

Annual Report

2021



MOMENTUM

OBSESSED WITH YOUR SUCCESS™



Our Aspiration

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

New Gateway Banking Centre, Edmonton, Alberta



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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 businesses and their owners. Our teams take a relationship-based approach to deliver a uniquely proactive client experience through highly personalized service, specialized expertise, customized solutions and faster response times. We provide full-service business and personal banking, nation-wide specialized financing in targeted industries, comprehensive wealth management offerings, and trust services. We are firmly committed to the responsible creation of value for all our stakeholders and our approach to sustainability will support our continued success.

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.



NEAL MEGANNETY
 (CWB) taking the time to understand his clients' business model, banking needs, challenges, and opportunities. Read the story on page 10.

Connect with us:





[CWB.COM](https://www.cwb.com)

Our Strategy

Creating value for the people who choose CWB every day



OUR CLIENTS
 Unrivaled experiences



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

TRANSFORM 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

We deliver boutique, **full-service** client experiences through a range of **in-person** and **digital** channels

We are positioned to be a **disruptive force** in Canadian financial services, deliver profitable long-term growth and provide attractive, sustainable returns to investors

Performance Dashboard

2021

(% CHANGE FROM 2020)

TOTAL ASSETS

\$37.3 B

10%

TOTAL LOANS

\$32.9 B

9%

BRANCH-RAISED DEPOSITS⁽¹⁾

\$19.3 B

16%

WEALTH MANAGEMENT AUM/AUA

\$10.8 B

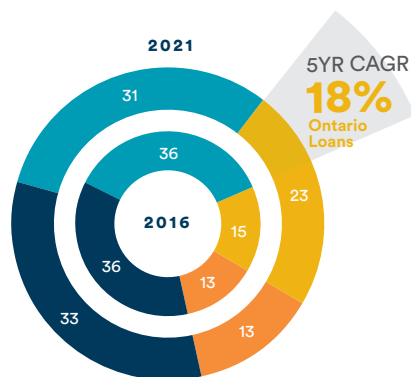
27%

CET1 CAPITAL RATIO

8.8%

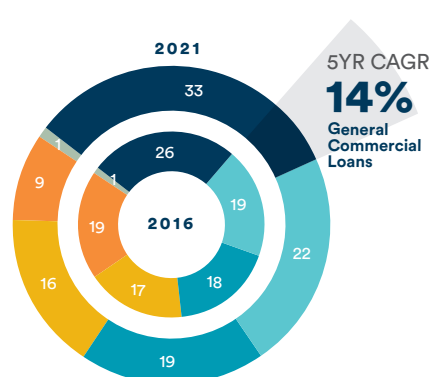
Stable

DIVERSIFYING LOANS BY PROVINCE (%)



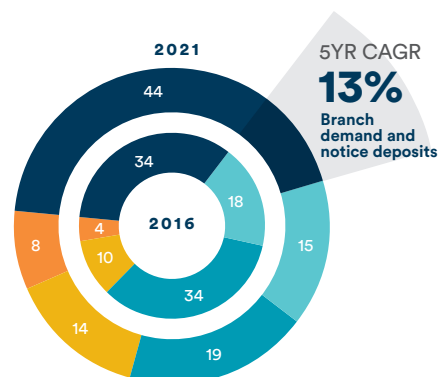
- British Columbia
- Alberta
- Ontario
- Remainder

DIVERSIFYING LOANS BY LENDING SECTOR (%)



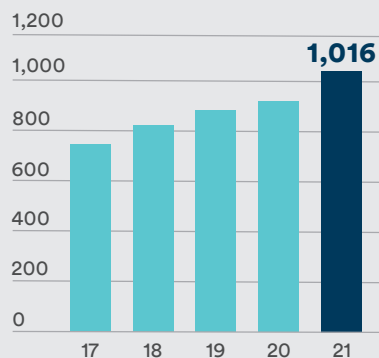
- General commercial loans
- Commercial mortgages
- Personal loans and mortgages
- Equipment financing and leasing
- Real estate project loans
- Oil and gas production loans

FUNDING DIVERSIFICATION (%)

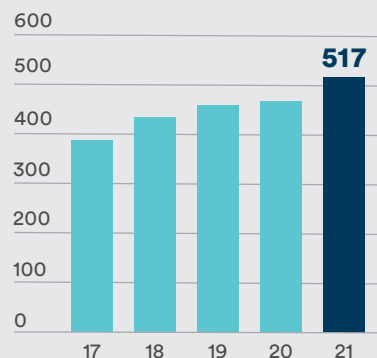


- Branch demand and notice
- Branch term
- Broker term
- Sub debt and capital markets
- Securitization

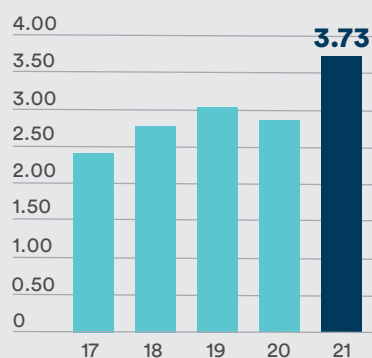
REVENUE \$ MILLIONS



PRE-TAX, PRE-PROVISION INCOME⁽¹⁾ \$ MILLIONS



DILUTED EPS \$/SHARE



⁽¹⁾ Non-GAAP measure – refer to definitions and detail provided on page 18.

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 capitalizing on a significant opportunity to grow our brand and market share in Ontario

We are a disciplined lender that delivers strong growth within our prudent risk appetite with a history of low write-offs

Our capital ratios have remained stable through economic volatility, with upside expected with a successful AIRB transition

Investments in our digital client experience position us for continued strong full-service client growth



Comprehensive capabilities with unrivaled full-service client experiences

BUSINESS BANKING

Full suite of financing and cash management solutions

PERSONAL BANKING

Full complement of banking services

SPECIALIZED FINANCING

Highly personalized service, specialized expertise within specific industries, customized solutions and faster response times

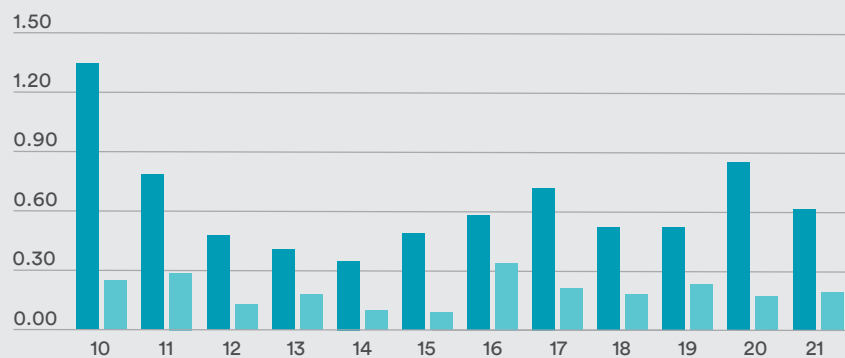
WEALTH MANAGEMENT

Discretionary wealth management, comprehensive financial planning and investment solutions offered through our boutique approach

TRUST SERVICES

Comprehensive trustee and custodial solutions for individuals and businesses

STRONG CREDIT QUALITY %



Our five-year and ten-year average write-offs as a percentage of average loans⁽¹⁾ are 20 and 18 basis points, respectively.

- Gross impaired loans as a % of gross loans
- Write-offs as a % of average loans⁽¹⁾

⁽¹⁾ Non-GAAP measure – refer to definitions and detail provided on page 18.



MESSAGE FROM
PRESIDENT AND CEO

Chris Fowler

TARGETED GROWTH WITH STRONG MOMENTUM

Very strong fiscal 2021 financial performance reflects the momentum our teams have built. Our winning strategy is uniquely focused on business owners who chose CWB for our proactive, personalized service and specialized advice. With the strategic investments we have made in our capabilities and teams, we are now a stronger full-service bank with even more business owners choosing CWB for the unrivaled client experience we deliver.

We are expanding our presence in Ontario to drive strong, diversified growth targeted at full-service clients. Our funding sources and portfolio composition continue to diversify, and we are augmenting our revenue mix through the boutique wealth management services we provide to business owners and their families. Driven by the strategic focus on growth enabling activities, our revenue has increased 13% to surpass \$1 billion for the first time in our history. Achievement of this milestone reflects the dedication of our teams who continue to execute our strategy and create unrivaled client experiences, despite the challenging operating environment that persisted this year.

CAREER DESTINATION FOR TOP TALENT

Our people are a core competitive strength, and we are committed to be a career destination for top talent. I am very pleased that our unwavering commitment to advance our people first culture was recognized as one of the 50 Best Workplaces™ in Canada again this year by Great Place

to Work Canada®. We were also recognized as one of the Best Workplaces™ for Mental Wellness, in part due to the broadening of resources for our teams to build better understanding and engagement in mental health and wellness. To ensure CWB remains a career destination for top talent we will continue to strengthen our culture. We believe that we are better together, and when we return to the workplace, we will support and engage our employees so they can embrace the challenges and opportunities of a truly flexible and hybrid work environment. Defining the future of work at CWB will solidify our employer brand and allow us to attract top talent.

Our focus on developing our inclusive and diverse culture is steadfast. I am proud of the employment experience and career development programs for Indigenous persons and persons with disabilities that we launched this year, and it is exciting to see our strong inclusive culture strengthened by several new employee represented groups (ERG). These employee-led groups enhance community and culture in our workplace by providing support and creating belonging, and driving action-oriented personal growth for our employees and leaders through education, professional development, and the sharing of lived experiences. We are seeing the successes of each ERG shared broadly and together they help to accelerate our high-performance culture.

INVESTMENT IN OUR DIGITAL CHANNELS TO FUEL FUTURE GROWTH

Our investment in digital channels will enhance our full-service client experience and support our strong growth momentum.

Our digital client offering is advancing well. We are on track with the release of our digital banking platform for personal and small business clients and have started a limited initial roll-out of our Virtual Chief Operating Officer (Virtual COO) solution, a differentiated tool for small business owners. Once fully operational, we expect our targeted digital capabilities will enhance growth as we diversify our business across Canada and win new clients both within and outside our banking centre footprint, while further broadening our access to stable lower cost funding.

BUILDING ON OUR MOMENTUM

As a trusted financial partner, we have gained valuable experience lending through numerous business cycles. Our history of low realized credit losses is a result of targeting clients with strong credit profiles and balance sheets. CWB's unique strategic focus and commitment to our clients resonates with business owners and has contributed to strengthening our strong brand and net promoter scores.

Enhanced capabilities created from our commitment to invest in a transformative strategy support ongoing growth in our largest full-service opportunity - general commercial loans. This category represents a broad section of the Canadian economy that is underserved, and our focus to create unrivaled client experiences is yielding strong results. Clients in Ontario continue to demonstrate they are ready for a clear alternative to the big banks and the implementation of our strategy in the province enables us to be that disruptive force. We are committed to our expansion strategy in Ontario and are excited for the opening of a second banking centre in 2022, located in Markham.

On average over the last five years, we have grown general commercial loans by 14% annually, and have increased loans in Ontario by 18% annually. Over that same period, we have also grown our branch-raised demand and notice deposits by 13% annually and diversified our other sources of funding. These results reflect our tremendous momentum.

Continued strong growth of our franchise will be supported by the combination of our investments in digital capabilities, our focus on delivering a lower cost funding model, and a transition from a *Standardized* to a model enabled AIRB bank. CWB's capabilities will be more competitive, support higher growth, and achieve further diversification. We remain dedicated to the responsible creation of value for all our stakeholders and our long-term success is bolstered by firm commitments to ESG and sustainability.

In closing I would like to express my sincere gratitude to our people, our clients, and our investors. To our people, I want to thank you for your tireless efforts to advance our strategy and create unrivaled client experiences. To our clients, I want to thank you for your trust, we are honoured that you have chosen CWB, and we are Obsessed With Your Success™. To our investors, I want to thank you for your confidence and commitment. We are well positioned as a disruptive force in Canadian financial services to deliver profitable long-term growth and provide attractive, sustainable returns.

Chris Fowler
President and Chief Executive Officer



MOMENTUM

Executive Committee



Chris Fowler

President and Chief Executive Officer



Matt Rudd

Executive Vice President and Chief Financial Officer



Kelly Blackett

Executive Vice President, Human Resources and Corporate Communications



Stephen Murphy

Executive Vice President, Banking



Glen Eastwood

Executive Vice President, Business Transformation



Carolyn Graham

Executive Vice President and Chief Risk Officer



Darrell Jones

Executive Vice President and Chief Information Officer

Welcome!

CAROLINA PARRA

Joined CWB on November 15th, 2021 as our Executive Vice President and Chief Risk Officer. Carolyn Graham continues to be Executive Leader of our AIRB program.

Corporate Governance

CWB Financial Group strives to 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 and cybersecurity. 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 financial controls.
- **Governance and Conduct Review Committee:** Governance policies and practices, oversight of legal, regulatory compliance, financial crime and misconduct 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 governance.

CWB's Management Proxy Circular will be available on our website in February 2022. 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 7, 2022.

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

ChairoftheBoard@cwbank.com or
CorporateSecretary@cwbank.com

Board of Directors



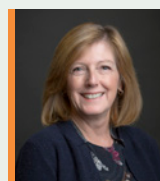
ANDREW J. BIBBY
Corporate Director



SARAH A. MORGAN-SILVESTER
Corporate Director



DR. MARIE Y. DELORME
CEO, The Imagination Group of Companies



MARGARET J. MULLIGAN
Corporate Director



MARIA FILIPPELLI
Corporate Director



ROBERT L. PHILLIPS (Chair)
President, R.L. Phillips Investments Inc.



CHRISTOPHER H. FOWLER
President and CEO, Canadian Western Bank



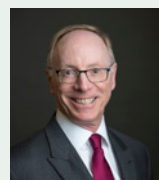
IRPHAN A. RAWJI
CEO, MobSquad



LINDA M.O. HOHOL
Corporate Director



IAN M. REID
Corporate Director



ROBERT A. MANNING
President, Cathon Investments Ltd.



H. SANFORD RILEY
President and CEO, Richardson Financial Group Limited



E. GAY MITCHELL
Corporate Director



MESSAGE FROM
CHAIR OF THE BOARD

Bob Phillips

Our results once again reflect the progress our team has made to create momentum and advance our transformative strategy, and the tremendous dedication of our people and their commitment to help our clients achieve their financial goals. Your Board continues to provide comprehensive risk and governance oversight as CWB positions ourselves to capitalize on emerging trends in our industry. We fully support management as they execute CWB's winning strategy to deliver the best full-service bank for business owners in Canada.

TALENT IS KEY TO OUR SUCCESS

As a Board we oversee succession planning across our senior management and executive teams to ensure we have a diverse and inclusive culture. Our commitment to renewal ensures that your Board is comprised of strong directors with diversified backgrounds, experiences, perspectives, and skills. This year we welcomed two outstanding directors to the Board who bring unique experience and expertise that are valuable in delivery of our strategic direction. Dr. Marie Delorme is a successful entrepreneur, philanthropist and an Order of Canada recipient known for her work with Indigenous economic development and women's leadership. Mr. Irfhan Rawji brings extensive experience with innovative technology and venture capital backed companies. With these two new members, I am proud to say 46% of your board is constituted of women and 15% Black, Indigenous or racialized persons.

Another key area of focus for your Board is to provide oversight to all aspects of sustainability, which includes ESG factors. We are highly committed to lead by example in how we live our values. With the support of the Board, management designed and launched a phased implementation of the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). Management also designed and launched a Sustainability roadmap, which will guide our proactive and strategic approach to all aspects of ESG. We are committed to ongoing discussion and review of sustainability issues to provide oversight and support to management in execution of the roadmap.

On behalf of the Board, I want to express my confidence and gratitude to the Executive team for their unwavering commitment to our success and thank every CWB team member who has worked tirelessly to ensure we create long-term value for all our stakeholders. I also want to express appreciation to my fellow shareholders for their ongoing support and to our clients for the opportunity to be their full-service financial provider.

Robert Phillips
Chair of the Board



THANK YOU RAY, FROM CWB

This year Mr. Ray Protti retired after 12 years on our Board. With his extensive background, he provided a level of judgment and advice that was of significant benefit to the Board and management. Thank you, Ray, you were a terrific director throughout your tenure and your contributions will be missed.

Digital transformation

By combining a transformative digital client experience with modern technology infrastructure, we are providing enhanced value and advice to our clients in a scalable manner. We fuse human-centred design principles with our modern core systems and Application Programming Interface (API) architecture, a powerful combination of CWB's traditional and emerging strengths. The result is clients who are delighted by their experience, from onboarding to using our new digital banking services, which also enables seamless use of their third-party data platforms. A ground-breaking example is our partnership with Temenos on our Virtual COO.

PROVIDE UNRIVALED CLIENT EXPERIENCES AND OPTIMIZE OUR BUSINESS WITH DIGITAL



Integrated and personalized client experiences



Grow and retain lower cost deposits



Expand reach & new client acquisition



Support portfolio diversification with a small business lending solution



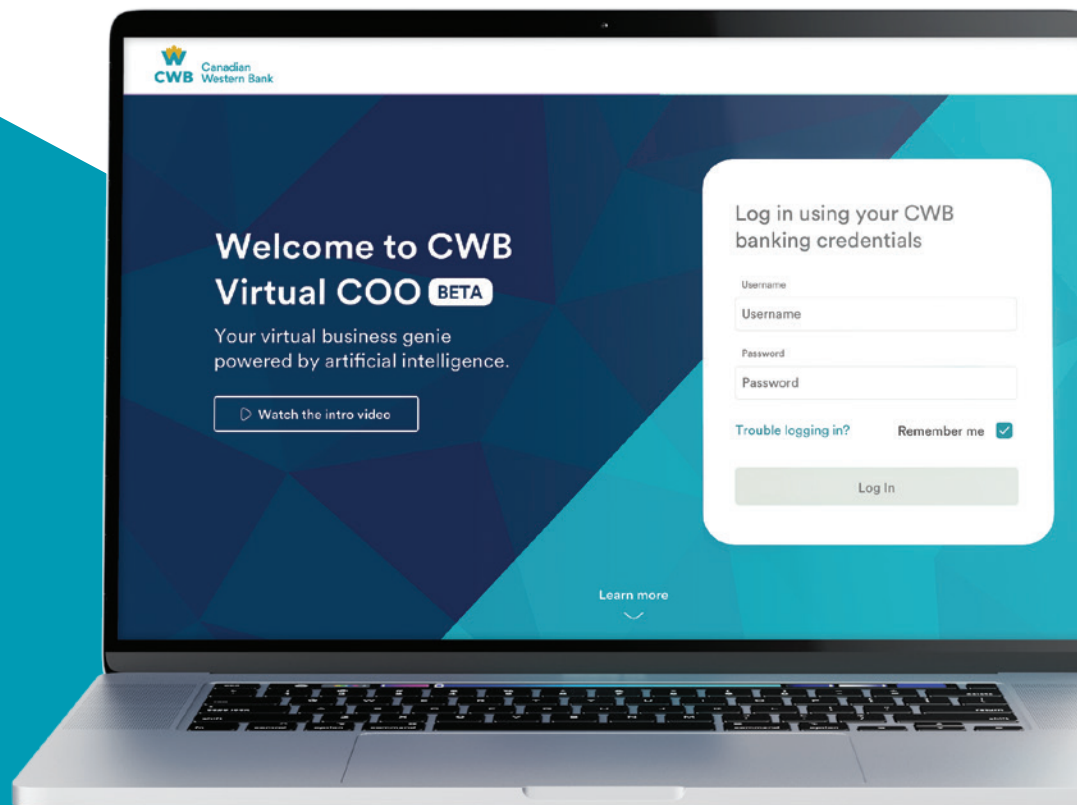
Improve team productivity by reducing manual effort


CWB'S VIRTUAL COO IS AN INNOVATIVE TOOL FOR SMALL BUSINESS OWNERS

Powered by advanced data analytics and machine intelligence, this first-in-Canada tool provides small business owners access to vital information to strengthen and grow their business. CWB's VCOO provides clients with:

- Real-time access to cash flow information and their Business Health Score;
- Better cash flow analytics with simulations; and,
- Customizable and actionable, data-driven insights.

In the future, we'll continue to realize our advantage through targeted innovations based on our clients' needs and our strategic priorities and long-term objectives.





“We were at a spot where we might have had to walk away from profitable growth opportunities, but CWB came to the table with the banking solution we needed”

– STEPHEN DULONG
Owner and CEO of
TAGG Industries

STEPHEN DULONG, CEO, TAGG Industries

BRIAN GARDINER, CFO, TAGG Industries


NEAL MEGANNETY, AVP, Business Development, CWB



Growing together...

For Stephen Dulong, finding a bank that fit his needs was a frustrating experience. That is until he sat down with the team at CWB.

Dulong is the sole owner and CEO of three material fabricators and subcontractors that design and manufacture products for commercial building construction – TAGG Industries (architectural glass), M&G Steel (structural steel), and Krisro Metal (panels). This unique operating model provides integrated solutions for his customers and is a differentiator that he intends to leverage for future growth.



“We put the business owner at the centre of everything we do.”

– MARK STAFFORD
Vice President and
District Manager

As the economy began to reopen, Stephen saw an opportunity to expand his business. However, finding a bank that would take the time to truly understand his strategy and put together a specialized financial solution to support this growth was proving to be an obstacle for him to move forward.

“We were at a spot where we might have had to walk away from profitable growth opportunities, but CWB came to the table with the banking solution we needed”.

For Dulong, the CWB difference translates to taking the time to understand his business model, banking needs, challenges, opportunities and offer solutions that work for both him and the bank.

Part of CWB’s boutique-style approach is bringing together banking experts from a variety of service pillars as one united deal team to come up with creative solutions. Solutions that consider the whole client and work with their own unique situation.

“Everyone delivers as a united team, with one mandate to proactively service the needs of our clients,” says Vice-President and District Manager Mark Stafford, who is based out of the CWB Mississauga banking centre that supports Dulong.

Now with a solid growth strategy in place, next up for Dulong is to expand his businesses’ geographic footprint. And he’s once again enlisted CWB to help.

Because, as Dulong says, at long last: “We really feel like we have a partner.”

Continued focus on ESG and sustainability

Our strategy, culture, and values guide our approach to sustainability, which includes environmental, social, and governance (ESG) factors. We remain firmly committed to long-term value creation for all our stakeholders: our people, clients, investors, and communities.

As part of our developing approach to sustainability, we will continue to enhance our ESG disclosures to provide our stakeholders with timely and transparent information.

To learn more about our approach, visit www.cwb.com/corporate-social-responsibility where you can find our most recent:

- Corporate Social Responsibility Report
- Equity Report Narrative
- Public Accountability Statement
- Management Proxy Circular
- Code of Conduct

KEY ESG HIGHLIGHTS FROM 2021

Environmental

Developing a comprehensive approach to climate change

Engaged an external partner to develop a measurement of baseline Scope 1 and 2 greenhouse gas (GHG) emissions for fiscal 2022. Our next steps will be to establish GHG emission reduction management and targets, and explore measurement of our Scope 3 GHG emissions.

Began phased implementation of the TCFD recommendations for climate-related disclosures. For further details, refer to Climate Risk on page 60.

Continued to participate in national climate-related programs, including the Sustainable Finance Action Council and industry working groups focused on climate risk and disclosure.

Social

Supporting our clients, employees, and communities

Invested more than 40,000 hours in employee training and development, which included nearly 2,000 hours towards voluntary Indigenous Awareness training.

Invested over \$1.8 million in our communities focused on Enabling Business and Promoting Inclusivity and provided more than \$250,000 in employee volunteer grants and matching initiatives.

Further strengthened our commitment to financial inclusion with the creation of a CWB Seniors Champion and over 2,000 hours of employee training focused on seniors' awareness.

Governance

Ensure the highest standards of governance, ethics, and integrity

Increased the diversity of our Board, which is now comprised of 46% Women, and 15% Black, Indigenous or racialized persons

Strengthened board oversight of sustainability through board education sessions and regular discussion and review of ESG factors, including climate risk.

Bolstered our risk culture through employee education to ensure sound decision making, accountability, and integrity.

Refreshed our ethics and conduct program.



CYBERSECURITY

This year, we continued to benchmark and enhance our cybersecurity capabilities, including nearly 9,000 hours of employee training to stay ahead of threats.

Inclusion & diversity

Our Inclusion has Power core value ensures we reach our full potential by welcoming new ideas and perspectives. This year, we continued to strengthen diverse talent recruitment and self-directed learning, and introduced an enterprise-wide performance objective for leaders and employees to further embed inclusion into our day-to-day practices. We continue to increase diversity in our business, with our workforce now comprised of:

▶ **60%**
Women

▶ **30%**
Black, Indigenous or racialized persons

▶ **5%**
Persons with disabilities



EMPLOYEE REPRESENTED GROUPS (ERG)

ERGs are a key focus of our culture, creating space for belonging and peer support for employees with a diversity of backgrounds and interests.



CWB IS A GREAT PLACE TO WORK!

Recognized as one of the 50 Best Workplaces™ in Canada for the second consecutive year by Great Place to Work Canada® and one of the Best Workplaces™ for Mental Wellness.



“Chana is an amazing leader of a high performance team, and as an Indigenous woman she brings a valuable perspective that demonstrates that inclusion has power. As a founder of the CWB Sharing Circle ERG, she is ensuring we tap further into this power to support our people and drive a more inclusive culture.”

– STEPHEN MURPHY
EVP, Banking



CHANA MARTINEAU,
VP Manitoba, Saskatchewan
& Rural Alberta

Pictured alongside her daughters, and father Ron, sharing in their Indigenous culture at the Fort Edmonton Park Indigenous Peoples Experience

Inclusion has power...

After almost three decades into my financial career, I joined CWB Financial Group and finally feel at home. To be honest I get emotional thinking about the people first approach at CWB and what it means to me: a sense of belonging and acceptance for who I am.

I am Indigenous and am deeply proud of my heritage. Although I do not outwardly appear Indigenous and have never experienced the degree of racism that many of my relatives have endured, I have experienced deep and hurtful racist comments. I've carried them with me for many years. Those memories seemed to manifest themselves in the last several years, making me fully realize their impact, keeping me from embracing my heritage and never truly accepting my history.

FINALLY BEING ME

All of this changed in early 2020. In a discussion I was asked by my leader, Stephen Murphy what I envisioned for my CWB future. I told him how I wanted to marry my Indigenous background with my career. He listened carefully and offered me a chance of a lifetime: to help create, along with several amazing co-workers, an Employee Representative Group (ERG), the CWB Sharing Circle. I am proud to be one of the executive sponsors, where I advise, support and advocate for the group and its mandate. This incredible group helps our Indigenous employees and allies feel more united and supported at work. They provide resources, events and virtual learning sessions that connect employees across the country; a level of connection I couldn't have thought possible.

As a member, I felt empowered to share my story through a blog for National Indigenous Peoples Day in June. The outpouring of support and love from my CWB colleagues far and wide was amazing. Since that time, I feel truly able to be my whole self, to honour all the parts of my heritage and to help my daughters see and understand our heritage.

TAKING ACTION

I am so proud of how CWB has committed to supporting Indigenous communities such as contributing to the Fort Edmonton Indigenous Peoples Experience, investing in Indigenous students' post-secondary education and hosting our own Indigenous Internship program.

This program gives us two way-learning: our Indigenous Interns learn about banking, and we learn about Indigenous culture and how we can be a more welcoming place for Indigenous employees and customers. We truly have a sharing circle.

HELPING TO MOVE THE DIAL

My learning continues to grow. In my current role as a Vice President in the Prairies region, I am re-connected with Indigenous peoples, who still face daily challenges including banking. I am also working with a team to enhance CWB's ability to support the economic development of Indigenous communities. CWB has helped me get there: to build stronger relationships and to grow our talent, hiring Indigenous people with skills and endless vision.

At CWB, I feel like I am home: accepted for all that I am, encouraged to seek new heights and provided a role and a platform that I can influence positive change for Indigenous people. I will continue to use my privilege to lend my voice to drive change and to help our peoples stand strong, together and united.

— CHANA MARTINEAU,
VP Manitoba, Saskatchewan & Rural Alberta

CWB supported the Fort Edmonton expansion project by contributing to the Indigenous Peoples Experience



Management's Discussion and Analysis

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Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A), dated December 2, 2021, should be read in conjunction with the audited consolidated financial statements of Canadian Western Bank (CWB) for the year ended October 31, 2021 and the audited consolidated financial statements and MD&A for the year ended October 31, 2020. 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 media 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 regulatory capital purposes, 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 evolving government and regulatory responses to the outbreak, will continue to have on the Canadian economy and our business is uncertain and difficult to predict at this time. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the *Fiscal 2022 Outlook* and *Allowance for Credit Losses* sections of our MD&A.

NON-GAAP MEASURES

We use a number of financial measures and ratios to assess our performance against strategic initiatives and operational benchmarks. Some of these financial measures and ratios do not have standardized meanings prescribed by Generally Accepted Accounting Principles (GAAP) and may not be comparable to similar measures presented by other financial institutions. Non-GAAP financial measures and ratios provide readers with an enhanced understanding of how we view our ongoing performance. These measures and ratios may also provide the ability to analyze trends related to profitability and the effectiveness of our operations and strategies, and are disclosed in compliance with National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*.

To calculate non-GAAP financial measures, we exclude certain items from our financial results prepared in accordance with IFRS. Adjustments relate to items which we believe are not indicative of underlying operating performance. Our non-GAAP financial measures include:

- Adjusted non-interest expenses – total non-interest expenses, excluding pre-tax amortization of acquisition-related intangible assets, and acquisition and integration costs. Acquisition and integration costs include direct and incremental costs incurred as part of the execution and 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, and acquisition and integration costs, net of tax.
- Pre-tax, pre-provision income – total revenue less adjusted non-interest expenses.

