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 that in the consolidated financial statements.

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

We, as CWB's Chief Executive Officer and Chief Financial Officer, will certify CWB's annual filings with the CSA as required by National Instrument 52-109 C*ertification 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 Committee also meets regularly with the Chief Financial Officer, Chief Internal Auditor and the external auditors without management present.

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

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

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

Chris H. Fowler
President and Chief Executive Officer

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

December 5, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canadian Western Bank

We have audited the accompanying consolidated financial statements of Canadian Western Bank, which comprise the consolidated balance sheets as at October 31, 2018 and October 31, 2017, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Western Bank as at October 31, 2018 and October 31, 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP
Chartered Professional Accountants

December 5, 2018
Edmonton, Canada

CONSOLIDATED BALANCE SHEETS

($ thousands)

		As at October 31 2018	As at October 31 2017
Assets			
Cash Resources	(Note 4)		
Cash and non-interest bearing deposits with financial institutions		$ 73,822	$ 17,491
Interest bearing deposits with regulated financial institutions		26,825	503,895
Cheques and other items in transit		52,574	410
		153,221	521,796
Securities	(Note 5)		
Issued or guaranteed by Canada		1,325,816	1,307,298
Issued or guaranteed by a province or municipality		521,825	438,858
Other debt securities		143,536	308,421
Preferred shares		93,575	132,410
		2,084,752	2,186,987
Loans	(Note 7)		
Personal		5,247,160	4,725,715
Business		21,085,968	18,619,853
		26,333,128	23,345,568
Allowance for credit losses	(Note 8)	(128,529)	(116,329)
		26,204,599	23,229,239
Other			
Property and equipment	(Note 10)	59,098	56,115
Goodwill	(Note 11)	85,168	85,669
Intangible assets	(Note 11)	160,790	149,730
Derivative related	(Note 12)	2,496	12,393
Other assets	(Note 13)	271,339	205,524
		578,891	509,431
Total Assets		$ 29,021,463	$ 26,447,453
Liabilities and Equity			
Deposits	(Note 14)		
Personal		$ 14,483,686	$ 13,394,562
Business and government		9,216,271	8,508,420
		23,699,957	21,902,982
Other			
Cheques and other items in transit		28,489	55,545
Securities sold under repurchase agreements	(Note 6 and 9)	95,126	58,358
Derivative related	(Note 12)	69,581	35,381
Other liabilities	(Note 15)	531,953	455,009
		725,149	604,293
Debt			
Debt securities	(Note 9 and 16)	1,757,854	1,226,336
Subordinated debentures	(Note 16)	250,000	250,000
		2,007,854	1,476,336
Equity			
Preferred shares	(Note 17)	265,000	265,000
Common shares	(Note 17)	744,701	731,885
Retained earnings		1,649,196	1,488,634
Share-based payment reserve	(Note 18)	23,937	24,979
Other reserves		(97,082)	(49,453)
Total Shareholders' Equity		2,585,752	2,461,045
Non-controlling interests	(Note 19)	2,751	2,797
Total Equity		2,588,503	2,463,842
Total Liabilities and Equity		$ 29,021,463	$ 26,447,453

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)

		2018	2017
Interest Income			
Loans		$ 1,185,530	$ 993,950
Securities		35,529	25,136
Deposits with regulated financial institutions		4,236	8,198
		1,225,295	1,027,284
Interest Expense			
Deposits		452,526	355,521
Debt		47,779	29,373
		500,305	384,894
Net Interest Income		724,990	642,390
Non-interest Income			
Credit related		32,165	34,012
Wealth management services		20,371	19,073
Retail services		10,334	10,758
Trust services		7,784	11,305
Gains (losses) on securities, net		(217)	664
Other		7,931	8,433
		78,368	84,245
Total Revenue		803,358	726,635
Provision for Credit Losses	(Note 8)	48,257	50,986
Acquisition-related Fair Value Changes	(Note 26)	20,094	18,295
Non-interest Expenses			
Salaries and employee benefits		237,228	220,416
Premises and equipment		62,754	60,348
Other expenses		73,501	64,702
		373,483	345,466
Net Income before Income Taxes		361,524	311,888
Income Taxes	(Note 22)	96,877	82,233
Net Income		264,647	229,655
Net income attributable to non-controlling interests		1,141	1,128
Shareholders' Net Income		263,506	228,527
Preferred share dividends		14,250	14,250
Common Shareholders' Net Income		$ 249,256	$ 214,277
Average number of common shares (in thousands)		88,806	88,297
Average number of diluted common shares (in thousands)		89,285	88,592
Earnings Per Common Share	(Note 23)		
Basic		$ 2.81	$ 2.43
Diluted		2.79	2.42

