, net		**74,858**	(15,298)
		860,479	19,988
Cash Flows from Financing Activities			
Debentures redeemed	(Note 15)	**(250,000)**	-
Debentures issued, net of issuance costs	(Note 15)	**123,694**	248,447
Limited recourse capital notes issued, net of issuance costs	(Note 16)	**172,843**	-
Preferred shares issued, net of issuance costs	(Note 16)	**-**	121,993
Dividends		**(121,837)**	(113,077)
Repayment of lease liabilities	(Note 1)	**(15,027)**	-
Common shares purchased for cancellation	(Note 16)	**(5,145)**	(49,592)
Non-controlling interests, ownership change, dividends and contributions		**(3,721)**	(3,320)
		(99,193)	204,451
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		**39,405**	(267,031)
Securities, purchased		**(12,117,629)**	(5,543,483)
Securities, sales proceeds		**5,324,496**	2,454,694
Securities, matured		**6,092,862**	3,219,365
Property, equipment and intangible assets		**(54,819)**	(49,069)
Acquisition, net of cash acquired	(Note 3)	**(83,513)**	-
Acquisition-related contingent consideration instalment payments	(Note 26)	**-**	(37,368)
		(799,198)	(222,892)
Change in Cash and Cash Equivalents		**(37,912)**	1,547
Cash and Cash Equivalents at Beginning of Year		**99,454**	97,907
Cash and Cash Equivalents at End of Year *		**$ 61,542**	$ 99,454
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		**$ 113,868**	$ 116,963
Cheques and other items in transit (included in Cash Resources)		**-**	5,023
Cheques and other items in transit (included in Other Liabilities)		**(52,326)**	(22,532)
Cash and Cash Equivalents at End of Year		**$ 61,542**	$ 99,454
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		**$ 1,397,866**	$ 1,428,117
Interest paid		**602,860**	588,740
Income taxes paid		**189,973**	80,566

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2020 and 2019

($ thousands, except per share amounts)

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. We are 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 3, 2020.

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 we are the beneficial owner. Non-controlling interest in subsidiaries is presented on the consolidated balance sheets as a separate component of equity that is distinct from shareholders' equity. The net income attributable to non-controlling interest in subsidiaries is presented separately in the consolidated income statements. See Note 30 for details of 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 us 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 we have 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.

COVID-19 Pandemic Considerations

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of the COVID-19 virus, as well as government economic response and support efforts.

Information on critical judgments impacted by the COVID-19 pandemic that have the most significant effect on the amounts recognized in the consolidated financial statements is described in Note 7 Loans, Impaired Loans and Allowance for Credit Losses.

Additional information about the impact of COVID-19 on our risk management practices is provided in the *Impact of COVID-19 and Our Response* section of the Management's Discussion and Analysis (MD&A).

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 7 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.

We elect 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 our 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 may be 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 our consolidated financial statements, the significant accounting policies are disclosed in the notes, where applicable, with related financial disclosures by major caption:

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

J) CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases

We adopted IFRS 16 effective November 1, 2019, which replaced 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 and eliminates the distinction between operating and financing leases. Lessor accounting remains substantially unchanged.

We elected to adopt IFRS 16 using the modified retrospective approach, in which we recognized the cumulative effect on initial application in retained earnings as of November 1, 2019. Prior period comparatives were not restated. At November 1, 2019, lease liabilities were measured at the present value of the remaining lease payments discounted at our weighted average incremental borrowing rate on that date of 3.01%. Right-of-use assets have generally been measured at an amount equal to the lease liability and adjusted by any prepaid or accrued lease payments. As permitted under IFRS 16, for select leases, we measured right-of-use assets retrospectively as if the standard had been applied since the commencement date of the lease, discounted using our November 1, 2019 incremental borrowing rate. On adoption, we applied the following recognition exemptions and practical expedients. We:

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

The adoption of IFRS 16 resulted in the recognition of right-of-use assets of $79,874 within property and equipment and lease liabilities of $98,863 within other liabilities, primarily related to premises leases previously classified as operating leases. A transition adjustment of $13,035, net of taxes, reduced retained earnings primarily representing the difference between the right-of-use assets and lease liabilities recognized.

The following table reconciles our minimum future operating lease commitments as at October 31, 2019, to the lease obligations recognized on initial application of IFRS 16 at November 1, 2019:

Lease commitments at October 31, 2019	$	92,584
Short-term leases – transition exemption		(216)
Low-value leases – transition exemption		(13)
Extension and termination options reasonably certain to be exercised		28,470
Commitments for leases that have not yet commenced		(7,045)
Undiscounted lease payments		113,780
Discount effect at November 1, 2019		(14,917)
Lease Liabilities Recognized as at November 1, 2019	**$**	**98,863**

Accounting Policies for Leases under IFRS 16

As a lessee, new arrangements are assessed to determine whether a contract is or contains a lease in accordance with IFRS 16. A contract is or contains a lease if, in return for consideration, the contract conveys the right to obtain substantially all of the economic benefits from and direct the use of an identified asset for a period of time. If the arrangement meets this definition, we initially record a right-of-use asset and corresponding lease liability at the date the leased asset is available for use, subject to certain adjustments.

Lease liabilities are initially measured at the present value of contractual lease payments, discounted using the interest rate implicit in the lease, if that rate can be readily determined. In instances where we cannot determine the implicit lease rate, we use our incremental borrowing rate. In determining the lease term, we assess whether it is reasonably certain we will exercise the extension or termination options. This assessment considers all relevant facts and circumstances that create an economic incentive to exercise these options. Reassessment occurs if there is a significant change in circumstances. Where we are reasonably certain to exercise extension and termination options, they are included in the expected lease term. Interest expense on the lease liability is recorded using the effective interest rate method and presented within interest expense in the consolidated statements of income over the remaining lease term. Lease liabilities are remeasured when a modification to the lease contract occurs, which may include adjustments to future lease payments, or changes in assumptions related to the exercise of purchase, extension, or termination options.

Right-of-use assets are initially measured based on the amount of the related lease liabilities, adjusted for initial direct costs incurred and an estimate of costs to dismantle, remove, or restore the asset, less any lease incentives received. Right-of-use assets are generally depreciated on a straight-line basis over the earlier of the lease term and the expected life. If ownership will transfer to us or we are reasonably certain to exercise a purchase option at the end of the lease term, the expected life of the right-of-use asset is used. Right-of-use-asset depreciation is recognized in premises and equipment expense in the consolidated statements of income. Right-of-use assets are subsequently measured at cost less accumulated depreciation and any related accumulated impairments.

We apply IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and account for any impairment loss as described in the premises and equipment accounting policies in Note 9.

We have elected not to recognize right-of-use assets and lease liabilities for lease contracts where the total term of the respective lease contract is less than or equal to 12 months or for low value lease contracts. Payments for short-term leases and low-value asset leases are recognized as an expense on a straight-line basis within premises and equipment expense in the consolidated statements of income.

Accounting Policies for Leases under IAS 17

The following accounting policies were applied to comparative information for the year ended October 31, 2019, as prior periods were not restated upon adoption of IFRS 16.

As lessees, we previously classified leases as either a finance or operating lease depending on whether substantially all the risks and rewards of ownership of the asset were transferred. Leases that transferred substantially all of the benefits and risks of ownership of property were classified as finance leases. All other arrangements that were determined to contain a lease were classified as operating leases.

Our leases, primarily branches and office premises, were previously classified as operating leases and were not capitalized. Total costs, including free rent periods and step-rent increases, were expensed on a straight-line basis within premises and equipment in the consolidated statements of income over the lease term.

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 our future financial statements.

Interest Rate Benchmark Reform

In September 2019, the IASB issued Phase 1 amendments to hedge accounting requirements in IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* 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. We have not early adopted the revised standards and determined there will be no significant impact upon adoption.

In August 2020, the IASB finalized its Phase 2 response to the ongoing IBOR and other interest rate benchmark reform by issuing a package of amendments to IFRS standards which focus on accounting and disclosure matters that will arise once an existing benchmark is replaced with an alternative benchmark rate. The amendments provide practical expedients if contract modifications result directly from IBOR reform and occur on an economic equivalent basis. In these cases, changes may be accounted for by updating the effective interest rate. Further, existing hedging relationships are not required to be discontinued if changes in hedge documentation are required solely by IBOR reform. The amendments are effective for CWB's fiscal year beginning November 1, 2021 with early adoption permitted. We are 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. We have assessed the revised framework and determined there will be no significant impact upon adoption.

2. FINANCIAL INSTRUMENTS

As a financial institution, most of our balance sheets are 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.

CLASSIFICATION AND MEASURMENT OF FINANCIAL ASSETS

Initial Recognition and Measurement

Financial assets consist of both debt and equity instruments. 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 are measured at FVTPL, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements are applied as described in Note 11.

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 accumulated other comprehensive income (AOCI) to retained earnings. Equity securities are not subject to an impairment assessment.

IMPAIRMENT

Expected Credit Loss Approach

The ECL approach categorizes financial assets into three stages based on changes in credit risk since initial recognition of the asset. 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 subsequent to 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.

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, we formulate 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.

Additional information regarding the incorporation of forward-looking information and the related judgment and estimation involved in the process is described in Note 7.

Assessment of Significant Increases in Credit Risk

At each reporting date, we assess 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 7 for additional information regarding the assessment of SICR.

Expected Life

When measuring ECL, we consider 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 we are 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 our 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, when we have commenced realization proceedings, or when we are 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 we conclude that there is no realistic prospect of future recovery in respect of those amounts. When financial assets are secured, this is generally after all collateral has been realized or transferred to us, 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.

