CORPORATE PARTICIPANTS

Tracey Ball
Executive Vice President & Chief Financial Officer

Chris Fowler
President & Chief Executive Officer

Brian Young
Executive Vice President

CONFERENCE CALL PARTICIPANTS

Scott Chan
Canaccord Genuity

Shubha Khan
National Bank Financial

John Reucassel
BMO Capital Markets

Robert Sedran
CIBC World Markets

Michael Goldberg
Desjardins Securities

Gabriel Dechaine
Credit Suisse

Stephen Boland
GMP Securities

PRESENTATION

Operator

Good afternoon. My name is Jade and I will be your conference operator today. At this time I would like to welcome to the Canadian Western Bank Group Fourth Quarter and Annual Financial Results Conference Call and Webcast.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound sign. Thank you.

Tracey Ball, Executive Vice President and Chief Financial Officer, you may begin your conference.

Tracey Ball, Executive Vice President & Chief Financial Officer

Okay, thank you, Jade, and good afternoon and welcome, to our 2013 fourth quarter and annual results conference call for Canadian Western Bank. Before we begin please note that the conference call graphs, quarterly results news release, and supplemental financial information are available on the Bank's website at CWB.com in the Investor Relations section.

Our 2013 annual report and audited financial statements will be filed on SEDAR and available on CWB's website early next week. Also before we begin I just want to draw your attention to our forward-looking statements advisory on slide 11.

The agenda for today's call is on slide two. Joining me today is our President and Chief Executive Officer, Chris Fowler. Also in attendance are Executive Vice-Presidents Randy Garvey, Brian Young, and Greg Sprung. Recognizing the number of banks reporting today, we will keep our formal commentary brief and leave as much time as necessary for Q&A at the end of the call. I will begin by providing a quick summary of our fourth quarter and annual financial highlights and then I'll turn things over to Chris for an overview of our performance outlook on strategy.

Moving to slide three, strong fourth quarter results and another year of double digit loan growth contributed to record performance for CWB Group for both the quarter and the year. We surpassed all of our minimum annual performance targets despite the significant challenges related to the very low interest rates and competitive factors and we have set ambitious new targets for 2014. Results through the latter half of the year benefitted from the stabilization of debt interest margin while credit quality remains sound. Other key highlights included CWB's recent recognition as one of the 50 best employers in Canada for an eighth consecutive year and for the second time as one of Canada's ten most admired corporate cultures.

Moving to slide four, fourth quarter net income available to common shareholders was a record $51.2 million, up 19 percent over the same period last year, while diluted earnings per common share increased 16 percent to $0.64. Adjusted cash earnings per share, which excludes the after-tax amortization of acquisition-related intangible assets and the non-tax-deductable charge for the fair value of contingent consideration was also up 16 percent to a record $0.65.

Total revenues on a taxable equivalent basis increased 15 percent to reach a record $152.7 million driven by the combined benefits of strong 12 percent loan growth and improved net interest margin and higher other income. Very strong 31 percent growth in other income mainly reflected a $6.2 million positive change in net insurance revenues and a $2.5 million increase in trust and wealth management fee income, partially offset by lower net gains on securities. The increase in net insurance revenues relates to the impact on claims expense in the fourth quarter of 2012 following severe hailstorms in Alberta.

Revenues from trust and wealth management were higher this year, mainly due to the addition of McLean & Partners. Fourth quarter net interest margin of 2.75 percent was consistent with the prior quarter and represented a four basis improvement from the same period last year as the benefit of favourable fixed-term deposit costs, higher loan fees, and reduced average liquidity more than offset the impact of lower yields on loan. Compared to the prior quarter, net income available to common shareholders increased 8 percent while adjusted cash earnings for common share was up 7 percent.

Annual net income available to common shareholders of $187.2 million and diluted earnings per common share of $2.35 both established new records, increasing 9 percent and 6 percent respectively. Adjusted cash earnings per common share was $2.39, up 4 percent over 2012. Record total revenues of $572.5 million represented a 9 percent increase. Annual net interest income on a tax equivalent basis was up 8 percent as the benefit of strong loan growth was partially offset by a nine basis point reduction in net interest margin to 2.70 percent for the entire year.