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended October 31
($ thousands)

		2018		2017
Net Income	**$**	**264,647**	$	229,655
Available-for-sale securities				
Gains (losses) from change in fair value[1]		**(19,945)**		4,021
Reclassification to net income[2]		**158**		(485)
		(19,787)		3,536
Derivatives designated as cash flow hedges				
Losses from change in fair value[3]		**(26,848)**		(22,089)
Reclassification to net income[4]		**(994)**		(3,321)
		(27,842)		(25,410)
Other Comprehensive Loss, Net of Tax		**(47,629)**		(21,874)
Comprehensive Income	**$**	**217,018**	$	207,781
Comprehensive income for the year attributable to:				
Shareholders	**$**	**215,877**	$	206,653
Non-controlling interests		**1,141**		1,128
Comprehensive Income	**$**	**217,018**	$	207,781

(1) Net of income tax of $7,351 (2017 – $1,463).
(2) Net of income tax of $59 (2017 – $179).
(3) Net of income tax of $9,930 (2017 – $8,128).
(4) Net of income tax of $367 (2017 – $1,222).

Items presented in other comprehensive income will be subsequently reclassified to the Consolidated Statements of Income when specific conditions are met.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended October 31
($ thousands)

		2018	2017
Retained Earnings			
Balance at beginning of year		$ 1,488,634	$ 1,354,966
Shareholders' net income		263,506	228,527
Dividends - Preferred shares	(Note 17)	(14,250)	(14,250)
- Common shares	(Note 17)	(88,819)	(82,107)
Increase in equity attributable to non-controlling interests ownership change		125	1,498
Balance at end of year		1,649,196	1,488,634
Other Reserves			
Balance at beginning of year		(49,453)	(27,579)
Changes in available-for-sale securities		(19,787)	3,536
Changes in derivatives designated as cash flow hedges		(27,842)	(25,410)
Balance at end of year		(97,082)	(49,453)
Preferred Shares	(Note 17)		
Balance at beginning and end of year		265,000	265,000
Common Shares	(Note 17)		
Balance at beginning of year		731,885	718,377
Issued on acquisition-related contingent consideration instalment payment	(Note 26)	5,750	-
Issued under dividend reinvestment plan		4,248	5,280
Transferred from share-based payment reserve on the exercise or exchange of options		2,818	8,228
Balance at end of year		744,701	731,885
Share-based Payment Reserve	(Note 18)		
Balance at beginning of year		24,979	31,276
Amortization of fair value of options		1,776	1,931
Transferred to common shares on the exercise or exchange of options		(2,818)	(8,228)
Balance at end of year		23,937	24,979
Total Shareholders' Equity		2,585,752	2,461,045
Non-controlling Interests	(Note 19)		
Balance at beginning of year		2,797	773
Net income attributable to non-controlling interests		1,141	1,128
Dividends to non-controlling interests		(1,431)	(670)
Partial ownership increase (decrease)		244	(117)
Increase in equity attributable to non-controlling interests		-	1,683
Balance at end of year		2,751	2,797
Total Equity		$ 2,588,503	$ 2,463,842

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended October 31
($ thousands)