The following table provides a reconciliation of our non-GAAP financial measures to our reported financial results.

Table 1 – Non-GAAP Measures
(\$ thousands)

	For the three months ended		For the year ended	
	October 31 2021	October 31 2020	October 31 2021	October 31 2020
Non-interest expenses	\$ 140,802	\$ 123,206	\$ 508,718	\$ 436,646
Adjustments (before tax):				
Amortization of acquisition-related intangible assets	(2,032)	(1,991)	(8,073)	(6,127)
Acquisition and integration costs	(893)	(907)	(1,761)	(2,442)
Adjusted Non-interest Expenses	\$ 137,877	\$ 120,308	\$ 498,884	\$ 428,077
Common shareholders' net income	\$ 89,998	\$ 63,380	\$ 327,471	\$ 248,956
Adjustments (after-tax):				
Amortization of acquisition-related intangible assets ⁽¹⁾	1,485	1,443	5,901	4,515
Acquisition and integration costs ⁽²⁾	674	669	1,329	1,804
Adjusted Common Shareholders' Net Income	\$ 92,157	\$ 65,492	\$ 334,701	\$ 255,275
Total revenue	\$ 260,624	\$ 236,575	\$ 1,016,033	\$ 897,395
Less:				
Adjusted non-interest expenses (see above)	137,877	120,308	498,884	428,077
Pre-tax, Pre-provision Income	\$ 122,747	\$ 116,267	\$ 517,149	\$ 469,318

(1) Net of income tax of \$547 for the three months ended October 31, 2021 (Q4 2020 – \$548) and \$2,172 for the year ended October 31, 2021 (2020 – \$1,612).

(2) Net of income tax of \$219 for the three months ended October 31, 2021 (Q4 2020 – \$238) and \$432 for the year ended October 31, 2021 (2020 – \$638).

Non-GAAP ratios are calculated using the non-GAAP financial measures defined above. Our non-GAAP ratios include:

- Adjusted earnings per common share – diluted earnings per common share calculated with adjusted common shareholders' net income.
- Adjusted return on common shareholders' equity – adjusted common shareholders' net income divided by average common shareholders' equity, which is total shareholders' equity excluding preferred shares and limited recourse capital notes.
- Efficiency ratio – adjusted non-interest expenses divided by total revenue.
- Operating leverage – growth rate of total revenue less growth rate of adjusted non-interest expenses.

Supplementary financial measures are measures that do not have definitions prescribed by GAAP, but do not meet the definition of a non-GAAP financial measure or ratio. Our supplementary financial measures include:

- Return on assets – common shareholders' net income divided by average total assets.
- Net interest margin – net interest income divided by average total assets.
- Return on common shareholders' equity – common shareholders' net income divided by average common shareholders' equity.
- Write-offs as a percentage of average loans – write-offs divided by average total loans.
- Book value per common share – total common shareholders' equity divided by total common shares outstanding.
- Branch-raised deposits – total deposits excluding broker term and capital market deposits.
- 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.
- Average balances – average daily balances.

WHO WE ARE

CWB is the only full-service bank in Canada with a strategic focus to meet the unique financial needs of businesses and their owners. Our teams take a relationship-based approach to deliver a uniquely proactive client experience through highly personalized service, specialized expertise, customized solutions and faster response times. We provide full-service business and personal banking, nation-wide specialized financing in targeted industries, comprehensive wealth management offerings, and trust services. We are firmly committed to the responsible creation of value for all our stakeholders and our approach to sustainability will support our continued success.

GROWTH STRATEGY AND VISION

Our highly engaged teams operate within a client-centric, collaborative and change-ready culture, with a core focus to achieve our vision to become the best full-service bank for business owners in Canada. We continue to transform our capabilities to offer a superior full-service client experience through a complete range of in-person and evolving digital channels. These improving capabilities have accelerated growth of full-service client relationships in specifically targeted segments that fit within our strategic growth objectives and prudent risk appetite. Ongoing strategic execution will create long-term value for shareholders as we deliver strong growth of full-service clients and capitalize on the opportunities available to us as we continue to expand our geographic footprint outside of Western Canada, including an increased presence in the Ontario market.

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.

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 private wealth for Canadian business owners and their families, 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 support our continued growth of strong full-service client relationships across the country. The integration of our wealth management operations will provide a differentiated private wealth experience to our clients, and continues to progress in line with our expectations.

The wealth acquisition contributed \$5.8 billion to assets under management, advisement and administration on the acquisition date, which grew to \$7.1 billion at October 31, 2021 (October 31, 2020 – \$5.9 billion) primarily due to market value appreciation supported by full advisor retention and no significant client attrition related to the acquisition. Indigenous Services assets under advisement of \$1.7 billion at acquisition have increased to \$2.0 billion at October 31, 2021 (October 31, 2020 – \$1.8 billion). The operations of the wealth acquisition, which were only included in our financial results for five months in the prior fiscal year, contributed \$36 million (2020 – \$15 million) to non-interest income and \$37 million (2020 – \$18 million) to non-interest expenses, which included \$2 million (2020 – \$2 million) of integration costs as well as \$3 million (2020 – \$1 million) of amortization of acquisition-related intangible assets. The wealth acquisition has contributed approximately \$0.04 to adjusted earnings per common share⁽¹⁾ in fiscal 2021, surpassing our previous expectations.

(1) Non-GAAP measure – refer to definition and detail provided on page 18.

FISCAL 2021 STRATEGIC HIGHLIGHTS

Table 2 - Execution Against Strategic Priorities

To create value for the people who choose CWB	Strategic execution during fiscal 2021
<p>Transform and optimize our capabilities to create an unrivaled experience for our clients</p>	<ul style="list-style-type: none"> • Launched end-to-end digital onboarding for all personal clients, which allows accounts to be opened virtually with immediate ability to transact. This functionality also supports efficient in-person and over-the-phone client onboarding. • Limited roll-out of our Virtual COO (VCOO) solution in partnership with Temenos, a global leader in banking software. The VCOO solution integrates data and explainable-artificial intelligence powered tools to empower our small business owner clients to make informed decisions that accelerate their business growth. We believe the VCOO will be a differentiated solution for small business owner clients that, once fully deployed, will assist in driving strong client growth in this segment. Broader roll-out of the VCOO solution is scheduled to occur in fiscal 2022. • Progressed development of our enhanced digital banking platform, with an initial limited roll-out for personal clients currently underway, and a full launch scheduled in fiscal 2022 for all personal and small business clients. The new platform will provide enhanced functionality, including integration with the VCOO solution for small business owners once fully launched, and a single point of access that allows clients to seamlessly navigate between business and personal accounts. • Continued to integrate our wealth operations through a strategic focus to simplify the business model, re-align talent and strengthen the client experience. In fiscal 2021, we progressed towards the launch of a harmonized wealth management brand and initiated execution of a multi-year digital strategy and technology roadmap. • Repositioned our banking centre footprint in Alberta and British Columbia, and opened our new Edmonton Gateway banking centre to consolidate our teams in locations that feature our refreshed client-inspired design and provide an enhanced full-service client experience.
<p>Drive a positive and inclusive culture and employee experience to create value for our people and remain a career destination for top talent</p>	<ul style="list-style-type: none"> • In 2021, we were recognized by Great Place to Work Canada® as one of the 50 Best Workplaces™ in Canada, one of the Best Workplaces™ in Financial Services and Insurance in Canada and one of the Best Workplaces™ for Mental Wellness, which reflects our unwavering commitment to advance a culture that puts people first. • Broadened resources available to our teams to build awareness and engagement around mental health and wellness, including the launch of a virtual portal supported by the Canadian Mental Health Association. • In recognition of National Day for Truth and Reconciliation, we continued our progress to build a more inclusive culture, with a focus on ongoing investments that build more awareness of the history and culture of Indigenous Peoples in Canada and support growth and learning within our teams and communities. • Expanded measures to support our stand against systemic racism and discrimination, with new talent pipeline programs targeted to improve our representation of employees with disabilities and Indigenous persons. We also introduced a new representation target for Black, Indigenous and racialized persons for our Board of Directors and Executive Committee by 2025. We achieved our Board of Directors representation target in fiscal 2021. • Awarded special bonuses to our frontline teams to acknowledge their unwavering commitment throughout the COVID-19 pandemic.
<p>Optimize our business to create value for investors through profitable, long-term growth and sustainable returns</p>	<ul style="list-style-type: none"> • Delivered strong annual loan growth of 9%, including 10% annual growth in Ontario, which contributed to annual revenue in excess of \$1 billion for the first time in our history. • Grew relationship-based, branch-raised deposits⁽¹⁾ by 16%, with strong 26% annual growth in demand and notice deposits, which helped support a 10% annual reduction in more expensive broker deposits. • Continued to build greater funding diversity on the strength of our capital market deposit program, with five senior deposit notes totaling \$2 billion issued during the year at historically low credit spreads. • Continued our progress towards AIRB approval. Commenced the development and implementation of enhancements identified through our parallel run that will drive efficiencies in the use of our AIRB tools and processes throughout our business, and support continued refinement in the measurement of credit risk of certain lending portfolios.

(1) Non-GAAP measure – refer to definition and detail provided on page 18.

FISCAL 2022 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 2022 strategic priorities
Transform and optimize our capabilities to create an unrivaled experience for our clients	<ul style="list-style-type: none"> • Leverage our enhanced capabilities to offer a superior client experience through a complete range of in-person and digital channels and grow our full-service client base. • Continue to further enhance our differentiated full-service client experience, with full-scale launches of our digital banking platform for personal and small business clients, the VCOO solution and our new commercial banking digital platform focused on cash management services. • Continue to transform our wealth operations to leverage efficiencies and position for growth through further brand alignment and execution on our digital strategy and technology roadmap.
Drive a positive and inclusive culture and employee experience to create value for our people and remain a career destination for top talent	<ul style="list-style-type: none"> • Continue to earn recognition as an employer of choice, and a Great Place to Work Canada™. • Enhance our flexible work arrangements, talent development and retention programs to support our position as a destination for top talent. • Continue to support and expand our employee-represented groups focused on inclusion, diversity and mental health. • Further solidify our stance against systemic racism and discrimination, leveraging participation in BlackNorth Initiative's CEO Pledge and adoption of the United Nations Women's Empowerment Principles.
Optimize our business to create value for investors through profitable, long-term growth and sustainable returns	<ul style="list-style-type: none"> • Continue to build our brand in Ontario and take advantage of the opportunity to grow our market share and acquire new full-service clients in the province, supported by our existing full-service banking centre in Mississauga and a new banking centre expected to open in Markham in fiscal 2022. • Leverage our enhanced capabilities that support strong full-service client growth in strategically targeted segments, driving double-digit annual percentage branch-raised deposit and loan growth. • Continue to execute on our funding diversification strategy to reduce broker deposits as a proportion of our funding by further broadening our funding sources and leveraging strong branch-raised deposit growth. • Advance our AIRB transition project, including the continued implementation of identified enhancements to our AIRB tools and processes to make meaningful progress towards obtaining AIRB approval and support our ongoing sustainment as a model-enabled bank.

A SUSTAINABLE PATH FORWARD

Our Board of Directors provides oversight of sustainability, which includes environmental, social, and governance (ESG) factors. Under the leadership of the Chief Financial Officer (CFO), we developed a cross-functional team responsible to lead the continued development and implementation of a sustainability approach that is aligned to our culture, values, and strategy to create value for our stakeholders. We further developed our sustainability approach during fiscal 2021, with a focus to deepen our understanding of the current landscape and identify key issues and work streams for further action. As we look forward, efforts during fiscal 2022 will focus on integration of our sustainability approach within our overarching strategic direction and engagement with internal stakeholders to raise awareness, understanding and momentum to accelerate our execution against key sustainability priorities.

A key area of focus within our sustainability approach is related to climate change. We continue to work through a planning phase to determine how we can best address climate change and support the transition to a lower carbon economy, including engagement with an external expert to measure baseline Scope 1 and Scope 2 greenhouse gas (GHG) emissions for fiscal 2022. Our next steps beyond that will include the establishment of GHG emission reduction management and targets, and development of an approach to measure our Scope 3 GHG emissions and explore a path to net-zero emissions.

We believe that transparent and timely communication on our exposure and approach to manage climate risk is important to our stakeholders. We have initiated a phased process to enhance our climate-related disclosures in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, with select disclosures provided in this MD&A. As we continue to evolve our approach to climate change, we will enhance our disclosures, with consideration for stakeholder needs, regulatory requirements and industry standards. For the initial TCFD disclosures provided this year, see the *Social and Environmental Risk* section of our MD&A.

We will continue to focus on the success of our clients, teams and communities. Recognition as one of the 50 Best Workplaces™ in Canada reflects our people first approach and a culture that celebrates our inclusive and diverse team and hiring practises. Our teams are focused to support the success of our clients, including a digital strategy that will provide innovative tools to business owners to assist in the management and growth of their businesses. Our community investment strategies are aligned with our values, with a focus to enable business and promote inclusivity across our national footprint. Further information on our corporate social responsibility activities is available on our website at www.cwb.com/corporate-social-responsibility in our Corporate Social Responsibility and Public Accountability Statement reports, and other materials that outline our activities related to community investment, inclusion, corporate governance, and the environment.

CWB FINANCIAL GROUP PERFORMANCE

SELECT FINANCIAL HIGHLIGHTS

Table 4 - Select Annual Financial Information
(\$ thousands, except ratios and per share amounts)

	2021	2020	2019 ⁽²⁾	Change from 2020	
Results from Operations					
Total revenue	\$ 1,016,033	\$ 897,395	\$ 861,604	\$ 118,638	13 %
Pre-tax, pre-provision income ⁽¹⁾	517,149	469,318	461,130	47,831	10
Common shareholders' net income	327,471	248,956	266,940	78,515	32
Common Share Information					
Earnings per share					
Basic	3.74	2.86	3.05	0.88	31
Diluted	3.73	2.86	3.04	0.87	30
Adjusted ⁽¹⁾	3.81	2.93	3.15	0.88	30
Cash dividends paid	1.16	1.15	1.08	0.01	1
Book value ⁽¹⁾	33.10	31.76	29.29	1.34	4
Performance Measures⁽¹⁾					
Return on common shareholders' equity	11.6 %	9.3 %	10.9 %		230 bp
Adjusted return on common shareholders' equity	11.8	9.5	11.3		230
Return on assets	0.92	0.76	0.88		16
Net interest margin	2.49	2.45	2.60		4
Efficiency ratio	49.1	47.7	46.5		140
Operating leverage ⁽³⁾	(3.3)	(2.7)	(1.8)		(60)
Credit Quality⁽¹⁾					
Provision for credit losses on total loans as a percentage of average loans ⁽⁴⁾	0.09	0.32	0.21		(23)
Provision for credit losses on impaired loans as a percentage of average loans ⁽⁴⁾	0.17	0.18	0.21		(1)
Balance Sheet					
Assets	\$ 37,323,176	\$ 33,937,865	\$ 31,424,235	\$ 3,385,311	10 %
Loans (before the allowance for credit losses)	32,900,951	30,167,719	28,476,727	2,733,232	9
Deposits	29,975,739	27,310,354	25,351,361	2,665,385	10

(1) Non-GAAP measure – refer to definitions and detail provided on page 18.

(2) In fiscal 2020, we adopted IFRS 16 *Leases*. Comparative figures for fiscal 2019 have been prepared in accordance with IAS 17 *Leases* and have not been restated.

(3) Excluding the impact of the wealth acquisition, our operating leverage would have been negative 1.7% in fiscal 2021 (2020 – negative 1.0%).

(4) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.

bp – basis point

Financial Highlights of 2021 (compared to 2020)

- Strong loan growth of 9%, with continued execution against our geographic diversification objectives, including 10% growth in Ontario.
- Very strong branch-raised deposit growth of 16%, including 26% growth of demand and notice deposits, which resulted in a 10% reduction in our more expensive broker deposits.
- Common shareholders' net income of \$327 million, up 32%.
- Diluted and adjusted earnings per common share of \$3.73 and \$3.81, both up 30%.
- Pre-tax, pre-provision income of \$517 million, up 10%.
- Total revenue increased 13% and surpassed \$1 billion for the first time in our history.
- Efficiency ratio of 49.1% increased compared to 47.7% last year, due to the impact of the wealth acquisition and continued investment in strategic execution, including operating and enhancing our AIRB tools and processes. Excluding the wealth acquisition, the efficiency ratio of 47.7% compared to 46.9% last year.
- Provision for credit losses on total loans represented nine basis points as a percentage of average loans, compared to 32 basis points last year, primarily driven by the impact of a more optimistic macroeconomic outlook associated with the ongoing economic recovery. As a percentage of average loans, the provision for credit losses on impaired loans of 17 basis points was one basis point lower than last year and remains below our five-year average of 19 basis points.
- Gross impaired loans represented 0.61% of gross loans, down from 0.85% last year.
- Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 8.8% common equity Tier 1 (CET1), 10.8% Tier 1 and 12.4% Total capital were stable compared to the prior year.

SUMMARY OF OPERATIONS

During the year, the Canadian economy continued to be disrupted by the COVID-19 pandemic. Despite the continued challenging operating environment and macroeconomic uncertainty, we showcased our ability to provide a differentiated experience to our clients, achieve very strong financial results and deliver on our unwavering commitment to advance a culture that puts people first. As we move forward, we remain confident in our ability to support our teams, clients and communities in a safe return to a more normal operating environment.

Successful execution of our diversified funding strategy was underpinned by another year of very strong branch-raised deposit growth as we leveraged our enhanced capabilities to broaden our access to lower cost funding within and outside of our banking centre footprint. Our number of full-service clients, who have a core banking relationship with us, increased and we delivered very strong 16% growth of branch-raised deposits, with the increase primarily driven by demand and notice deposits. This strong performance resulted in a 10% reduction in our outstanding balance of broker deposits.

Leveraging the strength of our teams and an improvement in underlying economic conditions, we generated strong loan growth of 9% within our prudent risk appetite. Loan growth was led by a 24% increase in the commercial mortgage portfolio, which reflected a focus on high-quality borrowers, and a 12% increase in the strategically targeted general commercial portfolio. We continued to focus on our geographic diversification strategy, with loan growth of 10% in Ontario supported by the opening of our Mississauga banking centre in August 2020 and the diverse and experienced team we have built in that market.

Diluted earnings per common share of \$3.73 and adjusted earnings per common share of \$3.81 were both up 30%. Our return on common shareholders' equity (ROE) of 11.6% increased 230 basis points due to the impact of a 32% increase in common shareholders' net income, partially offset by higher average common shareholders' equity. Pre-tax, pre-provision income increased 10%, which removes the impact of the significant decrease in the performing loan provision for credit losses compared to the prior year.

Annual revenue increased 13% and surpassed \$1 billion for the first time in our history, which reflected contributions across all of our business lines. Net interest income increased 12% due to strong 9% loan growth and a four basis point increase in net interest margin, despite the continued historical low Bank of Canada policy interest rates enacted in March 2020. Net interest margin benefited from strong branch-raised deposit growth, which drove a decline in more expensive broker deposits, and proactive deposit pricing changes to reflect the strength of deposit growth across our funding channels. Non-interest income increased 26% and represented 12% of total revenue, compared to 11% last year, primarily due to the contribution of the wealth acquisition and higher credit related fees, partially offset by lower net gains on securities, which were elevated last year as we re-balanced our cash and securities portfolio through the market disruption that followed the emergence of the COVID-19 pandemic.

Borrower credit performance remained strong, with impaired loans and payment delinquencies below pre-COVID-19 levels at October 31, 2021. Gross impaired loans of \$202 million decreased 21% 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.

Our total provision for credit losses represented nine basis points as a percentage of average loans, compared to 32 basis points last year, primarily driven by improved macroeconomic forecasts associated with the ongoing economic recovery, which resulted in an eight basis point recovery related to performing loans⁽¹⁾, compared to a 14 basis point charge in the prior year. As a percentage of average loans, the provision for credit losses on impaired loans of 17 basis points was one basis point lower than last year and remained below our five-year average of 19 basis points.

Non-interest expenses were up 17% due to the combined impact of the wealth acquisition, continued investment in our teams and technology to support the execution of our strategic priorities and overall business growth, and costs associated with our AIRB tools and processes. AIRB-related costs include ongoing operating costs, non-recurring costs incurred to implement certain enhancements to our tools and processes, and amortization of accumulated capital costs of our AIRB implementation. Excluding the wealth acquisition and the incremental costs associated with operating and enhancing our AIRB tools and processes, non-interest expense growth was 10%. Growth of non-interest expenses outpaced total revenue growth, resulting in an efficiency ratio of 49.1% compared to 47.7% last year. Excluding the wealth acquisition, our efficiency ratio was 47.7% compared to 46.9% last year.

The maintenance of conservative capital levels is fundamental to our objectives to effectively manage risks and support strong growth. Our CET1 capital ratio at October 31, 2021 of 8.8% is consistent with last year. Including Tier 1 and Total capital ratios of 10.8%, and 12.4%, respectively, all of our capital ratios remain above both internal and regulatory minimums. To support strong loan growth while prudently managing our regulatory capital ratios, we issued 2,052,600 common shares during the year at an average price of \$35.55 per share for net proceeds of \$71 million under our at-the-market (ATM) common equity distribution program. We remain confident in our ability to deliver strong earnings for shareholders while we maintain financial stability and a strong capital position.

(1) Non-GAAP measure – refer to definitions and detail provided on page 18.

Expectation for a continued Canadian economic recovery

Despite periodic set-backs driven by ongoing waves of COVID-19 and public health restrictions to curb rising infection rates, the Canadian economy has recovered significantly over the last year, and is expected to continue along a path of gradual recovery in 2022. Gross domestic product (GDP) is forecast to continue to trend upwards in 2022, with a strong start to the year supported by high levels of consumer spending, followed by a tapering in the latter half of the year as pent-up consumer demand subsidies and government support programs conclude. The labour market is expected to continue to strengthen, with unemployment rates forecast to decline through the year.

Our expectation of a continued economic recovery in 2022 assumes no further significant public health restrictions implemented across Canada in response to future waves of COVID-19. Considerable uncertainty remains regarding the strength, speed and sustainability of the economic recovery currently underway and the ultimate impact it will have on businesses and consumers. Supply chain disruptions, higher energy and commodity prices, and difficulty in attracting and retaining labour have disrupted the economic recovery for certain industries, and may impact production costs and timing. The impact on the economy and our borrowers of the conclusion of government support programs also remains uncertain and could cause variability in our financial results outside of our current expectations.

The potential for sustained levels of high inflation driven by supply chain disruptions has led the Bank of Canada to signal an end to its quantitative easing program, which has fueled an expectation for policy interest rate increases in 2022, however the timing and magnitude remains uncertain.

Outlook of expected financial performance

Looking ahead to fiscal 2022, we will leverage our enhanced capabilities to support strategic execution through the expected continued recovery of the Canadian economy and expect to deliver:

Metric	Fiscal 2022 expectations – Annual percentage growth
Loan growth	Double-digit
Branch-raised deposits growth	Double-digit
Pre-tax, pre-provision income growth	Mid- to high- single-digit
Diluted earnings per common share growth	Low- to mid- single-digit

Continued strategic execution has positioned us to capture increased market share within a larger addressable market and take advantage of growth opportunities as the Canadian economic recovery unfolds. In fiscal 2022, we expect our teams to continue to deliver strong full-service client growth in strategically targeted segments and within our risk appetite. We expect to deliver double-digit annual percentage loan growth, where prudent. We will target further geographic and industry diversification through growth of client relationships across our national footprint and expect strong loan growth in Ontario as we continue to leverage our Mississauga banking centre and further expand our presence with the opening of our Markham location in fiscal 2022.

We expect strong double-digit annual percentage growth of branch-raised deposits as we continue to take a phased approach to extend our digital capabilities to a broader client base, starting with personal and small business customers and progressing to include all commercial clients. Very strong growth of new branch-raised deposits is expected to be partially offset by run-off as our client’s cash reserves are gradually put to work as government support programs conclude and companies ramp up spending in line with the economic recovery. We also expect continued diversification of funding sources to include strong contributions from our capital market and securitization channels.

Bank of Canada policy interest rate increases have a positive influence on our net interest margin, with the overall impact dependant on the magnitude and timing of rate increases, as well as strategic deposit pricing changes, where the benefits to net interest margin are balanced against retention and growth of lower cost branch-raised deposits. Based on the assumption of either no policy interest rate increases or a rate increase that occurs later in the fiscal year, we expect annual percentage revenue growth to just reach double-digits, with a relatively consistent net interest margin compared to fiscal 2021. If policy interest rate increases commence in the first half of the fiscal year, revenue growth could be in the low double-digits, with net interest margin two to four basis points higher than fiscal 2021.

On an annual basis, we expect non-interest expense percentage growth in the low-teens. Non-interest expenses in fiscal 2022 will include continued investment in our strategic priorities, which includes certain one-time expenses to implement enhancements to our AIRB tools and processes identified during our parallel run, and expenses related to the development and roll-out of our enhanced digital offering to clients. We also expect growth in certain expenses, such as business development and travel, as we return a more normal operating environment, while maintaining strict adherence to public health restrictions at all times.

Based on projected growth in revenues and expenses, we expect to deliver annual pre-tax, pre-provision income growth within a range of mid- to high- single-digits.

We recognized an unusually low provision for credit losses of nine basis points as a percentage of total loans in fiscal 2021, below our normal historical range of 18 to 23 basis points, which we believe is not sustainable for a prolonged period. Through the ongoing economic recovery and as government support programs conclude, we expect our provision for credit losses on total loans as a percentage of average loans to increase to the mid-teens in basis points.

Annual percentage growth of diluted earnings per common share is expected to range between low- to mid- single-digits. Policy interest rate increases that occur earlier in fiscal 2022 and a provision for credit losses that remains consistent with 2021 levels would lead to more robust earnings growth. A provision for credit losses in fiscal 2022 within our normal historical range of 18 to 23 basis points could result in a decline in earnings compared to the prior year. We expect to continue to use our ATM program to issue common shares to support strong loan growth and to ensure our capital levels appropriately reflect the potential for near-term volatility described above. Following the conclusion of the OSFI moratorium on dividend increases in November 2021, we expect to resume our historical pattern of moderate and regular increases to our common share dividend.

NET INTEREST INCOME

Net interest income is the difference between interest 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 2021

- Net interest income of \$892 million was up 12% primarily due to strong loan growth of 9% and a four basis point increase in net interest margin.
- Net interest margin of 2.49% was up four basis points, despite the continued historical low Bank of Canada policy interest rates enacted in March 2020, which did not impact our results for a full year in fiscal 2020.

Table 5 - Net Interest Income
(\$ thousands)

	2021				2020			
	Average Balance ⁽¹⁾	Mix	Interest	Interest Rate	Average Balance ⁽¹⁾	Mix	Interest	Interest Rate
Assets								
Cash, securities and deposits with regulated financial institutions	\$ 3,898,805	11 %	\$ 20,947	0.54 %	\$ 2,799,760	9 %	\$ 32,639	1.17 %
Securities purchased under resale agreements	56,345	-	111	0.20	32,436	-	273	0.84
Loans								
Personal	6,079,394	17	210,483	3.46	5,814,502	18	220,707	3.80
Business	24,931,015	70	1,086,471	4.36	23,171,792	71	1,115,295	4.81
	31,010,409	87	1,296,954	4.18	28,986,294	89	1,336,002	4.61
Total interest bearing assets	34,965,559	98	1,318,012	3.77	31,818,490	98	1,368,914	4.30
Other assets	811,430	2	-	0.00	748,411	2	-	0.00
Total Assets	\$ 35,776,989	100 %	\$ 1,318,012	3.68 %	\$ 32,566,901	100 %	\$ 1,368,914	4.20 %
Liabilities								
Deposits								
Personal	\$ 15,508,125	43 %	\$ 246,614	1.59 %	\$ 15,562,654	48 %	\$ 342,623	2.20 %
Business and government	13,408,510	37	114,004	0.85	10,564,415	32	156,472	1.48
	28,916,635	80	360,618	1.25	26,127,069	80	499,095	1.91
Securities sold under repurchase agreements	31,826	-	45	0.14	13,922	-	45	0.32
Other liabilities	671,260	2	2,809	0.42	821,385	3	2,904	0.35
Debt	2,708,222	8	62,177	2.30	2,532,544	8	67,459	2.66
Shareholders' equity	3,448,826	10	-	0.00	3,070,800	9	-	0.00
Non-controlling interests	220	-	-	0.00	1,181	-	-	0.00
Total Liabilities and Equity	\$ 35,776,989	100 %	\$ 425,649	1.19 %	\$ 32,566,901	100 %	\$ 569,503	1.75 %
Total Assets/Net Interest Income	\$ 35,776,989		\$ 892,363	2.49 %	\$ 32,566,901		\$ 799,411	2.45 %

(1) Non-GAAP measure – refer to definitions and detail provided on page 18.

Net interest income of \$892 million was up 12% (\$93 million) from last year. Growth was primarily driven by a 10% increase in average interest-earning assets and a four basis point increase in net interest margin. Net interest margin benefited from a favourable shift in our funding mix from strong branch-raised deposit growth, which drove a decline in more expensive broker deposits, and proactive deposit pricing reductions, partially offset by the impact of holding higher average cash and securities balances compared to last year.

The yield on average cash, securities and deposits with regulated financial institutions of 0.54% decreased 63 basis points primarily due to the full year impact of market interest rate reductions. Average balances of cash and securities were higher than last year due to additional liquidity carried to fund capital market maturities and held against higher deposit balances.