3. ACQUISITION

On June 1, 2020, we acquired 100% of the common shares of iA Investment Counsel Inc., comprising the businesses of T.E. Wealth and Leon Frazer & Associates (the wealth acquisition), in exchange for $87 million cash. The wealth acquisition is accounted for in accordance with IFRS 3 *Business Combinations* as described in Note 1. The results of operations from the wealth acquisition have been included in our consolidated financial statements since the acquisition date.

T.E. Wealth and Leon Frazer & Associates provide financial planning and wealth management services that target high-net-worth clients as well as investment management and financial education services to Indigenous communities. The wealth acquisition has a significant client base in Ontario as well as across Canada, including Quebec, Alberta and British Columbia.

Along with $6 billion of off-balance sheet assets under management, advisement and administration, the following table summarizes the fair value of the assets acquired and liabilities assumed on the acquisition date:

Assets and Liabilities Acquired at Fair Value		June 1 2020
Goodwill	$	52,506
Intangible assets		33,123
Property and equipment		5,703
Cash and non-interest bearing deposits with financial institutions		3,303
Other assets(1)		10,384
Other liabilities(2)		(18,203)
Net Assets Acquired	$	**86,816**

(1) Includes accounts receivable of $9,870, with a carrying value which approximates fair value.
(2) Includes deferred tax liability of $7,767.

Intangible assets include customer relationships, brands, and software. Goodwill primarily reflects the value of future growth prospects and expected business synergies from combining the acquired businesses with our existing wealth management businesses. The goodwill and the majority of intangible assets are not deductible for income tax purposes.

Since June 1, 2020, the wealth acquisition contributed $14,681 of wealth management non-interest income and a net loss of $661, including after-tax acquisition and integration costs of $2,442 and amortization of acquisition related intangible assets of $898. If the acquisition had occurred on November 1, 2019, the wealth acquisition would have contributed approximately $36 million to wealth management non-interest income and a net loss of approximately $2 million, including the estimated amortization of acquisition related intangible assets of approximately $2 million to October 31, 2020.

4. 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, 2020, the fair value of deposits with regulated financial institutions was $254,451 (October 31, 2019 – $293,856) with $21,515 (October 31, 2019 – $20,355) restricted from use in relation to the securitization of equipment financing leases and loans.

5. 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:

	Maturity/Reprice					
	Within 1 Year	**1 to 3 Years**	**3 to 5 Years**	**Greater than 5 years**	**As at October 31 2020**	As at October 31 2019
Measured at FVOCI						
Interest bearing deposits with regulated financial institutions[1]	**$ 254,451**	**$ -**	**$ -**	**$ -**	**$ 254,451**	$ 293,856
Debt securities issued or guaranteed by						
Canada	**515,089**	**637,354**	**127,164**	**38,360**	**1,317,967**	1,341,326
A province or municipality	**62,428**	**370,255**	**34,732**	**-**	**967,415**	489,261
Other debt securities[2]	**213,279**	**137,906**	**-**	**26,059**	**377,244**	170,456
Designated at FVOCI						
Preferred shares	**1,992**	**-**	**-**	**-**	**1,992**	18,164
Total	**$ 1,547,239**	**$ 1,145,515**	**$ 161,896**	**$ 64,419**	**$ 2,919,069**	$ 2,313,063

(1) Included in cash resources on the consolidated balance sheets.

(2) Includes securities issued or guaranteed by the United States Treasury of $93,078 (October 31, 2019 – $76,033).

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:

	As at October 31, 2020			
	Amortized Cost[1]	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions	**$ 254,442**	**$ 11**	**$ 2**	**$ 254,451**
Debt securities issued or guaranteed by				
Canada	**1,313,002**	**5,232**	**267**	**1,317,967**
A province or municipality	**964,084**	**3,394**	**63**	**967,415**
Other debt securities	**376,377**	**1,126**	**259**	**377,244**
Designated at FVOCI				
Preferred shares	**1,953**	**39**	**-**	**1,992**
Total	**$ 2,909,858**	**$ 9,802**	**$ 591**	**$ 2,919,069**

	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	489,361	290	390	489,261
Other debt securities	170,431	76	51	170,456
Designated at FVOCI				
Preferred shares	26,648	-	8,484	18,164
Total	$ 2,324,760	$ 843	$ 12,540	$ 2,313,063

(1) The amortized cost of debt securities and cash resources measured at FVOCI is net of an allowance for credit losses of $349 (October 31, 2019 – $196).

During the year ended October 31, 2020, we disposed of preferred shares with a fair value of $16,690 (October 31, 2019 – $56,279). Related to the dispositions, we reclassified cumulative after-tax realized losses of $6,124 from AOCI to retained earnings (October 31, 2019 – $20,370). Dividend income recognized in the consolidated statements of income on preferred shares that were held at October 31, 2020 totaled $41 (October 31, 2019 – $999). Dividend income recognized in the consolidated statements of income related to preferred shares disposed during the year totaled $117 (October 31, 2019 – $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, 2020, credit losses of $153 (October 31, 2019 – reversal 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, 2020 (October 31, 2019 – increase).

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

Securities sold under repurchase agreements represent the sale of Government of Canada securities or United States Treasury 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 in the consolidated balance sheets.

7. 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 our loan portfolio by geographic region and industry sector follows:

									Composition Percentage	
($ millions)	BC	AB	ON	SK	QC	MB	Other	Total	**Oct. 31 2020**	Oct. 31 2019
Personal[1]	**$ 1,639**	**$ 1,680**	**$ 2,233**	**$ 274**	**$ -**	**$ 129**	**$ 119**	**$ 6,074**	**20%**	20%
Business										
General commercial loans	**2,917**	**2,930**	**2,801**	**307**	**286**	**302**	**154**	**9,697**	**32**	30
Commercial mortgages	**2,802**	**2,291**	**176**	**276**	**15**	**136**	**-**	**5,696**	**19**	18
Equipment financing and leasing[2]	**797**	**1,339**	**1,424**	**462**	**624**	**264**	**344**	**5,254**	**17**	18
Real estate project loans	**1,567**	**1,110**	**382**	**87**	**13**	**93**	**-**	**3,252**	**11**	13
Oil and gas production loans	**-**	**179**	**-**	**16**	**-**	**-**	**-**	**195**	**1**	1
	8,083	**7,849**	**4,783**	**1,148**	**938**	**795**	**498**	**24,094**	**80**	80
Total[3]	**$ 9,722**	**$ 9,529**	**$ 7,016**	**$ 1,422**	**$ 938**	**$ 924**	**$ 617**	**$ 30,168**	**100%**	100%
Composition Percentage										
October 31, 2020	**32%**	**32%**	**23%**	**5%**	**3%**	**3%**	**2%**	**100%**		
October 31, 2019	33%	32%	22%	5%	3%	3%	2%	100%		

(1) Includes mortgages securitized through the *National Housing Act* Mortgage Backed Securities program reported on-balance sheet of $1,093 (October 31, 2019 – $837) (see Note 8).

(2) Includes securitized leases and loans reported on-balance sheet of $1,678 (October 31, 2019 – $1,613) (see Note 8).

(3) This table does not include an allocation of the allowance for credit losses.

Credit Quality

Internal Risk Ratings

Within our 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 our historical loss experience for each risk segment or risk rating level, adjusted for forward-looking information. Our 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, 2020			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Loans – Personal				
Low risk	$ 1,825,017	$ 1,549,911	$ -	$ 3,374,928
Medium risk	543,315	1,900,608	-	2,443,923
Watchlist or high risk	-	228,311	-	228,311
Impaired	-	-	26,481	26,481
Total	2,368,332	3,678,830	26,481	6,073,643
Allowance for credit losses	(1,338)	(5,360)	(829)	(7,527)
Total, net of allowance for credit losses	2,366,994	3,673,470	25,652	6,066,116
Loans – Business				
Investment grade or low risk	1,679,587	157,541	-	1,837,128
Non-investment grade or medium risk	15,545,571	5,837,525	-	21,383,096
Watchlist or high risk	-	643,192	-	643,192
Impaired	-	-	230,660	230,660
Total	17,225,158	6,638,258	230,660	24,094,076
Allowance for credit losses	(55,829)	(62,664)	(33,306)	(151,799)
Total, net of allowance for credit losses	17,169,329	6,575,594	197,354	23,942,277
Total loans	19,593,490	10,317,088	257,141	30,167,719
Allowance for credit losses	(57,167)	(68,024)	(34,135)	(159,326)
Total Loans, Net of Allowance for Credit Losses	$ 19,536,323	$ 10,249,064	$ 223,006	$ 30,008,393
Committed but Undrawn Credit Exposures and Letters of Credit				
Investment grade or low risk	$ 1,001,324	$ 159,135	$ -	$ 1,160,459
Non-investment grade or medium risk	3,110,428	1,865,438	-	4,975,866
Watchlist or high risk	-	34,498	-	34,498
Impaired	-	-	-	-
Total	4,111,752	2,059,071	-	6,170,823
Allowance for credit losses	(1,682)	(3,405)	-	(5,087)
Total, Net of Allowance for Credit Losses	$ 4,110,070	$ 2,055,666	$ -	$ 6,165,736

	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	29,232	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

Payment Deferrals

In response to the COVID-19 pandemic, we considered payment deferral requests from eligible commercial and personal customers. The agreement to a payment deferral on its own does not represent a significant increase in credit risk for an individual borrower that required migration from Stage 1 to Stage 2 under IFRS 9, nor are facilities with payment deferrals considered past due. Loans that have migrated to Stage 2 have experienced a significant increase in credit risk due to the adverse shift in economic conditions and forecasts. In assessing credit risk, we monitor the credit quality of impacted borrowers using sound credit risk management practices. The loan modifications due to payment deferrals did not result in any modification gains or losses. Details regarding the number and balance of loans under payment deferral terms within Stages 1 and 2 included in the Carrying Value of Exposures by Risk Rating table above, are as follows:

	As at October 31, 2020					
	Stage 1		**Stage 2**		**Total**	
($ millions, except number of loans)	**Number of Loans**	**Balance**	**Number of Loans**	**Balance**	**Number of Loans**	**Balance**
Personal loans and mortgages	**146**	**$ 52**	**352**	**$ 122**	**498**	**$ 174**
General commercial loans	**44**	**127**	**24**	**76**	**68**	**203**
Commercial mortgages	**45**	**126**	**10**	**28**	**55**	**154**
Equipment financing and leasing	**252**	**55**	**124**	**46**	**376**	**101**
Real estate project loans	**-**	**-**	**-**	**-**	**-**	**-**
Oil and gas production loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**487**	**$ 360**	**510**	**$ 272**	**997**	**$ 632**

Impaired and Past Due Loans

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

	As at October 31, 2020				As at October 31, 2019			
	Gross Amount	**Gross Impaired Amount(1)**	**Stage 3 Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount(1)	Stage 3 Allowance	Net Impaired Loans
Personal	**$ 6,073,643**	**$ 26,481**	**$ 829**	**$ 25,652**	$ 5,689,833	$ 30,268	$ 1,036	$ 29,232
Business								
General commercial loans	**9,697,325**	**90,628**	**21,261**	**69,367**	8,599,527	26,030	7,030	19,000
Commercial mortgages(2)	**5,695,614**	**48,797**	**1,719**	**47,078**	5,088,193	22,950	2,764	20,186
Equipment financing and leasing	**5,253,503**	**63,642**	**10,326**	**53,316**	5,191,901	43,767	15,134	28,633
Real estate project loans	**3,252,519**	**24,858**	**-**	**24,858**	3,752,480	5,446	-	5,446
Oil and gas production loans	**195,115**	**2,735**	**-**	**2,735**	154,793	19,789	-	19,789
Total	**$ 30,167,719**	**$ 257,141**	**$ 34,135**	**$ 223,006**	$ 28,476,727	$ 148,250	$ 25,964	$ 122,286

(1) Gross impaired loans include foreclosed assets with a carrying value of $4,357 (October 31, 2019 – 4,217). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.

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

During the year, interest recognized as income on impaired loans totaled $7,801 (2019 – $3,328).

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

	As at October 31, 2020			As at October 31, 2019		
	Gross Impaired Amount	**Stage 3 Allowance**	**Net Impaired Loans**	Gross Impaired Amount	Stage 3 Allowance	Net Impaired Loans
Alberta	**$ 105,487**	**$ 14,292**	**$ 91,195**	$ 77,891	$ 10,692	$ 67,199
British Columbia	**40,304**	**4,659**	**35,645**	17,488	1,349	16,139
Ontario	**60,892**	**8,104**	**52,788**	20,126	4,157	15,969
Saskatchewan	**23,692**	**2,103**	**21,589**	10,529	2,181	8,348
Quebec	**8,636**	**1,942**	**6,694**	6,622	1,886	4,736
Manitoba	**4,007**	**2,356**	**1,651**	11,831	4,795	7,036
Other	**14,123**	**679**	**13,444**	3,763	904	2,859
Total	**$ 257,141**	**$ 34,135**	**$ 223,006**	$ 148,250	$ 25,964	$ 122,286

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, 2020	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**Total**
Personal	**$ 38,975**	**$ 9,874**	**$ 1,770**	**$ 50,619**
Business	**100,685**	**31,925**	**16,559**	**149,169**
Total	**$ 139,660**	**$ 41,799**	**$ 18,329**	**$ 199,788**
As at October 31, 2019	$ 169,979	$ 74,030	$ 11,355	$ 255,364

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 our 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

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 our geographic diversification.

As indicated in Note 1, COVID-19 and the measures taken by Canadian federal, provincial and municipal governments to limit its spread have had a material adverse impact on the Canadian economy. To mitigate the economic impact, governments enacted policy measures to provide economic stimulus and financial support to individuals and businesses, and to settle financial market volatility.

The forward-looking macroeconomic scenario described below reflects our best estimate as at October 31, 2020, calibrated to an average of the large Canadian banks' macroeconomic forecasts. The rapidly evolving nature of this pandemic and its impacts on the economy, along with government relief and stimulus, has led to continuously changing macroeconomic assumptions. Hindsight cannot be used, so while these evolving assumptions may result in future forecasts that differ from those used in the ECL estimation as at October 31, 2020, those changes will be reflected in future quarters.

The primary macroeconomic variables, for each quarter over the next 12 months and the remaining forecast period thereafter, used to estimate ECL are as follows:

	Forecast				
Macroeconomic Variable	**January 31 2021**	**April 30 2021**	**July 31 2021**	**October 31 2021**	**Remaining Forecast Period**
GDP growth (decline), quarter over quarter, annualized	(5) %	(1) %	13 %	6 %	3 %
Unemployment rate	9	8	8	7	6
Housing price growth (decline), year over year	1	(2)	3	1	2
Three-month treasury bill rate	0.2	0.2	0.2	0.2	2.4
U.S. dollar/Canadian dollar exchange rate	$ 1.36	$ 1.35	$ 1.34	$ 1.34	$ 1.34
WTI oil price (U.S. dollar per barrel)	40	45	46	46	49

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.

The forecast scenario presented in the table above incorporates assumptions about the resulting economic impacts of the COVID-19 pandemic, based on information and facts available at October 31, 2020. The forecast assumes a gradual and continued recovery of the economy and the estimated impact of various government and central bank stimulus programs. Housing price growth typically lags behind other economic factors, with a slight dip forecast in 2021, followed by a resumption of growth. The oil price forecast begins at the current price with a gradual recovery following increased energy demand as the economy recovers.

ECL is sensitive to changes in both the scenario described above as well as the incorporation of multiple macroeconomic scenarios. Our models include a simulation incorporating a large volume of alternate macroeconomic scenarios into our ECL estimate. This approach resulted in an increase of approximately $12 million to the performing loan allowance for credit losses at October 31, 2020, relative to using only the forecast scenario presented above.

We continue to supplement our modeled ECL to reflect expert credit judgments to our estimation of ECL. These expert credit judgments account for the variability in the results provided by the models and consider the impact of both tail-risk events and the lagging impacts of typical credit cycles. These expert credit judgments also allow us to incorporate the estimated impact of the unprecedented levels of government stimulus and support, which cannot be modelled historically as they have not occurred in the past, or any risks of uncertainties that we believe have not been fully reflected in our underlying models.

Stage 3 Allowance for Credit Losses

For impaired loans in Stage 3, the allowance for credit losses is measured for each loan 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 we 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 follows:

	2020			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Personal				
Balance at beginning of year	$ 1,620	$ 1,480	$ 1,036	$ 4,136
Transfers to (from)				
Stage 1[1]	223	(223)	-	-
Stage 2[1]	(1,871)	1,871	-	-
Stage 3[1]	(2)	(1,168)	1,170	-
Net remeasurement[2]	(1,139)	3,874	360	3,095
New originations	2,860	-	-	2,860
Derecognitions and maturities	(345)	(458)	(4)	(807)
Provision for (reversal of) credit losses[3]	(274)	3,896	1,526	5,148
Write-offs	-	-	(1,795)	(1,795)
Recoveries	-	-	62	62
Balance at end of year	1,346	5,376	829	7,551
Business				
Balance at beginning of year	$ 62,552	$ 23,409	$ 24,928	$ 110,889
Transfers to (from)				
Stage 1[1]	8,654	(8,654)	-	-
Stage 2[1]	(16,686)	16,779	(93)	-
Stage 3[1]	(224)	(12,965)	13,189	-
Net remeasurement[2]	(34,733)	68,716	42,053	76,036
New originations	68,588	-	-	68,588
Derecognitions and maturities	(30,648)	(21,232)	(6,120)	(58,000)
Provision for (reversal of) credit losses[3]	(5,049)	42,644	49,029	86,624
Write-offs	-	-	(46,736)	(46,736)
Recoveries	-	-	6,085	6,085
Balance at end of year	57,503	66,053	33,306	156,862
Total Allowance for Credit Losses	$ 58,849	$ 71,429	$ 34,135	$ 164,413
Represented by:				
Loans	$ 57,167	$ 68,024	$ 34,135	$ 159,326
Committed but undrawn credit exposures and letters of credit[4]	1,682	3,405	-	5,087
Total Allowance for Credit Losses[5]	$ 58,849	$ 71,429	$ 34,135	$ 164,413

(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 5 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.

		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

8. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Securitization of equipment financing leases and loans

We securitize equipment financing leases and loans to third parties. These securitizations do not qualify for derecognition as we continue to be exposed to certain risks associated with the leases and loans, therefore we have 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 15).

During 2020, we securitized equipment financing leases and loans of $1,253,266 (2019 – $784,125) which were sold to third parties for cash proceeds of $1,115,814 (2019 – $704,392).

Securitization of residential mortgages

We securitize 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 us. The CHT issues CMBs, which are government guaranteed, to third party investors and uses resulting proceeds to purchase NHA MBS from us 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 we retain 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 15).

During 2020, we securitized residential mortgages of $208,305 which were sold to the CHT for cash proceeds of $207,005 (2019 – $203,455 sold for cash proceeds of $202,871) and did not sell any securitized residential mortgages directly to third party investors (2019 – nil).

Securities sold under repurchase agreements

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

Additionally, we have securitized residential mortgages through the NHA MBS program totaling $577,449 with a fair value of $584,743 (2019 – $394,342 with a fair value of $393,159) that were not transferred to third parties.