		2018	2017
Cash Flows from Operating Activities			
Net income		$ 264,647	$ 229,655
Adjustments to determine net cash flows:			
Provision for credit losses	(Note 8)	48,257	50,986
Depreciation and amortization		29,708	30,692
Current income taxes receivable and payable, net		(3,456)	12,134
Amortization of fair value of employee stock options	(Note 18)	1,776	1,931
Accrued interest receivable and payable, net		28,415	(19,061)
Deferred income taxes, net		(7,677)	(10,638)
Net gains on CWT strategic transactions	(Note 3)	(4,030)	(5,726)
Losses (gains) on securities, net		217	(664)
Fair value change in contingent consideration	(Note 26)	20,094	18,295
Change in operating assets and liabilities			
Deposits, net		1,796,975	708,429
Loans, net		(3,024,939)	(1,322,714)
Securities sold under resale agreements, net		36,768	58,358
Securities purchased under resale agreements, net		-	163,318
Other items, net		17,436	46,543
		(795,809)	(38,462)
Cash Flows from Financing Activities			
Debt securities issued		1,245,427	739,177
Debt securities repaid		(713,909)	(456,039)
Dividends		(98,821)	(91,077)
Contributions by non-controlling interests		1,316	3,401
Dividends to non-controlling interests		(1,431)	(670)
Debentures redeemed		-	(75,000)
		432,582	119,792
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		477,070	386,621
Securities, purchased		(2,892,129)	(5,843,898)
Securities, sales proceeds		1,266,827	4,338,132
Securities, matured		1,704,328	1,031,966
Proceeds from CWT strategic transactions	(Note 3)	4,135	7,164
Partial ownership increase		-	(1,838)
Property, equipment and intangible assets		(44,203)	(28,846)
Acquisition-related contingent consideration instalment payment	(Note 26)	(17,250)	(10,132)
		498,778	(120,831)
Change in Cash and Cash Equivalents		135,551	(39,501)
Cash and Cash Equivalents at Beginning of Year		(37,644)	1,857
Cash and Cash Equivalents at End of Year *		$ 97,907	$ (37,644)
*** Represented by:**			
Cash and non-interest bearing deposits with financial institutions		$ 73,822	$ 17,491
Cheques and other items in transit (included in Cash Resources)		52,574	410
Cheques and other items in transit (included in Other Liabilities)		(28,489)	(55,545)
Cash and Cash Equivalents at End of Year		$ 97,907	$ (37,644)
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		$ 1,237,809	$ 1,031,937
Interest paid		462,691	392,413
Income taxes paid		88,116	66,009

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2018 and 2017
($ 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. CWB is a diversified financial services organization serving businesses and individuals across Canada.

The consolidated financial statements were authorized for issue by the Board of Directors on December 5, 2018.

b) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of CWB and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as entities whose operations are controlled by CWB and are corporations in which CWB is the beneficial owner. Non-controlling interest in subsidiaries is presented on the consolidated balance sheets as a separate component of equity that is distinct from shareholders' equity. The net income attributable to non-controlling interest in subsidiaries is presented separately in the consolidated income statements. See Note 30 for details of the subsidiaries.

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

c) Statement of Compliance

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

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

d) Use of Estimates and Assumptions

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

e) Significant Judgments

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

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

f) Business Combinations

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

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

g) Functional and Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is CWB's functional currency. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. 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 becomes probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated, considering all relevant risks and uncertainties. Management as well as internal and external experts are involved in estimating any amounts required. The actual costs of resolving these obligations may be significantly higher or lower than the recognized provision.

i) Specific Accounting Policies

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

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

j) Future Accounting Changes

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

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the complete version of IFRS 9 *Financial Instruments* (IFRS 9), which will replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 addresses classification and measurement of financial assets and liabilities, impairment and hedge accounting. IFRS 9 is effective for CWB's fiscal year beginning on November 1, 2018. Amendments made to IFRS 7 *Financial Instruments: Disclosures* related to IFRS 9 are also effective November 1, 2018.