The average loan yield declined 43 basis points to 4.18% primarily due to a 56 basis point reduction in average prime rate, driven by the full year impact of policy interest rate reductions in March 2020.

Average deposit costs were down 66 basis points to 1.25% and the overall cost of average interest-bearing liabilities and equity decreased 56 basis points to 1.19%, primarily due to market interest rate reductions, which also resulted in proactive deposit pricing changes on certain products based on market conditions, and a favourable shift in our funding mix driven by strong branch-raised deposit growth and a resulting decline in broker deposits.

NON-INTEREST INCOME

Highlights of 2021

- Non-interest income of \$124 million was up 26% primarily due to the full year impact of the wealth acquisition and higher credit related fees, partially offset by lower net gains on securities.
- Non-interest income represented 12% of total revenues, up from 11% in the prior year.

Table 6 - Non-interest Income

(\$ thousands)

	2021		2020		Change from 2020	
Wealth management services	\$	59,490	\$	33,565	\$	25,925 77 %
Credit related		38,411		34,921		3,490 10
Retail services		10,007		9,679		328 3
Trust services		8,988		8,377		611 7
Gains on securities, net		2,978		9,428		(6,450) (68)
Other ⁽¹⁾		3,796		2,014		1,782 88
Total Non-interest Income	\$	123,670	\$	97,984	\$	25,686 26 %

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

Non-interest income of \$124 million was up 26% (\$26 million) primarily due to higher wealth management fees contributed by the full year impact of the wealth acquisition combined with increased credit related fees and foreign exchange revenue recorded in 'other' non-interest income. The increase in non-interest income was partially offset by lower net gains on securities, which were elevated in the prior year as we re-balanced our cash and securities portfolio through the market disruption that followed the emergence of the COVID-19 pandemic. Credit related fees benefited from strong loan growth and an increase in administration fees associated with our enhanced personal credit card offering in partnership with Brim Financial, under which we do not retain the underlying credit risk of the cards or carry outstanding balances on our balance sheet.

NON-INTEREST EXPENSES AND EFFICIENCY RATIO

Highlights of 2021

- Non-interest expenses increased 17%, or 10% excluding the wealth acquisition and costs associated operating and enhancing our AIRB tools and processes.
- An efficiency ratio of 49.1% compared to 47.7% last year due to the impact of the wealth acquisition and continued investment in strategic execution, which outpaced revenue growth. Excluding the wealth acquisition, the efficiency ratio of 47.7% compared to 46.9% last year.

Table 7 - Non-interest Expenses and Efficiency Ratio

(\$ thousands)

	2021	2020	Change from 2020	
Salaries and Employee Benefits				
Salaries	\$ 271,946	\$ 234,759	\$ 37,187	16 %
Employee benefits	53,190	46,649	6,541	14
	325,136	281,408	43,728	16
Premises				
Depreciation	17,802	18,765	(963)	(5)
Rent	10,388	9,804	584	6
Other	3,983	4,089	(106)	(3)
	32,173	32,658	(485)	(1)
Equipment and Software				
Depreciation	32,422	25,556	6,866	27
Other	31,359	22,148	9,211	42
	63,781	47,704	16,077	34
General				
Professional fees and services	20,517	12,125	8,392	69
Regulatory costs	12,894	12,789	105	1
Marketing and business development	10,339	9,169	1,170	13
Amortization of acquisition-related intangible assets	8,073	6,127	1,946	32
Banking charges	8,036	5,743	2,293	40
Employee recruitment and training	4,187	3,412	775	23
Loan-related credit reports	3,370	3,241	129	4
Communications	2,094	2,111	(17)	(1)
Acquisition and integration costs	1,761	2,442	(681)	(28)
Capital and business taxes	1,530	2,385	(855)	(36)
Staff relations	1,501	1,539	(38)	(2)
Travel	895	2,010	(1,115)	(55)
Other	12,431	11,783	648	5
	87,628	74,876	12,752	17
Total Non-interest Expenses	\$ 508,718	\$ 436,646	\$ 72,072	17 %
Efficiency Ratio⁽¹⁾	49.1 %	47.7 %		140 bp

(1) 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 47.7% in fiscal 2021 (2020 – 46.9%).

bp – basis point

Total non-interest expenses of \$509 million were up 17% (\$72 million). The increase reflected approximately \$19 million due to the full year impact of the wealth acquisition, which occurred partway through fiscal 2020, and an additional \$11 million related to costs associated with operating and enhancing our AIRB tools and processes. Excluding the wealth acquisition and AIRB-related costs, non-interest expense growth was 10%. The remaining increase was driven by continued investment in our teams and technology infrastructure.

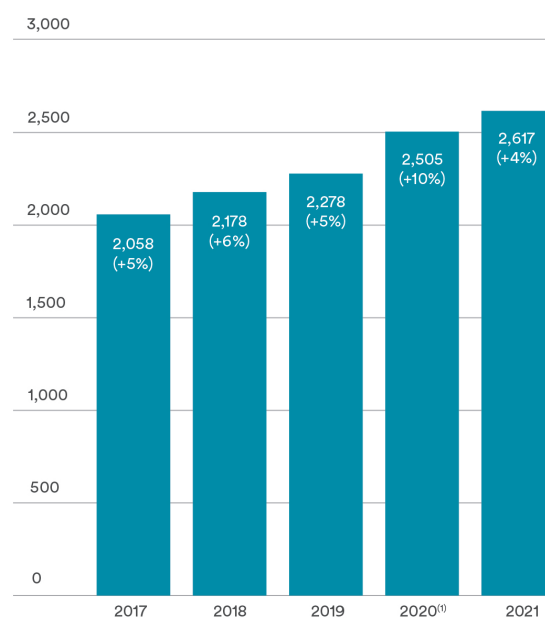
Overall salaries and employee benefits increased 16% (\$44 million) mainly due to the wealth acquisition, hiring activity to support overall business growth and execution of strategic priorities, higher performance-based compensation reflecting our strong financial results, and annual salary increments.

Equipment and software costs were up 34% (\$16 million) primarily due to ongoing investment in technology infrastructure to position ourselves for future growth and improve our client and employee experience, and amortization of accumulated capital costs associated with our AIRB implementation, which were recognized in non-interest expenses for the first time this year.

General non-interest expenses were up 17% (\$13 million) mainly due to the wealth acquisition, costs associated with enhancing our AIRB tools and processes, client reward point costs driven by strong uptake of our refreshed personal credit card offering, and an increase in marketing spend to promote our new digital capabilities. These increases were partially offset by reduced spending in certain categories in the current operating environment.

The efficiency ratio of 49.1% compared to 47.7% last year, due to the impact of the wealth acquisition and continued investment in strategic execution, which outpaced revenue growth. Excluding the wealth acquisition, the efficiency ratio of 47.7% compared to 46.9% last year.

Figure 1 - Number of Full-time Equivalent Employees



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

INCOME TAXES

The current year effective income tax rate of 25.6% was 70 basis points lower than last year, reflecting the Alberta government's accelerated reduction of the corporate income tax rate from 10% to 8% effective July 1, 2020, as part of Alberta's COVID-19 economic recovery plan.

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 \$258 million was down 27% (\$96 million) due to a \$181 million reduction in OCI partially offset by an \$86 million increase in net income. Lower OCI, net of tax, was driven by lower changes in fair value of derivatives designated as cash flow hedges (\$135 million) and debt securities measured at FVOCI (\$46 million). Our debt securities portfolio, which is classified at FVOCI, is primarily comprised of debt securities issued or guaranteed by federal (Canada or United States), provincial or municipal governments. 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)

	2021	2020	Change from 2020
Net Income	\$ 357,253	\$ 271,550	\$ 85,703
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 (losses) from change in fair value	(34,949)	14,046	(48,995)
Reclassification to net income	(3,316)	(5,900)	2,584
	(38,265)	8,146	(46,411)
Derivatives designated as cash flow hedges			
Gains (losses) from change in fair value	(6,197)	105,003	(111,200)
Reclassification to net income	(56,121)	(31,855)	(24,266)
	(62,318)	73,148	(135,466)
Items that will not be subsequently reclassified to net income			
Gains on equity securities designated at fair value through other comprehensive income	1,053	528	525
	(99,530)	81,822	(181,352)
Comprehensive Income	\$ 257,723	\$ 353,372	\$ (95,649)

CASH AND SECURITIES

Cash, securities and securities purchased under resale agreements totaled \$3.7 billion at October 31, 2021, compared to \$3.1 billion last year. The cash and securities portfolio is comprised of high-quality debt instruments that are not held for trading purposes and 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 our MD&A for additional information.

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

	As at October 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions ⁽²⁾	\$ 21,344	\$ -	\$ -	\$ 21,344
Debt securities issued or guaranteed by				
Canada	3,001,582	420	39,712	2,962,290
A province or municipality	409,583	209	3,084	406,708
Other debt securities ⁽³⁾	199,255	362	818	198,799
Total	\$ 3,631,764	\$ 991	\$ 43,614	\$ 3,589,141
	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

(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 \$107 million (October 31, 2020 – \$114 million) and securities purchased under resale agreements of \$30 million (October 31, 2020 – \$50 million).

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

(3) Includes securities issued or guaranteed by the United States Treasury of \$199 million (October 31, 2020 – \$93 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 losses, before tax, recorded on the consolidated balance sheet at October 31, 2021 totaled \$43 million, compared to net unrealized gains of \$9 million last year. We recognized \$3 million of net gains on securities in earnings compared to \$9 million in the prior year. Net realized gains on securities were elevated last year as we re-balanced our cash and securities portfolio through market disruption that followed the emergence of the COVID-19 pandemic. During fiscal 2021, we disposed of all preferred shares previously held within our securities portfolio and designated as FVOCI. A nominal amount of realized gains on sales were recognized directly in retained earnings in accordance with IFRS 9, compared to \$6 million of realized losses in the prior year.

We regularly review the level of unrealized losses on securities. Impairment charges on debt securities are reflected in net gains (losses) on securities only in the case of an issuer credit event. We have no direct investment in any sovereign debt or other securities issued outside of Canada or the United States. Refer to *Table 28 – Valuation of Financial Instruments* of our MD&A for additional information on significant financial assets and liabilities reported at fair value.

LOANS

Highlights of 2021

- Overall strong loan growth of 9%, with 24% growth in commercial mortgages and 12% growth in our strategically targeted general commercial portfolio.
- Achieved further geographic diversification, with strong 10% growth in Ontario with strong momentum building from our new Mississauga banking centre.

Table 10 - Outstanding Loans by Portfolio

(\$ millions)

	2021	2020	Change from 2020	
General commercial loans	\$ 10,895	\$ 9,697	\$ 1,198	12 %
Commercial mortgages	7,039	5,696	1,343	24
Personal loans and mortgages	6,396	6,074	322	5
Equipment financing and leasing	5,286	5,254	32	1
Real estate project loans	2,871	3,252	(381)	(12)
Oil and gas production loans	414	195	219	112
Total Outstanding Loans⁽¹⁾	\$ 32,901	\$ 30,168	\$ 2,733	9 %

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

Total loans, excluding the allowance for credit losses, increased 9% (\$2.7 billion) compared to last year.

Growth by lending sector was consistent with our ongoing efforts to increase full-service relationships across our national footprint. We delivered strong growth in our strategically targeted general commercial portfolio, which increased 12% (\$1.2 billion) this year, with 40% of the growth contributed by 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.

Very strong growth in commercial mortgages of 24% (\$1.3 billion) primarily reflected strong new lending volumes in British Columbia, Alberta and Ontario, with high-quality borrowers and underlying assets consistent with our risk appetite.

Personal loans and mortgages increased 5% (\$322 million) primarily due to residential A mortgage portfolio growth, which supports our participation in the *National Housing Act Mortgage Backed Securities* (NHA MBS) program.

The equipment financing and leasing portfolio remained relatively consistent with last year as supply chain disruptions, increased competition in the low interest environment, and curtailed economic activity and capital projects persisted through most of fiscal 2021.

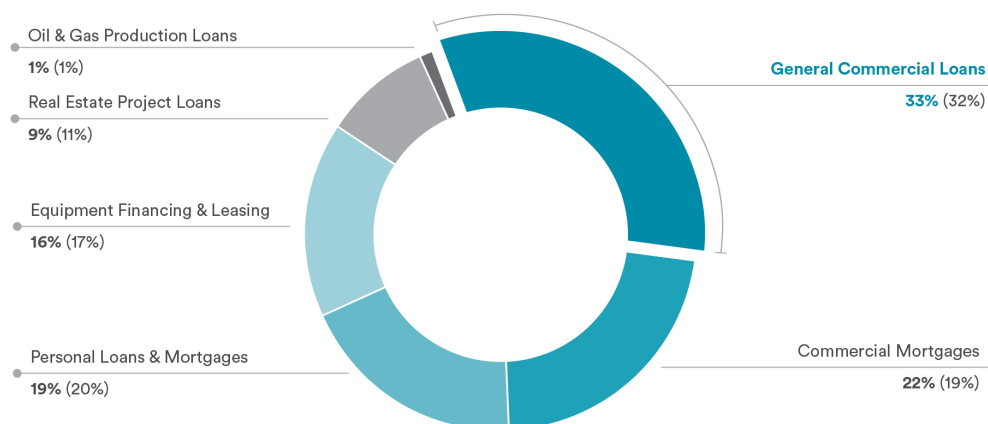
Real estate project loans contracted 12% (\$381 million), driven by successful project completions, primarily in British Columbia. Lending in real estate project loans has focused on the strongest tier of our risk appetite, which are borrowers with strong, resilient balance sheets and track records of completing similar projects. New project starts with these borrowers have been slow over the last two years, and we remain committed to our prudent risk appetite.

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 \$219 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 shift in the mix of our portfolio (see Figure 2) reflected continued strategic execution as we capitalized on growth opportunities within our risk appetite across a broad range of industries through challenging economic and operating conditions. Very strong growth in commercial mortgages increased the proportion of loans in this category to 22% at October 31, 2021, compared to 19% last year. Strong growth in general commercial loans increased the proportion of loans to 33% at October 31, 2021, compared to 32% last year. The proportion of loans in equipment financing and leasing decreased to 16%, from 17% last year, and real estate project loans comprised 9% of the portfolio at year end, compared to 11% in 2020.

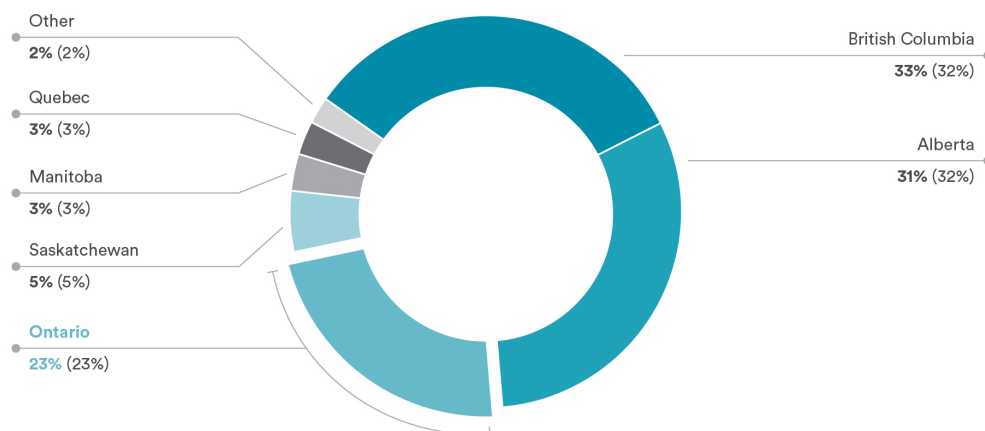
Figure 2 - Outstanding Loans by Portfolio

(October 31, 2020 in brackets)



The mix of our portfolio based on the location of security (see Figure 3) remained relatively consistent with last year as we executed on our strategic growth objectives across our geographic footprint.

Figure 3 - Geographical Distribution of Outstanding Loans based on Location of Security
(October 31, 2020 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)

	2021	2020
Real estate operations	21 %	19 %
Consumer loans and residential mortgages	19	20
Construction	18	19
Finance and insurance	8	7
Transportation and storage	7	8
Hotel/motel	5	5
Retail trade	4	4
Health and social services	3	3
Professional, scientific and technical services	2	2
Manufacturing	2	2
Agriculture	2	2
Oil and gas service	1	1
Accommodation and food services	1	1
Logging/forestry	1	1
Oil and gas production	1	1
Wholesale trade	1	1
Utilities	1	1
All other	3	3
Total	100 %	100 %

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

Highlights of 2021

- The provision for credit losses on total loans represented nine basis points of average loans, compared to 32 basis points last year and well below our historical range of 18 to 23 basis points.
- The provision for credit losses on performing loans represented an eight basis points recovery as a percentage of average loans, compared to a 14 basis point charge last year, primarily due to the impact of a more favourable macroeconomic outlook associated with the ongoing economic recovery.
- The provision for credit losses on impaired loans as a percentage of average loans of 17 basis points was one basis point lower than last year and remained below our five-year average of 19 basis points.
- Write-offs as a percentage of average loans⁽¹⁾ of 19 basis points remained below our five-year average of 20 basis points.
- Gross impaired loans represented 0.61% of gross loans, compared to 0.85% last year.

(1) Non-GAAP measure – refer to definitions and detail provided on page 18.

IMPAIRED LOANS

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.

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

	2021	2020	Change from 2020	
Gross impaired loans, beginning of year	\$ 257,141	\$ 148,250	\$ 108,891	73 %
New formations	199,514	310,704	(111,190)	(36)
Reductions, impaired accounts paid down or returned to performing status	(196,231)	(153,282)	(42,949)	28
Write-offs	(58,100)	(48,531)	(9,569)	20
Total⁽¹⁾	\$ 202,324	\$ 257,141	\$ (54,817)	(21) %
Balance of the ten largest impaired accounts	\$ 77,227	\$ 72,311	\$ 4,916	7 %
Total number of accounts classified as impaired ⁽²⁾	330	420	(90)	(21)
Total number of accounts classified as impaired under \$1 million ⁽²⁾	282	365	(83)	(23)
Gross impaired loans as a percentage of gross loans ⁽³⁾	0.61 %	0.85 %		(24) bp

(1) Gross impaired loans include foreclosed assets held for sale with a carrying value of \$2,253 (October 31, 2020 – \$4,357).

(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.

bp – basis point

The dollar level of gross impaired loans at October 31, 2021 totaled \$202 million, down from \$257 million last year. This amount represented 0.61% of total loans compared to 0.85% 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 decreased across all provinces during the year. Gross impaired loans also declined across most portfolios, with the exception of our general commercial loan portfolio. New formations of impaired loans totaled \$200 million, compared to \$311 million last year. Strong resolutions of \$196 million this year were up from \$153 million last year, which reflected our ongoing proactive management of the loan portfolio through the ongoing development of our Special Asset Management Unit, a team that specializes in resolving troubled loans and minimizing credit losses.

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. 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. We continue to carefully monitor the entire loan portfolio to assess evolving risk profiles, with a focus on industries particularly affected by restrictions put in place to slow the spread of the COVID-19 virus, including restaurants and hotels. Our exposure within these industries is well-diversified and supported by high-quality, resilient borrowers, and have delivered very stable credit performance through the pandemic so far. 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 is further enhanced by our AIRB tools and has continued to be an effective approach. This is demonstrated by our history of low write-offs as a percentage of average loans, including through past periods of economic volatility. Refer to the *Risk Management* section of this MD&A for additional information.

ALLOWANCE FOR CREDIT LOSSES

Allowances for credit losses are maintained in response to 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, 2021, the total allowance for credit losses of \$146 million consisted of \$107 million for performing loans and \$39 million related to impaired loans (Stage 3). One year ago, the total allowance for credit losses of \$164 million consisted of \$130 million for performing loans and \$34 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)

	2021 Opening Balance	Provision for (Recovery of) Credit Losses	Write-Offs, net of Recoveries ⁽¹⁾	2021 Ending Balance
Impaired loan allowance (Stage 3)				
General commercial loans	\$ 21,261	\$ 23,252	\$ (17,432)	\$ 27,081
Equipment financing and leasing	10,326	(5,878)	1,139	5,587
Commercial mortgages	1,719	29,568	(26,063)	5,224
Personal loans and mortgages	829	1,811	(2,155)	485
Real estate project loans	-	1,839	(919)	920
Oil and gas production loans	-	1	(1)	-
	34,135	50,593	(45,431)	39,297
Performing loan allowance (Stage 1 and 2)	130,278	(23,725)	-	106,553
Total	\$ 164,413	\$ 26,868	\$ (45,431)	\$ 145,850
Represented by:				
Loans				\$ 141,429
Committed but undrawn credit exposures and letters of credit ⁽²⁾				4,421
Total				\$ 145,850

(1) Recoveries in fiscal 2021 totaled \$12,669 (2020 – \$6,147).

(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.

Performing loan allowance

The performing loan allowance is estimated based on 12-month expected credit losses for loans in Stage 1, while loans in Stage 2 require the recognition of lifetime expected credit losses. The proportion of performing loans in Stage 2 was 9%, compared to 34% last year. The decline in Stage 2 loans compared to last year was primarily due to an improvement in current and forecast macroeconomic conditions. The relatively short duration of our loan portfolios limits the impact on our performing loan allowance when loans migrate between Stage 1 and Stage 2. Tangible security held and conservative loan-to-value ratios also decrease the overall sensitivity of our allowance for credit losses to changes in forecasted economic conditions.

The performing loan allowance of \$107 million decreased 18% from the prior year, primarily due to the impact of improving macroeconomic forecasts reflective of the ongoing economic recovery. The macroeconomic forecast in the current year, which is based on an average of the large Canadian banks' macroeconomic forecasts, reflects a continued economic recovery, with no significant public health restrictions implemented in response to future waves of COVID-19 that would significantly curtail Canadian economic activity. GDP is forecast to continue to trend upwards in 2022, with a strong start to the year supported by high levels of consumer spending, followed by a tapering in the latter half of the year as pent-up consumer demand subsides. The labour market is expected to continue to strengthen, with unemployment rates expected to decline through 2022 to levels relatively consistent with pre-pandemic levels. Housing price growth is expected to cool in 2022, given challenges in affordability in some markets and enhancements to mortgage stress testing criteria. Oil prices are expected to remain relatively stable with current levels through the forecast period. For further details on the economic factors incorporated into the estimation of the performing loan allowance, see Note 7 of the consolidated financial statements for the year ended October 31, 2021.

Key economic variables incorporated into our ECL models are inherently prone to volatility on a forward-looking basis. While economic conditions are expected to be less volatile than those experienced during the peak of the COVID-19 pandemic, rising inflation, the impact of more infectious variants of COVID-19 and the impact of the conclusion of government support programs on the Canadian economy could result in negative revisions to expected economic 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, 2021, 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 lagging impacts of typical credit cycles, where loan defaults occur in periods subsequent to the onset of a decline in macroeconomic conditions. These expert credit judgments also allow us to incorporate the estimated impact of the unprecedented levels of government stimulus and support programs, which cannot be modelled using historical data as they have not occurred in the past.

Impaired loan allowance

The allowance for impaired loans (Stage 3) was \$39 million, compared to \$34 million last year. Given the larger average exposure size within our commercial portfolios in comparison to personal loans, our impaired loan allowances and provisions for credit losses may fluctuate as loans become impaired and are subsequently resolved. In determining allowances for impaired loans, we establish estimates through detailed analysis of both the overall quality and ultimate marketability of the security held against each impaired account on a case-by-case basis.

PROVISION FOR CREDIT LOSSES

The provision for credit losses as a percentage of average loans of nine basis points consisted of a 17 basis point charge related to impaired loans and an 8 basis point recovery related to performing loans. This compared to 32 basis points last year, including an 18 basis point provision for credit losses on impaired loans and a 14 basis point provision for credit losses on performing loans. In dollar terms, the provision for credit losses of \$27 million compared to \$92 million last year. The provision for credit losses on impaired loans of \$51 million remained relatively consistent with the prior year, while the provision for credit losses on performing loans was a recovery of \$24 million compared to a charge of \$41 million last year. For additional information on the estimation of the performing loan allowance, refer to the *Allowance for Credit Losses* section of our MD&A.

Quarterly write-offs fluctuate as loans become impaired and are subsequently resolved. Our approach to managing credit risk has proven to be very effective and write-offs as a percentage of average loans of 19 basis points remained below our five year average of 20 basis points. Write-offs increased compared to last year due to ongoing resolution of impaired loans, which resulted in the realization of losses previously recognized in the provision for credit losses.

Table 14 - Provision for Credit Losses
(as a percentage of average loans)

	IFRS 9			IAS 39 ⁽¹⁾	
	2021	2020	2019	2018	2017
Provision for credit losses on total loans	0.09 %	0.32 %	0.21 %	0.20 %	0.23 %
Provision for credit losses on impaired loans	0.17	0.18	0.21	0.19	0.19
Write-offs	0.19	0.17	0.23	0.18	0.21

(1) Fiscal 2021, 2020 and 2019 results have been prepared in accordance with IFRS 9. Previous years have been prepared in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and have not been restated.

COVID-19 RESPONSE MEASURES

Our teams continued to actively support our clients through government lending initiatives that were launched in response to the COVID-19 pandemic. During the year ended October 31, 2021, we:

- administered the advance of approximately \$50 million (2020 – \$90 million) of Canada Emergency Business Account (CEBA) loans, which are funded by the federal government and not carried on our balance sheet; and,
- funded approximately \$50 million (2020 – \$130 million) of loans with partial federal government guarantees through Export Development Canada's Business Credit Availability Program (BCAP), and approximately \$30 million (2020 – nil) of loans with full federal government guarantees through Business Development Canada's Highly Affected Sectors Credit Availability Program (HASCAP), which are carried on our balance sheet.

The application window for the CEBA program closed on June 30, 2021, and the deadline was extended to December 31, 2021 for the BCAP and HASCAP programs.

In fiscal 2020, we launched our #CWBhasyourback program to provide payment deferrals to clients experiencing temporary financial difficulty following the emergence of the COVID-19 pandemic. The percentage of outstanding loans deferring payments under this program was 2% at October 31, 2020, and there were no loans in active deferral status at October 31, 2021.

DEPOSITS AND FUNDING

Highlights of 2021

- Continued execution of our diversified funding strategy, reflected by very strong growth in our relationship-based branch-raised deposits of 16%, including 26% growth of demand and notice deposits.
- Branch-raised deposits comprised 64% of total deposits at October 31, 2021, compared to 61% last year.
- Broker deposits declined by 10% and decreased their proportion as a percentage of total funding to 21% of total deposits at year end, down from 26% last year.
- Growth of debt capital market funding, with five senior deposit note issuances totaling \$2 billion at historically low credit spreads.
- Growth of securitization funding to support originations of both equipment loans and leases, and residential mortgages.

Table 15 - Deposits
(\$ thousands)

	Demand	Notice	Term	2021 Total	% of Total
Personal	\$ 41,271	\$ 7,274,688	\$ 7,882,861	\$ 15,198,820	50 %
Business and government	1,310,964	5,838,025	3,296,949	10,445,938	35
Capital markets	-	-	4,330,981	4,330,981	15
Total	\$ 1,352,235	\$ 13,112,713	\$ 15,510,791	\$ 29,975,739	100 %
% of Total	4 %	44 %	52 %	100 %	

	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	\$ 985,034	\$ 10,528,080	\$ 15,797,240	\$ 27,310,354	100 %
% of Total	4 %	38 %	58 %	100 %	

We delivered strong execution against our funding diversification strategy during the year. Total deposits of \$30.0 billion were up 10% (\$2.7 billion).

Personal deposits declined 3% (\$463 million) during the year as growth in our demand and notice deposits due to strong performance from CWB Trust Services was more than offset by a significant decline in fixed-term personal deposits sourced through brokers. Business and government deposits increased 29% (\$2.3 billion) primarily driven by our full-service banking centres. Demand and notice deposits comprised 48% of total deposits at October 31, 2021, compared to 42% last year.

Table 16 - Deposits by Source

(as a percentage of total deposits at October 31)

	2021	2020
Branch-raised	64 %	61 %
Deposit brokers	21	26
Capital markets	15	13
Total	100 %	100 %

References to branch-raised deposits within our MD&A include all deposits generated through our full-service banking centres, including deposits raised via CWB Trust Services, Motive Financial and Valiant Trust's deposit-taking franchise. Accelerated branch-raised business and personal deposit growth is an ongoing strategic focus for us as success in this area provides a lower cost of funding with the opportunity to generate transaction fee revenue. 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. Refer to the *Liquidity Management* section of our MD&A for additional information.

We have consistently delivered strong growth of relationship-based, branch-raised deposits over the past several years. Branch-raised deposits of \$19.3 billion increased 16% (\$2.6 billion) from last year, with very strong 26% 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 banking centre footprint. Branch-raised deposits represented 64% of total deposits at October 31, 2021, compared to 61% last year. Our banking centres contributed approximately three quarters of the increase in branch-raised deposits from last year with the remainder generated from CWB Trust Services.

CWB Trust Services raises deposits through notice accounts, including cash balances held in self-directed registered accounts as well as corporate trust deposits, and fixed term deposits through our branch network. CWB Trust Services deposits grew 17% (\$580 million) from the prior year, primarily due to underlying client growth generated by our existing trust services clients and the onboarding of new clients. Motive Financial deposits remained relatively stable with last year despite strategic deposit pricing reductions during the year.

Other types of deposits are primarily sourced through a deposit broker network and debt capital markets. Capital market deposits increased \$0.8 billion from last year, as we capitalized on strong debt market conditions through five senior deposit note issuances, and represented 15% of total deposits, up from 13% in the prior year.