Other income of $95 million was up 16 percent as the combined benefit of a $5.4 million increase in trust and wealth management income and $2.6 million higher net gains on security sales more than offset a $1.1 million decrease in net insurance revenues, which resulted from the impact of Alberta's catastrophic floods and severe hailstorms in the third quarter of this year.

Strong growth in trust and wealth management income was primarily the result of the previously-mentioned acquisition of McLean & Partners and was further supported by ongoing solid performance within trust services and in (inaudible) investment management. Net gains on securities were well above expectations established early in 2013 reflecting market opportunities and the strategic repositioning of certain investments.

The elimination of charges for continued consideration fair value changes in the third quarter of 2012 also contributed to higher other income compared to the prior year. Yesterday our board declared a quarterly cash dividend of $0.19 per common share, representing an increase of 6 percent from the previous quarter and 12 percent from the quarterly dividend declared one year ago. The board also declared the quarterly cash dividend on our Series 3 preferred shares.

As also shown on this slide, strong annual loan growth reflected increases across each lending sector other than corporate lending and oil and gas production loans. Growth in equipment financing and leasing and real estate project loans contributed the greatest dollar increases for the year at $444 million and $422 million respectively. Growth in real estate project loans exceeded expectation as solid activity in both residential and commercial construction continued to provide opportunities to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale levels. Looking forward, we expect the strongest loan growth in dollar terms will be realized from equipment financing and leasing based on expectations for both the bank's heavy equipment financing business and that of national leasing.

Slide six shows our all-in Basel III capital ratios at October 31st, which remain above both our internal targets and regulatory minimums. Using the standardized approach for calculating risk-weighted assets, CWB's common equity tier-one ratio was 8 percent, the tier-one ratio was 9.7 percent, and the total ratio was 13.9 percent. These compare to CWB's regulatory minimums of 7 percent, 8.5 percent, and 10.5 percent respectively.

With respect to our capital structure, a special resolution will be voted upon at a concurrent special meeting of CWB common and preferred shareholders on December 12th next week. If approved, the special resolution will amend CWB's By-law Three to permit an unlimited number of first preferred shares to be issued to a maximum aggregate consideration of one billion. If By-law three is not amended through an affirmative vote of shareholders we have no ability to issue additional preferred shares. CWB has the option to redeem all of the existing Series 3 preferred shares at $25 per share after payment of the April 30, 2014 quarterly dividend, subject to the approval of the Office of the Superintendent of Financial Institutions. If they are not redeemed the corresponding dividend on these shares will reset to 500 basis points over the Government of Canada benchmark security.

In consideration of the current capital market environment and CWB's investment-grade credit rating, we believe it is in the best interest of common shareholders to redeem these shares; however, to maintain our tier-one regulatory capital ratio above internal thresholds the issuance of a certain amount of qualifying replacement capital will be required prior to the anticipated redemption date. In addition to uncertainty about the results of the special resolution voting, the public market for preferred shares, which qualify as non-viability contingent capital, or NVCC, has yet to be established in Canada. Without both an amendment to By-law Three and a successful issuance of qualifying NVCC preferred shares, CWB's only option to raise replacement capital would be to issue common shares.

Slide seven. This shows the actual results compared to our fiscal 2013 minimum performance targets. As I mentioned earlier, we met or surpassed all of our targets.

Looking at slide eight, our performance target ranges established for fiscal 2014 are presented here. I will now turn things over to Chris, who will provide additional comments on our 2014 target ranges, as well as our overall outlook and strategy.

Chris Fowler, President & Chief Executive Officer

Thank you, Tracey.

Our 2014 performance expectations confirm ongoing confidence in both our strategies and the significant growth opportunities within each of our core businesses. The targets also reflect our expectations that Canada's economic growth will accelerate modestly in 2014 and that our core markets in Western Canada will continue to outperform the rest of the country. As you can see, we've introduced performance target ranges this year as opposed to minimum targets. While there were many considerations in doing this, we believe the change improves consistency between our public targets and internal expectations. We've also added a target range for growth and adjusted cash earnings per share as we believe it's a better overall measure for creation of shareholders value compared to our previous target based on net income available to common shareholders.