Transition

IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. CWB does not plan to restate prior period comparative figures within the consolidated financial statements upon transition to IFRS 9 and will recognize an adjustment to opening retained earnings and accumulated other comprehensive income to reflect the application of the new requirements at the adoption date. Based on current estimates, the IFRS 9 transition is expected to increase retained earnings by approximately $23 million, after tax, and the common equity Tier 1 capital ratio by approximately 10 basis points. The estimated impact relates primarily to the implementation of the new impairment guidelines under IFRS 9. CWB will continue to monitor and refine certain elements of the impairment process and related controls leading up to the interim consolidated financial statements for the period ending January 31, 2019.

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

Classification and Measurement

IFRS 9 introduces a principles-based approach for the classification of financial assets. Debt instruments, including loans and debt securities, are initially measured at fair value and are subsequently classified and measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the contractual cash flow characteristics of the instrument and the business model under which the asset is held. These categories replace the existing IAS 39 classifications of FVTPL, available-for-sale (AFS), loans and receivables, and held-to-maturity. With the exception of the impairment provisions discussed below, subsequent measurement of debt instruments classified at FVOCI under IFRS 9 is consistent with AFS debt instruments under IAS 39, with changes in fair value recorded in other comprehensive income, net of taxes, until the security is sold. Gains and losses realized on disposal of debt instruments classified at FVOCI are included in the consolidated statements of income.

CWB has defined its significant business models and assessed the cash flow characteristics for all debt instruments under the scope of IFRS 9. As a result of the application of the classification and measurement requirements of IFRS 9, CWB expects to make the following reclassifications, none of which impact the carrying value of the assets:

- Interest bearing deposits with regulated financial institutions totaling $26,825 at October 31, 2018 will be reclassified from AFS under IAS 39 to FVOCI under IFRS 9; and
- Debt securities totaling $1,991,177 at October 31, 2018 will be reclassified from AFS under IAS 39 to FVOCI under IFRS 9.

Equity instruments are classified and measured at FVTPL unless an irrevocable election is made to designate them at FVOCI at the time of initial recognition. Unlike AFS equity securities under IAS 39, if the election is applied, gains and losses, including those that arise upon the sale of the security, are recorded in other comprehensive income and are not subsequently reclassified to the consolidated statements of income. Equity securities are not subject to an impairment assessment under IFRS 9. Upon transition to IFRS 9, preferred share securities totaling $93,575 at October 31, 2018 classified as AFS under IAS 39 will be designated at FVOCI.

Classification of financial liabilities will be unchanged, except for financial liabilities measured at fair value, where changes in fair value of an entity's own credit risk will be recognized in other comprehensive income rather than in profit or loss.

Impairment

IFRS 9 also introduces a new expected credit loss (ECL) approach for estimating impairment on all financial assets measured at amortized cost, debt securities measured at FVOCI, and off-balance sheet loan commitments and financial guarantee contracts, which were previously provided for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The implementation of an ECL approach under IFRS 9, which results in the recognition of allowances for credit losses on financial assets regardless of whether there has been an actual loss event, is a significant change from the incurred loss model under IAS 39, with the largest impact being to loans reported on the consolidated balance sheets.

For performing assets, the IFRS 9 impairment model requires an entity to record 12-month ECL from the date an asset is first recognized and to record lifetime ECL if the asset has experienced a significant increase in credit risk (SICR) since initial recognition. For CWB's loans, the main drivers considered in assessing whether a SICR has occurred will be relative changes in internal risk ratings since initial recognition, which incorporate borrower-specific risk factors and probability-weighted forward-looking macroeconomic factors, and certain other criteria, such as 30 days past due and watchlist status. When a financial asset is identified as credit-impaired, an allowance for credit losses equal to full lifetime ECL is recognized, which is expected to be similar to CWB's current specific allowances.

IFRS 9 requires that 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.

Hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management practises. IFRS 9 includes a policy choice to retain IAS 39 for hedging purposes pending the completion of the IASB's project on macro hedge accounting. CWB has elected to continue applying IAS 39 hedging requirements and will implement the revised hedge accounting disclosures that are required by the IFRS 9-related amendments to IFRS 7 for the annual period ending October 31, 2019.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments and leases as these fall within the scope of other IFRSs. IFRS 15 is effective for CWB's fiscal year beginning on November 1, 2018.