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, 2020		As at October 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized leases and loans	**$ 1,677,515**	**$ 1,710,730**	$ 1,613,426	$ 1,616,653
Securitized residential mortgages	**515,540**	**522,051**	442,310	440,983
Securities sold under repurchase agreements	**65,198**	**65,198**	29,965	29,965
	2,258,253	**2,297,979**	2,085,701	2,087,601
Associated Liabilities[(1)]	**2,116,878**	**2,148,860**	1,943,764	1,965,313
Net Position	**$ 141,375**	**$ 149,119**	$ 141,937	$ 122,288

(1) Associated liabilities relating to securities sold under repurchase agreements are $65,198 (October 31, 2019 – $29,965), and associated liabilities relating to securitized leases and loans, and securitized residential mortgages are described in Note 15.

9. PROPERTY AND EQUIPMENT

Land is carried at cost. Buildings, equipment and furniture, and leasehold improvements are carried at cost less accumulated depreciation and impairment. Right-of-use assets, which reflect the adoption of IFRS 16 as described in Note 1, reflect leases of primarily branches and office premises.

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

- Buildings: 20 years
- Computer and office equipment and furniture: 3 to 10 years
- Leasehold improvements: over the shorter of the term of the lease and the remaining useful life
- Right-of-use assets: over the earlier of the lease term and the expected life. If ownership will transfer to us or we are reasonably certain to exercise a purchase option at the end of the lease term, the expected life of the right-of-use asset is used.

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	Right of Use Asset	Total
Cost							
Balance at November 1, 2019		**$ 80,782**	**$ 18,653**	**$ 42,197**	**$ 49,152**	**$ -**	**$ 190,784**
Adoption of IFRS 16 on November 1, 2019	(Note 1)	**-**	**-**	**-**	**-**	**79,874**	**79,874**
Acquisition	(Note 3)	**884**	**-**	**32**	**114**	**4,673**	**5,703**
Additions		**6,376**	**302**	**5,812**	**1,128**	**5,955**	**19,573**
Lease modifications		**-**	**-**	**-**	**-**	**(3,767)**	**(3,767)**
Disposals		**(2,037)**	**-**	**(120)**	**(1,291)**	**(347)**	**(3,795)**
Balance at October 31, 2020		**86,005**	**18,955**	**47,921**	**49,103**	**86,388**	**288,372**
Accumulated Depreciation and Impairment							
Balance at November 1, 2019		**55,713**	**6,386**	**29,462**	**36,057**	**-**	**127,618**
Depreciation		**5,485**	**566**	**3,883**	**2,907**	**12,305**	**25,146**
Disposals		**(2,013)**	**-**	**(90)**	**(1,291)**	**(347)**	**(3,741)**
Balance at October 31, 2020		**59,185**	**6,952**	**33,255**	**37,673**	**11,958**	**149,023**
Net Carrying Amount at October 31, 2020		**$ 26,820**	**$ 12,003**	**$ 14,666**	**$ 11,430**	**$ 74,430**	**$ 139,349**
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		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

10. 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 allocated to cash-generating units (CGU) for the purpose of impairment testing considering the business level at which goodwill is monitored for internal management purposes. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. On this basis, CWB's CGUs with goodwill allocated are:

- CWB Maxium Financial Inc. (MX);
- CWB National Leasing Inc. (NL); and,
- Wealth Management (WM) which includes CWB Wealth Management Ltd., CWB McLean & Partners Wealth Management Ltd. (M&P), and the wealth acquisition described in Note 3. In 2020, we reassessed our cash generating units following the wealth acquisition to reflect subsequent changes to our business operations. In 2019, WM and M&P were separate cash generating units.

		MX	NL	WM	Total
Balance at November 1, 2019		**$ 38,869**	**$ 35,776**	**$ 10,747**	**$ 85,392**
Acquisition	(Note 3)	**-**	**-**	**52,506**	**52,506**
Ownership change		**-**	**-**	**358**	**358**
Balance at October 31, 2020		**$ 38,869**	**$ 35,776**	**$ 63,611**	**$ 138,256**

	MX	NL	WM	Total
Balance at November 1, 2018	$ 38,869	$ 35,776	$ 10,523	$ 85,168
Ownership change	-	-	224	224
Balance at October 31, 2019	$ 38,869	$ 35,776	$ 10,747	$ 85,392

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. 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 Relationships	Trademarks and Tradenames	Non-competition Agreements	Other	Total
Cost							
Balance at November 1, 2019		**$ 217,595**	**$ 59,215**	**$ 6,587**	**$ 11,084**	**$ 5,150**	**$ 299,631**
Additions		**39,066**	**-**	**-**	**-**	**-**	**39,066**
Acquisition	(Note 3)	**523**	**30,500**	**2,100**	**-**	**-**	**33,123**
Ownership change		**-**	**34**	**39**	**-**	**-**	**73**
Disposals		**(76)**	**-**	**-**	**-**	**-**	**(76)**
Balance at October 31, 2020		**257,108**	**89,749**	**8,726**	**11,084**	**5,150**	**371,817**
Accumulated Amortization							
Balance at November 1, 2019		**75,452**	**34,402**	**-**	**11,059**	**4,970**	**125,883**
Amortization		**19,175**	**5,972**	**-**	**20**	**135**	**25,302**
Disposals		**(76)**	**-**	**-**	**-**	**-**	**(76)**
Balance at October 31, 2020		**94,551**	**40,374**	**-**	**11,079**	**5,105**	**151,109**
Net Carrying Amount at October 31, 2020		**$ 162,557**	**$ 49,375**	**$ 8,726**	**$ 5**	**$ 45**	**$ 220,708**
Cost							
Balance at November 1, 2018		$ 184,271	$ 59,211	$ 6,564	$ 11,084	$ 5,150	$ 266,280
Additions		34,073	-	-	-	-	34,073
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

Impairment

The carrying amounts of our 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, we test for impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate impairment.

Impairment testing is performed by comparing an asset's carrying amount with its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs will be determined and compared to the carrying amount of the CGU's net assets, including attributable goodwill. Goodwill is tested for impairment at the level of a CGU or a group of CGUs. 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 our CGUs 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 CGU, 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 CGU.

In the 2020 annual impairment tests, the recoverable amounts of our CGUs are based on their value in use with the exception of the WM CGU, which is based on fair value less costs of disposal. In 2019, the recoverable amounts of all CGUs were based on their value in use.

MX and NL CGUs

The recoverable amount of these CGUs was based on their value in use in the current and comparative period. We calculate value in use using a discounted cash flow method. Cash flows are projected based on forecasted results of the business for a five-year period including the capital required to support future cash flows. Key drivers of cash flows include net interest margins and average interest-earning assets. Beyond five years, cash flows are assumed to increase at a terminal growth rate of 3.9% (3.7% in 2019) based on management's expectations of real GDP growth and inflation rates. Forecasted cash flows are discounted at rates ranging from 11.3% to 11.8% (9.3% in 2019).

WM CGU

The recoverable amount of the WM CGU was based on fair value less cost to sell. We calculated fair value using a multiples-based approach, using the average of both Price-to-assets-under-management (P/AUM) and Price-to-revenue (P/Rev) multiples, to reflect the considerations of a prospective buyer. We applied a P/AUM multiple of 2.3% and a P/Rev multiple of 3.2x to revenue for the 12 months preceding the testing date normalized for the wealth acquisition described in Note 3. These multiples represent our best estimate from a range of reasonably possible inputs based on precedent transactions for comparable businesses.

The key assumptions described above may change as economic and market conditions change. We estimate 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 2020 or 2019.

11. 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 our asset liability management policies. It is our 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 our common share price. Bond forward contracts are used to manage interest rate risk related to our 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

We enter 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 us 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. Changes in fair value related to the effective portion of cash flow interest rate hedges recorded in other comprehensive income, net of income taxes, and changes in fair value interest rate hedges are recorded in net interest income. 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

Under IAS 39, when designated as accounting hedges by us, 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 our 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. We have 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 our common share price affects the payout of share-based payment plans (see Note 17) that have not yet vested. We have a policy to hedge a portion of the earnings volatility related to restricted share unit (RSU) and deferred share unit (DSU) grants through the use of equity swaps, where we make periodic interest payments to a counterparty and receive 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, 2020				As at October 31, 2019			
	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	**$ 4,458,000**	**$ 95,035**	**$ -**	**$ -**	$ 4,952,000	$ 42,855	$ 1,876,000	$ (13,104)
Bond forward contracts	**-**	**-**	**-**	**-**	-	-	20,000	(91)
Equity risk								
Equity swaps	**-**	**-**	**20,470**	**(1,500)**	13,084	3,049	6,184	(159)
Fair Value Hedges								
Interest rate risk								
Interest rate swaps	**70,109**	**68**	**265,716**	**(4,069)**	19,746	20	20,000	(58)
Not Designated as Accounting Hedges								
Foreign exchange contracts	**68,168**	**1,512**	**52,672**	**(619)**	106,575	1,005	164,338	(604)
Equity swaps	**-**	**-**	**6,184**	**(97)**	5,319	886	-	-
Total	**$ 4,596,277**	**$ 96,615**	**$ 345,042**	**$ (6,285)**	$ 5,096,724	$ 47,815	$ 2,086,522	$ (14,016)

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:

	2020	2019
Favourable derivative financial instruments (assets)	**$ 101,720**	$ 40,853
Unfavourable derivative financial instruments (liabilities)	**$ 13,313**	$ 22,174

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, 2020				As at October 31, 2019			
	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)	**$ 1,968,000**	**1.74%**	**$ 2,490,000**	**1.89%**	$ 2,100,000	1.92%	$ 4,728,000	2.01%
Bond forward contracts	**-**	**-**	**-**	**-**	20,000	-	-	-
Equity risk								
Equity swaps(2)	**10,020**	**1.26%**	**10,450**	**1.62%**	9,365	2.58%	9,903	2.62%
Fair Value Hedges								
Interest rate risk								
Interest rate swaps(3)	**-**	**-**	**335,825**	**0.86%**	-	-	39,746	1.72%
Not Designated as Accounting Hedges								
Foreign exchange contracts(4)	**120,840**	**-**	**-**	**-**	270,913	-	-	-
Equity swaps(5)	**6,184**	**1.53%**	**-**	**-**	5,319	2.47%	-	-
Total	**$ 2,105,044**		**$ 2,836,275**		$ 2,405,597		$ 4,777,649	

(1) We receive interest at a fixed contractual rate and pay interest on the one-month (30-day) Canadian Bankers' Acceptance rate. Interest rate swaps designated as accounting cash flow hedges outstanding at October 31, 2020 mature between November 2020 and January 2025.