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. 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 deposits compared to last year. Broker deposits of \$6.4 billion comprised 21% of total deposits at October 31, 2021, down from \$7.1 billion, or 26%, last year.

We continue to invest in our securitization capabilities and participate in lease securitization vehicles, the NHA MBS program and the *Canada Mortgage Bond* (CMB) program. The gross amount of securitized leases and loans was \$1.9 billion, compared to \$1.7 billion one year ago. The gross amount of mortgages securitized under the NHA MBS program was \$1.4 billion, up from \$1.1 billion one year ago. Funding from the securitization of leases, loans and mortgages totaled \$1.4 billion (2020 – \$1.3 billion) during the year, including \$0.9 billion (2020 – \$1.1 billion) of equipment leases and loans, and \$0.5 billion (2020 – \$0.2 billion) from participation in the CMB program.

OTHER ASSETS AND OTHER LIABILITIES

Other assets at October 31, 2021 totaled \$837 million and were relatively consistent with last year. Other liabilities totaled \$798 million at October 31, 2021 compared to \$871 million last year, with the decrease primarily related to a reduction in securities sold under repurchase agreements.

LIQUIDITY MANAGEMENT

Highlights of 2021

- Maintained a prudent liquidity position and conservative investment profile.
- Higher balances of cash and securities at October 31, 2021 reflect incremental liquidity to fund capital market maturities and held against higher deposit balances, consistent with our conservative risk appetite.

We maintain a conservative liquid asset profile. Our cash and securities portfolio is comprised of high-quality debt instruments, primarily issued or guaranteed by federal (Canada or United States), provincial or municipal governments, and short-term money market instruments. A schedule outlining our securities portfolio at October 31, 2021 is provided in Note 5 of the consolidated financial statements. For additional information on the governance and risk management related to liquidity and funding risk, refer to the *Liquidity and Funding Risk* section of our MD&A.

Table 17 - Liquid Assets
(\$ thousands)

	2021	2020	Change from 2020
Cash and non-interest bearing deposits with financial institutions	\$ 87,853	\$ 113,868	\$ (26,015)
Interest bearing deposits with regulated financial institutions	21,344	254,451	(233,107)
Cheques and other items in transit	19,262	-	19,262
	128,459	368,319	(239,860)
Government of Canada, provincial and municipal debt, term to maturity one year or less	90,435	1,077,517	(987,082)
Government of Canada, provincial and municipal debt, term to maturity more than one year	3,278,563	1,207,865	2,070,698
NHA mortgage-backed securities ⁽¹⁾	499,908	577,449	(77,541)
Other debt securities	198,799	377,244	(178,445)
Securities purchased (sold) under resale agreements	30,048	(15,114)	45,162
	4,097,753	3,224,961	872,792
Total Liquid Assets	\$ 4,226,212	\$ 3,593,280	\$ 632,932
Total Assets	\$ 37,323,176	\$ 33,937,865	\$ 3,385,311
Liquid Assets as a Percentage of Total Assets	11 %	11 %	- %
Total Cash and Securities	\$ 3,726,304	\$ 3,083,021	\$ 643,283
Cash and Securities as a Percentage of Total Assets	10 %	9 %	1 %
Total Deposit Liabilities	\$ 29,975,739	\$ 27,310,354	\$ 2,665,385
Liquid Assets as a Percentage of Total Deposit Liabilities	14 %	13 %	1 %

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

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 \$4.2 billion at October 31, 2021 (October 31, 2020 – \$3.6 billion). Liquid assets represented 11% of total assets, consistent with last year, and 14% (October 31, 2020 – 13%) 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. In the prior year, 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, with no significant impact on our liquidity management. In fiscal 2021, we maintained higher levels of cash and securities due to incremental liquidity to fund capital market maturities and held against higher deposit balances, consistent with our conservative risk appetite.

Other key elements of the composition of liquid assets at October 31, 2021 compared to the prior year include:

- Maturities within one year comprise 8% (October 31, 2020 – 50%), with the decline from the prior year in response to changes in market interest rates;
- Government of Canada, provincial and municipal debt securities and unencumbered NHA MBS comprise 92% (October 31, 2020 – 80%);
- Cash and deposits with regulated financial institutions comprise 3% (October 31, 2020 – 10%); and,
- Other marketable securities and securities purchased (sold) under resale agreements comprise 5% (October 31, 2020 – 10%).

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, 2021	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
Demand deposits	\$ 1,352	\$ -	\$ -	\$ 1,352
Notice deposits	10,579	361	2,173	13,113
Deposits payable on a fixed date	561	1,113	5,381	7,055
Total	\$ 12,492	\$ 1,474	\$ 7,554	\$ 21,520
October 31, 2020 Total	\$ 10,542	\$ 1,556	\$ 7,483	\$ 19,581

Table 19 - Total Deposit Maturities

(\$ millions)

October 31, 2021	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	\$ 1,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,352
Notice deposits	13,113	-	-	-	-	-	13,113
Deposits payable on a fixed date	7,055	3,928	2,261	1,111	652	504	15,511
Total	\$ 21,520	\$ 3,928	\$ 2,261	\$ 1,111	\$ 652	\$ 504	\$ 29,976
October 31, 2020 Total	\$ 19,581	\$ 3,366	\$ 2,584	\$ 1,071	\$ 708	\$ -	\$ 27,310

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, instruments that qualify as regulatory capital and 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	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, 2021 includes unamortized financing costs related to the issuance of subordinated debentures of \$1,778 (October 31, 2020 - \$2,357).

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 for the year ended October 31, 2021.

Highlights of 2021

- CET1 regulatory capital ratio of 8.8% under the *Standardized* approach for calculating risk-weighted assets.
- Basel III leverage ratio of 8.6%, compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.
- Established an ATM program that allows us to incrementally issue up to \$150 million of common shares, at our discretion, at the prevailing market price. During the year, we issued 2,052,600 common shares at an average price of \$35.55 per share for gross proceeds of \$73 million under the program.
- Completed the issuance of \$150 million of Series 2 Limited Recourse Capital Notes (LRCNs).
- Redeemed all \$140 million of outstanding Series 7 Preferred Shares.
- Paid a cash dividend of \$1.16 per share to common shareholders.

Subsequent Highlights

- Subsequent to October 31, 2021, our Board of Directors declared a dividend of \$0.30 per common share payable on January 6, 2022 to shareholders of record on December 16, 2021. This quarterly dividend is up one cent, or 3%, from the dividend declared last quarter and one year ago, and represents an increase following the conclusion on November 4, 2021 of OSFI's moratorium on dividend increases for federally-regulated financial institutions, which had been in effect since March 2020.
- The Board of Directors also declared cash dividends of \$0.2688125 per Series 5 and \$0.375 per Series 9 preferred share, all payable on January 31, 2022 to shareholders of record on January 21, 2022.

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 forecast capital needs with consideration of anticipated profitability, asset growth, market and economic conditions, regulatory changes, and common and preferred share dividends. The goal is to maintain adequate regulatory capital to be considered well-capitalized and protect customer deposits, while providing a satisfactory return for shareholders. We have established target capital levels that are informed by our Internal Capital Adequacy Assessment Process (ICAAP) and stress tests, and are deemed prudent to effectively manage risks, including potential capital shocks from unexpected macroeconomic and/or CWB-specific events.

During the year, we issued \$150 million of Series 2 LRCNs and redeemed all \$140 million of outstanding Series 7 Preferred Shares. The LRCNs have a preferential tax treatment for the issuer compared to other sources of Tier 1 capital, where tax deductible coupon payments lower our overall cost of capital compared to other similar sources. For further details on the transactions and the conversion features of our NVCC capital instruments, refer to Notes 15 and 16 of the consolidated financial statements for the year ended October 31, 2021.

On May 31, 2021, we established an ATM program that allows us to incrementally issue up to \$150 million of common shares, at our discretion, at the prevailing market price. The ATM program was established under a prospectus supplement to the CWB short-form base shelf prospectus, and expires on November 9, 2022. During fiscal 2021, we issued 2,052,600 common shares at an average price of \$35.55 per share for gross proceeds of \$73 million, or net proceeds of \$71 million after commissions and other issuance costs.

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 for the year ended October 31, 2021 provides details related to the number of options outstanding, the weighted average exercise price and the amounts exercisable at year end.

We complied with all internal and external capital requirements in 2021.

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% CET1, 8.5% Tier 1 and 10.5% Total capital.

REGULATORY RESPONSE TO COVID-19

Beginning in March 2020, 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 that remain in place 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.
- 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.

REGULATORY UPDATES

Moratorium on Dividend Increases and Share Repurchase Programs

In March 2020, OSFI mandated that federally-regulated financial institutions halt dividend increases and suspend the use of share buyback programs to support the economy and maintenance of strong capital positions. On November 4, 2021, OSFI announced that dividend increases and the establishment and use of share repurchase programs may resume, effective immediately.

Basel III Reforms and Pillar 3 Disclosures

The Basel Committee on Banking Supervision (BCBS) finalized Basel III reforms in fiscal 2017. In October 2018, OSFI released a discussion paper that provided a preliminary overview of the scope and timing of the proposed implementation of the final Basel III reforms in Canada in their capital adequacy requirement guidelines (CAR 2023). The proposed changes included adjustments to the calculation of risk-weighted assets under both the *Standardized* approach and the internal ratings-based approach to credit risk, operational risk, and credit valuation adjustments, as well as to the AIRB capital floors. In March 2021, OSFI launched an industry consultation, which closed in June 2021, on proposed regulatory changes to introduce the latest and final round of Basel III reforms into its capital, leverage and liquidity requirements, and related disclosure guidelines. The revisions compared to the discussion paper previously released included changes to reflect specific capital and liquidity requirements applicable to small and medium-sized banks (SMSBs). The CAR 2023 guidelines, once finalized, are expected to become effective for fiscal 2023.

In August 2021, OSFI also launched a public consultation regarding the draft Pillar 3 disclosure guideline for SMSBs, which closed in September 2021. The draft guideline lists the disclosures required for each SMSB category and their respective implementation date. The new quarterly requirements are expected to become effective for fiscal 2023.

New Minimum Qualifying Rate for Uninsured Mortgage

In May 2021, OSFI released updated guidelines on the minimum qualifying rate for uninsured mortgages. The new guidance establishes a qualifying rate based on a fixed floor rather than a current benchmark rate, effective June 1, 2021. The new qualifying rate for uninsured mortgages is the higher of the contractual mortgage rate plus 2%, or a minimum floor of 5.25%. OSFI has committed to review the floor, at a minimum, every December as well as in advance of the high-volume housing spring season. This change has not had a significant impact on our residential mortgage lending.

REGULATORY CAPITAL AND CAPITAL ADEQUACY RATIOS

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

	2021	2020	Change from 2020
Regulatory Capital, Net of Deductions			
Common equity Tier 1 ⁽¹⁾	\$ 2,601,438	\$ 2,371,753	\$ 229,685
Tier 1 ⁽¹⁾	3,176,438	2,936,845	239,593
Total	3,650,366	3,418,997	231,369
Capital Ratios			
Common equity Tier 1	8.8 %	8.8 %	- bp
Tier 1	10.8	10.9	(10)
Total	12.4	12.6	(20)
Leverage Ratio⁽²⁾	8.6	8.5	10

(1) The implementation of the transitional arrangement related to the capital treatment of the performing loan allowance, net of related tax, resulted in a \$6 million increase to CET1 and Tier 1 capital (October 31, 2020 – \$21 million) and had a negligible impact on the CET1 and Tier 1 ratios at October 31, 2021 (October 31, 2020 – increase of approximately 10 basis points). The transitional arrangement has no impact on the Total capital ratio.

(2) Sovereign-issued securities that qualify as HQLA under the LAR guideline are temporarily excluded from the leverage ratio exposure measure until December 31, 2021. This exclusion increased our leverage ratio by approximately 30 basis points at October 31, 2021 (October 31, 2020 – approximately 10 basis points).

bp – basis point

Our CET1 capital ratio of 8.8% was stable compared to last year as the benefit of earnings net of dividends and common shares issued under our ATM program were offset by the combined impact of strong risk-weighted asset growth and a reduction in accumulated other comprehensive income (AOCI) related to a decline in the fair value of derivatives designated as cash flow hedges and debt securities measured at FVOCI as a result of an upward shift in market interest rates.

The Tier 1 and Total capital ratios declined 10 and 20 basis points as strong risk-weighted asset growth and the decline in AOCI outweighed the impact of earnings net of dividends and common shares issued under our ATM program.

Our Basel III leverage ratio of 8.6% was very strong compared to the regulatory minimum of 3.0%, where a higher ratio indicates lower leverage.

Table 22 - Regulatory Capital
(\$ thousands)

	2021	2020
Common Equity Tier 1 Capital Instruments and Reserves		
Directly issued qualifying common share capital plus related share-based payment reserve	\$ 835,451	\$ 756,595
Retained earnings	2,120,795	1,907,739
Accumulated other comprehensive income and other reserves ⁽¹⁾	(31,049)	6,198
Common equity Tier 1 capital before regulatory adjustments	2,925,197	2,670,532
Regulatory adjustments to Common equity Tier 1 ⁽²⁾	(323,759)	(298,779)
Common equity Tier 1 capital	2,601,438	2,371,753
Additional Tier 1 Capital Instruments		
Directly issued capital instruments qualifying as Additional Tier 1 instruments	575,000	565,000
Additional Tier 1 instruments issued by subsidiaries and held by third parties	-	92
Additional Tier 1 capital	575,000	565,092
Tier 1 capital	3,176,438	2,936,845
Tier 2 Capital Instruments and Allowances		
Directly issued capital instruments	373,222	372,643
General allowance for credit losses ⁽³⁾	100,706	109,487
Tier 2 instruments issued by subsidiaries and held by third parties	-	22
Tier 2 capital before regulatory adjustments	473,928	482,152
Total capital	\$ 3,650,366	\$ 3,418,997

(1) Excludes AOCI related to derivatives designated as cash flow hedges.

(2) CET1 deductions include goodwill and intangible assets and transitional arrangements related to the capital treatment of the performing loan allowance, net of related tax.

(3) 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	\$ -	\$ 21,220,028	\$ -	\$ 21,220,028	\$ 21,113,564
Sovereign	3,344,553	16,599	-	3,361,152	3,320
Bank	141,700	723	-	142,423	23,053
Retail residential mortgages	239,414	6,574,643	-	6,814,057	1,799,025
Other retail					
Excluding small business entities	-	151,482	-	151,482	105,032
Small business entities	-	4,957,133	-	4,957,133	3,744,245
Undrawn commitments	-	432,182	-	432,182	432,698
Operational risk	-	-	133,067	133,067	1,663,335
Derivative exposures	-	-	18,782	18,782	8,538
Other	-	220,757	778,644	999,401	607,681
As at October 31, 2021	\$ 3,725,667	\$ 33,573,547	\$ 930,493	\$ 38,229,707	\$ 29,500,491
As at October 31, 2020	\$ 3,091,951	\$ 29,380,228	\$ 888,638	\$ 33,360,817	\$ 27,043,682

Table 24 - Risk-Weighting Category
(\$ thousands)

	0%	20%	35%	50%	75%	100%	150% and greater	Balance	Weighted
Corporate	\$ 149,817	\$ 7,225	\$ -	\$ -	\$ -	\$ 20,964,715	\$ 98,271	\$ 21,220,028	\$ 21,113,564
Sovereign	3,344,553	16,599	-	-	-	-	-	3,361,152	3,320
Bank	30,048	111,652	-	-	-	723	-	142,423	23,053
Retail residential mortgages	1,737,398	-	5,030,099	-	34,846	10,430	1,284	6,814,057	1,799,025
Other retail									
Excluding small business entities	10,880	796	-	-	139,780	3	23	151,482	105,032
Small business entities	29,975	1,189	-	-	4,823,034	55,344	47,591	4,957,133	3,744,245
Undrawn commitments	-	-	-	-	-	431,151	1,031	432,182	432,698
Operational risk	-	-	-	-	-	-	133,067	133,067	1,663,335
Derivative exposures	-	18,385	-	-	9	-	388	18,782	8,538
Other	439,776	19,267	-	-	54,753	433,997	51,608	999,401	607,681
As at October 31, 2021	\$ 5,742,447	\$ 175,113	\$ 5,030,099	\$ -	\$ 5,052,422	\$ 21,896,363	\$ 333,263	\$ 38,229,707	\$ 29,500,491
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

AIRB TRANSITION UPDATE

A parallel run of our AIRB tools and processes is currently underway. The parallel run allows us to actively use our AIRB tools to assess and manage credit risk, including to estimate risk-adjusted returns on capital to evaluate new lending opportunities, monitor the pro-forma capital requirements of our lending portfolios, perform comprehensive stress testing and scenario analysis, and estimate ECL. The continued use of our AIRB tools and processes, particularly through a period of economic recovery and strong loan growth, has identified components of these tools and processes that we have determined can be improved. We have commenced a process to implement enhancements that we expect will drive efficiencies in the use of our AIRB tools and processes by our teams, and support increased precision in the measurement of credit risk. The enhancements underway will also incorporate changes to adopt the CAR 2023 revisions, once finalized.

Based on our comprehensive approach to the resubmission of our application to OSFI, we are confident that we will obtain approval to transition to the AIRB approach. We have weighed the timing of resubmission of our AIRB application against the long-term benefits these enhancements will provide CWB as a model-enabled bank. We will provide further updates on our progress once we finalize the timeframe to resubmit our application, while considering all relevant stakeholders.

Our transition to the AIRB approach for regulatory capital purposes is a strategic priority, as it will support our long-term growth and diversification aspirations with a sustainable and scalable operating model. Approval of our application is expected to boost our capital ratios, as risk-weighted assets will be calculated using more risk-sensitive models that reflect our strong underwriting track record. This will put us on more equal footing with our large bank competitors and broaden our addressable market by becoming more competitive on lower risk lending opportunities through improved risk-based pricing capabilities.

BOOK VALUE PER COMMON SHARE

Book value per common share at October 31, 2021 of \$33.10 was up 4% from \$31.76 last year. Compared to last year, the increase primarily reflects sustained common shareholders' net income growth partially offset by a decline in AOCI and an increase in common shares outstanding.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial assets include cash resources, securities, securities purchased under resale agreements, loans, derivatives and certain other assets. Financial liabilities include deposits, securities sold under repurchase agreements, derivatives, 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 our 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 our 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.

DERIVATIVE FINANCIAL INSTRUMENTS

More detailed information on the nature of derivative financial instruments is shown in Note 11 of the consolidated financial statements for the year ended October 31, 2021. The notional amounts of derivative financial instruments are not reflected on the consolidated balance sheets.

Table 25 - Derivative Financial Instruments
(\$ thousands)

	2021	2020
Notional Amounts		
Interest rate swaps designated as cash flow hedges ⁽¹⁾	\$ 3,415,000	\$ 4,458,000
Interest rate swaps designated as fair value hedges ⁽²⁾	380,143	335,825
Foreign exchange contracts not designated as accounting hedges ⁽³⁾	136,530	120,840
Equity swaps designated as cash flow hedges ⁽⁴⁾	19,450	20,470
Equity swaps not designated as accounting hedges ⁽⁵⁾	8,886	6,184
Total	\$ 3,960,009	\$ 4,941,319

(1) Interest rate swaps designated as accounting cash flow hedges outstanding at October 31, 2021 mature between November 2021 and July 2030.

(2) Interest rate swaps designated as accounting fair value hedges outstanding at October 31, 2021 mature between August 2022 and September 2028.

(3) Foreign exchange contracts outstanding at October 31, 2021 mature between November 2021 and February 2022.

(4) Equity swaps designated as accounting hedges outstanding at October 31, 2021 mature between June 2022 and June 2024.

(5) Equity swaps not designated as accounting hedges outstanding at October 31, 2021 mature in June 2022.

The active use of interest rate swap 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 Management Policy the use of derivative financial instruments are approved, reviewed and monitored on a regular basis by the Group Asset Liability Committee (ALCo), and are reviewed and approved by the Board Risk Committee no less than annually.

OFF-BALANCE SHEET

Off-balance sheet items include assets under management, advisement and administration.

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

	2021	2020
Wealth management		
Assets under management	\$ 7,818,170	\$ 6,229,674
Assets under advisement and administration	2,936,035	2,224,839
Assets under administration - other ⁽¹⁾	14,031,042	11,081,581

(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 \$10.8 billion at year end (October 31, 2020 – \$8.5 billion). The wealth acquisition contributed \$5.8 billion to assets under management, advisement and administration at the June 1, 2020 acquisition date, which grew to \$7.1 billion at October 31, 2021 (October 31, 2020 – \$5.9 billion), primarily due to market value appreciation supported by full advisor retention and no significant client attrition related to our acquisition. Indigenous Services assets under advisement of \$1.7 billion at acquisition have increased to \$2.0 billion at October 31, 2021 (October 31, 2020 – \$1.8 billion).

Other assets under administration totaled \$14.0 billion at October 31, 2021 (October 31, 2020 – \$11.1 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 for the year ended October 31, 2021.

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. The financial results beginning in the second quarter of 2020 were adversely impacted primarily by the emergence of COVID-19 and related market disruption, while results in 2021 reflect the impact of the ongoing economic recovery.

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
(\$ thousands, except per share amounts)

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Results from Operations								
Net interest income	\$ 229,925	\$ 230,021	\$ 216,964	\$ 215,453	\$ 206,640	\$ 200,773	\$ 190,988	\$ 201,010
Non-interest income	30,699	33,194	30,142	29,635	29,935	25,711	23,376	18,962
Total revenue	260,624	263,215	247,106	245,088	236,575	226,484	214,364	219,972
Pre-tax, pre-provision income ⁽¹⁾	122,747	137,586	126,342	130,474	116,267	119,949	113,314	119,788
Common shareholders' net income	89,998	86,280	71,956	79,237	63,380	62,252	51,381	71,943
Earnings per share								
Basic	1.01	0.99	0.83	0.91	0.73	0.71	0.59	0.82
Diluted	1.01	0.98	0.82	0.91	0.73	0.71	0.59	0.82
Adjusted ⁽¹⁾	1.03	1.01	0.84	0.93	0.75	0.74	0.60	0.83
Return on common shareholders' equity	12.2 %	12.1 %	10.6 %	11.3 %	9.2 %	9.1 %	7.9 %	11.2 %
Adjusted return on common shareholders' equity ⁽¹⁾	12.5	12.3	10.8	11.5	9.5	9.4	8.0	11.3
Return on assets ⁽¹⁾	0.97	0.94	0.84	0.91	0.75	0.75	0.65	0.91
Net interest margin ⁽¹⁾	2.47	2.51	2.53	2.47	2.45	2.40	2.40	2.54
Efficiency ratio ⁽¹⁾⁽²⁾	52.9	47.7	48.9	46.8	50.9	47.0	47.1	45.5
Provision for credit losses on total loans as a percentage of average loans ⁽¹⁾⁽³⁾	(0.12)	0.11	0.20	0.18	0.26	0.33	0.49	0.18
Provision for credit losses on impaired loans as a percentage of average loans ⁽¹⁾⁽³⁾	(0.04)	0.20	0.27	0.24	0.10	0.22	0.22	0.15

(1) Non-GAAP measure – refer to definitions and detail provided on page 18.

(2) Excluding the impact of the wealth acquisition, our efficiency ratio would have been 52.0%, 46.3%, 47.1% and 45.1% for the four quarters of fiscal 2021 (2020 - 49.2% and 45.7% for the fourth and third quarter, respectively).

(3) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.

FOURTH QUARTER OF 2021

Q4 2021 VS. Q4 2020

Common shareholders' net income of \$90 million and diluted earnings per common share of \$1.01 increased 42% and 38%, respectively. Adjusted common shareholders' net income of \$92 million and adjusted earnings per common share of \$1.03 increased 41% and 37%, respectively. Pre-tax, pre-provision income of \$123 million was up 6%.

Total revenue of \$261 million grew 10%, which reflected an 11% increase in net interest income and a 3% increase in non-interest income. Net interest income of \$230 million increased due to the benefit of 9% loan growth combined with a two basis point increase in net interest margin, driven by a favourable shift in our funding mix from strong branch-raised deposit growth, which drove a decline in more expensive broker deposits, partially offset by the impact of holding higher average cash and securities balances compared to last year. Non-interest income growth reflects higher wealth management fees, partially offset by lower net gains on securities.

The provision for credit losses on total loans as a percentage of average loans represented a 12 basis point recovery this quarter and was 38 basis points lower than the same quarter last year. We recognized a 24 basis point decrease in the performing loan provision driven by the impact of a more optimistic macroeconomic outlook associated with the ongoing economic recovery, and a 14 basis point reduction in impaired loan provisions. Lower impaired loan provisions reflected the reversal of provisions related to previously impaired loans that were resolved with lower than expected realized losses, combined with a decline in new impaired loan formations.

Non-interest expenses of \$141 million, were up 14%, which included \$4 million of additional costs associated with our AIRB tools and processes. AIRB-related costs include ongoing operating costs, non-recurring costs incurred to implement certain enhancements to our tools and processes, and amortization of accumulated capital costs of our AIRB implementation. Excluding AIRB-related costs, non-interest expenses increased 11%, which was driven by continued investment in our teams and technology to support growth and strategic execution.

Q4 2021 VS. Q3 2021

Common shareholders' net income and diluted earnings per common share increased 4% and 3%, respectively. Adjusted common shareholders' net income and adjusted earnings per common share increased 5% and 2%, respectively. Pre-tax, pre-provision income was down 11%.

Total revenue decreased 1%, primarily due to an 8% decline in non-interest income driven by nominal net losses on securities in the current quarter compared to \$2 million of net gains last quarter. Net interest income was consistent with last quarter as the benefit of 2% sequential loan growth was offset by a four basis point decline in net interest margin. The decline in net interest margin primarily reflects lower yields in our fixed rate portfolios, driven by very strong residential mortgage growth and lower fee income recognized in loan yields compared to the prior quarter.

Our provision for credit losses on total loans as a percentage of average loans was 23 basis points below last quarter, primarily due to lower impaired loan provisions driven by the factors noted in the comparison to the same quarter last year.

Non-interest expenses increased 10%, primarily due to continued investment in our teams and technology, customary seasonal increases in advertising, community investment and employee training costs, and additional costs to implement enhancements to our AIRB tools and processes.

ADJUSTED ROE AND ROA

Compared to last year, the fourth quarter ROE of 12.2% and adjusted ROE of 12.5% were both up 300 basis points due to higher earnings, partially offset by higher average common shareholders' equity. Fourth quarter ROE and adjusted ROE were relatively consistent with last quarter.

The fourth quarter ROA of 0.97% was 22 basis points above last year, due to higher earnings, partially offset by higher average assets, and was consistent with last quarter.

EFFICIENCY RATIO

The fourth quarter efficiency ratio of 52.9% increased compared to 50.9% last year and 47.7% last quarter as expense growth outpaced revenue growth as we continue to proactively invest in our capabilities and technology to drive higher revenue growth in future periods.

ACCOUNTING POLICIES AND ESTIMATES

CRITICAL ACCOUNTING ESTIMATES

CWB's significant accounting policies are outlined in Note 1 of the consolidated financial statements for the year ended October 31, 2021, 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 support programs, 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. 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 our MD&A and in Note 7 of the consolidated financial statements for the year ended October 31, 2021.

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 for the year ended October 31, 2021 provide additional information regarding these financial instruments.

Table 28 - Valuation of Financial Instruments
(\$ thousands)

As at October 31, 2021	Fair Value	Valuation Technique		
		Level 1	Level 2	Level 3
Financial Assets				
Cash resources	\$ 128,459	\$ 128,459	\$ -	\$ -
Securities	3,567,797	207,209	3,360,588	-
Securities purchased under resale agreements	30,048	-	30,048	-
Loans	33,138,017	-	-	33,138,017
Derivatives	52,862	-	52,862	-
Total Financial Assets	\$ 36,917,183	\$ 335,668	\$ 3,443,498	\$ 33,138,017
Financial Liabilities				
Deposits	\$ 30,118,635	\$ -	\$ 30,118,635	\$ -
Debt	3,058,090	-	3,058,090	-
Derivatives	36,068	-	36,068	-
Total Financial Liabilities	\$ 33,212,793	\$ -	\$ 33,212,793	\$ -

As at October 31, 2020	Fair Value	Valuation Technique		
		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	\$ -

CHANGES IN ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

In March 2018, the International Accounting Standards Board (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 were effective for CWB's fiscal year beginning November 1, 2020 and had no significant impact on our consolidated financial statements.

INTEREST RATE BENCHMARK REFORM – PHASE 1 AMENDMENTS

On November 1, 2020, we adopted Phase 1 amendments to hedge accounting requirements in IFRS 9 *Financial Instruments* (IFRS 9), IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), which modify certain hedge accounting requirements to provide relief from the effect of uncertainties created by Inter-bank Offered Rate (IBOR) reform prior to the transition to alternative interest rates. Adoption of these amendments had no impact on our consolidated financial statements. These amendments will apply until IBOR-based cash flows transition to new risk-free rates or when the applicable hedging relationships are discontinued. At October 31, 2021, we had no hedging relationships that reference IBORs with a maturity date which extends beyond the anticipated date of IBOR reform.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

INTEREST RATE BENCHMARK REFORM – PHASE 2 AMENDMENTS

In August 2020, the IASB issued Phase 2 amendments to IFRS 9, IAS 39, and IFRS 7 to address ongoing IBOR and other interest rate benchmark reform. Phase 2 amendments 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. Existing hedging relationships are not required to be discontinued if changes in hedge documentation are required solely by IBOR reform.