The volume in our pipeline of new loans remains encouraging and supports our target for another year of double-digit loan growth in the range of 10 to 12 percent. The target range for growth in total revenues is consistent with loan growth, reflecting our belief that the net interest margin will remain relatively stable as we progress through the year. We believe ongoing favourable deposit cost, relatively stronger growth and higher yielding lending sectors and the maintenance of more consistent liquidity levels will contribute to the stability and help to offset continued pressure on margin from the low interest rate environment and competitive factors in some areas.

Growth in adjusted cash earnings per share is expected to benefit from a combination of revenue growth, stable credit quality, disciplined management of non-interest expenses, and relatively consistent profitability, as measured by the return on common shareholders' equity and return on assets. The 2014 performance target ranges for growth in adjusted cash earnings per share and return on shareholders' equity also assume a more efficient regulatory capital structure where, as Tracey mentioned, existing preferred shares are redeemed and replaced to the extent required with the comparatively lower cost of capital. We will maintain disciplined management of non-interest expenses in consideration of expected revenue growth.

As a growing group of companies, our need to continually invest in people, infrastructure, and technology is crucial for CWB Group's future and for our capacity to support sustained growth over the long term. This expectation is reflected in the target range for the efficiency ratio of 46 percent or less, which is consistent with last year. The target range for the provision for credit losses is also unchanged from last year at 18 to 23 basis points of average loans.

Turning to slide nine, credit quality was solid in 2013, as evidenced by our consistent low provision for credit losses. Our annual provision exceeded the level of net new specific provisions and led to an increase in the collective allowance for credit losses. Based on our current view of credit quality and results of ongoing stress tests, the collective and specific allowances remain adequate in relation to the overall loan portfolio. The dollar level of gross impaired loans also declined compared to the same time last year, owing to the success of loan realization efforts and workout programs as well as stable economic conditions. While overall credit quality is expected to remain stable, normal experience over the course of credit cycles supports our view that gross impaired loans will likely fluctuate above the current very low level. Overall, our disciplined lending practices and high-quality secured loan book has us very well positioned going forward.

The next slide highlights our key financial goals. The intent of our strategic direction for 2014 and beyond is to grow and improve across all facets of our business. Our focus will remain centred on opportunities where we believe we can add the most value for our clients while continuing to build on our competitive advantages. Our ability to achieve these desired outcomes is further supported by our key financial goals to ensure growth is profitable and accretive to diluted earnings per share, grow and diversify funding sources, increase revenue diversification, and control growth of non-interest expenses.

Emphasis on growing our presence in commercial banking will remain a top priority, as this relationship-based business provides the best opportunity to enhance our deposit base and increase banking fee income. Many of our strategic initiatives include recent and planned product enhancements focused on better serving clients in this sector. We will also maintain our focus on achieving stronger relative growth rates in our highest yielding lending portfolios, such as equipment financing and leasing and alternative mortgages, both of which provide a strong return on capital and support net interest margin.

We continue to make progress towards doing more business with our existing clients, as demonstrated by many successful client referrals within the banking services, as well as targeted client introductions across our complementary group of companies. However, we believe our strategic management process and ongoing refinements to our business models will contribute much greater returns on our cross-selling initiatives in the future.

We are pleased to provide common shareholders with an increased dividend this quarter and expect we will remain near the top end of our target payout ratio of 25 to 30 percent of net income available to common shareholders. Management's recommendation to the Board for dividend increases in the future will be based on overall financial performance and market conditions as we progress through the year.

While we expect challenges as we work to achieve our ambitious 2014 performance targets, we believe they are attainable and further support our positive outlook for operations in banking, trust, insurance, and wealth management. We're confident that our vision to be seen as crucial to our clients' futures is the right one to move us forward and our dedicated team is fully committed to making this a reality. Despite ongoing challenges in certain areas, particularly those related to the low interest rate environment and competitive factors, we're excited about our future in both the short and long term.

I will now turn things back to Tracey.

Tracey Ball, Executive Vice President & Chief Financial Officer

Okay, thank you, Chris, and that concludes our formal presentation for today's call. So, Jade, let's start the question-and-answer period please.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you are using a speakerphone, please lift the handset before making your selection. If you have a question, please press star one on your telephone keypad. If you would like to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register. Thank you for your patience.

The first question is from Scott Chan from Canaccord Genuity. Please go ahead.