(2) Equity swaps designated as accounting hedges outstanding at October 31, 2020 mature between June 2021 and June 2023.

(3) Interest rate swaps designated as accounting fair value hedges outstanding at October 31, 2020 mature between June 2022 and December 2024.

(4) Foreign exchange contracts outstanding at October 31, 2020 mature between November 2020 and February 2021. The contractual interest rate is not meaningful for foreign exchange contracts.

(5) Equity swaps not designated as accounting hedges outstanding at October 31, 2020 mature in June 2021.

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

	As at October 31, 2020		
	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 assets	**Loans**	**$ 65,284**	**$ 98,790**
Forecasted NHA MBS issuances	**n/a**	**-**	**(2,479)**
Equity risk			
Restricted share units	**Other liabilities**	**(4,390)**	**(305)**

	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 assets	Loans	$ 94,881	$ 21,991
Forecasted NHA MBS issuances	n/a	(146)	(224)
Equity risk			
Restricted share units	Other liabilities	2,024	1,091

n/a - not applicable

	As at October 31, 2020					
	Carrying Amount of Hedged Item		**Accumulated Amount of Fair Value Adjustments on the Hedged Item**			
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Consolidated Balance Sheets Line Item**	**Changes in Fair Value Used for Calculating Hedge Ineffectiveness**
Fair Value Hedges						
Interest rate risk						
Fixed rate assets	**$ 348,090**	**$ -**	**$ 4,255**	**$ -**	**Securities, Loans**	**$ (3,963)**

	As at October 31, 2019					
	Carrying Amount of Hedged Item		Accumulated Amount of Fair Value Adjustments on the Hedged Item			
	Assets	Liabilities	Assets	Liabilities	Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness
Fair Value Hedges						
Interest rate risk						
Fixed rate assets	$ 40,393	$ -	$ (13)	$ -	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:

	2020			
	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]	**$ 65,284**	**$ -**	**$ 111,476**	**$ (34,677)**
Bond forward contracts[1]	**-**	**-**	**(2,638)**	**383**
Equity risk				
Equity swaps[2]	**(4,390)**	**-**	**(3,835)**	**2,439**
Fair Value Hedges				
Interest rate risk				
Interest rate swaps	**(3,963)**	**-**	**-**	**-**

	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 net interest income
(2) Amounts reclassified from OCI into non-interest expenses

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	**2020**	2019
Balance at beginning of year	**$ 22,858**	$ (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	**108,838**	69,439
Amounts reclassified to net income	**(34,294)**	144
Equity risk - Equity swaps		
Effective portion of changes in fair value	**(3,835)**	1,922
Amounts reclassified to net income	**2,439**	(527)
Balance at End of Year	**$ 96,006**	$ 22,858

At October 31, 2020, hedged cash flows are expected to occur and affect profit or loss within the next five years.

12. OTHER ASSETS

		As at October 31 2020	As at October 31 2019
Accrued interest receivable		**$ 71,810**	$ 79,709
Accounts receivable		**67,876**	63,150
Deferred tax assets	(Note 21)	**49,578**	37,868
Prepaid expenses		**12,359**	10,396
Income tax receivable		**12,229**	2,092
Financing costs[1]		**8,455**	6,986
Derivative collateral receivable	(Note 27)	**-**	4,070
Other		**29,216**	8,535
Total		**$ 251,523**	$ 212,806

(1) Amortization for the year amounted to $3,103 (2019 – $3,016).

13. DEPOSITS

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

	As at October 31, 2020		
	Individuals	**Business and Government**	**Total**
Payable on demand	**$ 35,520**	**$ 949,514**	**$ 985,034**
Payable after notice	**6,128,753**	**4,399,327**	**10,528,080**
Payable on a fixed date	**9,497,047**	**6,300,193**	**15,797,240**
Total	**$ 15,661,320**	**$ 11,649,034**	**$ 27,310,354**

	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

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

	As at October 31 2020	As at October 31 2019
Within 1 year	**$ 8,068,489**	$ 6,694,117
1 to 2 years	**3,366,283**	5,013,286
2 to 3 years	**2,583,480**	2,242,094
3 to 4 years	**1,071,237**	1,793,324
4 to 5 years	**707,751**	985,023
Total	**$ 15,797,240**	$ 16,727,844

14. OTHER LIABILITIES

			As at October 31 2020		As at October 31 2019
Accounts payable and accrued liabilities		$	**352,398**	$	333,123
Accrued interest payable			**175,191**		208,548
Lease liabilities	(Note 1)		**94,956**		n/a
Derivative collateral payable	(Note 27)		**86,590**		19,370
Deferred tax liabilities	(Note 21)		**9,956**		4,716
Income taxes payable			**9,825**		60,501
Allowance for committed but undrawn credit exposures and letters of credit	(Note 7)		**5,087**		4,191
Deferred revenue			**3,683**		4,357
Other			**9,293**		11,580
Total		$	**746,979**	$	646,386

n/a - not applicable

15. 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 2020		As at October 31 2019
Securitized leases and loans	$	**505,639**	$	**775,787**	$	**247,236**	$	**1,528,662**	$	1,469,509
Securitized residential mortgages		**54,421**		**254,082**		**214,515**		**523,018**		444,290
Total	$	**560,060**	$	**1,029,869**	$	**461,751**	$	**2,051,680**	$	1,913,799

B) NON-VIABILITY CONTINGENT CAPITAL (NVCC) 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[1]	Maturity Date	Reset Spread[1]	Earliest Date Redeemable by CWB at Par		**Par Value[2]**
Series F NVCC subordinated debentures	3.668%	June 11, 2029	199 bp	June 11, 2024	$	**250,000**
Series G NVCC subordinated debentures	4.840%	June 29, 2030	410.2 bp	June 29, 2025		**125,000**

(1) The interest rate will be paid until the earliest date redeemable, after which the interest rate will reset quarterly at the reset spread basis points over the then three-month Bankers' Acceptance rate
(2) The balance reported on the consolidated balance sheet as at October 31, 2020 includes unamortized financing costs related to the issuance of subordinated debentures of $2,357 (2019 - $1,506).
bp – basis points

On June 29, 2020, we issued $125,000 of NVCC subordinated debentures with a fixed annual interest rate of 4.840% until June 29, 2025. Thereafter, the rate will be set quarterly at the three-month Bankers' Acceptance Rate plus 410.2 basis points until maturity on June 29, 2030. The debentures are redeemable by us on or after June 29, 2025.

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 November 18, 2019, we redeemed for cash all $250,000 outstanding 3.463% subordinated debentures without NVCC features. The debentures were redeemed for an aggregate amount of $253,900, representing the principal amount plus accrued interest and an early redemption premium, as the debentures were redeemed prior to the earliest date of redemption at par on December 17, 2019.

16. 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:

	2020		2019	
	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	**5,000,000**	**125,000**	-	-
Issued	**-**	**-**	5,000,000	125,000
Outstanding at end of year – Series 9	**5,000,000**	**125,000**	5,000,000	125,000
Outstanding at end of year	**15,600,000**	**390,000**	15,600,000	390,000
Limited Recourse Capital Notes - Series 1(1)				
Outstanding at beginning of year	**-**	**-**	-	-
Issued	**175,000**	**175,000**	-	-
Outstanding at end of year	**175,000**	**175,000**	-	-
Common Shares				
Outstanding at beginning of year	**87,249,711**	**731,970**	88,952,099	744,701
Purchased for cancellation	**(179,176)**	**(1,503)**	(1,829,944)	(15,326)
Issued on exercise or exchange of options(2)	**29,296**	**379**	77,667	1,245
Issued under dividend reinvestment plan	**-**	**-**	49,889	1,350
Outstanding at end of year	**87,099,831**	**730,846**	87,249,711	731,970
Share Capital		**$ 1,295,846**		$ 1,121,970

(1) In connection with the issuance of LRCN Series 1, on October 30, 2020, we issued $175 million of First Preferred Shares Series 11 at a price of $1,000 per Series 11 Preferred Share. The Series 11 Preferred Shares were issued to a Limited Recourse Trust to be held as trust assets in connection with the LRCN structure. The Series 11 Preferred Shares and corresponding Trust investment are eliminated on consolidation.
(2) Represents shares issued and amounts transferred from the share-based payment reserve to share capital upon cashless settlement of options exercised.

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

A) COMMON SHARES

On September 26, 2019, we announced a normal course issuer bid (NCIB) to repurchase for cancellation up to 1,740,000 common shares, representing approximately 2% of the issued and outstanding common shares, for a 12-month period expiring September 30, 2020. The previous 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 a 12-month period that expired on September 30, 2019.

During the year, prior to the OSFI-mandated suspension of share buyback programs announced on March 13, 2020, we repurchased and cancelled 179,176 (2019 – 1,829,944) common shares under our NCIBs at an average price of $28.70 (2019 – $27.08). The total cost of these purchases, including related transaction costs, was $5,145 (2019 – $49,592).