Changes to the interest rate of the financial assets or liabilities that are required by IBOR reform may be accounted for by updating the effective interest rate prospectively, to reflect the change in the interest rate benchmark rather than being recognized as an immediate gain or loss. Any other additional changes to the basis for determining the contractual cash flow are determined in accordance with our existing accounting policies for loan modifications.

Additionally, the Phase 2 amendments allow for a temporary relief from hedge accounting requirements under IAS 39. Changes in existing hedge relationship that are a direct result of IBOR reform may be reflected in the hedge documentation without the need for discontinuing the hedging relationship. For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by IBOR reform, the accounting policies as described in Note 11 of the consolidated financial statements for the year ended October 31, 2021 continue to apply.

Under the amendments, additional disclosures are required in the consolidated financial statements to outline the effect of the reform on our financial instruments and risk management strategy.

The amendments are effective for CWB on November 1, 2021 and apply retrospectively, without restatement of comparative information. There will be no impact on opening shareholders' equity and the impact on the consolidated financial statements is expected to be limited to the additional disclosures required by the amendments.

IFRS 12 INCOME TAXES

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, we recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for our fiscal year beginning November 1, 2023 and we are assessing the potential impacts on our consolidated financial statements.

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 46 to 55 form an integral part of the consolidated financial statements for the year ended October 31, 2021.

TOP EMERGED AND EMERGING RISKS

We monitor emerged and emerging risks that may affect our future results and take action to mitigate potential impacts. Our top emerged and emerging risks are those that could have negative implications for our operations and financial results as underlying operating conditions and external factors continue to evolve. Particular attention has been given to the following:

COVID-19 AND GENERAL ECONOMIC CONDITIONS

Our financial performance is impacted by general business and economic conditions across Canada. The ongoing COVID-19 pandemic and its impact on general business and economic conditions has elevated certain risk factors that may impact our financial results. Potential for near-term volatility remains, despite continued improvement in economic conditions and a gradual and ongoing return to a more normal operating environment for our teams and clients. Considerable uncertainty remains regarding the impact of the conclusion of government support programs on the Canadian economy, the credit quality of our borrowers and the outlook for new loan growth opportunities within our risk appetite. Further extended periods of curtailed economic activity, which may be impacted by the factors noted in the next paragraph, 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.

In addition to the continuing impact of the COVID-19 pandemic, several other factors may affect the markets in which we operate. These conditions may include factors such as: energy and commodity prices; the impact of supply chain disruptions; inflation; changes in interest rates; real estate prices; adverse global economic events and/or elevated economic uncertainties; exchange rates; levels of consumer, business and government spending; levels of consumer, business and government debt; unemployment rates; labour constraints; and consumer and business confidence. For details on how we manage the associated risks, refer to the *Credit Risk* and *Market Risk* sections.

CYBERSECURITY RISK

Cybersecurity risks increased during the COVID-19 pandemic and remain elevated due to heightened malicious activity and increased vulnerabilities in remote access platforms as our teams and many of our clients continue to work remotely. We continue to be subject to elevated risks from cyber attacks and data breaches due to our heavy reliance on remote connectivity, public digital platforms to conduct day-to-day business activities and third-party service providers. The adoption of emerging technologies, such as cloud computing, require continued focus and investment to manage risks effectively. We remain vigilant regarding the effectiveness of our internal controls to mitigate increased information and cybersecurity risks. For more details on how we manage these risks, refer to the *Operational Risk* section of our MD&A.

EXECUTION RISK

We have undertaken major projects in alignment with our strategic direction, including a digital transformation, enhancements to our product offering, strengthening our underlying technology and cybersecurity infrastructure, and an ongoing transition to AIRB. Successful strategic execution is dependant on our ability to effectively manage change across CWB to achieve desired outcomes. Failure to successfully manage strategic execution could have a material adverse impact on our business, financial condition and results of operations. Resource capacity constraints driven by our focus on strategic execution have the potential to create operational challenges and impact our ability to serve our clients in a timely and effective manner. These challenges remain elevated as most of our teams continue to work remotely. For details on how we manage these risks, refer to the *Business and Strategic Risk* section of our MD&A.

OUTSOURCING AND THIRD-PARTY RISK

We continue to strategically use third-party service providers to expedite our access to new technologies, increase efficiencies, and improve competitiveness and performance. Our continued reliance on third parties exposes us to the risk of business disruption and financial loss stemming from the breakdown of third-party service provider processes and controls. For details on how we manage these risks, refer to the *Operational Risk* section of our MD&A.

PEOPLE RISK

Our ability to execute on our strategic and growth objectives is dependent on our people. This risk is heightened as competition for specialized talent in our key markets has increased, which may impact our ability to attract and retain team members. For more details on how we manage these risks, refer to the *Operational Risk* section of our MD&A.

REGULATORY RISK

The introduction of new or revised regulations continues to drive increased investment across CWB to meet additional requirements from multiple regulators. Financial and other reforms that have come into effect or are coming into effect, such as anti-money laundering, privacy and consumer protection regulations, continue to provide operational challenges. For details on how we manage these risks, refer to the *Regulatory Compliance and Legal Risk* section of our MD&A.

The upcoming transition to CAR 2023 and the adoption of updated Pillar 3 reporting requirements tailored to SMSBs in fiscal 2023 is a significant initiative that we continue to focus on. The new capital requirements, which apply to the calculation of risk-weighted assets under both the *Standardized* and AIRB approach, may make certain lending markets more or less attractive from a capital perspective.

RISK MANAGEMENT OVERVIEW

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 balance the prudent management of our risks with delivering sustainable risk-adjusted returns for our shareholders. Our Risk Management framework, which is developed and maintained by our Enterprise Risk Management (ERM) function, encompasses risk culture, risk governance, risk appetite, and risk management policies, processes and tools. 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 in line with our strategic objectives and within clearly defined and prudent risk appetites, along with regulatory and legal requirements.

We have demonstrated our ability to effectively manage risks, including through periods of financial uncertainty, underpinned by 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 the *Top Emerged and Emerging Risks* and *Risk Universe – Report on Principal Risks* sections. We actively evaluate existing and potential risks to develop, implement and continually enhance appropriate risk mitigation strategies.

Managing risk is a shared responsibility across CWB. 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 Other Corporate Oversight Functions	Internal Audit
<ul style="list-style-type: none"> • Own and manage all risks within their lines of business. • Pursue suitable business opportunities within their established risk appetite and limits. • Act within the delegated risk-taking authority as set out in established policies. • Establish appropriate operating guidelines and internal control structures in accordance with risk policies. 	<ul style="list-style-type: none"> • Establish a Risk Management 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. 	<ul style="list-style-type: none"> • Provide independent assurance to the Audit Committee on the effectiveness and appropriateness of (and adherence to) the Risk Management 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 MANAGEMENT PRINCIPLES

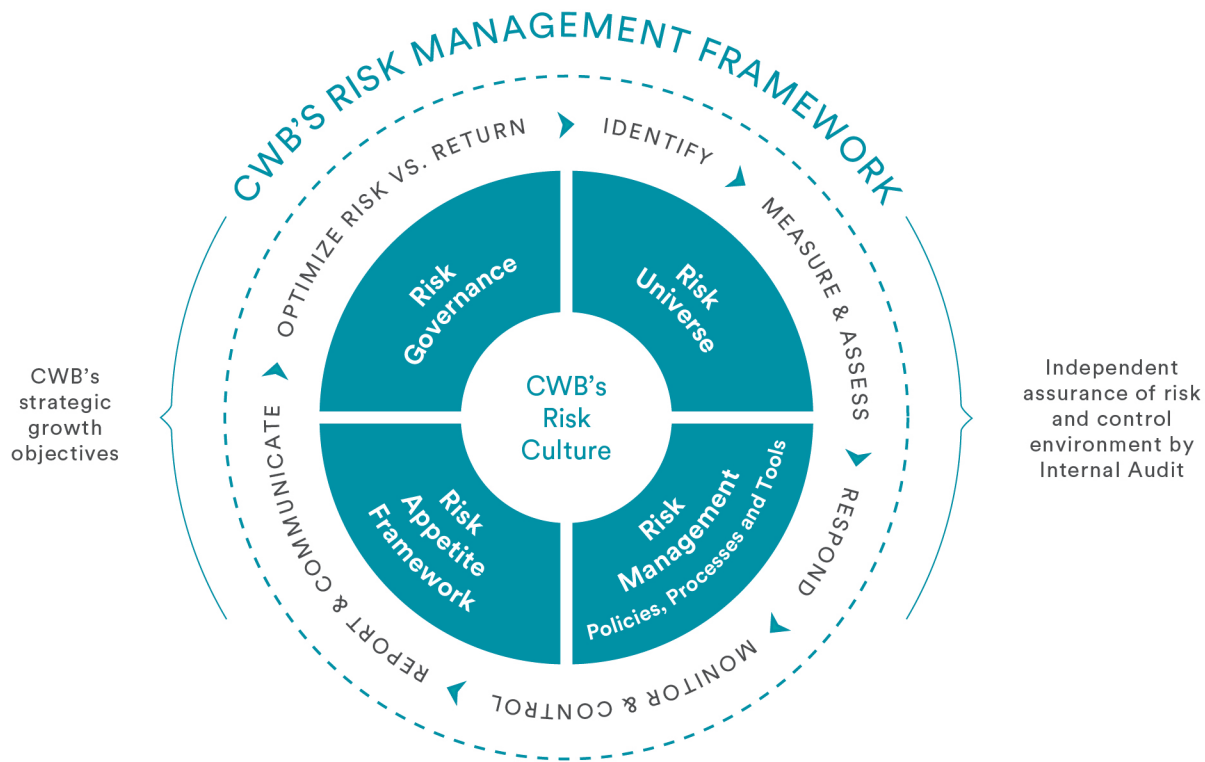
Our risk management principles are based on the premise that we are in the business of accepting risks for an appropriate return. We do not seek to eliminate financial risk but seek to manage risk appropriately and optimize risk-adjusted returns. In conducting our business activities, we will take financial risks that are aligned with our strategic objectives in a manner that supports the responsible and efficient delivery of products and services to valued clients and is expected to create sustainable, long-term value for shareholders and other stakeholders. Risk-taking and risk management activities across all of our operations are guided by the following principles:

- **Three Lines of Defence** - Ongoing commitment to a three lines of defence framework, with independent oversight and effective challenge from the second line, and an independent and effective Internal Audit function comprising the third line of defence;
- **Balance Risk and Reward** - 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 detective controls;
- **Understand and Manage Risks** - Use of common sense, sound judgment and fulsome risk-based discussions to ensure that risks are thoroughly understood, measured and managed within the confines of well-communicated risk tolerances;
- **Protect our Brand** - 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;
- **Shared Accountability** - 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; and,
- **Client Focus** - Recognition that strong client relationships reduces risks by ensuring that the risks we accept as part of doing business are well understood, and that the services provided are suitable for, and understood by, our clients.

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 strategic growth objectives, and related business activities. The Risk Management framework provides the foundation for achieving this goal. Its key elements include risk culture, risk governance, risk appetite, and risk management policies, processes and tools. 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

Our strong risk culture emphasizes transparency and accountability. Our risk culture is the core of the Risk Management framework, including risk management principles and accountabilities as defined within a three lines of defence framework. Key elements that influence and support our risk culture include:

- **Tone from the Top** - Demonstrated throughout CWB and emphasized by the actions of senior management and the Board of Directors, which send consistent and clear messages throughout the organization;
- **Value Alignment** - Supported by CWB's core values, which emphasize that how we do things is as important as what we do, and that we always act with integrity as we strive to balance risk and reward;
- **Accountability** - An environment where the first, second and third lines of defence can freely escalate risk issues and concerns, and issues are discussed openly and acted upon appropriately. We have zero tolerance for inappropriate risk taking in violation of our core values, risk appetite and reputational risk management principles; and
- **People Management** - Performance and compensation structures that align with our desired risk behaviours and reinforce our values.

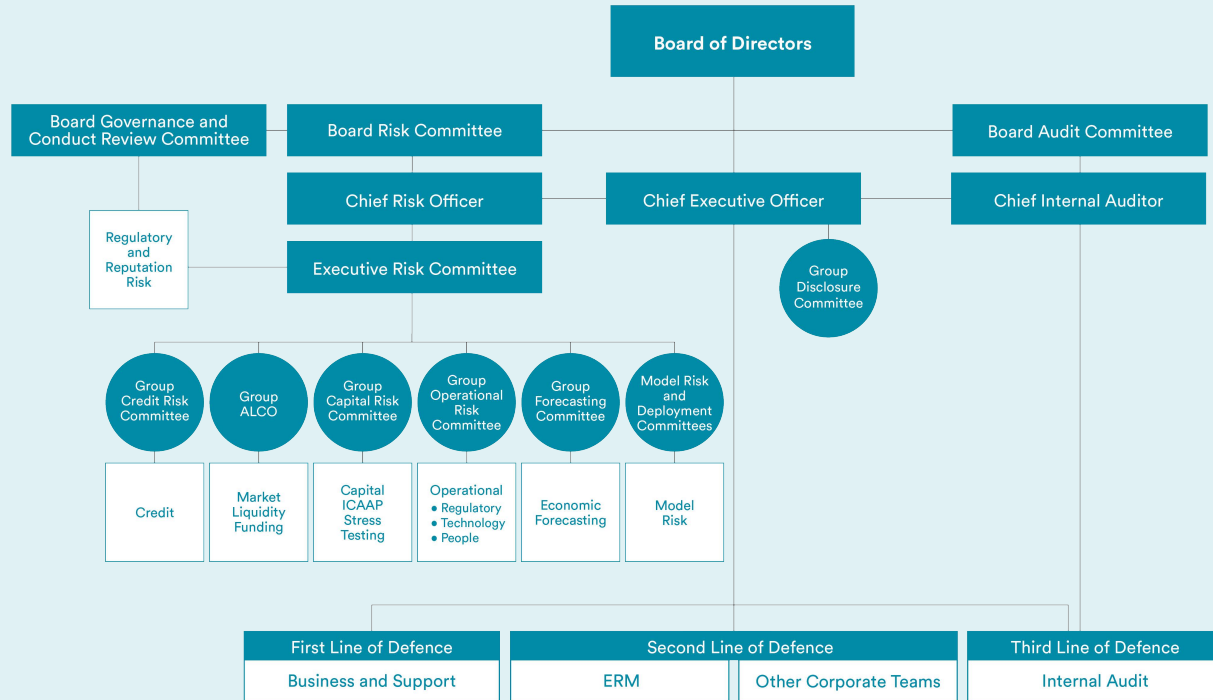
Our risk culture is supported by maintenance of effective risk management principles, policies, processes and tools, with oversight provided to guide business practices and risk-taking activities of all employees in support of CWB's reputation and adherence to all legal and regulatory requirements. On an annual basis, our employees are required to complete formal training on key risk topics, including ethical behaviour, regulatory compliance risk, cybersecurity, and various other operational risks. By taking this mandatory training, all employees develop a basic knowledge of risk management in support of our risk culture. We have an established Code of Conduct that describes standards of conduct to which all directors, officers, and employees must adhere and attest to on an annual basis, an anonymous ethical concerns hotline, and we conduct a periodic, confidential enterprise-wide Risk Culture survey.

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.

Governance Structure

The foundation of our Risk Management 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 risk limits approved by the Board of Directors, or its committees, 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 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 (ESG) factors.

Board Risk Committee - Assists the Board in fulfilling its oversight responsibilities in relation to CWB’s risk appetite and delegation of limits, 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, development of CWB’s corporate governance policies and practices, and director nomination and succession planning.

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 the Internal Audit function and external audit quality.

Board Human Resources Committee - Provides oversight of people risks, including employment practices and workplace health and safety, and ensures compensation programs appropriately align to, and support, CWB’s risk appetite.

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, development and maintenance of the Risk Management framework, which includes key risk metrics and risk policies, and fostering a strong risk culture across CWB. The CRO reports functionally to the Board Risk Committee.

Executive Risk Committee - Provides risk oversight and governance at the highest level of management. The Executive Risk Committee reviews and discusses significant risk issues and action plans that arise in executing CWB’s strategy. The Committee is chaired by the CRO and membership includes the full Executive Committee.

Subcommittees of the Executive Risk Committee - The various subcommittees provide oversight of the processes whereby the risks assumed across CWB 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 risk-adjusted pricing exceptions 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, interest rate risk and derivative 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 strengthening 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 - Develops and oversees CWB's Model Risk Management framework and model deployment.

The following oversight functions provide key support within the Risk Management framework:

- **Risk Management** - The CRO, who reports functionally to the Board Risk Committee, leads a diverse team of risk management professionals organized to provide independent oversight of risk management, risk governance and control. As the second line of defence, the mandate of the ERM function is to provide independent oversight of risk-taking decisions, independent assessment of risk and effective challenge to the business. This function establishes the Risk Management framework to identify, measure, aggregate and report on 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 risk management processes and tools. The risk management function supports a disciplined approach to risk-taking in fulfilling its responsibilities for transactional approval and portfolio management, risk reporting, stress testing, modelling and risk education.
- **Finance** - The CFO, who reports functionally to the Audit Committee, leads a team responsible for the development of financial strategies that support our ability to maximize sustainable shareholder value, and the production of reliable and timely reporting of financial information to management, the Board of Directors, shareholders, regulators, and other stakeholders. The team provides independent oversight of processes to manage financial reporting, external credit ratings, certain regulatory reporting and tax.
- **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 policies, frameworks and standards used by the first and second lines of defence to identify, measure, mitigate and report on significant risks.
- **Internal Audit** - The third line of defence in the Risk Management framework responsible to provide management and the Board of Directors with objective, independent assurance as well as advice on the effectiveness and efficiency of governance, risk management, and internal control processes and systems.
- **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 APPETITE

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. Risk appetites for key risk types are established based on both quantitative and qualitative factors by ERM and other corporate functions, as the second line, endorsed by senior management and ultimately approved by the Board of Directors. The Risk Appetite framework is forward-looking and aligns with our strategic growth objectives, including consideration for our regulatory 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. The allocation of our risk appetite across CWB is established starting with limits at the Board Risk Committee level, with smaller limits assigned through levels of the organization supported by the establishment of delegated authorities limits which represent the maximum level of risk permitted for a line of business, portfolio, individual or group and are used to govern ongoing operations prudently within Board approved risk appetites.

Key attributes of our overall risk appetite include the following:

- An appropriately conservative risk culture that is prevalent throughout CWB, from the Board of Directors to senior management to front-line employees;
- A philosophy to only take risks that are aligned with our strategic growth 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; and
- Targeted financial and operational performance, which supports maintenance of satisfactory credit ratings to maintain competitive access to funding.

RISK MANAGEMENT POLICIES, PROCESSES AND TOOLS

Our Risk Management framework is supported by processes and tools that are used together to manage risk across CWB. We design risk management processes to complement CWB's overall size, level of complexity, risk profile and philosophy regarding risk. Risk management processes and tools are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and our strategic execution.

Policies and Limits

To support effective communication, implementation, and governance of our Risk Management framework, ERM and other corporate teams, as the second line of defence, codify processes and operational requirements in comprehensive risk management policies, standards, frameworks, and protocols. The first line of defence implements these into directives and procedures. Such first and second line governance documentation promotes the application of a consistent approach to manage risk exposures across CWB. All risk policies are developed by the second line and approved by the Board of Directors, or one of its committees, on an annual basis. Underlying risk management standards, frameworks and protocols are approved by executive management in accordance with our corporate policy framework.

Limits govern and control risk-taking activities within our risk appetite and tolerances established by senior management and approved by the Board of Directors. Limits establish accountability throughout the risk-taking process and the level or conditions under which transactions may be approved.

Risk Measurement

The measurement of risk is a key component of our Risk Management framework. We use a variety of techniques to support our quantitative risk measurement activities, including models, stress testing, and scenario and sensitivity analysis. The measurement methodologies may apply to a group of risks or a single risk type and are supported by an assessment of qualitative factors to ensure the level of risks are within our risk appetite.

We employ models for a number of risk measurement and management processes, including the determination of credit risk-ratings, pricing decisions, financial reporting, informed decision-making and stress testing. We continue to actively use our AIRB tools to measure and manage credit risk, perform risk quantification processes and stress testing, and to assist in estimating ECL. The use of models is subject to a strong governance framework that covers all stages of the model life cycle, including development, independent pre-implementation review, approval and post-implementation review. The development, design, independent review and testing, and approval of models is subject to formal policies.

Stress Testing

Stress testing is a risk management method that assesses the potential effects on our financial results and financial position, including capital and liquidity positions, of a series of specified changes in risk factors, corresponding to severe but plausible events. We conduct stress testing of relevant risk metrics on a regular basis to enable the identification and monitoring of potential vulnerabilities. Stress testing occurs at both the enterprise-wide level and individual risk level to allow for the assessment of the potential impact on our earnings and capital resulting from significant changes in market conditions, the credit environment, liquidity demands, or other risk factors. The results from stress testing help inform our risk appetite and related limits, contingency planning, and appropriate capital and funding levels. Periodic sensitivity testing also ensures that we continue to operate within risk limits.

Our enterprise-wide stress tests evaluate key balance sheet, profitability, capital, leverage, and liquidity impacts arising from risk exposures and changes in earnings. The results are used by senior management and the Board of Directors to understand our performance drivers under stress, and review stressed capital, leverage, and liquidity ratios against regulatory thresholds and internal limits. The results are also incorporated into our ICAAP and capital planning process. Input from across CWB is integrated to develop an enterprise-wide view of the impacts of stress scenarios, including both operating and oversight functions. Enterprise-wide stress testing during fiscal 2021 focused on scenario analysis of the impact of varying levels of capital demand against our base case macro-economic forecast of a continued gradual recovery of the economy as well as more pessimistic forecast conditions. This testing, which leveraged our AIRB and IFRS 9 models, supported our assessment of the adequacy of our capital and resiliency of our earnings. Ongoing stress testing and scenario analyses within specific risk types, such as liquidity risk and interest rate risk, supplement and support our enterprise-wide analyses.

Risk Monitoring and Reporting

Risk transparency, monitoring and reporting are critical components of our Risk Management framework that allow senior management, committees and the Board of Directors to manage risk and provide oversight. We continuously monitor our risk exposures to ensure business activities are operating within Board approved limits or guidelines as defined by our Risk Appetite framework. ERM monitors 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.

Risk reporting includes an overview of the key risks that we currently face, along with associated metrics, and highlights our most significant risks to provide senior management, committees and the Board of Directors with timely, actionable and forward-looking information. This reporting includes materials to facilitate assessment of these risks relative to our risk appetite and the relevant limits.

RISK UNIVERSE – REPORT ON PRINCIPAL RISKS

We pursue opportunities and the associated risks that are aligned with our strategic growth 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 our operations and financial performance. These risks materially comprise CWB's risk universe, as defined as part of our Risk Management framework. A Risk Register is maintained to facilitate the assessment of the level of inherent risk, control effectiveness and residual risk in support of the management of our principal risks within our risk appetite. Our principal risks include the following:



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 CWB 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

Our credit risk results from granting loans and leases to businesses and individuals. Our credit risk management culture reflects the combination of policies, standard practices, experience and management attitudes that support prudent 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. 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 average loans, including through past periods of financial uncertainty.

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 pursue further geographic and industry diversification through growth of full-service client relationships in targeted industries across our national geographic footprint. Relationship banking and 'know 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, refer to the *Loans and Credit Quality* sections of our MD&A.

Risk Governance

Credit risk is managed under the three lines of defence framework and oversight is provided by the Board Risk Committee. Our lending business lines and support areas assess and manage credit risk associated with their activities as the first line of defence. The credit approval process is centrally controlled, with all significant credit requests submitted to Credit Risk Management for adjudication, as the second line of defence. Credit Risk Management is independent of the originating business. Independent review of the adequacy and effectiveness of governance, risk management and control over credit risk is provided by Internal Audit as the third line of defence, with direct reporting provided to senior management and the Audit Committee.

Risk Management

We have comprehensive credit risk management policies, approved by the Board Risk Committee, that cover risk concentration limits, approval of credit applications by authority level, assignment of risk ratings based on a standard classification system, ongoing management and monitoring requirements, management of less than satisfactory loans and risk-based pricing decisions. Our lending business is supported by qualified and experienced teams. Credit policies, standards, guidelines, and delegated lending authorities and limits are well-communicated across our business lines to lenders and other teams engaged in the credit granting process.

The Board Risk Committee delegates discretionary lending limits to the CEO and CRO, for further specific delegation to senior officers. 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 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 Enterprise Risk Appetite policy, the single credit risk exposure lending limit is \$75 million. Our credit risk appetite 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 that would otherwise be within our credit risk appetite are accommodated through loan syndications with other financial institutions. On a quarterly basis, we complete a review of risk diversification by geographic area, industry sector and product measured against assigned portfolio limits.

We employ a variety of risk measurement methodologies to measure and quantify credit risk for our business and personal credit portfolios. We continue to actively use our AIRB tools to manage credit risk, including to estimate risk-adjusted return on capital to assist in the evaluation of new lending opportunities. 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. Our credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. The resulting ratings and scores are then used for both client- and transaction-level risk decision-making and as key inputs for risk measurement.

The secured nature of our lending portfolio with conservative loan-to-value ratios reduces our credit risk exposure. The extent of risk mitigation provided by borrower-provided security depends on the amount, type and quality of the collateral. Security can vary by type of loan and may include real property, working capital, guarantees, or other equipment. Specific requirements related to collateral valuation and management are set out within our credit risk management standards.

All credit risk exposures are subject to regular monitoring. At least annually, we perform a review of credit risk-rating classifications for our business and personal exposures, with the exception of personal loans and single-unit residential mortgages, to support early detection of credit migration or unsatisfactory loans. Management of higher-risk loans is delegated to the Special Asset Management Unit, a specialized loan workout team that performs regular monitoring and close management of these loans. During fiscal 2021, we expanded this function in anticipation of an elevated level of impaired loans emerging as a result of the impact of challenging economic conditions and the conclusion of government support programs.

The CRO reports quarterly to the Executive Risk Committee and the Board Risk Committee to provide a summary of key information on credit risk, including material credit transactions, compliance with limits, portfolio trends and impaired loans. Reporting on significant unsatisfactory accounts is completed on a quarterly basis, which includes an overview of action plans for each unsatisfactory account, a watchlist report on accounts with evidence of weakness and an impaired loan report covering loans that show impairment to the point where a loss is possible.

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. To manage these risks, and 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 of the adherence to related lending policies. Reports on environmental inspections and findings are provided quarterly to the Board Risk Committee. For details on our evolving approach to climate risk, refer to the *Business and Strategic Risk* section.

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 interest rate risk in the banking book (IRRBB) 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 and 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 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 Market Risk Management policy, second line standard and accompanying first line directive. The Market Risk Management policy is reviewed by ALCo and the Executive Risk Committee and approved by the Board Risk Committee annually, at a minimum. 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 our risk appetite to ALCo, the Executive Risk Committee and the 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.

Risk Overview

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

IRRBB 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. IRRBB 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. Economic value provides a perspective on the sensitivity of our net worth to fluctuations in interest rates.

Risk Management

IRRBB 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. Our Market Risk Management policy, which includes IRRBB, establishes risk tolerance limits, defines a management framework to ensure the ongoing identification, measurement, monitoring and control of IRRBB, and defines authority levels and responsibilities.

We manage the economic value of the balance sheet within a range around a target duration. Management of the benchmark duration is the responsibility of the first line of defence and is managed within Board approved limits, with the resulting risk exposure maintained within our risk appetite.

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.

IRRBB is measured using standard parallel interest rate shocks and historical simulations to evaluate earnings and economic value sensitivity, stress testing and gap analysis, in addition to other traditional risk metrics, including:

- Earnings at Risk (EaR) - the potential reduction in net interest income due to adverse interest rate movements over a one-year horizon.
- Economic Value of Equity at Risk (EVaR) - 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).

IRRBB exposure 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 supported by stress testing of the asset liability portfolio structure, duration analysis and dollar estimates of net interest income sensitivity after hedging activity for periods of up to one year. The interest rate gap is measured at least monthly.

The Executive Risk Committee and ALCo regularly review internal reporting on the measurement outcomes of IRRBB and hedging strategies, which provide monitoring of EaR and EVaR, in addition to stress testing, gap analysis and other market risk metrics. A summary report is provided to the Board Risk Committee each quarter.

Note 24 of the consolidated financial statements provides the gap position at October 31, 2021 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 an 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.

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.

Risk Management

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. Our Market Risk Management policy includes monitoring of our U.S. dollar liquidity exposures. Deviations from compliance with policy, if any, are reported to ALCo and the Board Risk Committee.

In providing financial services to our customers, we have assets and liabilities denominated in U.S. dollars. At October 31, 2021, assets denominated in U.S. dollars were 3% (2020 – 2%) of total assets and U.S. dollar liabilities were 3% (2020 – 3%) 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.

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 conservative approach to managing our 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 approach designed to ensure 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 full-service client relationships to maintain a reliable base of core deposits and continual access to diversified sources of funding;
- A comprehensive group-wide contingency funding plan supported by a pool of unencumbered high-quality liquid assets and marketable securities that would provide assured access to liquidity in a crisis. Our contingency funding plan also considers access to programs put in place by the Bank of Canada to support liquidity in the financial system during times of market disruption and volatility; 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.

For additional information, refer to the *Liquidity Management* section of our MD&A.

Risk Governance

Liquidity risk is managed in accordance with our Liquidity Risk Management policy, which is reviewed by ALCo and the Executive Risk Committee and approved by the Board Risk Committee annually, at a minimum. The Board Risk Committee delegates liquidity risk management authorities to senior management and Treasury, as the first line of defence, is responsible for managing liquidity and funding risk. ALCo provides tactical and strategic direction and is responsible for ongoing oversight, review and endorsement of operational guidelines. Integrated Risk Management, as the second line of defence is responsible for independent oversight and reporting of liquidity risk exposure against our risk appetite to ALCo, the Executive Risk Committee and the Board Risk Committee.