Scott Chan, Canaccord Genuity

Good afternoon. I just wanted to talk about your ambitious growth targets for 2014, specifically just on the starting point in terms of the adjusted cash EPS. You know, I have $2.35 EPS and if I look at the 12 to 16 percent it would be a range of $2.63 to $2.73. Is that correct?

Tracey Ball, Executive Vice President & Chief Financial Officer

Yes. I think so. If your math is right, yes. We have a range because we don't know what our share capital is going to look like yet.

Scott Chan, Canaccord Genuity

And, Tracey, I guess within that 12 to 16 percent it includes an assumption of replacing that high cost pref capital on your end?

Tracey Ball, Executive Vice President & Chief Financial Officer

Correct.

Scott Chan, Canaccord Genuity

Okay. What assumptions have you used in terms of proportion of equity and prefs? You know, if I do my assumptions it looks like you get an incremental $0.04 in the last three quarter to EPS, which would add about 2 percent. Is that kind of close to what you guys are looking at?

Tracey Ball, Executive Vice President & Chief Financial Officer

I haven't actually—I'd have to check my numbers, Scott. I'd have to get back to you on the actual numbers on that level of detail.

Scott Chan, Canaccord Genuity

But are you assuming half prefs, half equity for replacement or all prefs?

Tracey Ball, Executive Vice President & Chief Financial Officer

We're not assuming that we're going to replace the entire amount, but it would be a minimum of $100 million. We're still, you know, we're still relatively optimistic that we can do a preferred share issue, that we would be able to issue NVCC, but I mean there's a big caution there because the market has not been developed yet. And we do have the shareholder vote outstanding for next week. Early going is indicating that that By-law will pass, so it would appear that we would be in a position to have the ability to issue preferred shares.

The next question is is the market there for the NVCC product. And then if that doesn't, um, if that just doesn't work out or we don't feel that we can recommend it to our Board then we would look to do a small common equity issue. We just need a bit more of a buffer on our tier one once we call the preferred share. And we do, our preferred share calling is subject to OSFI approval but, as you would know, we issued those shares at the height of the financial crisis along with lots of other banks. I know National Bank called theirs. They had a reset of 463 I think or 438. So our reset is 500. We don't want a reset at that rate, for obvious reasons, so that is our plan, is to redeem that capital, but we do have to replace it with at least 100 million.

Scott Chan, Canaccord Genuity

Would you wait for another bank to do the first NVCC capital raise or would you perhaps look to do it kind of before that? I know it's kind of—

Tracey Ball, Executive Vice President & Chief Financial Officer

It would be ideal to have another bank go first but the large banks are also having to deal with the bail-in debt, which they don't have the rules for yet. So there is a lot of discussions going on that I'm quite aware of from talking with different institutions about whether they could go forward without understanding the bail-in debt. So probably 50-50 right now whether there'll be another, will be an issue. Yeah.

Scott Chan, Canaccord Genuity

Okay. Okay, thanks for the colour. Thanks.

Operator

Thank you. The next question is from Shubha Khan from National Bank Financial. Please go ahead.

Shubha Khan, National Bank Financial

Thanks. Good afternoon. So I suppose there are going to be plenty of questions in the queue about the pref shares so maybe I'll focus my attention elsewhere. Maybe a treasury-related question first:

The average rate on your deposits moderated quite substantially again this quarter, certainly relative to what we've seen on the average yield on your asset due, so was the bulk of that sort of moderation in deposit costs driven by the re-pricing of your term deposits or was there a significant contribution there from the rollout of the BDN program and can you comment on the progress you've made with respect to that program so far?

Tracey Ball, Executive Vice President & Chief Financial Officer

Okay. Well, so the fixed term deposits, we had a nice re-pricing in the fourth quarter, and as well the BDN program, um, it was 225 million by the end of the quarter and we—it wasn't that for the entire quarter but it was about a 75 basis point improvement over fixed deposit costs, so term positive one year. There are a lot of other moving parts.

As you noticed, the loans are priced down, but liquidity has been stable so that didn't improve or deteriorate in any way, shape, or form. And we had a bit of a benefit from loan fees and impaired loan interest recoveries. I don't know if that totally answers your question so ask another one if it doesn't.

Shubha Khan, National Bank Financial

No, it does, and if you can just remind me what your targets are with the respect to the BDN program. Are you still looking at increasing it to 500 million? Is that the initial aim?