B) PREFERRED SHARES

NVCC Preferred Share Rights and Privileges

		Redemption Amount		Quarterly Non-cumulative Dividend[1]	Reset Spread[2]	Annual Yield[3]	Date Redeemable/ Convertible[4]	Convertible to[2][5]
Preferred Shares - Series 5	$	25.00	$	0.2688125	276 bp	4.30%	April 30, 2024	Preferred Shares - Series 6
Preferred Shares - Series 7	$	25.00	$	0.390625	547	6.25%	July 31, 2021	Preferred Shares - Series 8
Preferred Shares - Series 9	$	25.00	$	0.375	504	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 will reset on the date redeemable and every five years thereafter at a level of the reset spread basis points over the then five-year Government of Canada Bond Yield.
(3) Based on the stated issue price per share of $25.00.
(4) Redeemable by CWB, subject to the approval of OSFI, on the date noted and every five years thereafter. 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.
(5) 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.
bp – basis points

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). If a trigger event were to occur, based on a floor price of $5.00, the preferred shares would be converted into approximately 78 million CWB common shares, assuming no accrued interest and no declared and unpaid dividends.

C) LIMITED RECOURSE CAPITAL NOTES (LRCN)

		Redemption Amount	Interest Rate	Maturity Date	Reset Spread[1]	Earliest Date Redeemable
LRCN - Series 1	$	1,000	6.00%	April 30, 2081	562.1 bp	April 30, 2026

(1) The interest rate will reset on the date redeemable and every five years thereafter at a level of the reset spread basis points over the then five-year Government of Canada Bond Yield.
bp – basis points

On October 30, 2020, we issued $175 million of Limited Recourse Capital Notes Series 1 (LRCN Series 1) which bear interest paid semi-annually.

In the event of (i) non-payment of interest on any interest payment date, (ii) non-payment of the redemption price in case of a redemption of LRCN Series 1, (iii) non-payment of principal at the maturity of LRCN Series 1, or (iv) an event of default on the notes, noteholders will have recourse limited to receipt of a proportionate amount of Series 11 preferred shares, and the delivery of the Series 11 preferred shares will represent the full and complete extinguishment of our obligations under LRCN Series 1. The Series 11 preferred shares are held by a third party trustee in a consolidated trust, CWB LRT (Limited Recourse Trust).

LRCN Series 1 are redeemable on or prior to maturity on each five-year anniversary, subject to the approval of OSFI and the Series 11 Preferred Shares would be redeemed at the same time. The terms of Series 11 Preferred Shares and LRCN Series 1 include NVCC provisions necessary for them to qualify as Tier 1 regulatory capital under Basel III. Upon the occurrence of a trigger event (as defined by OSFI), LRCN Series 1 will be automatically redeemed by the delivery of common shares after an automatic conversion of Series 11 Preferred Shares. Conversion to common shares will be determined by dividing the share value of Series 11 preferred shares (including declared and unpaid dividends) by the common share value (the greater of: (i) a floor price of $5.00 and (ii) the current market price of our common shares based on the volume weighted average trading price for the ten consecutive trading days ending on the day immediately prior to the date of conversion). If a trigger event were to occur, based on a floor price of $5.00, the LRCN would be converted into approximately 35 million CWB common shares, assuming no accrued interest and no declared and unpaid dividends.

LRCN Series 1 are compound instruments with both equity and liability features as payments of interest and principal in cash are made at our discretion. Semi-annual distributions on the LRCN Series 1 will be recorded when payable. Non-payment of interest and principal in cash does not constitute an event of default and will trigger a delivery of Series 11 preferred shares. The liability component of the notes has a nominal value and, as a result, the full proceeds received have been presented as equity.

D) DIVIDENDS

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

		2020		2019
$1.15 per common share (2019 – $1.08)	**$**	**100,211**	$	94,573
$1.08 per preferred share - Series 5 (2019 – $1.09)		**5,376**		5,438
$1.56 per preferred share - Series 7 (2019 – $1.56)		**8,750**		8,750
$1.50 per preferred share - Series 9 (2019 – $1.13)		**7,500**		5,666
Total	**$**	**121,837**	$	114,427

Subsequent to October 31, 2020, the Board of Directors of CWB declared a dividend of $0.29 per common share payable on January 7, 2021 to shareholders of record on December 17, 2020, 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, 2021 to shareholders of record on January 22, 2021. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheets at October 31, 2020.

E) DIVIDEND REINVESTMENT PLAN

Under the dividend reinvestment plan (the plan), we provide holders of our common shares and holders of any other class of shares deemed eligible by our 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 all common and preferred shares are eligible to participate in the plan. The plan is open to shareholders residing in Canada.

At our option, the common shares may be issued from our 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 0% to 5% or through the open market at market prices. During the year, no common shares were issued under the plan from our treasury (2019 – 49,889 with no discount), with requirements of the plan satisfied through purchases of common shares in the open market.

17. 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.

We have authorized 6,291,765 common shares (2019 – 6,321,061) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 1,788,818 shares (2019 – 1,676,604) 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. Outstanding options expire from March 2023 to March 2026, each with an expiry date that is within seven years of the grant date.

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

	2020		2019	
Options	**Number of Options**	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	**1,676,604**	**$ 28.41**	2,833,461	$ 31.90
Granted	**407,807**	**31.93**	380,728	29.43
Exercised or exchanged	**(125,207)**	**25.80**	(407,134)	25.66
Expired	**(94,774)**	**25.93**	(1,105,653)	38.58
Forfeited	**(75,612)**	**31.50**	(24,798)	31.50
Balance at End of Year	**1,788,818**	**$ 29.39**	1,676,604	$ 28.41
Exercisable at End of Year	**812,180**	**$ 26.45**	718,481	$ 24.36

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	498,500	2.4	$ 23.70	498,500	$ 23.70
$29.43 to $29.99	658,602	4.4	30.10	313,680	30.84
$30.85 to $35.15	631,716	5.5	33.15	-	-
Total	1,788,818	4.2	$ 29.39	812,180	$ 26.45

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 2020, option holders exchanged the rights to 125,207 (2019 – 407,134) options and received 29,296 (2019 – 77,667) shares in return by way of cashless settlement.

Salary expense of $1,819 (2019 – $1,617) 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% (2019 – 1.6%), (ii) expected option life of 5.0 (2019 – 5.0) years, (iii) expected annual volatility of 28% (2019 – 29%), and (iv) expected annual dividends of 3.7% (2019 – 3.7%). 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 $5.01 (2019 – $4.93) per share.

During the year, $379 (2019 – $1,245) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 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 our 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 $9,782 (2019 – $9,683) was recognized related to RSUs. As at October 31, 2020, the liability for the RSUs held under this plan was $8,992 (October 31, 2019 – $10,966). At the end of each period, the liability is adjusted to reflect changes in the fair value of the RSUs.

Number of RSUs	**2020**	2019
Balance at beginning of year	**675,196**	626,814
Granted	**456,787**	410,225
Vested and paid out	**(323,063)**	(337,425)
Forfeited	**(43,884)**	(24,418)
Balance at End of Year	**765,036**	675,196

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 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 our common shares.

During the year, salary expense of $945 (2019 – $1,643) was recognized related to PSUs. As at October 31, 2020, the liability for the PSUs held under this plan was $2,898 (October 31, 2019 – $4,416). 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	**2020**	2019
Balance at beginning of year	**185,370**	194,233
Granted	**77,563**	78,789
Vested and paid out	**(57,734)**	(87,652)
Forfeited	**(4,518)**	-
Balance at End of Year	**200,681**	185,370

D) DEFERRED SHARE UNITS

Under the DSU plan, non-employee directors receive a portion of their retainer in DSUs. Each DSU represents a unit with an underlying value equivalent to the value of one common share. 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 $1,330 (2019 – $1,180) related to the DSUs. As at October 31, 2020, the liability for DSUs held under this plan was $6,330 (October 31, 2019 – $6,575). 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	**2020**	2019
Balance at beginning of year	**197,211**	171,069
Granted	**61,175**	41,002
Paid out	**-**	(14,860)
Balance at End of Year	**258,386**	197,211

18. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

	As at October 31 2020	As at October 31 2019
CWB McLean & Partners Wealth Management Ltd.	**$ 862**	$ 781
CWB Wealth Management Ltd.[1]	**-**	1,091
Total	**$ 862**	$ 1,872

(1) During the year ended October 31, 2020, we acquired all shares of the non-controlling interests in CWB Wealth Management Ltd.

19. CONTINGENT LIABILITIES AND COMMITMENTS

A) CREDIT INSTRUMENTS

In the normal course of business, we enter 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 2020	As at October 31 2019
Credit Instruments		
Commitments to extend credit	$ **5,721,782**	$ 5,173,866
Guarantees and standby letters of credit	**449,041**	505,272
Total	$ **6,170,823**	$ 5,679,138

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 $2,673,468 (October 31, 2019 – $2,568,449) and authorized but unfunded loan commitments of $3,048,313 (October 31, 2019 – $2,605,417). 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 our 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) PURCHASE OBLIGATIONS

We have 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:

2021	$ **10,034**
2022	**5,714**
2023	**2,071**
2024	**957**
Total	$ **18,776**

C) GUARANTEES

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

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

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

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

D) LEGAL AND REGULATORY PROCEEDINGS

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

20. EMPLOYEE FUTURE BENEFITS

All employee future benefits related to our group retirement savings and employee share purchase plans are recognized in the periods during which services are rendered by employees. Our contributions to the group retirement savings plan and employee share purchase plan totaled $18,138 (2019 – $16,654).

21. INCOME TAXES

We follow 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:

		2020	2019
Consolidated statements of income			
Current	**$**	**107,259**	$ 105,140
Deferred		**(10,227)**	(2,475)
		97,032	102,665
Other comprehensive income			
Tax expense (recovery) related to:			
Items that will be subsequently reclassified to net income		**2,620**	12,016
Items that will not be subsequently reclassified to net income		**171**	(4,982)
Derivatives designated as cash flow hedges		**23,434**	25,867
		26,225	32,901
Total	**$**	**123,257**	$ 135,566

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% scheduled on each of January 1, 2020, 2021 and 2022. In 2020, the Alberta government accelerated the rate reduction by reducing the provincial tax rate to 8%, effective July 1, 2020.