Risk Management

Our Liquidity Risk Management policy establishes a target for minimum liquidity, sets the monitoring regime, and defines authority levels and responsibilities. Limit setting establishes acceptable thresholds for liquidity risk.

We actively pursue diversification of our deposit liabilities by source, type of depositor, instrument and term. Supplementary funding sources currently include securitization and capital market issuances. 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.

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. 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. We perform liquidity stress testing on a regular basis to evaluate the potential effect of both CWB-specific and systemic 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, assisting the Board Risk Committee and senior management to 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.

A contingency funding 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.

Treasury is responsible for liquidity risk analysis, measurement, stress testing, monitoring and reporting to both ALCo and the Board Risk Committee, and Integrated Risk Management provides second line monitoring.

Contractual Obligations

We enter into contracts in the normal course of business that give rise to commitments of future minimum payments that may affect our liquidity position. In addition to the obligations related to deposits and subordinated debentures discussed in the *Deposits* and *Liquidity Management* sections of our MD&A, as well as Notes 13, 14, 15 and 19 of the consolidated financial statements, the following table summarizes purchase obligations outstanding at October 31, 2021 for operating and capital expenditures.

Table 30 - Contractual Obligations

(\$ thousands)

	Within 1 Year	1 to 3 Years	More than 4 Years	Total
October 31, 2021	\$ 24,740	\$ 9,704	\$ -	\$ 34,444
October 31, 2020	\$ 10,034	\$ 7,785	\$ 957	\$ 18,776

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

Capital management involves an ongoing process to determine, allocate and maintain appropriate amounts of capital. 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 Risk Management policy. The Group Capital Risk Committee is responsible for capital risk management. The CRO oversees the demand side of capital management, including risk capital and economic capital. The CFO is responsible for the supply side of capital management.

Risk Management

Our Capital Risk Management policy establishes a framework to manage our capital requirements, including the definition of roles and responsibilities as well as reporting and monitoring requirements. We have established target capital levels, which are informed by our ICAAP and stress tests, that are deemed prudent to effectively manage risks, and are well above regulatory minimums.

Regulatory ratios are calculated under the *Standardized* approach for credit risk and reported to senior management and the Board of Directors on a recurring basis, at least quarterly. On an annual basis, we complete a regulatory capital plan, which includes a three-year capital projection. To monitor capital risk, we utilize models 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. A quarterly update on both capital demand and capital supply risk is provided to the Board Risk Committee.

The Risk and Finance teams comprise the core ICAAP team and are closely involved in capital management, and follow the process and principles outlined in the Stress Testing section of our MD&A. Our AIRB tools are leveraged 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. For additional information, refer to the Capital Management section of our 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 business activities performed or enhanced by third party service providers. Potential losses may result from process and control failures, theft and fraud, unauthorized transactions by employees, regulatory non-compliance, business disruption, information security breaches, cybersecurity threats, exposure to risks related to third-party relationships, and damage to physical assets. Its impact can be financial loss, loss of reputation, loss of competitive position, regulatory scrutiny, 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.

Risk Governance

The Group Operational Risk Committee is responsible for operational risk management. We have an Operational Risk Management policy and related standards 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.

Our management of operational risk follows the three lines of defence governance model. 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 Group Operational Risk Committee oversees the implementation and adoption of the Operational Risk Management policy and facilitates the involvement of relevant stakeholders in the first and second lines of defence across CWB. Integrated Risk Management, as the second line, is responsible for the continual enhancement of the Operational Risk Management framework and supporting standards. The Board Risk Committee has ultimate oversight and approves the Operational Risk Management policy.

Risk Management

We apply various risk management frameworks and standards to manage and mitigate operational risks. Management remains close to operations, which helps to facilitate effective internal communication and operational control. Our operational risk management processes are focused to continue to strengthen our risk culture by promoting greater awareness and understanding of operational risk across all three lines of defence and providing ongoing training and communication. We maintain a continued focus to enhance operational risk management processes as risks evolve.

Our Operational Risk Management framework describes how the principles of the Operational Risk Management policy are put into practice and defines accountabilities and required participation from various teams across the three lines of defence. The framework sets out the processes to identify, assess, monitor, measure, report and communicate on operational risks. Key elements of the framework include:

- **Common definitions** - We incorporate standard risk terms and key operational risk definitions in our Operational Risk Management framework and supporting policies. We have adopted a Risk Taxonomy that is the basis for all operational risk management reporting, with loss events and identified risks categorized consistently.
- **Risk control assessments** - We utilize Risk Control Assessments (RCA) 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 CWB to evaluate the key sources of operational risks and compare relative exposures from different business activities;
- **Risk reporting** - Loss data monitoring is important to maintain awareness of identified operational risks and to assist management to take 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 opportunities for training and education;
- **New initiative risk assessments** - Integrated with our change management process, the assessment requires project owners to proactively identify all relevant stakeholders across significant functional areas and conduct detailed RCAs for new initiatives;
- **Key risk indicators** - We utilize key risk indicators to monitor the main drivers of exposure associated with key operational risks, which can also provide insight into control weaknesses and help to determine residual risk. Risk and performance indicators are used to identify risk trends and prompt actions and mitigation plans to be undertaken; and,
- **Scenario analysis** - We utilize scenario analysis to identify potential operational risk events and assess their potential impact on CWB. Scenario analysis is an effective tool to consider potential sources of operational risk and the need for enhanced risk management controls or mitigation solutions.

In addition to the second line Operational Risk Management framework, we maintain several additional standards aligned with our Operational Risk Management policy to manage and mitigate specific types of differentiated operational risks.

The regulatory framework requires certain amounts of capital to be allocated to support operational risk. We use the *Standardized* approach to measure operational risk.

Key Operational Risks

PEOPLE RISK

People risk relates to an inability to attract and retain an appropriate staff complement, which would adversely affect our ability to achieve our strategic objectives. We intend to continually attract and retain qualified team members 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. Human Resource guidelines and processes are in place to ensure team members are adequately trained to perform the tasks for which they are responsible and to enable retention and recruitment. 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.

TECHNOLOGY AND CYBERSECURITY RISK

Technology Risk

Technology risk is the risk of loss or harm related to the operational performance, confidentiality, integrity and availability of our information, systems and infrastructure. As with all organizations, we are highly dependent upon technology and supporting infrastructure, such as voice, data, systems and network access. In addition to internal resources, various third parties provide key components of our 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. We have a number of projects underway focused to increase our digital capabilities which may potentially increase risk exposure related to information systems and technology.

Ongoing diligence is required to ensure systems are secure from threats. We continuously identify and assess key services to ensure potential failure points are highlighted and related risk is mitigated in the best possible way (i.e. upgrades, enhancements, new products). We rely on technology that incorporates automated systems with built-in controls and active management of configuration and change management along with information security management programs. With a significant number of our team members working remotely due to the COVID-19 pandemic, our dependence on remote access to information technology and supporting infrastructure remains elevated. 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 Information Services team has worked diligently to ensure our teams have uninterrupted remote access to required technology and infrastructure through our secure platforms. Our Information Services team also continues to partner with ERM to apply further rigour and enhanced governance of the identification and evaluation of potential risks in the technology environment.

Cybersecurity Risk

Cybersecurity risk is the risk of loss or harm due to compromise 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. Our Cyber Risk Management standard provides a consistent enterprise-wide approach to efficiently and effectively manage cyber risk while enabling CWB to successfully achieve our strategic objectives. We manage information security risk by ensuring appropriate technologies, processes and tools are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. Our Information Security Office continues to enhance our comprehensive suite of controls to protect CWB's operations and our customer and corporate data 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 cybersecurity program through penetration testing and control evaluation exercises conducted by independent third parties, the continuous monitoring of our environment for indications of control weakness by a team of dedicated resources, and mandatory training sessions for all team members. As we continue to enhance our digital capabilities, a focus to advance our cybersecurity enables our growth trajectory. By implementing and benchmarking the effectiveness of our industry-proven cybersecurity risk and control frameworks, we ensure our ability to safely deliver services to our clients through digital channels.

OUTSOURCING AND THIRD-PARTY RISK

Outsourcing and third-party risk is 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. To manage this risk, we rely on our Third-party Risk Management framework, which reflects a risk-based approach to centrally identify, assess, manage and monitor third-party risk and leverages the three lines of defence model. During fiscal 2021, we continued to mature our third-party risk management processes and tools, particularly in relation to the assessment of the internal control environment of potential service providers prior to entering into an engagement, with a focus on technology providers. Third-party Risk Management will continue to be a focus in fiscal 2022 as an important part of CWB's overall operational resilience strategy to ensure continued delivery of critical operations during times of disruption.

DATA RISK

Data risk is the risk, whether direct or indirect, that arises from reliance on data to support our ability to make informed decisions and develop accurate reporting and analytics for senior management, our Board of Directors, regulators, or customer facing and/or marketing purposes. Potential risks can relate to data management, data taxonomy, metadata, governance, access, or data that is incomplete, inaccurate, untimely and/or inaccessible. Data is considered a key strategic asset and the volume, value and type of data we rely on has increased in recent years.

As data is produced and consumed by different business lines and geographies across CWB, an effective, collaborative and holistic approach to data risk management has been implemented to minimize reputation, regulatory and financial risk. Our Data Governance framework and supporting protocols reflect a risk-based approach to support oversight and management of critical data elements to enable greater coordination and consistency of our data. We continue to enhance and mature our data remediation processes and data quality monitoring tools. Our ongoing programs related to data protection and access management also ensure that data is only accessible when directly relevant to the team member's role.

MODEL RISK

Model risk is 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. It can originate from inappropriate specifications; incorrect parameter estimates; flawed hypotheses and/or assumptions; mathematical computation errors; inaccurate, inappropriate or incomplete data; inappropriate, improper or unintended usage; and inadequate monitoring and/or controls. The Model Risk and Deployment Committees provide oversight of model risk. Our Model Risk Management standard describes the overarching principles and procedures that provide the framework for managing model risk. The standard also defines roles and responsibilities for key stakeholders involved in the Model Risk Management cycle. All models, whether developed internally or vendor-supplied, are covered by this standard.

REGULATORY COMPLIANCE AND LEGAL RISK

Legal and regulatory compliance risk is 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. Failure 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.

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. Further, new regulatory regimes are being introduced for privacy and data management, consumer protection, third-party risk management and technology oversight which enhance the complexity of compliance. 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.

LEGAL RISK

Legal risk is 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 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.

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. Our Regulatory Compliance team maintains a strong focus on key regulatory compliance areas such as privacy, anti-money laundering, anti-terrorist financing and consumer protection regulations. 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.

BUSINESS AND STRATEGIC RISK

Strategic risk is the potential for loss or harm due to changes in the external business environment and failure to respond appropriately to these changes. Strategic risk also includes business risk, which arises from the specific business activities we undertake, and the effects they could have on our financial results. The Board of Directors is responsible to provide oversight of strategic risk, and provides effective challenge and approval of our strategic plan on an annual basis. We develop a strategic plan based on an assessment of emerging market trends, the competitive environment, potential risks and other key issues.

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 execution of key business transformation efforts and projects. The ability to successfully grow through acquisition will depend 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. To mitigate this risk, we rely on an effective project management process supported by a designated committee comprised of representatives of senior management.

SOCIAL AND ENVIRONMENTAL RISK

Social and environmental risk is the potential for loss or harm resulting from social or environmental 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 social and environmental risk management practices and processes. Our Board of Directors provides oversight to consider these risks as part of our enterprise-wide strategy. Under the leadership of the CFO, we implemented a cross-functional sustainability team that is responsible to identify and prioritize social and environmental risks based on engagement with our clients, people and investors, and develop an implementation plan for our overarching sustainability approach, aligned with our strategic direction. The sustainability team reports progress on the development of this roadmap to the Board of Directors and provides education on emerging trends related to social and environmental risks, and market developments. Identified social risks are managed through our business policies and procedures across CWB. Environmental risks within our lending portfolio are managed through our credit granting process (see the *Credit Risk* section above). Further information on our approach to environmental risks specifically related to climate change are included in the *Climate Risk* section below.

Further information on our corporate social responsibility activities is available on our website at www.cwb.com/corporate-social-responsibility in our Corporate Social Responsibility and Public Accountability Statement reports, and other materials that outline our activities related to community investment, inclusion, corporate governance, and the environment.

Climate Risk

Climate risk is a subset of environmental risk that encompasses the risk of financial loss or reputational damage that results from the physical and transition impacts of climate change, which may adversely impact our operations, or the operations of our clients. Transition to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputation risk to organizations over time. Physical risks related to climate change can be event-driven or due to longer-term shifts in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. We have limited direct physical risk exposure based on our modest physical footprint through banking centres and corporate office space across Canada and minimal indirect physical and transition risk exposure through our current lending activities, although we expect this risk will evolve and emerge over time.

We believe that transparent and timely communication on our exposure and approach to manage climate risk is important to our stakeholders. We support the disclosure recommendations provided by the TCFD, which aim to facilitate consistent and comparable reporting of climate risks and opportunities across all industries. In 2021, we began to enhance our climate risk disclosures and we are committed to adopt the TCFD's recommendations with a phased approach. Our 2021 disclosures provide foundational information about our approach to climate risk governance and strategy development. As we move forward and advance our understanding of the climate risks that impact our business, teams, communities and clients, we will continue to advance our disclosures on our climate strategy, climate risk management, and relevant metrics and targets.

Climate Risk Governance

Governance of ESG risks is provided by our Board of Directors, which includes a focus on climate change. The Board of Directors receives reporting on and discusses current and emerging trends related to climate risk, and monitors progress on the integration of climate factors into our ongoing strategy. As the topic of climate change requires a multidisciplinary approach, oversight will also be provided by the following Board committees:

- Risk Committee: Provides oversight of key risks, including those that may be affected by climate change. This includes review of risk appetite limits and policies, which are expected to evolve over time to incorporate direct consideration of climate risk.
- Audit Committee: Provides oversight of climate change-related disclosure included in our MD&A.

Under the leadership of the CFO, our sustainability team is responsible to design and execute an approach to address climate change in our strategy and operations, as part of the development of a comprehensive approach to sustainability. The continued development of a climate change approach will focus on how CWB may best support the transition to a less carbon intensive economy and address climate change. The sustainability team engages internal stakeholders and works with the Executive Risk Committee to establish appropriate committees tasked with the development of various components of our approach to manage climate risk. To remain well-informed on climate-related issues and emerging trends, our sustainability team provides representation on national and local climate-related programs. Nationally, we participate in the Sustainable Finance Action Council, which advises on movement towards mandatory climate change disclosures, the development of a climate risk taxonomy within the context of Canada's capital markets and addressing the climate data needs and capacity within the financial sector. On a quarterly basis, our sustainability team reports to the Board of Directors on progress made on our sustainability roadmap and current and emerging trends, specifically related to climate risk.

Climate Risk Strategy

To manage our environmental footprint, we have implemented practices targeted to benchmark and reduce the amount of energy we consume, 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. As we expand our banking centre footprint and upgrade existing locations, we maintain a focus on sustainability and opportunities to reduce our environmental impact. In addition to continued efforts to manage our own carbon footprint, we are focused to develop a deeper understanding of the risks that climate change present to our clients.

As we progress on development of our sustainability approach, our strategy will incorporate short-, medium-, and long-term goals targeted to address specific climate-related issues that could have a significant financial impact on our operations, or the operations of our clients. We have engaged a third-party service provider to assist in the development of a climate strategy that considers climate risks and opportunities and the needs of our stakeholders. Our climate strategy will include:

- A comprehensive GHG measurement and reduction strategy, and procedures to support accurate disclosure of GHG emissions across our full operational footprint, measured against internal targets;
- Enhanced internal capabilities for climate risk management; and,
- An approach that considers how we may best support our clients through a transition to a less carbon intensive economy.

REPUTATION RISK

Reputation risk is 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. 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.

We manage risks to our reputation by considering the potential reputational impact of all business activities, strategic plans, transactions and initiatives, product and service offerings, as well as day-to-day decision-making and conduct. Responsibility for managing the impact of operational (and other) risks on our reputation extends to all of our teams, including senior management and the Board of Directors. 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. We actively promote a culture that encourages employees to raise concerns and supports them in doing so.

OTHER RISK FACTORS

In addition to the risks described above, other risk factors may adversely affect our businesses and financial results.

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 regulatory 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.

ADEQUACY OF CWB'S RISK MANAGEMENT FRAMEWORK

The Risk Management framework is comprised of various policies, processes and tools for managing risk exposure. There can be no assurance that the framework to manage risks, including the framework's underlying assumptions, 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 will 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 or business spending and saving habits, timely development and introduction of new products, and the anticipation of and success in managing the associated risks.

SHARE AND DISTRIBUTION INFORMATION

As at November 26, 2021, there were 89,500,335 common shares and 1,716,084 stock options outstanding.

We evaluate common share dividends considering the strength of our capital position and capital requirements under the *Standardized* approach to support ongoing strong risk-weighted asset growth. The following dividends on common and preferred shares were declared by the Board of Directors and paid during the year:

	2021	2020
\$1.16 per common share (2020 – \$1.15)	\$ 101,421	\$ 100,211
\$1.08 per preferred share - Series 5 (2020 – \$1.08)	5,375	5,376
\$1.17 per preferred share - Series 7 (2020 – \$1.56)	6,563	8,750
\$1.50 per preferred share - Series 9 (2020 – \$1.50)	7,500	7,500
Total	\$ 120,859	\$ 121,837

Subsequent to October 31, 2021, the Board of Directors of CWB declared a dividend of \$0.30 per common share payable on January 6, 2022 to shareholders of record on December 16, 2021, and cash dividends of \$0.2688125 per Series 5 and \$0.375 per Series 9 preferred share, all payable on January 31, 2022 to shareholders of record on January 21, 2022. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheets at October 31, 2021.

Series 1 LRCN note holders received semi-annual coupon payments of \$30.164383562 on April 30, 2021 and \$30 on October 31, 2021 per \$1,000 principal amount notes, respectively. Series 2 LRCN note holders also received their first semi-annual coupon payments of \$17.53424658 on July 31, 2021 per \$1,000 principal amount of notes. The payments, which totaled \$10 million, were recorded in common shareholders' net income on an after-tax basis.

Further information is provided in Note 16 of the audited consolidated financial statements for the year ended October 31, 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 is provided in Note 23 of the consolidated financial statements for the year ended October 31, 2021.

CONTROLS AND PROCEDURES

As of October 31, 2021, 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, 2021, 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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Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

We, as CWB's Chief Executive Officer and Chief Financial Officer, will certify CWB's annual filings with the CSA as required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

The system of internal controls is also supported by our internal audit function, which carries out periodic internal audits of all aspects of CWB's operations. The Chief Internal Auditor has full and free access to the Audit Committee and to the external auditors.

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

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

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

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

Chris H. Fowler
President and Chief Executive Officer

R. Matthew Rudd
Executive Vice President and Chief Financial Officer

December 2, 2021

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, 2021 and October 31, 2020
- 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, 2021 and October 31, 2020, 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

ASSESSMENT OF THE ALLOWANCE FOR CREDIT LOSSES FOR LOANS

Description of the matter

We draw attention to Notes 2 and 7 to the financial statements. The Entity's allowance for credit losses (ACL) for loans is \$141,429 thousand as at October 31, 2021. The Entity's ACL is determined using an expected credit loss (ECL) approach that 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).

In establishing the ACL, the Entity's approach incorporates a number of underlying assumptions which involve a high degree of management judgment:

- Internal risk ratings attributable to a borrower reflecting changes in credit quality
- Estimated realizable amount of future cash flows on Stage 3 loans
- Thresholds used to determine when a borrower has experienced a significant increase in credit risk
- Forward-looking information, specifically related to variables to which the ECL models are calibrated
- Qualitative adjustments based on expert credit judgment are also incorporated to capture emerging market conditions. In addition, the Entity's forward-looking information incorporates assumptions about the resulting economic impacts of the COVID-19 pandemic.

Why the matter is a key audit matter

We identified the assessment of the ACL for loans as a key audit matter. Significant auditor judgment was required because of the significant management judgments described above in determining the ACL, which is subject to a high degree of measurement uncertainty. Significant auditor effort and specialized skills and knowledge were required to assess the Entity's ACL methodology.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter.

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's ACL process, including controls related to:

- Assignment at origination and periodic assessment of internal risk ratings
- Monitoring and reporting of delinquencies
- Monitoring and approval of forward-looking information incorporated into ECL models
- Monitoring of security underlying Stage 3 loans, determination of the estimated realizable amount of future cash flows, and the approval of corresponding ACL

We involved credit risk and economics professionals with specialized skills and knowledge who assisted in:

- Assessing the models for the PD, EAD and LGD inputs by evaluating the methodology for compliance with relevant accounting standards
- Assessing the methodology for identifying whether there has been a significant increase in credit risk for compliance with relevant accounting standards
- Checking the accuracy of a selection of ECL model-generated results
- Assessing the Entity's qualitative adjustments based on expert credit judgment by applying our knowledge of the industry and credit judgment to assess management's judgments, including the impact of COVID-19

For a selection of loans, we developed an independent estimate of the risk rating using the Entity's internal risk ratings scale and compared that to the Entity's assigned internal risk rating.

For a selection of loans, we tested the Entity's assessment of whether there has been a significant increase in credit risk.

We assessed the Entity's forward-looking information incorporated into ECL models, including the impact of COVID-19, by comparing to published reports of industry commentators.

For a selection of Stage 3 loans, we developed an independent estimate of the realizable amount of future cash flows by inspecting documentation of security underlying the loan, current market prices for comparable security, and reports prepared by the Entity's external valuation experts.

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 "2021 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 and the "2021 Annual Report" as at the date of this auditors' 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.

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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

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

Edmonton, Canada

December 2, 2021

CONSOLIDATED BALANCE SHEETS

(\$ thousands)

	As at October 31 2021	As at October 31 2020
Assets		
Cash Resources (Notes 4 and 5)		
Cash and non-interest bearing deposits with financial institutions	\$ 87,853	\$ 113,868
Interest bearing deposits with regulated financial institutions	21,344	254,451
Cheques and other items in transit	19,262	-
	128,459	368,319
Securities (Note 5)		
Issued or guaranteed by Canada	2,962,290	1,317,967
Issued or guaranteed by a province or municipality	406,708	967,415
Other debt securities	198,799	377,244
Preferred shares	-	1,992
	3,567,797	2,664,618
Securities Purchased Under Resale Agreements (Note 6)		
	30,048	50,084
Loans (Note 7)		
Personal	6,395,524	6,073,643
Business	26,505,427	24,094,076
	32,900,951	30,167,719
Allowance for credit losses	(141,429)	(159,326)
	32,759,522	30,008,393
Other		
Property and equipment	(Note 9) 130,698	139,349
Goodwill	(Note 10) 138,701	138,256
Intangible assets	(Note 10) 227,845	220,708
Derivatives	(Notes 11 and 27) 52,862	96,615
Other assets	(Note 12) 287,244	251,523
	837,350	846,451
Total Assets	\$ 37,323,176	\$ 33,937,865
Liabilities and Equity		
Deposits (Note 13)		
Personal	\$ 15,198,820	\$ 15,661,320
Business and government	14,776,919	11,649,034
	29,975,739	27,310,354
Other		
Cheques and other items in transit	50,110	52,326
Securities sold under repurchase agreements	(Notes 6 and 8) -	65,198
Derivatives	(Notes 11 and 27) 36,068	6,285
Other liabilities	(Note 14) 712,309	746,979
	798,487	870,788
Debt		
Debt related to securitization activities	(Notes 8 and 15) 2,641,843	2,051,680
Subordinated debentures	(Note 15) 373,222	372,643
	3,015,065	2,424,323
Equity		
Preferred shares	(Note 16) 250,000	390,000
Limited recourse capital notes	(Note 16) 325,000	175,000
Common shares	(Note 16) 809,435	730,846
Retained earnings	2,120,795	1,907,739
Share-based payment reserve	(Note 17) 26,016	25,749
Accumulated other comprehensive income	2,639	102,204
Total Shareholders' Equity	3,533,885	3,331,538
Non-controlling interests	(Note 18) -	862
Total Equity	3,533,885	3,332,400
Total Liabilities and Equity	\$ 37,323,176	\$ 33,937,865

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)

	2021	2020
Interest Income		
	(Note 25)	
Loans	\$ 1,296,954	\$ 1,336,002
Securities	20,541	29,046
Deposits with regulated financial institutions	517	3,866
	1,318,012	1,368,914
Interest Expense		
Deposits	360,663	499,140
Debt	64,986	70,363
	425,649	569,503
Net Interest Income	892,363	799,411
Non-interest Income		
Wealth management services	59,490	33,565
Credit related	38,411	34,921
Retail services	10,007	9,679
Trust services	8,988	8,377
Gains on securities, net	2,978	9,428
Other	3,796	2,014
	123,670	97,984
Total Revenue	1,016,033	897,395
Provision for Credit Losses	(Notes 5 and 7) 27,055	92,167
Non-interest Expenses		
Salaries and employee benefits	325,136	281,408
Premises and equipment	95,954	80,362
Other expenses	87,628	74,876
	508,718	436,646
Net Income before Income Taxes	480,260	368,582
Income Taxes	(Note 21) 123,007	97,032
Net Income	357,253	271,550
Net income attributable to non-controlling interests	290	968
Shareholders' Net Income	356,963	270,582
Preferred share dividends and limited recourse capital note distributions	(Note 16) 29,492	21,626
Common Shareholders' Net Income	\$ 327,471	\$ 248,956
Average number of common shares (in thousands)	87,579	87,159
Average number of diluted common shares (in thousands)	87,845	87,192
Earnings Per Common Share	(Note 22)	
Basic	\$ 3.74	\$ 2.86
Diluted	3.73	2.86

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended October 31

(\$ thousands)

	2021	2020
Net Income	\$ 357,253	\$ 271,550
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 (losses) from change in fair value ⁽¹⁾	(34,949)	14,046
Reclassification to net income ⁽²⁾	(3,316)	(5,900)
	(38,265)	8,146
Derivatives designated as cash flow hedges (Note 11)		
Gains (losses) from change in fair value ⁽³⁾	(6,197)	105,003
Reclassification to net income ⁽⁴⁾	(56,121)	(31,855)
	(62,318)	73,148
Items that will not be subsequently reclassified to net income		
Gains on equity securities designated at fair value through other comprehensive income ⁽⁵⁾	1,053	528
	(99,530)	81,822
Comprehensive Income	\$ 257,723	\$ 353,372
Comprehensive income for the year attributable to:		
Shareholders	\$ 257,433	\$ 352,404
Non-controlling interests	290	968
Comprehensive Income	\$ 257,723	\$ 353,372

(1) Net of income tax of \$10,777 (2020 – \$4,623).

(2) Net of income tax of \$1,028 (2020 – \$2,003).

(3) Net of income tax of \$1,924 (2020 – \$34,277).

(4) Net of income tax of \$16,566 (2020 – \$10,843).

(5) Net of income tax of \$326 (2020 – \$171).