Tracey Ball, Executive Vice President & Chief Financial Officer

Yes it is.

Shubha Khan, National Bank Financial

Okay.

Tracey Ball, Executive Vice President & Chief Financial Officer

It's been very popular, by the way, and if we—we're quite confident in how it's working and very pleased with it.

Shubha Khan, National Bank Financial

Okay. Just on loan growth, that was quite strong across most of your core portfolios, but I suppose growth in general commercial was a bit weaker than it has been over the past two years or so. Did the environment at all change in the fourth quarter and what's your general outlook for that particular portfolio?

Chris Fowler, President & Chief Executive Officer

Our general outlook is still positive. And certainly when you're looking at different portfolios they sort of originate differently. Certainly the bill on commercial loans is probably a longer sales cycle than, say, doing an intern construction loan or an equipment finance loan. So as we look at our pipeline it's still very positive and commercial loans are a big part of that. So we would, you know, we still have it as one of our core focus areas and we're very optimistic on continuing our growth there.

Shubha Khan, National Bank Financial

Okay. And then maybe I'll close with a final question for maybe Brian: You posted a pretty healthy combined ratio there, sub 90 percent in insurance, so can you remind us what sort of profitability target you're managing the business to? Is it sub 95 percent combined ratio like some of your larger peers? And, on a related note, given that we've seen three consecutive years of fairly unusually high weather-related losses, particularly in Alberta, have you taken any action and will you be taking further action sort of to limit your exposure to weather-related events, be they floods or hail or wind or what have you?

Brian Young, Executive Vice President

Sure, Shubha. In terms of our targets going forward, we have been consistent for the last number of years at targeting in, what we would consider a normal environment, a combined ratio at around 93. So that sort of is the operating target. This year on an annual basis we came in just a little bit below 98. So we're sort of sub 98 for our year. And the bulk of that was all driven by the sort of severe weather and catastrophic flooding that took place in Alberta. About 4 to 4.5 points on that ratio was directly due to the floods. So we're not expecting to have that every year. As you pointed out, we have had some very bad weather in Alberta for the past three years, but we certainly don't plan that that is the new norm.

Now steps we're taking are to look at the actual losses that are taking place as to where they are coming from and to see what we can do to mitigate. Primarily they've taken place in two areas. One is sewer back up. And the whole industry is moving to try to adjust to that problem by putting limits on the amount that you would have under a sewer backup policy. We ourselves are looking at that and would expect to have a program in place sort of mid next year that would address both sewer backup and the second one would be from hail, which is really the replacement cost on roofs. So that is under study right now. We haven't got exactly the way we're going with it but we are developing policies that will both work within the market and help to mitigate those perils that have been driving up our loss ratios.

Tracey Ball, Executive Vice President & Chief Financial Officer

Shubha, I just want to add one more thing, just because it's very helpful to frame the effect of the floods, is 80 percent of our losses actually occurred in High River, and High River was not indicated as being in a floodplain where we had written the risk.

Brian Young, Executive Vice President

Where we had actually placed our risk.

Tracey Ball, Executive Vice President & Chief Financial Officer

Yep. In Calgary we didn't have the same exposure because where we had written risk in the floodplain we had limited the coverage. So in High River we ended up with, you know, an average of, what, $60,000 to fix—

Brian Young, Executive Vice President

Yeah, it was probably out of the, the way you would look at it, 75 percent of the losses that came out of that came out of High River. And we're now moving to sort of broaden our policy overall and use the same kind of management techniques to limit our exposure that we did in Calgary also into places like High River and others, if they have them. And I think the industry is also going to move that way.

Shubha Khan, National Bank Financial

Okay. So, I mean, it sounds like you're contemplating certain product changes to limit your exposure to certain perils; I'm just wondering whether you're also contemplating rate increases on renewals.

Brian Young, Executive Vice President

Yeah, we are.

Shubha Khan, National Bank Financial

Okay.

Tracey Ball, Executive Vice President & Chief Financial Officer

The rate increase has been going on for quite a while in terms of the industry, because property hasn't been that profitable.

Shubha Khan, National Bank Financial

Can you give us a sense of what sort of rate increases we're talking about in terms of renewals?