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:

	2020		2019	
Combined Canadian federal and provincial income taxes and statutory tax rate	**$ 94,422**	**25.6 %**	$ 104,433	26.7 %
Increase (decrease) arising from:				
Change in tax rate	**1,364**	**0.4**	(1,530)	(0.4)
Tax-exempt income	**(34)**	**-**	(634)	(0.1)
Stock-based compensation	**452**	**0.1**	428	0.1
Other	**828**	**0.2**	(32)	-
Provision for Income Taxes and Effective Tax Rate	**$ 97,032**	**26.3 %**	$ 102,665	26.3 %

Deferred tax balances are comprised of the following:

		2020	2019
Deferred Tax Assets			
Leasing income	**$**	**25,546**	$ 21,869
Allowance for credit losses		**20,246**	13,527
Deferred loan fees		**11,994**	10,573
Deferred deposit broker commission		**(4,337)**	(6,367)
Other temporary differences		**(3,871)**	(1,734)
	$	**49,578**	$ 37,868
Deferred Tax Liabilities			
Intangible assets	**$**	**9,689**	$ 3,324
Other temporary differences		**267**	1,392
	$	**9,956**	$ 4,716

22. 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 our common shares at the average market price during the period.

The calculation of earnings per common share follows:

		2020		2019
Numerator				
Common shareholders' net income	**$**	**248,956**	$	266,940
Denominator				
Weighted average number of common shares outstanding - basic		**87,158,714**		87,512,616
Dilutive instruments:				
Stock options[(1)]		**33,469**		225,988
Weighted Average Number of Common Shares Outstanding - Diluted	**$**	**87,192,183**	$	87,738,604
Earnings Per Common Share				
Basic	**$**	**2.86**	$	3.05
Diluted		**2.86**		3.04

(1) At October 31, 2020, the denominator excludes 1,290,318 (2019 – 958,123) employee stock options with an average exercise price of $32.78 (2019 – $33.22), adjusted for unrecognized stock-based compensation, that is greater than the average market price.

23. RELATED PARTY TRANSACTIONS

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

Preferred Rates and Terms

We make loans, primarily residential mortgages, to our officers and employees at various preferred rates and terms. The total amount outstanding for these types of loans is $197,559 (October 31, 2019 – $184,130). We offer deposits, primarily fixed term deposits, to our officers and employees and their immediate family at preferred rates.

The total amount outstanding for these deposits is $327,323 (October 31, 2019 – $323,308).

Key Management Personnel

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

Compensation of key management personnel follows:

		2020		2019
Salaries, benefits and directors' compensation	**$**	**5,029**	$	5,168
Share-based payments (stock options, RSUs, PSUs and DSUs)[(1)]		**3,895**		3,449
Total	**$**	**8,924**	$	8,617

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

Loans outstanding with key management personnel totaled $121 as at October 31, 2020 (October 31, 2019 – $259). No loans were outstanding with our independent directors as at October 31, 2020 and 2019.

24. INTEREST RATE SENSITIVITY

We are 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 our risk appetite. 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, 2020	Floating Rate and Within 1 Month	1 Month 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	$ **745**	$ **312**	$ **771**	$ **1,828**	$ **1,190**	$ **57**	$ **8**	$ **3,083**
Loans[1]	**13,889**	**1,270**	**4,255**	**19,414**	**10,468**	**284**	**(158)**	**30,008**
Other assets[2]	**-**	**-**	**-**	**-**	**-**	**-**	**846**	**846**
Derivatives[3]	**331**	**510**	**1,479**	**2,320**	**2,500**	**-**	**121**	**4,941**
Total	**14,965**	**2,092**	**6,505**	**23,562**	**14,158**	**341**	**817**	**38,878**
Liabilities and Equity								
Deposits[1]	**11,129**	**1,682**	**5,598**	**18,409**	**8,919**	**1**	**(19)**	**27,310**
Securities sold under repurchase agreements	**65**	**-**	**-**	**65**	**-**	**-**	**-**	**65**
Other liabilities[2]	**-**	**-**	**-**	**-**	**-**	**-**	**806**	**806**
Debt	**67**	**116**	**440**	**623**	**1,801**	**-**	**-**	**2,424**
Equity	**-**	**-**	**140**	**140**	**425**	**-**	**2,767**	**3,332**
Derivatives[3]	**4,457**	**(83)**	**-**	**4,374**	**265**	**181**	**121**	**4,941**
Total	**15,718**	**1,715**	**6,178**	**23,611**	**11,410**	**182**	**3,675**	**38,878**
Interest Rate Sensitive Gap	**$ (753)**	**$ 377**	**$ 327**	**$ (49)**	**$ 2,748**	**$ 159**	**$ (2,858)**	**$ -**
Cumulative Gap	**$ (753)**	**$ (376)**	**$ (49)**	**$ (49)**	**$ 2,699**	**$ 2,858**	**$ -**	**$ -**
Cumulative Gap as a Percentage of Total Assets	**(1.9)%**	**(1.0)%**	**(0.1)%**	**(0.1)%**	**6.9%**	**7.4%**	**-**	**-**
October 31, 2019								
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%	-	-

(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, 2020	Floating Rate and Within 1 Month	1 Month to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total assets	**3.1%**	**2.9%**	**3.5%**	**3.2%**	**3.7%**	**4.1%**	**3.4%**
Total liabilities	**0.8**	**1.9**	**2.2**	**1.2**	**2.3**	**1.0**	**1.5**
Interest Rate Sensitive Gap	**2.3%**	**1.0%**	**1.3%**	**2.0%**	**1.4%**	**3.1%**	**1.9%**
October 31, 2019							
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%

Based on the current interest rate gap position, it is estimated that a one-percentage point increase or decrease in all interest rates would impact net interest income by less than 2%. A one-percentage point increase in interest rates would decrease other comprehensive income by $72,721 (October 31, 2019 – $107,812) net of tax and a one-percentage point decrease in interest rates would increase other comprehensive income by $74,999 (October 31, 2019 – $111,563), net of tax.

25. INTEREST INCOME

The composition of our interest income follows:

	2020	2019
Loans measured at amortized cost[(1)]	$ 1,336,002	$ 1,379,730
Securities		
Debt securities measured at FVOCI[(1)]	28,615	26,841
Equity securities designated at FVOCI	158	2,354
Securities purchased under resale agreements measured at amortized cost[(1)]	273	1,501
Deposits with regulated financial institutions measured at FVOCI[(1)]	3,866	8,274
Total	$ 1,368,914	$ 1,418,700

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

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

A) FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

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

Several of our 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 our 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 our intention is to realize their value over time by holding them to maturity.

The following table 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.

		October 31, 2020					
		Derivatives	**Amortized Cost**	**FVOCI**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
Financial Assets							
Cash resources	(Note 4)	$ -	$ 113,868	$ 254,451	$ 368,319	$ 368,319	$ -
Securities[2]	(Note 5)	-	-	2,664,618	2,664,618	2,664,618	-
Securities purchased under resale agreements		-	50,084	-	50,084	50,084	-
Loans[3]		-	30,158,951	-	30,158,951	30,541,660	382,709
Derivatives		96,615	-	-	96,615	96,615	-
Total Financial Assets		$ 96,615	$ 30,322,903	$ 2,919,069	$ 33,338,587	$ 33,721,296	$ 382,709
Financial Liabilities							
Deposits[3]		$ -	$ 27,328,985	$ -	$ 27,328,985	$ 27,738,072	$ 409,087
Securities sold under repurchase agreements		-	65,198	-	65,198	65,198	-
Debt		-	2,424,323	-	2,424,323	2,483,015	58,692
Derivatives		6,285	-	-	6,285	6,285	-
Total Financial Liabilities		$ 6,285	$ 29,818,506	$ -	$ 29,824,791	$ 30,292,570	$ 467,779

		October 31, 2019					
		Derivatives	Amortized Cost	FVOCI	Total Carrying Amount	Fair Value	Fair Value Over(Under) Carrying Amount
Financial Assets							
Cash resources	(Note 4)	$ -	$ 121,986	$ 293,856	$ 415,842	$ 415,842	$ -
Securities[2]	(Note 5)	-	-	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

(1) For further information on interest rates associated with financial assets and liabilities, including derivative instruments, refer to Note 24.

(2) Securities are comprised of $2,662,626 (2019 - $2,001,043) measured at FVOCI and $1,992 (2019 - $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 4 and 5. 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 derivative financial instruments and contingent consideration, financial instruments included within other assets and other liabilities reported on the consolidated balance sheets carrying values that closely approximate fair value.
- 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.
- The estimated fair values of deposits are determined by discounting the contractual cash flows at current market rates for deposits of similar terms.