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)

	2021	2020
Preferred Shares		
	(Note 16)	
Balance at beginning of year	\$ 390,000	\$ 390,000
Redeemed	(140,000)	-
Balance at end of year	250,000	390,000
Limited Recourse Capital Notes		
	(Note 16)	
Balance at beginning of year	175,000	-
Issued	150,000	175,000
Balance at end of year	325,000	175,000
Common Shares		
	(Note 16)	
Balance at beginning of year	730,846	731,970
Issued under at-the-market common equity distribution program	72,969	-
Issued under dividend reinvestment plan	4,064	-
Transferred from share-based payment reserve on the exercise or exchange of options	1,556	379
Purchased for cancellation	-	(1,503)
Balance at end of year	809,435	730,846
Retained Earnings		
Balance at beginning of year	1,907,739	1,785,273
Impact of adopting IFRS 16 on November 1, 2019	-	(13,035)
Shareholders' net income	356,963	270,582
Dividends and other distributions - Preferred shares and limited recourse capital notes	(29,492)	(21,626)
- Common shares	(101,421)	(100,211)
Decrease in equity attributable to non-controlling interests ownership change	(9,703)	(1,321)
Issuance costs on limited recourse capital notes	(1,710)	(2,157)
Issuance costs on at-the-market common equity distribution program	(1,616)	-
Realized gains (losses) reclassified from accumulated other comprehensive income	35	(6,124)
Net premium on common shares purchased for cancellation	-	(3,642)
Balance at end of year	2,120,795	1,907,739
Share-based Payment Reserve		
	(Note 17)	
Balance at beginning of year	25,749	24,309
Amortization of fair value of options	1,823	1,819
Transferred to common shares on the exercise or exchange of options	(1,556)	(379)
Balance at end of year	26,016	25,749
Accumulated Other Comprehensive Income		
Debt securities measured at fair value through other comprehensive income		
Balance at beginning of year	6,125	(2,021)
Other comprehensive (loss) income	(38,265)	8,146
Balance at end of year	(32,140)	6,125
Derivatives designated as cash flow hedge		
Balance at beginning of year	96,006	22,858
Other comprehensive (loss) income	(62,318)	73,148
Balance at end of year	33,688	96,006
Equity securities designated at fair value through other comprehensive income		
Balance at beginning of year	73	(6,579)
Other comprehensive income	1,053	528
Realized (gains) losses reclassified to retained earnings	(35)	6,124
Balance at end of year	1,091	73
Total accumulated other comprehensive income	2,639	102,204
Total Shareholders' Equity	3,533,885	3,331,538
Non-controlling Interests		
	(Note 18)	
Balance at beginning of year	862	1,872
Net income attributable to non-controlling interests	290	968
Dividends to non-controlling interests	(320)	(862)
Ownership change	(832)	(1,116)
Balance at end of year	-	862
Total Equity	\$ 3,533,885	\$ 3,332,400

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended October 31

(\$ thousands)

	2021	2020
Cash Flows from Operating Activities		
Net income	\$ 357,253	\$ 271,550
Adjustments to determine net cash flows:		
Depreciation and amortization	58,297	50,448
Provision for credit losses	(Notes 5 and 7) 27,055	92,167
Amortization of fair value of employee stock options	(Note 17) 1,823	1,819
Accrued interest receivable and payable, net	(51,080)	(25,458)
Current income taxes receivable and payable, net	(42,232)	(60,813)
Gains on securities, net	(2,978)	(9,428)
Deferred income taxes, net	(2,716)	(10,173)
Change in operating assets and liabilities		
Deposits, net	2,665,385	1,958,993
Debt related to securitization activities, net	590,163	137,881
Accounts payable and accrued liabilities	76,487	19,275
Securities purchased under resale agreements, net	20,036	(9,718)
Loans, net	(2,778,663)	(1,733,375)
Securities sold under repurchase agreements, net	(65,198)	35,233
Derivative collateral payable	(46,162)	67,220
Other items, net	(6,754)	74,858
	800,716	860,479
Cash Flows from Financing Activities		
Limited recourse capital notes issued, net of issuance costs	(Note 16) 148,290	172,843
Common shares issued, net of issuance costs	(Note 16) 71,353	-
Preferred shares redeemed	(Note 16) (140,000)	-
Dividends and limited recourse capital note distributions	(126,849)	(121,837)
Repayment of lease liabilities	(15,944)	(15,027)
Non-controlling interests, ownership change, dividends and contributions	(11,889)	(3,721)
Debentures issued, net of issuance costs	(Note 15) -	123,694
Debentures redeemed	(Note 15) -	(250,000)
Common shares purchased for cancellation	(Note 16) -	(5,145)
	(75,039)	(99,193)
Cash Flows from Investing Activities		
Interest bearing deposits with regulated financial institutions, net	233,107	39,405
Securities, purchased	(12,388,764)	(12,117,629)
Securities, sales proceeds	8,276,968	5,324,496
Securities, matured	3,204,506	6,092,862
Property, equipment and intangible assets	(56,031)	(54,819)
Acquisition, net of cash acquired	(Note 3) -	(83,513)
	(730,214)	(799,198)
Change in Cash and Cash Equivalents	(4,537)	(37,912)
Cash and Cash Equivalents at Beginning of Year	61,542	99,454
Cash and Cash Equivalents at End of Year *	\$ 57,005	\$ 61,542
* Represented by:		
Cash and non-interest bearing deposits with financial institutions	\$ 87,853	\$ 113,868
Cheques and other items in transit (included in Cash Resources)	19,262	-
Cheques and other items in transit (included in Other Liabilities)	(50,110)	(52,326)
Cash and Cash Equivalents at End of Year	\$ 57,005	\$ 61,542
Supplemental Disclosure of Cash Flow Information		
Interest and dividends received	\$ 1,369,762	\$ 1,397,866
Interest paid	473,584	602,860
Income taxes paid	128,385	189,973

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2021 and 2020

(\$ 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 2, 2021.

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 significant subsidiaries.

The consolidated financial statements have been prepared on a historic cost basis, except the revaluation of financial instruments classified as fair value through profit or loss, or as fair value through other comprehensive income.

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 continues to be disrupted by the 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 support programs, and the timing and impact of the withdrawal of this support.

Critical judgments impacted by the COVID-19 pandemic that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the allowance for credit losses and are described in Note 7.

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 relate to the allowance for credit losses and are described in Note 7.

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

J) CHANGES IN ACCOUNTING POLICIES

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 were effective for CWB's fiscal year beginning November 1, 2020 and had no significant impact on our consolidated financial statements.

Interest Rate Benchmark Reform – Phase 1 Amendments

On November 1, 2020, we adopted Phase 1 amendments to hedge accounting requirements in IFRS 9 *Financial Instruments* (IFRS 9), IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), which modify certain hedge accounting requirements to provide relief from the effect of uncertainties created by Inter-bank Offered Rate (IBOR) reform prior to the transition to alternative interest rates. Adoption of these amendments had no impact on our consolidated financial statements. These amendments will apply until IBOR-based cash flows transition to new risk-free rates or when the applicable hedging relationships are discontinued. Our accounting policies related to hedge accounting are described in Note 11. At October 31, 2021, we had no hedging relationships that reference IBORs with a maturity date which extends beyond the anticipated date of IBOR reform.

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 - Phase 2 Amendments

In August 2020, the IASB issued Phase 2 amendments to IFRS 9, IAS 39, and IFRS 7 to address ongoing IBOR and other interest rate benchmark reform. Phase 2 amendments 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. Existing hedging relationships are not required to be discontinued if changes in hedge documentation are required solely by IBOR reform.

Changes to the interest rate of the financial assets or liabilities that are required by IBOR reform may be accounted for by updating the effective interest rate prospectively, to reflect the change in the interest rate benchmark rather than being recognized as an immediate gain or loss. Any other additional changes to the basis for determining the contractual cash flow are determined in accordance with our existing accounting policies for loan modifications as described in Note 2.

Additionally, the Phase 2 amendments allow for a temporary relief from hedge accounting requirements under IAS 39. Changes in existing hedge relationships that are a direct result of IBOR reform may be reflected in the hedge documentation without the need for discontinuing the hedging relationship. For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by IBOR reform, the accounting policies as described in Note 11 continue to apply.

Under the amendments, additional disclosures are required in the consolidated financial statements to outline the effect of the reform on our financial instruments and risk management strategy.

The amendments are effective for CWB on November 1, 2021 and apply retrospectively, without restatement of comparative information. There will be no impact on opening shareholders' equity and the impact on the consolidated financial statements is expected to be limited to the additional disclosures required by the amendments.

IFRS 12 Income Taxes

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, we recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for our fiscal year beginning November 1, 2023 and we are assessing the potential impacts on our consolidated financial statements.

2. FINANCIAL INSTRUMENTS

Financial assets include cash resources, securities, securities purchased under resale agreements, loans, derivative and certain other assets. Financial liabilities include deposits, cheques and other items in transit, securities sold under repurchase agreements, derivative, 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 MEASUREMENT 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 \$86,816 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 approximately \$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:

	June 1 2020
Assets and Liabilities Acquired at Fair Value	
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 a 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.

The operations of the wealth acquisition were included in our results for the full year ended October 31, 2021. From June 1, 2020 to October 31, 2020, the wealth acquisition contributed \$14,681 of 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 the year ended 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, 2021, \$24,828 (October 31, 2020 – \$21,515) of cash was restricted from use in relation to the securitization of equipment financing leases and loans.

5. SECURITIES

CLASSIFICATION AND MEASUREMENT

The securities portfolio consists of debt securities and preferred shares, with all remaining preferred shares being sold during the year ended October 31, 2021. 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 were equity instruments held for long-term investment purposes, at FVOCI. Dividends from preferred shares were recognized in interest income in the consolidated statements of income. Unrealized gains and losses were recorded in OCI, net of tax, and were subsequently transferred directly to retained earnings when the instrument was sold.

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

	Maturity/Reprice				As at October 31 2021	As at October 31 2020
	Within 1 Year	1 to 3 Years	3 to 5 Years	Greater than 5 years		
Measured at FVOCI						
Interest bearing deposits with regulated financial institutions ⁽¹⁾	\$ 21,344	\$ -	\$ -	\$ -	\$ 21,344	\$ 254,451
Debt securities issued or guaranteed by						
Canada	-	2,314,553	544,693	103,044	2,962,290	1,317,967
A province or municipality	90,435	292,934	23,339	-	406,708	967,415
Other debt securities ⁽²⁾	80,954	117,845	-	-	198,799	377,244
Designated at FVOCI						
Preferred shares	-	-	-	-	-	1,992
Total	\$ 192,733	\$ 2,725,332	\$ 568,032	\$ 103,044	\$ 3,589,141	\$ 2,919,069

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

(2) Includes securities issued or guaranteed by the United States Treasury of \$198,799 (October 31, 2020 – \$93,078).

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, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions ⁽²⁾	\$ 21,344	\$ -	\$ -	\$ 21,344
Debt securities issued or guaranteed by				
Canada	3,001,582	420	39,712	2,962,290
A province or municipality	409,583	209	3,084	406,708
Other debt securities ⁽³⁾	199,255	362	818	198,799
Total	\$ 3,631,764	\$ 991	\$ 43,614	\$ 3,589,141
	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

(1) The amortized cost of debt securities and cash resources measured at FVOCI is net of an allowance for credit losses of \$536 (October 31, 2020 – \$349).

During the year ended October 31, 2021, we sold preferred shares with a fair value of \$2,000 and an amortized cost of \$1,953 (2020 – fair value of \$16,690 and amortized cost of \$24,695). Related to the sales, we reclassified cumulative after-tax realized gains of \$35 from AOCI to retained earnings (2020 – losses of \$6,124).

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, 2021, credit losses of \$187 (October 31, 2020 – \$153) were recorded in the consolidated statements of income related to an increase 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, 2021 and 2020.

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:

(\$ millions)	BC	AB	ON	SK	QC	MB	Other	Total	Composition Percentage	
									Oct. 31 2021	Oct. 31 2020
Personal⁽¹⁾	\$ 1,622	\$ 1,840	\$ 2,401	\$ 273	\$ -	\$ 138	\$ 122	\$ 6,396	19 %	20 %
Business										
General commercial loans	3,389	3,113	3,254	431	238	308	162	10,895	33	32
Commercial mortgages	3,608	2,598	339	258	77	149	10	7,039	22	19
Equipment financing and leasing ⁽²⁾	833	1,334	1,390	471	643	268	347	5,286	16	17
Real estate project loans	1,329	1,031	343	88	35	45	-	2,871	9	11
Oil and gas production loans	13	401	-	-	-	-	-	414	1	1
	9,172	8,477	5,326	1,248	993	770	519	26,505	81	80
Total⁽³⁾	\$ 10,794	\$ 10,317	\$ 7,727	\$ 1,521	\$ 993	\$ 908	\$ 641	\$ 32,901	100 %	100 %
Composition Percentage										
October 31, 2021	33 %	31 %	23 %	5 %	3 %	3 %	2 %	100 %		
October 31, 2020	32 %	32 %	23 %	5 %	3 %	3 %	2 %	100 %		

(1) Includes mortgages securitized through the *National Housing Act Mortgage Backed Securities* program reported on-balance sheet of \$1,381 (October 31, 2020 – \$1,093) (see Note 8).

(2) Includes securitized leases and loans reported on-balance sheet of \$1,927 (October 31, 2020 – \$1,678) (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, 2021				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Loans – Personal					
Low risk	\$ 3,851,098	\$ 80,027	\$ -	\$ -	\$ 3,931,125
Medium risk	1,354,940	874,797	-	-	2,229,737
Watchlist or high risk	-	223,011	-	-	223,011
Impaired	-	-	11,651	-	11,651
Total	5,206,038	1,177,835	11,651	-	6,395,524
Allowance for credit losses	(923)	(2,289)	(485)	-	(3,697)
Total, net of allowance for credit losses	5,205,115	1,175,546	11,166	-	6,391,827
Loans – Business					
Investment grade or low risk	1,771,484	128,663	-	-	1,900,147
Non-investment grade or medium risk	22,773,391	1,054,469	-	-	23,827,860
Watchlist or high risk	-	586,747	-	-	586,747
Impaired	-	-	190,673	-	190,673
Total	24,544,875	1,769,879	190,673	-	26,505,427
Allowance for credit losses	(61,764)	(37,156)	(38,812)	-	(137,732)
Total, net of allowance for credit losses	24,483,111	1,732,723	151,861	-	26,367,695
Total loans	29,750,913	2,947,714	202,324	-	32,900,951
Allowance for credit losses	(62,687)	(39,445)	(39,297)	-	(141,429)
Total Loans, Net of Allowance for Credit Losses	\$ 29,688,226	\$ 2,908,269	\$ 163,027	\$ -	\$ 32,759,522
Committed but Undrawn Credit Exposures and Letters of Credit					
Investment grade or low risk	\$ 1,219,787	\$ 8,934	\$ -	\$ -	\$ 1,228,721
Non-investment grade or medium risk	5,284,394	137,800	-	-	5,422,194
Watchlist or high risk	-	17,044	-	-	17,044
Impaired	-	-	-	-	-
Total	6,504,181	163,778	-	-	6,667,959
Allowance for credit losses	(2,865)	(1,556)	-	-	(4,421)
Total, Net of Allowance for Credit Losses	\$ 6,501,316	\$ 162,222	\$ -	\$ -	\$ 6,663,538

	As at October 31, 2020				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
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

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, 2021				As at October 31, 2020			
	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	\$ 6,395,524	\$ 11,651	\$ 485	\$ 11,166	\$ 6,073,643	\$ 26,481	\$ 829	\$ 25,652
Business								
General commercial loans	10,894,735	100,546	27,081	73,465	9,697,325	90,628	21,261	69,367
Commercial mortgages ⁽²⁾	7,039,459	29,296	5,224	24,072	5,695,614	48,797	1,719	47,078
Equipment financing and leasing	5,286,538	40,488	5,587	34,901	5,253,503	63,642	10,326	53,316
Real estate project loans	2,871,195	20,343	920	19,423	3,252,519	24,858	-	24,858
Oil and gas production loans	413,500	-	-	-	195,115	2,735	-	2,735
Total	\$ 32,900,951	\$ 202,324	\$ 39,297	\$ 163,027	\$ 30,167,719	\$ 257,141	\$ 34,135	\$ 223,006

(1) Gross impaired loans include foreclosed assets with a carrying value of \$2,253 (October 31, 2020 – \$4,357). 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.

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

	As at October 31, 2021			As at October 31, 2020		
	Gross Impaired Amount	Stage 3 Allowance	Net Impaired Loans	Gross Impaired Amount	Stage 3 Allowance	Net Impaired Loans
Alberta	\$ 88,390	\$ 17,457	\$ 70,933	\$ 105,487	\$ 14,292	\$ 91,195
Ontario	56,858	17,341	39,517	60,892	8,104	52,788
British Columbia	37,001	2,685	34,316	40,304	4,659	35,645
Saskatchewan	6,288	869	5,419	23,692	2,103	21,589
Quebec	2,965	549	2,416	8,636	1,942	6,694
Manitoba	812	195	617	4,007	2,356	1,651
Other	10,010	201	9,809	14,123	679	13,444
Total	\$ 202,324	\$ 39,297	\$ 163,027	\$ 257,141	\$ 34,135	\$ 223,006

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:

	1 - 30 days	31 - 60 days	61 - 90 days	Total
As at October 31, 2021				
Personal	\$ 41,890	\$ 13,727	\$ 1,657	\$ 57,274
Business	57,003	20,772	2,059	79,834
Total	\$ 98,893	\$ 34,499	\$ 3,716	\$ 137,108
As at October 31, 2020	\$ 139,660	\$ 41,799	\$ 18,329	\$ 199,788

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:

- Internal risk ratings attributable to a borrower reflecting changes in credit quality;
- Estimated realizable amount of future cash flows on Stage 3 loans;
- Thresholds used to determine when a borrower has experienced a SICR; and,
- 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 credit 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 is 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.

The forward-looking macroeconomic scenario described below is calibrated to an average of the large Canadian banks' macroeconomic forecasts and incorporates assumptions about the resulting economic impacts of the COVID-19 pandemic, which reflects our best estimate as at October 31, 2021 based on information and facts available. The forecast assumes a gradual and continued recovery of the economy and considers the estimated impact of various government and central bank stimulus programs, and the timing and impact of the withdrawal of this stimulus. The nature of the COVID-19 pandemic and its impacts on the economy, along with government relief and stimulus, has led to continuously changing macroeconomic assumptions (see Note 1). 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, 2021, those changes will be reflected in future quarters.

The primary macroeconomic variables, for each of the next two years and the remaining forecast period thereafter, used to estimate ECL are as follows:

Macroeconomic Variable	Forecast		
	October 31 2022	October 31 2023	Remaining Forecast Period
GDP growth, year over year	4 %	2 %	2 %
Unemployment rate	6	6	6
Housing price growth, year over year	1	2	3
Three-month treasury bill rate	0.4	0.8	0.4
U.S. dollar/Canadian dollar exchange rate	\$ 1.26	\$ 1.25	\$ 1.26
WTI oil price (U.S. dollar per barrel)	67	68	68

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 ECL while increases in annual gross domestic product (GDP) growth, the WTI oil price, MLS housing price growth, and the U.S. dollar/Canadian dollar exchange rate will generally result in lower ECL.

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 \$4 million (October 31, 2020 – \$12 million) to the performing loan allowance for credit losses at October 31, 2021, relative to using only the forecast scenario presented above.

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, where loan defaults occur in periods subsequent to the onset of a decline in macroeconomic conditions. 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 using historical data as they have not occurred in the past.

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 expect 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:

	As at October 31, 2021				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Personal					
Balance at beginning of year	\$ 1,346	\$ 5,376	\$ 829	\$	7,551
Transfers to (from)					
Stage 1 ⁽¹⁾	1,809	(1,809)	-		-
Stage 2 ⁽¹⁾	(574)	574	-		-
Stage 3 ⁽¹⁾	-	(1,219)	1,219		-
Net remeasurement ⁽²⁾	(2,960)	345	(474)		(3,089)
New originations	1,655	-	-		1,655
Derecognitions and maturities	(348)	(968)	(170)		(1,486)
Provision for (reversal of) credit losses ⁽³⁾	(418)	(3,077)	575		(2,920)
Write-offs	-	-	(1,153)		(1,153)
Recoveries	-	-	234		234
Balance at end of year	928	2,299	485		3,712
Business					
Balance at beginning of year	\$ 57,503	\$ 66,053	\$ 33,306	\$	156,862
Transfers to (from)					
Stage 1 ⁽¹⁾	18,778	(18,778)	-		-
Stage 2 ⁽¹⁾	(8,239)	8,315	(76)		-
Stage 3 ⁽¹⁾	(56)	(10,494)	10,550		-
Net remeasurement ⁽²⁾	(39,506)	13,841	41,406		15,741
New originations	63,670	-	-		63,670
Derecognitions and maturities	(27,526)	(20,235)	(1,862)		(49,623)
Provision for (reversal of) credit losses ⁽³⁾	7,121	(27,351)	50,018		29,788
Write-offs	-	-	(56,947)		(56,947)
Recoveries	-	-	12,435		12,435
Balance at end of year	64,624	38,702	38,812		142,138
Total Allowance for Credit Losses	\$ 65,552	\$ 41,001	\$ 39,297	\$	145,850
Represented by:					
Loans	\$ 62,687	\$ 39,445	\$ 39,297	\$	141,429
Committed but undrawn credit exposures and letters of credit ⁽⁴⁾	2,865	1,556	-		4,421
Total Allowance for Credit Losses⁽⁵⁾	\$ 65,552	\$ 41,001	\$ 39,297	\$	145,850

(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.

	As at October 31, 2020							
	Performing		Impaired		Total			
	Stage 1	Stage 2	Stage 3					
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

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 2021, we securitized equipment financing leases and loans of \$1,071,280 (2020 – \$1,253,266), which were sold to third parties for cash proceeds of \$962,718 (2020 – \$1,115,814).

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 2021, we securitized residential mortgages of \$483,099 (2020 – \$208,305) which were sold to the CHT for cash proceeds of \$478,254 (2020 – \$207,005).

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.

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, 2021		As at October 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized leases and loans	\$ 1,926,944	\$ 1,928,736	\$ 1,677,515	\$ 1,710,730
Securitized residential mortgages	880,647	870,493	515,540	522,051
Securities sold under repurchase agreements	-	-	65,198	65,198
	2,807,591	2,799,229	2,258,253	2,297,979
Associated Liabilities⁽¹⁾	2,641,843	2,656,176	2,116,878	2,148,860
Net Position	\$ 165,748	\$ 143,053	\$ 141,375	\$ 149,119

(1) Associated liabilities consist of \$1,756,210 related to securitized lease and loans (2020 – \$1,528,662) and \$885,633 related to residential mortgages securitized through the NHA MBS program (2020 – \$523,018). There are no liabilities related to securities sold under repurchase agreements (2020 – \$65,198).

Additionally, we have securitized residential mortgages through the NHA MBS program totaling \$499,908 with a fair value of \$494,144 (2020 – \$577,449 with a fair value of \$584,743) that were not transferred to third parties.

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 reflect leases of primarily branches and office premises, and are measured at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments. Lease liabilities are measured at the present value of the remaining lease payments discounted at our weighted average incremental borrowing rate.

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, 2020	\$ 86,005	\$ 18,955	\$ 47,921	\$ 49,103	\$ 86,388	\$ 288,372
Additions	6,106	61	2,211	3,180	2,973	14,531
Lease modifications	-	-	-	-	2,129	2,129
Disposals	(1,974)	-	(155)	(1,009)	(321)	(3,459)
Balance at October 31, 2021	90,137	19,016	49,977	51,274	91,169	301,573
Accumulated Depreciation and Impairment						
Balance at November 1, 2020	59,185	6,952	33,255	37,673	11,958	149,023
Depreciation	4,970	576	4,574	2,834	11,905	24,859
Lease modifications	-	-	-	-	452	452
Disposals	(1,974)	-	(155)	(1,009)	(321)	(3,459)
Balance at October 31, 2021	62,181	7,528	37,674	39,498	23,994	170,875
Net Carrying Amount at October 31, 2021	\$ 27,956	\$ 11,488	\$ 12,303	\$ 11,776	\$ 67,175	\$ 130,698
Cost						
Balance at November 1, 2019	\$ 80,782	\$ 18,653	\$ 42,197	\$ 49,152	\$ -	\$ 190,784
Adoption of IFRS 16 on November 1, 2019	-	-	-	-	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

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:

- Wealth Management (WM);
- CWB Maxium Financial Inc. (MX); and,
- CWB National Leasing Inc. (NL).

		WM		NL		MX		Total
Balance at November 1, 2020	\$	63,611	\$	35,776	\$	38,869	\$	138,256
Ownership change		445		-		-		445
Balance at October 31, 2021	\$	64,056	\$	35,776	\$	38,869	\$	138,701

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

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 recorded 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, 2020	\$ 257,108	\$ 89,749	\$ 8,726	\$ 11,084	\$ 5,150	\$ 371,817
Additions	39,823	-	-	-	-	39,823
Ownership change	-	693	59	-	-	752
Disposals	(1,153)	-	-	-	-	(1,153)
Balance at October 31, 2021	295,778	90,442	8,785	11,084	5,150	411,239
Accumulated Amortization						
Balance at November 1, 2020	94,551	40,374	-	11,079	5,105	151,109
Amortization	25,366	8,022	-	5	45	33,438
Disposals	(1,153)	-	-	-	-	(1,153)
Balance at October 31, 2021	118,764	48,396	-	11,084	5,150	183,394
Net Carrying Amount at October 31, 2021	\$ 177,014	\$ 42,046	\$ 8,785	\$ -	\$ -	\$ 227,845

Cost						
Balance at November 1, 2019	\$ 217,595	\$ 59,215	\$ 6,587	\$ 11,084	\$ 5,150	\$ 299,631
Additions	39,066	-	-	-	-	39,066
Acquisition	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

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. Value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. Fair value less costs of disposal is the amount obtainable from the sale of a CGU in an orderly transaction between market participants, less disposal costs. The fair value of a CGU is estimated using valuation techniques such as a discounted cash flow method or market-based approaches where the fair value of a CGU is determined using comparable market transactions for similar businesses.

In the 2021 and 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.

WM CGU

In 2021, the recoverable amount of the WM CGU was based on fair value less cost to sell using a discounted cash flow method. Cash flows are projected based on forecast results of the business for a five-year period, adjusted to approximate the market considerations of a prospective buyer. Beyond five years, cash flows are assumed to increase at a terminal growth rate of 4.0% based on management's expectations of real GDP growth and inflation rates. Forecast cash flows are discounted at rate of 12.5%. In 2020, 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. The P/AUM and P/Rev multiples applied were 2.3% and 3.2x respectively, and represent our best estimate from a range of reasonably possible inputs based on precedent transactions for comparable businesses.

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 forecast 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 4.0% (3.9% in 2020) based on management's expectations of real GDP growth and inflation rates. Forecast cash flows are discounted at pre-tax rates ranging from 18.7% to 19.4% (14.9% to 15.8% in 2020).

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 2021 or 2020.

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. Under our interest rate risk management policies, we 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, 2021				As at October 31, 2020			
	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								
<i>Interest rate risk</i>								
Interest rate swaps	\$ 2,235,000	\$ 35,872	\$ 1,180,000	\$ (35,798)	\$ 4,458,000	\$ 95,035	\$ -	\$ -
<i>Equity risk</i>								
Equity swaps	19,450	7,670	-	-	-	-	20,470	(1,500)
Fair Value Hedges								
<i>Interest rate risk</i>								
Interest rate swaps	361,561	7,946	18,582	(187)	70,109	68	265,716	(4,069)
Not Designated as Accounting Hedges								
Foreign exchange contracts	341	6	136,189	(83)	68,168	1,512	52,672	(619)
Equity swaps	8,886	1,368	-	-	-	-	6,184	(97)
Total	\$ 2,625,238	\$ 52,862	\$ 1,334,771	\$ (36,068)	\$ 4,596,277	\$ 96,615	\$ 345,042	\$ (6,285)

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:

	2021	2020
Favourable derivative financial instruments (assets)	\$ 51,490	\$ 101,720
Unfavourable derivative financial instruments (liabilities)	\$ 15,996	\$ 13,313

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, 2021				As at October 31, 2020			
	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								
<i>Interest rate risk</i>								
Interest rate swaps ⁽¹⁾	\$ 665,000	1.75 %	\$ 2,750,000	1.51 %	\$ 1,968,000	1.74 %	\$ 2,490,000	1.89 %
<i>Equity risk</i>								
Equity swaps ⁽²⁾	9,928	1.31 %	9,522	1.47 %	10,020	1.26 %	10,450	1.62 %
Fair Value Hedges								
<i>Interest rate risk</i>								
Interest rate swaps ⁽³⁾	18,582	1.48 %	361,561	1.16 %	-	-	335,825	0.86 %
Not Designated as Accounting Hedges								
<i>Foreign exchange contracts</i>								
Foreign exchange contracts ⁽⁴⁾	136,530	-	-	-	120,840	-	-	-
<i>Equity swaps</i>								
Equity swaps ⁽⁵⁾	8,886	0.98 %	-	-	6,184	1.53 %	-	-
Total	\$ 838,926		\$ 3,121,083		\$ 2,105,044		\$ 2,836,275	

(1) Interest rate swaps designated as accounting cash flow hedges outstanding at October 31, 2021 mature between November 2021 and July 2030.

(2) Equity swaps designated as accounting hedges outstanding at October 31, 2021 mature between June 2022 and June 2024.

(3) Interest rate swaps designated as accounting fair value hedges outstanding at October 31, 2021 mature between August 2022 and September 2028.

(4) Foreign exchange contracts outstanding at October 31, 2021 mature between November 2021 and February 2022. The contractual interest rate is not meaningful for foreign exchange contracts.

(5) Equity swaps not designated as accounting hedges outstanding at October 31, 2021 mature in June 2022.

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

	As at October 31, 2021		
	Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness	AOCI - Cash Flow Hedges
Cash Flow Hedges			
<i>Interest rate risk</i>			
Variable rate assets and liabilities	Loans, Deposits	\$ (94,961)	\$ 33,332
Forecasted NHA MBS issuances	n/a	-	(1,709)
<i>Equity risk</i>			
Restricted share units	Other liabilities	9,170	2,065
As at October 31, 2020			
	Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness	AOCI - Cash Flow Hedges
Cash Flow Hedges			
<i>Interest rate risk</i>			
Variable rate assets	Loans	\$ 65,284	\$ 98,790
Forecasted NHA MBS issuances	n/a	-	(2,479)
<i>Equity risk</i>			
Restricted share units	Other liabilities	(4,390)	(305)

n/a - not applicable

As at October 31, 2021

	Carrying Amount of Hedged Item	Accumulated Amount of Fair Value Adjustments on the Hedged Item	Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness
Fair Value Hedges				
<i>Interest rate risk</i>				
Fixed rate assets	\$ 374,471	\$ (7,540)	Securities, Loans	\$ 11,760

As at October 31, 2020

	Carrying Amount of Hedged Item	Accumulated Amount of Fair Value Adjustments on the Hedged Item	Consolidated Balance Sheets Line Item	Changes in Fair Value Used for Calculating Hedge Ineffectiveness
Fair Value Hedges				
<i>Interest rate risk</i>				
Fixed rate assets	\$ 348,090	\$ 4,255	Securities, Loans	\$ (3,963)

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:

2021

	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				
<i>Interest rate risk</i>				
Interest rate swaps ⁽¹⁾	\$ (94,961)	\$ -	\$ (17,033)	\$ (48,425)
Bond forward contracts ⁽¹⁾	-	-	1,373	(603)
<i>Equity risk</i>				
Equity swaps ⁽²⁾	9,170	-	9,463	(7,093)
Fair Value Hedges				
<i>Interest rate risk</i>				
Interest rate swaps	11,760	-	-	-

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				
<i>Interest rate risk</i>				
Interest rate swaps ⁽¹⁾	\$ 65,284	\$ -	\$ 111,476	\$ (34,677)
Bond forward contracts ⁽¹⁾	-	-	(2,638)	383
<i>Equity risk</i>				
Equity swaps ⁽²⁾	(4,390)	-	(3,835)	2,439
Fair Value Hedges				
<i>Interest rate risk</i>				
Interest rate swaps	(3,963)	-	-	-

(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	2021	2020
Balance at beginning of year	\$ 96,006	\$ 22,858
Amounts recognized in other comprehensive income:		
<i>Interest rate risk</i> - Interest rate swaps and bond forward contracts		
Effective portion of changes in fair value	(15,660)	108,838
Amounts reclassified to net income	(49,028)	(34,294)
<i>Equity risk</i> - Equity swaps		
Effective portion of changes in fair value	9,463	(3,835)
Amounts reclassified to net income	(7,093)	2,439
Balance at End of Year	\$ 33,688	\$ 96,006

12. OTHER ASSETS

	As at October 31 2021	As at October 31 2020
Accrued interest receivable	\$ 74,954	\$ 71,810
Accounts receivable	53,156	67,876
Deferred tax assets	(Note 21) 50,772	49,578
Income tax receivable	47,768	12,229
Prepaid expenses	14,055	12,359
Financing costs ⁽¹⁾	13,879	8,455
Derivative collateral receivable	(Note 27) 13,310	-
Other	19,350	29,216
Total	\$ 287,244	\$ 251,523

(1) Amortization for the year amounted to \$3,835 (2020 – \$3,103).