Brian Young, Executive Vice President

In Alberta the rate increases we're looking at are going to be in sort of the, you know, the low double digit range. Low to mid. We haven't worked it all through yet in terms of the modelling. But we're also looking at what we're doing in Alberta, because we have to limit our earthquake exposure there, the new models that are being developed, and so we're actually looking at our whole policy as to how we actually sell it and to see how we can better manage that risk. So we expect this to have an effect, although it won't happen immediately. So you understand that these things take a while to move your book through. It's probably a two-year endeavour.

Shubha Khan, National Bank Financial

Okay, that's great colour. Thanks so much.

Operator

Thank you. The next question is from John Reucassel from BMO Capital Markets. Please go ahead.

John Reucassel, BMO Capital Markets

Thanks. Tracey, I don't want to get into the nuts and bolts of NVCC or anything but I just want to be clear that you need $100 million of external capital next year. Correct?

Tracey Ball, Executive Vice President & Chief Financial Officer

Yeah, that's a fair assumption, a minimum of $100 million.

John Reucassel, BMO Capital Markets

Minimum of $100 million. And presuming you'll get the vote going your way next week your preference is to do it through preferred shares?

Tracey Ball, Executive Vice President & Chief Financial Officer

Yes, because that's a cheaper cost of capital than common issue.

John Reucassel, BMO Capital Markets

Just wanted to make sure. Okay. And then with your EPS growth, adjusted EPS growth guidance, would it be fair to say that you'd like your payout ratio to stay relatively similar or should we expect some differences in the payout ratio over the next 12 to 24 months?

Tracey Ball, Executive Vice President & Chief Financial Officer

I haven't thought about 24 months but over the next 12 months it's going to stay relatively the same.

John Reucassel, BMO Capital Markets

Okay. And I did notice that you were talking about better growth in the higher-margin leasing business but you've kept your kind of PCL forecast the same, even though you keep telling us that (inaudible) leasing will have higher losses to match the higher margins. Is that just not what you see this year, no higher losses, but stay tuned for future years? Or how should we interpret that?

Chris Fowler, President & Chief Executive Officer

Well, if you think about that book, we've got two-thirds of it in equipment finance in the bank and about a third of it in national leasing. The national leasing one would be the higher loss ratio than the bank. The bank equipment finance portfolio doesn't have a higher loss rate than the balance of our portfolio. So when we kind of pull them together that's when we get into that 18 to 23 basis points.

John Reucassel, BMO Capital Markets

Okay. Okay.

Tracey Ball, Executive Vice President & Chief Financial Officer

The other thing, John, in national leasing, is they've been able to increase their deal size, and what goes with that increased deal size is usually a better-quality borrower. So we expect the losses on those bigger leases will actually be a smaller percentage than the typical, you know, $20,000 lease.

John Reucassel, BMO Capital Markets

Okay. And then just the last question: What type of branch openings are you targeting next year or is there a slowdown there or what are you expecting?

Chris Fowler, President & Chief Executive Officer

We continue to look at it. Our big project for fiscal 2014 is our main branch in Edmonton here that we're moving ten blocks west and going from 12,000 feet to 25,000 feet. That's the project we're working on right now. In terms of other locations, we don't have specifics on that at the moment but we are looking to infill appropriately in our footprint in the west.

John Reucassel, BMO Capital Markets

Okay, so you can—okay. So you're putting on that kind of loan growth with the existing footprint.

Chris Fowler, President & Chief Executive Officer

Yes.

John Reucassel, BMO Capital Markets

Okay. Thank you.

Operator

Thank you. The next question is from Robert Sedran from CIBC. Please go ahead.

Robert Sedran, CIBC World Markets

Hi. Good afternoon. Tracey, can you just put perhaps the securities gains into context against the unrealized losses? Should we just ignore the preferred share unrealized loss and look to some of the other lines as a source of the gains?

Tracey Ball, Executive Vice President & Chief Financial Officer

Yes, I would say that would be right, because the preferred shares is really just the interest rate.

Robert Sedran, CIBC World Markets

And you're just going to sit on those so it doesn't really matter that they're sitting in an unrealized loss position.

Tracey Ball, Executive Vice President & Chief Financial Officer

That's right.

Robert Sedran, CIBC World Markets

Okay. And in terms of the number this quarter, is that a kind of level that you'd think we can see going forward or is it going to be a little bit more variable?