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

Fair values are based on our 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

We categorize our 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 we 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, 2020	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash resources	**$ 368,319**	**$ 134,385**	**$ 233,934**	**$ -**
Securities	**2,664,618**	**561,868**	**2,102,750**	**-**
Securities purchased under resale agreements	**50,084**	**-**	**50,084**	**-**
Loans	**30,541,660**	**-**	**-**	**30,541,660**
Derivatives	**96,615**	**-**	**96,615**	**-**
Total Financial Assets	**$ 33,721,296**	**$ 696,253**	**$ 2,483,383**	**$ 30,541,660**
Financial Liabilities				
Deposits	**$ 27,738,072**	**$ -**	**$ 27,738,072**	**$ -**
Securities sold under repurchase agreements	**65,198**	**-**	**65,198**	**-**
Debt	**2,483,015**	**-**	**2,483,015**	**-**
Derivatives	**6,285**	**-**	**6,285**	**-**
Total Financial Liabilities	**$ 30,292,570**	**$ -**	**$ 30,292,570**	**$ -**

		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	$ -

B) LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Level 3 financial liabilities settled in the year ended October 31, 2019 related to the 2016 acquisition of CWB Maxium Financial Inc. and the 2018 divestiture by Canadian Western Trust, a wholly-owned subsidiary of CWB, of self-directed account services to clients holding certain securities. Fair value changes prior to the settlement of the liability were 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:

	2020	2019
Acquisitions		
Balance at beginning of year	**$ -**	$ 29,514
Acquisition-related fair value changes	**-**	7,854
Contingent consideration instalment payments	**-**	(37,358)
	-	-
Divestitures		
Balance at beginning of year	**-**	300
Divestiture-related fair value changes	**-**	(300)
	-	-
Balance at End of Year	**$ -**	$ -

27. FINANCIAL INSTRUMENTS - OFFSETTING

The following table provides a summary of financial assets and liabilities which are subject to enforceable master netting agreements and similar arrangements, as well as financial collateral received 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.

		Amounts not Offset on the Consolidated Balance Sheet			
As at October 31, 2020	**Gross Amounts Reported on the Consolidated Balance Sheet**	**Impact of Master Netting Agreements**	**Cash Collateral [1]**	**Securities Received as Collateral [1][2]**	**Net Amount**
Financial Assets					
Derivatives	**$ 96,615**	**$ 6,285**	**$ 55,539**	**$ 34,791**	**$ -**
Financial Liabilities					
Derivatives	**$ 6,285**	**$ 6,285**	**$ -**	**$ -**	**$ -**

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

(1) Financial collateral is reflected at fair value. The amount of financial instruments and cash collateral disclosed is limited to the net balance sheet exposure, and any over-collateralization is excluded from the table.

(2) Collateral received in the form of securities is not recognized on the consolidated balance sheets.

28. RISK MANAGEMENT

As part of our 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.

29. CAPITAL MANAGEMENT

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

We have a share incentive plan that is provided to officers and employees who are in a position to impact our longer-term financial success as measured by share price appreciation and dividend yield. Note 17 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 our 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.

Our 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.

Regulatory Response to COVID-19

Beginning in March 2020, OSFI introduced new measures to support the economy and maintain financial system resiliency in the face of the COVID-19 pandemic.

OSFI introduced transitional arrangements related to the capital treatment of performing loan allowances, resulting in a portion of allowances that would otherwise be included in Tier 2 capital to be included in CET1 capital. Subject to a scaling factor, the after-tax increase in performing loan allowances between the most recent period end and January 31, 2020 will be included in CET1 capital. The scaling factor is set at 70% for fiscal 2020, 50% for fiscal 2021 and 25% for fiscal 2022. The implementation of the performing loan allowance transitional arrangement, which has no impact on the total capital ratio, resulted in a $21 million increase to CET1 and Tier 1 capital and an approximate 10 basis point increase in the CET1 and Tier 1 ratios at October 31, 2020.

OSFI provided additional guidance related to the leverage ratio, allowing sovereign-issued securities that qualify as High Quality Liquid assets (HQLA) under the Liquidity Adequacy Requirements guideline to be temporarily excluded from the leverage ratio exposure measure until December 31, 2021. This change increased our leverage ratio by approximately 10 basis points at October 31, 2020.

Significant Changes

We adopted IFRS 16 on November 1, 2019 and, on transition recorded a reduction to shareholders' equity of $13,035 and an increase in risk-weighted assets of $79,874. This resulted in a decrease in all of our capital adequacy ratios of approximately 10 basis points. For further details refer to Note 1.

On November 18, 2019, we redeemed all $250,000 of outstanding non-NVCC subordinated debentures for an aggregate amount of $253,900. This resulted in a decrease in the Total capital ratio of approximately 80 basis points.

On June 1, 2020, the wealth acquisition described in Note 3 resulted in a reduction of all capital adequacy ratios by approximately 30 basis points.

On June 29, 2020, we issued $125,000 of NVCC subordinated debentures due June 29, 2030. This issuance resulted in an increase in the Total capital ratio of approximately 50 basis points.

On October 30, 2020, we issued $175,000 of Limited Recourse Capital Notes Series 1 due April 30, 2081. This issuance resulted in an increase to the Tier 1 and Total capital ratios of approximately 70 basis points. For further details, refer to Note 16.

During 2020, we submitted our final application to OSFI to receive regulatory approval for transition from the *Standardized* approach to the *Advanced Internal Ratings Based* (AIRB) approach for capital and risk management. Until OSFI approval for transition to AIRB is received, we will continue to apply the *Standardized* approach for capital management and reporting.

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

Capital Structure and Regulatory Capital Ratios

	2020	2019
Regulatory Capital, Net of Deductions		
Common equity Tier 1	**$ 2,371,753**	$ 2,302,551
Tier 1	**2,936,845**	2,692,714
Total	**3,418,997**	3,232,807
Capital Ratios		
Common equity Tier 1	**8.8%**	9.1%
Tier 1	**10.9**	10.7
Total	**12.6**	12.8
Leverage Ratio	**8.5**	8.3

30. SUBSIDIARIES

As at October 31, 2020, we, either directly or indirectly through our subsidiaries, control 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 CWB[5]
CWB National Leasing Inc.	1525 Buffalo Place Winnipeg, Manitoba	$ 134,458
CWB Private Investment Counsel Ltd.[2]	26 Wellington Street East, 8th Floor Toronto, Ontario	86,816
CWB Wealth Management Ltd.[2][3]	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	31,844
CWB McLean & Partners Wealth Management Ltd.[4]	801 10th Ave SW Calgary, Alberta	
Canadian Western Financial Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
CWB Maxium Financial Inc.	30 Vogell Road, Suite 1 Richmond Hill, Ontario	30,812
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, we, either directly or through our subsidiaries, own 100% of the voting shares of each entity.
(2) CWB Private Investment Counsel Ltd, comprised of the wealth management business acquisition described in Note 3, was amalgamated with CWB Wealth Management Ltd. on November 1, 2020. The amalgamated subsidiary continues under the name of CWB Wealth Management Ltd.
(3) We own 100% of the voting shares of CWB Wealth Management Ltd. (October 31, 2019 – 93.91%).
(4) CWB Wealth Management Ltd. owns 74.67% of the voting shares of CWB Mclean & Partners Wealth Management Ltd. (October 31, 2019 – 73.70%).
(5) The carrying value of voting shares is stated at the cost of our equity in the subsidiaries in thousands of dollars.

31. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

Shareholder Information

CWB Financial Group Corporate Headquarters

Suite 3000, 10303 Jasper Avenue NW
Canadian Western Bank Place
Edmonton, AB T5J 3X6
Telephone: 780.423.8888
Fax: 780.423.8897

cwb.com

2021 Annual Meeting

The annual and special meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, AB, on April 1, 2021 at 1:00 p.m. MT (3:00 p.m. ET).

Transfer Agent and Registrar

Computershare Trust Company of Canada
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

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.

Shareholdings and Dividends Contact

Information regarding your shareholdings and dividends, including changes to share registrations or addresses, lost share certificates, tax forms or estate transfers, and may be obtained by contacting the transfer agent.

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.

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.

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.

Investor Relations Contact

For financial information inquiries, please contact:

Investor Relations
CWB Financial Group
Suite 3000, 10303 Jasper Avenue NW
Canadian Western Bank Place
Edmonton, AB T5J 3X6
Telephone: 800.836.1886
investorrelations@cwbank.com

This 2020 Annual Report, along with our Annual Information Form, Notice of Annual Meeting of Shareholders and Management 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 Team.

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

Further information regarding the Bank's listed securities is available on our website www.cwb.com/investor-relations.

Resolving concerns

We are proud of our reputation and encourage you to tell us if you think we have been unsuccessful in dealing with you properly and fairly in any aspect of our business. Please see our website for steps to resolve your complaint. www.cwb.com/about-us/resolving-your-concerns

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

Please contact either:

Carolyn 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 Manning
Chair of the Audit Committee
c/o 210 – 5324 Calgary Trail
Edmonton, AB T6H 4J8
Telephone: 780.438.2626
Fax: 780.438.2632
robert.manning@cwb.com

SENIOR OFFICERS

Executive Officers

Chris Fowler
President and Chief Executive Officer

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

Kelly 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

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

Senior Corporate Officers

Vlad Ahmad
Senior Vice President, Operations and Business Transformation

Niall Boles
Senior Vice President and Treasurer

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

Supriya James
Senior Vice President, Human Resources

Azfar Karimuddin
Senior Vice President, Information Services

Kelly Martin
Senior Vice President and Chief Internal Auditor

Matt Rudd, CPA, CA
Senior Vice President, Finance and Investor Relations

David Thomson
Senior Vice President, Credit Risk Management

Commercial and Retail Banking

Jeff Bowling
Senior Vice President, Real Estate

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

Mario Furlan
Senior Vice President, Real Estate, BC Region

John Steeves
Senior Vice President and Regional General Manager, Prairies Region

Jeff Wright
Senior Vice President, Equipment, Digital & Client Solutions

CWB National Leasing

Michael Dubowec
President and Chief Executive Officer

CWB Optimum Mortgage

Rejean Roberge
Vice President

CWB Trust Services

Bjorn Frohnsdorf
Vice President and General Manager

CWB Wealth Management

Matt Evans
President and Chief Executive Officer

CWB McLean & Partners Wealth Management

Kevin Dehod
President and Chief Executive Officer

CWB Maxium Financial

Daryl MacLellan
President and Chief Executive Officer

"CWB has become part of the DNA of our company"
– Pacific Coastal Airlines

CWB Wealth Management

Welcome TE Wealth and Leon Frazer clients!

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