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, 2021		
	Individuals	Business and Government	Total
Payable on demand	\$ 41,271	\$ 1,310,964	\$ 1,352,235
Payable after notice	7,274,688	5,838,025	13,112,713
Payable on a fixed date	7,882,861	7,627,930	15,510,791
Total	\$ 15,198,820	\$ 14,776,919	\$ 29,975,739
	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

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

	As at October 31 2021	As at October 31 2020
Within 1 year	\$ 7,054,012	\$ 8,068,489
1 to 2 years	3,928,322	3,366,283
2 to 3 years	2,261,152	2,583,480
3 to 4 years	1,111,274	1,071,237
4 to 5 years	652,183	707,751
More than 5 years	503,848	-
Total	\$ 15,510,791	\$ 15,797,240

14. OTHER LIABILITIES

		As at October 31 2021	As at October 31 2020
Accounts payable and accrued liabilities		\$ 428,885	\$ 352,398
Accrued interest payable		127,255	175,191
Lease liabilities ⁽¹⁾		86,513	94,956
Derivative collateral payable	(Note 27)	40,428	86,590
Deferred tax liabilities	(Note 21)	8,598	9,956
Deferred revenue		4,954	3,683
Allowance for committed but undrawn credit exposures and letters of credit	(Note 7)	4,421	5,087
Income taxes payable		3,132	9,825
Other		8,123	9,293
Total		\$ 712,309	\$ 746,979

(1) The discounted value of lease liabilities is presented above. Future minimum commitments related to our lease liabilities on an undiscounted basis are \$13,834 for fiscal 2022, \$14,023 for fiscal 2023, \$13,517 for fiscal 2024, \$13,313 for fiscal 2025, \$8,584 for fiscal 2026, and \$33,597 for fiscal 2027, and thereafter.

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 2021	As at October 31 2020
Securitized leases and loans	\$	571,528	\$ 882,411	\$ 302,271	\$ 1,756,210	\$ 1,528,662
Securitized residential mortgages		125,306	351,419	408,908	885,633	523,018
Total	\$	696,834	\$ 1,233,830	\$ 711,179	\$ 2,641,843	\$ 2,051,680

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	3.668%	June 11, 2029	199 bp	June 11, 2024	\$ 250,000
Series G	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, 2021 includes unamortized financing costs related to the issuance of subordinated debentures of \$1,778 (2020 - \$2,357).
bp – basis points

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).

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

	2021		2020	
	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 5				
Outstanding at beginning and end of year	5,000,000	\$ 125,000	5,000,000	\$ 125,000
Preferred Shares - Series 7				
Outstanding at beginning of year	5,600,000	140,000	5,600,000	140,000
Redeemed	(5,600,000)	(140,000)	-	-
Outstanding at end of year	-	-	5,600,000	140,000
Preferred Shares - Series 9				
Outstanding at beginning and end of year	5,000,000	125,000	5,000,000	125,000
Outstanding at End of Year – Preferred Shares	10,000,000	250,000	15,600,000	390,000
Limited Recourse Capital Notes - Series 1⁽¹⁾				
Outstanding at beginning of year	175,000	175,000	-	-
Issued	-	-	175,000	175,000
Outstanding at end of year	175,000	175,000	175,000	175,000
Limited Recourse Capital Notes - Series 2⁽²⁾				
Outstanding at beginning of year	-	-	-	-
Issued	150,000	150,000	-	-
Outstanding at end of year	150,000	150,000	-	-
Outstanding at End of Year – Limited Recourse Capital Notes	325,000	325,000	175,000	175,000
Common Shares				
Outstanding at beginning of year	87,099,831	730,846	87,249,711	731,970
Issued under at-the-market common equity distribution program	2,052,600	72,969	-	-
Issued under dividend reinvestment plan	117,000	4,064	-	-
Issued on exercise or exchange of options ⁽³⁾	120,904	1,556	29,296	379
Purchased for cancellation	-	-	(179,176)	(1,503)
Outstanding at end of year – Common Shares	89,390,335	809,435	87,099,831	730,846
Share Capital		\$ 1,384,435		\$ 1,295,846

(1) In connection with the issuance of LRCN Series 1, on October 30, 2020, we issued \$175,000 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) In connection with the issuance of LRCN Series 2, on March 25, 2021, we issued \$150,000 of First Preferred Shares Series 12 at a price of \$1,000 per Series 12 Preferred Share. The Series 12 Preferred Shares were issued to a Limited Recourse Trust to be held as trust assets in connection with the LRCN structure. The Series 12 Preferred Shares and corresponding Trust investment are eliminated on consolidation.

(3) 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) At-the-market (ATM) Common Equity Distribution Program

On May 31, 2021, we established an ATM program that allows us to incrementally issue up to \$150,000 of common shares, at our discretion, at the prevailing market price. The ATM program was established under a prospectus supplement to the CWB short-form base shelf prospectus, and expires on November 9, 2022. During the year, we issued 2,052,600 common shares at an average price of \$35.55 per share for gross proceeds of \$72,969, or net proceeds of \$71,353 after sales commissions and other issuance costs.

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⁾
Series 5	\$ 25.00	\$ 0.2688125	276 bp	4.30%	April 30, 2024	Preferred Shares - Series 6
Series 9	\$ 25.00	\$ 0.375	504 bp	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 and Series 10 which are non-cumulative, floating rate preferred shares.

(5) If converted, holders of the First Preferred Shares Series 6 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

On July 31, 2021, we redeemed all 5,600,000 outstanding Series 7 Preferred Shares at a redemption price of \$25.00 per share for an aggregate total of \$140,000.

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 50 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
Series 1	\$ 1,000	6.00%	April 30, 2081	562.1 bp	April 30, 2026
Series 2	\$ 1,000	5.00%	July 21, 2081	394.9 bp	July 31, 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 March 25, 2021, we issued \$150,000 of Series 2 LRCNs which bear interest paid semi-annually. The first payment of \$17.53424658 per \$1,000 principal amount of Series 2 LRCNs was paid on July 31, 2021, for an aggregate total of \$2,010, after tax.

Semi-annual interest payments on our Series 1 LRCNs, which were issued on October 31, 2020, of \$30.164383562 on April 30, 2021 and \$30 on October 31, 2021 per \$1,000 principal amount of Series 1 LRCNs were paid, for an aggregate total of \$8,044, after tax.

In the event of (i) non-payment of interest on any interest payment date, (ii) non-payment of the redemption price in the case of an LRCN redemption, (iii) non-payment of principal at the maturity date, 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 for the Series 1 LRCNs and Series 12 Preferred Shares for the Series 2 LRCNs. The delivery of the corresponding preferred shares will represent the full and complete extinguishment of our obligations under the LRCNs. The preferred shares are held by a third party trustee in a consolidated trust, CWB LRT (Limited Recourse Trust).

LRCNs are redeemable on or prior to maturity on each five-year anniversary, subject to OSFI approval. The corresponding preferred shares would be redeemed at the same time. The terms of the preferred shares and LRCNs 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), LRCNs will be automatically redeemed by the delivery of common shares after an automatic conversion of the preferred shares. Conversion to common shares will be determined by dividing the share value of the 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 Series 1 LRCNs and Series 2 LRCNs would be converted into approximately 35 million and 30 million CWB common shares, respectively, assuming no accrued interest and no declared and unpaid dividends.

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

D) Dividends

The following dividends on common and preferred shares were declared by the Board of Directors and paid during the year:

	2021	2020
\$1.16 per common share (2020 – \$1.15)	\$ 101,421	\$ 100,211
\$1.08 per preferred share - Series 5 (2020 – \$1.08)	5,375	5,376
\$1.17 per preferred share - Series 7 (2020 – \$1.56)	6,563	8,750
\$1.50 per preferred share - Series 9 (2020 – \$1.50)	7,500	7,500
Total	\$ 120,859	\$ 121,837

Subsequent to October 31, 2021, the Board of Directors of CWB declared a dividend of \$0.30 per common share payable on January 6, 2022 to shareholders of record on December 16, 2021, and cash dividends of \$0.2688125 per Series 5 and \$0.375 per Series 9 preferred share payable, all payable on January 31, 2022 to shareholders of record on January 21, 2022. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheets at October 31, 2021.

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, 117,000 common shares were issued under the plan from our treasury, with no discount (2020 – no shares), with requirements of the plan satisfied through purchases of common shares in the open market.

17. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The estimated fair value of stock options measured at the grant date 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 6,170,861 common shares (2020 – 6,291,765) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 1,716,084 shares (2020 – 1,788,818) 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 December 2027, 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:

Options	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	1,788,818	\$ 29.39	1,676,604	\$ 28.41
Granted	359,048	29.07	407,807	31.93
Exercised or exchanged	(393,696)	26.02	(125,207)	25.80
Forfeited	(38,086)	31.89	(75,612)	31.50
Expired	-	-	(94,774)	25.93
Balance at End of Year	1,716,084	\$ 30.04	1,788,818	\$ 29.39
Exercisable at End of Year	647,859	\$ 29.80	812,180	\$ 26.45

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

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$23.70	216,926	1.4	\$ 23.70	216,926	\$ 23.70
\$29.07 to \$30.85	918,293	4.6	29.64	227,854	30.83
\$31.93 to \$35.15	580,865	4.5	33.06	203,079	35.15
Total	1,716,084	4.1	\$ 30.04	647,859	\$ 29.80

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 2021, option holders exchanged the rights to 393,696 (2020 – 125,207) options and received 120,904 (2020 – 29,296) shares in return by way of cashless settlement.

Salary expense of \$1,823 (2020 – \$1,819) was recognized relating to the estimated fair value of options granted. The fair value of options granted during the year was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 0.5% (2020 – 1.6%), (ii) expected option life of 5.0 (2020 – 5.0) years, (iii) expected annual volatility of 35% (2020 – 28%), and (iv) expected annual dividends of 4.0% (2020 – 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 \$5.87 (2020 – \$5.01) per share.

During the year, \$1,556 (2020 – \$379) 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 \$9,545 (2020 – \$9,782) was recognized related to RSUs. As at October 31, 2021, the liability for the RSUs held under this plan was \$14,833 (October 31, 2020 – \$8,992). At the end of each period, the liability is adjusted to reflect changes in the fair value of the RSUs.

Number of RSUs	2021	2020
Balance at beginning of year	765,036	675,196
Granted	304,946	456,787
Vested and paid out	(353,356)	(323,063)
Forfeited	(29,426)	(43,884)
Balance at End of Year	687,200	765,036

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 \$4,709 (2020 – \$945) was recognized related to PSUs. As at October 31, 2021, the liability for the PSUs held under this plan was \$6,246 (October 31, 2020 – \$2,898). 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	2021	2020
Balance at beginning of year	200,681	185,370
Granted	146,465	77,563
Vested and paid out	(50,411)	(57,734)
Forfeited	(11,319)	(4,518)
Balance at End of Year	285,416	200,681

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 \$1,810 (2020 – \$1,330) related to the DSUs. As at October 31, 2021, the liability for DSUs held under this plan was \$10,707 (October 31, 2020 – \$6,330). 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	2021	2020
Balance at beginning of year	258,386	197,211
Granted	53,355	61,175
Paid out	(41,303)	-
Balance at End of Year	270,438	258,386

18. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

	As at October 31 2021	As at October 31 2020
CWB McLean & Partners Wealth Management Ltd.	\$ -	\$ 862

During the year ended October 31, 2021, we acquired all shares of the non-controlling interests in CWB McLean & Partners 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 2021	As at October 31 2020
Commitments to extend credit	\$ 6,244,862	\$ 5,721,782
Guarantees and standby letters of credit	423,097	449,041
Total	\$ 6,667,959	\$ 6,170,823

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 \$2,896,613 (October 31, 2020 – \$2,673,468) and authorized but unfunded loan commitments of \$3,348,249 (October 31, 2020 – \$3,048,313). 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:

2022	\$	24,740
2023		8,423
2024		1,281
Total	\$	34,444

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 \$19,965 (2020 – \$18,138).

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:

	2021	2020
Consolidated statements of income		
Current	\$ 125,793	\$ 107,259
Deferred	(2,786)	(10,227)
	123,007	97,032
Other comprehensive income		
Tax expense (recovery) related to:		
Items that will be not subsequently reclassified to net income	326	171
Items that will be subsequently reclassified to net income	(11,805)	2,620
Derivatives designated as cash flow hedges	(18,490)	23,434
	(29,969)	26,225
Total	\$ 93,038	\$ 123,257

Following a 1% reduction of Alberta's corporate income tax rate on January 1, 2020, the Alberta government accelerated the further reduction of the rate from 10% to 8%, effective July 1, 2020, as part of the province's COVID-19 economic recovery plan.

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:

	2021		2020	
Combined Canadian federal and provincial income taxes and statutory tax rate	\$ 119,599	24.9 %	\$ 94,422	25.6 %
Increase (decrease) arising from:				
Change in tax rate	(520)	(0.1)	1,364	0.4
Tax-exempt income	(75)	-	(34)	-
Stock-based compensation	430	0.1	452	0.1
Adjustments arising from prior year tax filings	1,940	0.4	(154)	-
Other	1,633	0.3	982	0.2
Provision for Income Taxes and Effective Tax Rate	\$ 123,007	25.6 %	\$ 97,032	26.3 %

Deferred tax balances are comprised of the following:

	2021	2020
Deferred Tax Assets		
Allowance for credit losses	\$ 19,463	\$ 20,246
Leasing income	18,003	25,546
Deferred loan fees	13,256	11,994
Deferred deposit broker commission	(3,549)	(4,337)
Other temporary differences	3,599	(3,871)
	\$ 50,772	\$ 49,578
Deferred Tax Liabilities		
Intangible assets	\$ 8,368	\$ 9,689
Other temporary differences	230	267
	\$ 8,598	\$ 9,956

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:

	2021	2020
Numerator		
Common shareholders' net income	\$ 327,471	\$ 248,956
Denominator		
Weighted average number of common shares outstanding - basic	87,578,859	87,158,714
Dilutive instruments:		
Stock options ⁽¹⁾	265,893	33,469
Weighted Average Number of Common Shares Outstanding - Diluted	\$ 87,844,752	\$ 87,192,183
Earnings Per Common Share		
Basic	\$ 3.74	\$ 2.86
Diluted	3.73	2.86

(1) At October 31, 2021, the denominator excludes 580,865 (2020 – 1,290,318) employee stock options with an average exercise price of \$33.06 (2020 – \$32.78), 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 \$170,961 (October 31, 2020 – \$197,559). 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 \$325,201 (October 31, 2020 – \$327,323).

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:

	2021	2020
Salaries, benefits and directors' compensation	\$ 5,405	\$ 5,029
Share-based payments (stock options, RSUs, PSUs and DSUs) ⁽¹⁾	4,117	3,895
Total	\$ 9,522	\$ 8,924

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

Loans outstanding with key management personnel totaled \$235 as at October 31, 2021 (October 31, 2020 – \$121). No loans were outstanding with our independent directors as at October 31, 2021 and 2020.

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, 2021	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	\$ 153	\$ 12	\$ 171	\$ 336	\$ 3,285	\$ 98	\$ 7	\$ 3,726
Loans ⁽¹⁾	14,916	1,172	4,405	20,493	12,063	343	(139)	32,760
Other assets ⁽²⁾	-	-	-	-	-	-	837	837
Derivatives ⁽³⁾	1,615	140	444	2,199	1,174	450	137	3,960
Total	16,684	1,324	5,020	23,028	16,522	891	842	41,283
Liabilities and Equity								
Deposits ⁽¹⁾	13,960	1,893	5,174	21,027	8,461	502	(14)	29,976
Other liabilities ⁽²⁾	-	-	-	-	-	-	798	798
Debt	73	152	541	766	2,249	-	-	3,015
Equity	-	-	-	-	575	-	2,959	3,534
Derivatives ⁽³⁾	2,230	28	69	2,327	1,326	170	137	3,960
Total	16,263	2,073	5,784	24,120	12,611	672	3,880	41,283
Interest Rate Sensitive Gap	\$ 421	\$ (749)	\$ (764)	\$ (1,092)	\$ 3,911	\$ 219	\$ (3,038)	\$ -
Cumulative Gap	\$ 421	\$ (328)	\$ (1,092)	\$ (1,092)	\$ 2,819	\$ 3,038	\$ -	\$ -
Cumulative Gap as a Percentage of Total Assets	1.0 %	(0.8) %	(2.6) %	(2.6) %	6.8 %	7.4 %	- %	- %
October 31, 2020								
Cumulative Gap	\$ (753)	\$ (376)	\$ (49)	\$ (49)	\$ 2,699	\$ 2,858	\$ -	\$ -
Cumulative Gap as Percentage of Total Assets	(1.9) %	(1.0) %	(0.1) %	(0.1) %	6.9 %	7.4 %	- %	- %

(1) Potential prepayments of fixed rate loans and early redemption of redeemable fixed term deposits have not been estimated. Redemptions of fixed term deposits where depositors have this option are not expected to be material. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

(2) Accrued interest is excluded in calculating interest sensitive assets and liabilities.

(3) Derivative financial instruments are included in this table at the notional amount.

WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

October 31, 2021	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	2.9 %	3.9 %	3.9 %	3.2 %	3.1 %	2.4 %	3.2 %
Total liabilities	0.7	1.2	1.5	0.9	2.0	1.7	1.3
Interest Rate Sensitive Gap	2.2 %	2.7 %	2.4 %	2.3 %	1.1 %	0.7 %	1.9 %
October 31, 2020							
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 %

Based on the current interest rate gap position, it is estimated that a one-percentage point increase or decrease in all interest rates would have an insignificant impact on net interest income. The analysis 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 common shareholders' net income from changes in market interest rates depends 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.

A one-percentage point increase in interest rates would decrease OCI \$66,052 (October 31, 2020 – \$72,721), net of tax and a one-percentage point decrease in interest rates would increase OCI by \$67,710 (October 31, 2020 – \$74,999), net of tax. The estimates are based on a number of assumptions and factors, which include: a constant structure in the interest sensitive asset and liability portfolios; interest rate changes affecting interest sensitive assets and liabilities by proportionally the same amount, except floor levels for various deposit liabilities and certain floating rate loans, and applied at the appropriate repricing dates; and, no early redemptions.

25. INTEREST INCOME

The composition of our interest income follows:

	2021	2020
Loans measured at amortized cost ⁽¹⁾	\$ 1,296,954	\$ 1,336,002
Securities		
Debt securities measured at FVOCI ⁽¹⁾	20,419	28,615
Equity securities designated at FVOCI	11	158
Securities purchased under resale agreements measured at amortized cost ⁽¹⁾	111	273
Deposits with regulated financial institutions measured at FVOCI ⁽¹⁾	517	3,866
Total	\$ 1,318,012	\$ 1,368,914

(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, 2021

		Derivatives	Amortized Cost	FVOCI	Total Carrying Amount	Fair Value	Fair Value Over Carrying Amount
Financial Assets							
Cash resources	(Note 4)	\$ -	\$ 107,115	\$ 21,344	\$ 128,459	\$ 128,459	\$ -
Securities ⁽²⁾	(Note 5)	-	-	3,567,797	3,567,797	3,567,797	-
Securities purchased under resale agreements		-	30,048	-	30,048	30,048	-
Loans ⁽³⁾		-	32,903,208	-	32,903,208	33,138,017	234,809
Derivatives		52,862	-	-	52,862	52,862	-
Total Financial Assets		\$ 52,862	\$ 33,040,371	\$ 3,589,141	\$ 36,682,374	\$ 36,917,183	\$ 234,809
Financial Liabilities							
Deposits ⁽³⁾		\$ -	\$ 29,982,829	\$ -	\$ 29,982,829	\$ 30,118,635	\$ 135,806
Debt		-	3,015,065	-	3,015,065	3,058,090	43,025
Derivatives		36,068	-	-	36,068	36,068	-
Total Financial Liabilities		\$ 36,068	\$ 32,997,894	\$ -	\$ 33,033,962	\$ 33,212,793	\$ 178,831

October 31, 2020

		Derivatives	Amortized Cost	FVOCI	Total Carrying Amount	Fair Value	Fair Value Over 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

(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 \$3,567,797 (2020 - \$2,662,626) measured at FVOCI and \$nil (2020 - \$1,992) 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 have 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.

As at October 31, 2021	Valuation Technique			
	Fair Value	Level 1	Level 2	Level 3
Financial Assets				
Cash resources	\$ 128,459	\$ 128,459	\$ -	-
Securities	3,567,797	207,209	3,360,588	-
Securities purchased under resale agreements	30,048	-	30,048	-
Loans	33,138,017	-	-	33,138,017
Derivatives	52,862	-	52,862	-
Total Financial Assets	\$ 36,917,183	\$ 335,668	\$ 3,443,498	\$ 33,138,017
Financial Liabilities				
Deposits	\$ 30,118,635	\$ -	\$ 30,118,635	-
Debt	3,058,090	-	3,058,090	-
Derivatives	36,068	-	36,068	-
Total Financial Liabilities	\$ 33,212,793	\$ -	\$ 33,212,793	-

As at October 31, 2020	Valuation Technique			
	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	-

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.

As at October 31, 2021	Amounts not Offset on the Consolidated Balance Sheet					Net Amount
	Gross Amounts Reported on the Consolidated Balance Sheet	Impact of Master Netting Agreements	Cash Collateral ⁽¹⁾	Securities Received as Collateral ⁽¹⁾⁽²⁾		
Financial Assets						
Derivatives	\$ 52,862	\$ 17,589	\$ 35,259	\$ -		14
Financial Liabilities						
Derivatives	\$ 36,068	\$ 17,589	\$ 13,310	\$ -		5,169

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

(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 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 forecast capital needs with consideration of anticipated profitability, asset growth, market and economic conditions, regulatory changes, and common and preferred share dividends. The goal is to maintain adequate regulatory capital to be considered well-capitalized and protect customer deposits, 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.

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

REGULATORY RESPONSE TO COVID-19

Beginning in March 2020, 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 that remain in place 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.
- 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.

SIGNIFICANT CHANGES

On March 25, 2021, we issued \$150,000 of Series 2 LRCNs, due July 21, 2081. This issuance resulted in an increase in the Tier 1 and Total capital ratios of approximately 55 basis points. For further details, refer to Note 16.

On July 31, 2021, we redeemed all \$140,000 of outstanding Series 7 Preferred Shares. This resulted in a decrease in the Tier 1 and Total capital ratios of approximately 50 basis points. For further details, refer to Note 16.

CAPITAL STRUCTURE AND REGULATORY CAPITAL RATIOS

	2021	2020
Regulatory Capital, Net of Deductions		
Common equity Tier 1 ⁽¹⁾	\$ 2,601,438	\$ 2,371,753
Tier 1 ⁽¹⁾	3,176,438	2,936,845
Total	3,650,366	3,418,997
Capital Ratios		
Common equity Tier 1	8.8 %	8.8 %
Tier 1	10.8	10.9
Total	12.4	12.6
Leverage Ratio⁽²⁾	8.6	8.5

(1) The implementation of the transitional arrangement related to the capital treatment of the performing loan allowance, net of related tax, resulted in an \$5,847 increase to CET1 and Tier 1 capital (October 31, 2020 – \$20,791) and had a negligible impact on the CET1 and Tier 1 ratios at October 31, 2021 (October 31, 2020 – increase of approximately 10 basis points). The transitional arrangement has no impact on the Total capital ratio.

(2) The exclusion of HQLA from the leverage ratio exposure measure increased our leverage ratio by approximately 30 basis points at October 31, 2021 (October 31, 2020 – approximately 10 basis points).

30. SUBSIDIARIES

As at October 31, 2021, 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 ⁽³⁾
CWB National Leasing Inc.	1525 Buffalo Place Winnipeg, Manitoba	\$ 134,458
CWB Wealth Management Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	118,660
CWB McLean & Partners Wealth Management Ltd. ⁽²⁾	801 10th Ave SW Calgary, Alberta	
Canadian Western Financial Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
CWB Maxium Financial Inc.	Suite 1, 30 Vogell Road 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 Wealth Management Ltd. owns 100% of the voting shares of CWB McLean & Partners Wealth Management Ltd. (October 31, 2020 – 74.67%).

(3) The carrying value of voting shares is stated at the cost of our equity in the subsidiaries in thousands of dollars.

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

2022 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held on April 7, 2022, 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 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 2021 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 Department.

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:

Matt Rudd

Executive Vice President and Chief Financial Officer

CWB Financial Group
Telephone: (587) 489-3230
Fax: (780) 969-8326

matt.rudd@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@cwbank.com

Corporate Secretary

Bindu Cudjoe

Senior Vice President,
General Counsel and
Corporate Secretary

corporatesecretary@cwbank.com

Five Year Financial Summary⁽¹⁾

(\$ thousands, except per share amounts)

	2021	2020 ⁽⁶⁾	2019 ⁽⁷⁾	2018	2017
Results of Operations					
Net interest income	\$ 892,363	\$ 799,411	\$ 785,584	\$ 724,990	\$ 642,390
Non-interest income	123,670	97,984	76,020	78,368	84,245
Total revenue	1,016,033	897,395	861,604	803,358	726,635
Pre-tax, pre-provision income ⁽¹⁾	517,149	469,318	461,130	436,188	388,729
Common shareholders' net income	327,471	248,956	266,940	249,256	214,277
Common Share Information					
Earnings per share					
Basic	3.74	2.86	3.05	2.81	2.43
Diluted	3.73	2.86	3.04	2.79	2.42
Adjusted ⁽¹⁾	3.81	2.93	3.15	3.01	2.63
Cash dividends paid	1.16	1.15	1.08	1.00	0.93
Book value ⁽¹⁾	33.10	31.76	29.29	26.09	24.82
Market price					
High	40.21	36.61	33.89	40.83	37.36
Low	24.37	15.70	24.33	29.81	23.68
Close	39.59	24.50	33.35	30.62	36.34
Common shares outstanding (thousands)	89,390	87,100	87,250	88,952	88,494
Performance Measures⁽¹⁾					
Return on common shareholders' equity	11.6 %	9.3 %	10.9 %	11.0 %	10.1 %
Adjusted return on common shareholders' equity	11.8	9.5	11.3	11.9	11.0
Return on assets	0.92	0.76	0.88	0.89	0.85
Net interest margin	2.49	2.45	2.60	2.60	2.56
Efficiency ratio	49.1	47.7	46.5	45.7	46.5
Credit Quality⁽¹⁾					
Provision for credit losses on total loans as a percentage of average loans ⁽²⁾	0.09	0.32	0.21	0.20	0.23
Provision for credit losses on impaired loans as a percentage of average loans ⁽²⁾	0.17	0.18	0.21	0.19	0.19
Balance Sheet					
Assets	\$ 37,323,176	\$ 33,937,865	\$ 31,424,235	\$ 29,021,463	\$ 26,447,453
Loans ⁽³⁾	32,759,522	30,008,393	28,365,893	26,204,599	23,229,239
Deposits	29,975,739	27,310,354	25,351,361	23,699,957	21,902,982
Debt	3,015,065	2,424,323	2,412,293	2,007,854	1,476,336
Shareholders' equity	3,533,885	3,331,538	2,945,810	2,585,752	2,461,045
Off-Balance Sheet					
Wealth Management					
Assets under management	7,818,170	6,229,674	2,099,569	2,100,802	2,114,861
Assets under advisement and administration	2,936,035	2,224,839	361,900	336,437	401,624
Assets under administration - other ⁽⁴⁾	14,031,042	11,081,581	8,936,845	8,032,280	10,006,388
Capital Adequacy⁽⁵⁾					
Common equity Tier 1 ratio	8.8 %	8.8 %	9.1 %	9.2 %	9.5 %
Tier 1 ratio	10.8	10.9	10.7	10.3	10.8
Total ratio	12.4	12.6	12.8	11.9	12.5
Other					
Number of full-time equivalent staff	2,617	2,505	2,278	2,178	2,058

(1) Non-GAAP measure – refer to definitions and detail provided on page 18.

(2) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.

(3) Net of allowance for credit losses.

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

(5) Calculated using the *Standardized* approach in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).

(6) Results for periods beginning on or after November 1, 2019 have been prepared in accordance with IFRS 16 *Leases*. Prior year comparatives have been prepared in accordance with IAS 17 *Leases* and have not been restated.

(7) Results for periods beginning on or after November 1, 2018 have been prepared in accordance with IFRS 9 *Financial Instruments*. Prior year comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classification and Measurement* and have not been restated.