Tracey Ball, Executive Vice President & Chief Financial Officer

It's not a bad level for the fourth quarter if you're trying to look forward into next year.

Robert Sedran, CIBC World Markets

Okay, thank you.

Operator

Thank you. The next question is from Michael Goldberg from Desjardins Securities. Please go ahead.

Michael Goldberg, Desjardins Securities

Thank you. I also want to ask about the preferred shares. As we've discussed, Tracey, any possibility of amending the terms of the existing Series 3 preferreds so you don't have to be the guinea pig on NVCC and holders of those preferreds get to keep them while not at 500 basis points over Canadas but still at an attractive yield for them? Has there been any exploration of that option and what's happened?

Tracey Ball, Executive Vice President & Chief Financial Officer

Yeah, I can definitely talk to that, Michal. And, you know, in theory that was quite a pursuable idea, because of, well, for all the reasons that you mentioned, we could have extend that series with a different reset rate. However, when we started to write the circular for just increasing the By-law it became extremely challenging to be able to explain even that piece to, you know, what we would see as our typical retail shareholder who is the holder of those preferred shares.

And it took us quite a while to come up with something that we thought made sense. And then if we tried to overlay changing the terms of the existing preferred shares it put us in a position where we couldn't recommend doing that because we believe that it would have jeopardised the ability just to get the By-law changed, and we weren't prepared to recommend that, because getting the By-law changed was an absolute must. Does that help?

Michael Goldberg, Desjardins Securities

Yeah. So it doesn't look like it's a possibility.

Tracey Ball, Executive Vice President & Chief Financial Officer

So we have, um, we're not pursuing that option.

Michael Goldberg, Desjardins Securities

So that means really that it is, you know, that if it's going to be anything lower than common equity you will end up being the guinea pig on NVCC.

Tracey Ball, Executive Vice President & Chief Financial Officer

Potentially. That could be a possibility.

Michael Goldberg, Desjardins Securities

And what kind of reception early on do you think you can get for that?

Tracey Ball, Executive Vice President & Chief Financial Officer

Reception? What do you mean by reception?

Michael Goldberg, Desjardins Securities

Well just in the market place what—you know, as you said, there's the issue of bail-in, which the big banks are looking at, and it presumably impacts you also, so...

Tracey Ball, Executive Vice President & Chief Financial Officer

Bail-in doesn't impact us specifically but because it impacts the large banks it impacts their ability to maybe structure the product the way that—well, they'd like to have all that information available before they would market a product potentially, some of them. I mean I talk to the bankers, so I know that. But I think as far as the ability to issue preferred shares, it would be well received by the market. There's a continuing demand for coupon. And, as you would know from looking at the maturities of the preferred shares that were all issued in 2009, there's a tremendous number of preferred shares coming to their reset date, and they all have large reset features on them, large, you know, plus 400, plus 500 in our case. I would sincerely believe those will be called for redemption. National Bank called two earlier this week, as you probably saw. So there should be a huge demand for anything with a reasonable coupon. We saw Power Financial come out last week or earlier this week, I can't remember now, 4.2 percent, and so I don't think there'd be a problem with marketability.

Michael Goldberg, Desjardins Securities

Okay. Sounds good.

Tracey Ball, Executive Vice President & Chief Financial Officer

Thank you.

Operator

Thank you. Once again, please press star one if you have any questions.

The next question is from Gabriel Dechaine from Credit Suisse. Please go ahead.

Gabriel Dechaine, Credit Suisse

Good afternoon. I was going to ask about an obscure line item but I think I'll focus on these pref shares. Just the options that you have at your disposal, you have option one where you get approval to raise the limit on how many prefs you can issue and things fall into place, you issue those prefs and redeem the old ones. Option two is you do nothing and the rate resets in April. Option three is issuing common. I'm just wondering of the two bottom options what's your—would you be willing to sit with those prefs paying, you know, five years plus 200 basis points, which is slightly lower than current coupon right now.

Tracey Ball, Executive Vice President & Chief Financial Officer

Well, I believe that the preferred shareholders would be very happy if we reset the preferred shares but I would have a hard time recommending that. But it still has to be discussed because redeeming those shares is subject to OSFI approval. So we certainly have to have the ability to show OSFI that we have a reasonable capital plan.

Gabriel Dechaine, Credit Suisse

But I guess more specifically would you rather, subject to approval, redeem them with common or just let them reset?

Tracey Ball, Executive Vice President & Chief Financial Officer

Oh, no, I'd rather—if those were the only two choices I had I would rather issue common. I'd rather redeem the prefs and issue common.

Gabriel Dechaine, Credit Suisse

Okay. At a smaller amount presumably.

Tracey Ball, Executive Vice President & Chief Financial Officer

Yep.

Gabriel Dechaine, Credit Suisse

Okay. And just a follow-up on Shubha's question I guess, in your guidance or your targets for 2013 you are assuming, I guess, a 93 percent combined ratio in insurance. You don't have any like assumption that one quarter might have a weather event or anything like that?

Chris Fowler, President & Chief Executive Officer

That's the general average for the year. We do sort of manage it quarter by quarter a little bit but that's the general number.

Gabriel Dechaine, Credit Suisse

Okay. Thank you.

Tracey Ball, Executive Vice President & Chief Financial Officer

Thank you.

Operator

Thank you. The next question is from Stephen Boland from GMP Securities. Please go ahead.

Stephen Boland, GMP Securities

I just want to clarify, ah, just on your national leasing, Tracey. You said a higher I guess loan amount per customer. Is that just you're going after a bigger customer or you're moving out of small ticket to kind of a medium ticket or is it just bigger corporations that you're going after?

Chris Fowler, President & Chief Executive Officer

Well, it's a combination of a number of things. It's the asset mix they're looking to finance and it's larger exposures to the same customer. So it's having—it's that exposure by customer, which could be a bigger ticket piece of equipment or just more equipment to that one particular client. So it's measured by loans per client as opposed to just loans.

Stephen Boland, GMP Securities

Okay. And, Chris, just since we're talking about that segment, good growth in equipment financing and leasing, um, obviously national leasing part of that, what's happening I guess on the equipment lending financing or which bucket has been relatively stronger or are they pretty much even in terms of growth versus national (inaudible)?

Chris Fowler, President & Chief Executive Officer

Yeah, actually both sides are very strong. We had around 20 percent growth in national leasing and then in the bank side we had very strong growth in what we call our broker buying centre where we buy portfolios of equipment leases from equipment manufacturers that have a finance company. So that's been a very strong growth. So we've had, you know, between the two groups both have had very strong growth in 2013.

Stephen Boland, GMP Securities

Okay. And just on your overall loan growth guidance, um, you did 12 percent and you're guiding for a similar amount in 2014. Is that just based on, ah, I guess it's based on a number of factors. What would you say is driving that overall confidence? Is it economy? Is it just better penetration with customers? Maybe you can just give me some colour on that.

Chris Fowler, President & Chief Executive Officer

Well, we still believe Western Canada has the strongest economic opportunities. We still see in our market a number of things coming. There's in-migration east to west and actually even BC to Alberta has been positive, so in-migration into Alberta and Saskatchewan has been positive so we see opportunities there on residential construction. That's a growth factor. We definitely see the equipment finance group having opportunities for growth. And general commercial.

You know, with that in-migration, with these improvements, the oil sands are still a growth factor. We've got the potential, not a lot of action yet, but LNG in the northeast of BC, we see some opportunities there. We've had still strong performance in the lower mainland area of the province, actually very strong growth in our BC region. So like really across our region our pipeline is strong, so we're very optimistic for 2014.

Stephen Boland, GMP Securities

Okay. And I'll just slip one more in there, Chris. Just you've done a couple tuck-in acquisitions, you know, anything that you can highlight that you're focus is? Any change in goals or types of businesses that you're looking at?

Chris Fowler, President & Chief Executive Officer

No change in goals. Our focus is to look at our core commercial client, improve the numbers of products per client to broaden our opportunities for revenue. We've done that through looking at wealth management and certainly as we look at equipment finance as another great area for growth.

Stephen Boland, GMP Securities

Okay, thanks.

Operator

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Ms. Ball.

Tracey Ball, Executive Vice President & Chief Financial Officer

Okay. Thank you, Jade, and thank you very much, everyone, for your continued interest in Canadian Western Bank Group. We look forward to reporting our 2014 first quarter results on March 6th. If you have any follow-up questions or comments, please call us or contact us by email. Thank you and all the best for the holiday season and the reporting season. Thank you.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.