On transition, there are two methods by which the new standard can be adopted: (1) a full retrospective approach with a restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment recognized in retained earnings as of the date of adoption. CWB will adopt IFRS 15 using the modified retrospective approach with the cumulative effect of the adjustment, if any, recognized as of November 1, 2018, subject to allowable and elected practical expedients.

CWB has performed detailed analysis on each revenue stream that is within the scope of the new standard and is finalizing its assessment of the impact upon adoption, including timing and measurement of revenue recognition, presentation of certain revenue and expense items, as well as additional qualitative and quantitative disclosures. As the majority of CWB's revenues are outside the scope of IFRS 15, CWB will not have a significant impact as a result of adopting the new standard.

IFRS 2 – Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2 *Share Based Payment Transactions* which provides additional guidance on the classification and measurement of cash-settled share-based payment transactions, share-based payment transactions with a net settlement feature for withholding tax obligations and on the modification of share-based payment transactions changing from cash-settled to equity-settled. These amendments are effective for CWB's fiscal year beginning November 1, 2018 and will be applied prospectively. CWB will not have a significant impact from adopting the amendments.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16), which will replace IAS 17 *Leases*, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the consolidated statements of income. Short-term leases, which are defined as those that have a lease term of twelve months or less, and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for CWB's fiscal year beginning November 1, 2019. CWB is currently assessing the impact of adopting this standard.

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 revision is effective for CWB's fiscal year beginning November 1, 2020 with early adoption permitted. CWB is in the process of assessing the impact of the framework.

2. FINANCIAL INSTRUMENTS

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

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

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

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

3. STRATEGIC TRANSACTIONS

Equipment Loans and Leases and General Commercial Lending Assets

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

Canadian Western Trust (CWT)

On August 16, 2017, CWB announced that CWT, a wholly-owned subsidiary of CWB, will no longer offer self-directed account services to clients holding certain securities, and CWT initiated a process to appoint successor trustees for these accounts. Pre-tax gains of $4,030 in 2018 (2017 – $5,726) related to these transactions are recorded in other non-interest income on the consolidated statements of income, reflecting sales proceeds less the carrying value of assets sold and related transaction costs. The carrying value of deposits transferred in fiscal 2018 totaled $30,409 (2017 – $71,259).

4. CASH RESOURCES

Cash resources include highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value. Cheques and other items in transit included in cash resources are recorded at cost and represent the net position of uncleared cheques and other items in transit.

Interest-bearing deposits with regulated financial institutions included in cash resources have been designated as available-for-sale and are reported on the consolidated balance sheets at fair value with changes in fair value reported in other comprehensive income, net of income taxes. At October 31, 2018, the fair value of deposits with regulated financial institutions was $26,825 (October 31, 2017 – $503,895), which is equal to amortized cost (October 31, 2017 – $18 lower than amortized cost). At October 31, 2018, $20,310 (October 31, 2017 – $17,895) of interest-bearing deposits with regulated financial institutions was restricted from use in relation to the securitization of equipment financing leases and loans.

5. SECURITIES

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

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

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

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

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

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

	Maturity/Reprice				
	Within 1 Year	**1 to 3 Years**	**3 to 5 Years**	**As at October 31 2018**	As at October 31 2017
Securities Issued or Guaranteed by					
Canada	$ 322,435	$ 599,537	$ 403,844	$ 1,325,816	$ 1,307,298
A province or municipality	55,222	257,475	209,128	521,825	438,858
Other Debt Securities	61,205	54,951	27,380	143,536	308,421
Preferred Shares	14,022	57,654	21,899	93,575	132,410
Total	$ 452,884	$ 969,617	$ 662,251	$ 2,084,752	$ 2,186,987

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

	As at October 31, 2018				As at October 31, 2017			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Issued or Guaranteed by								
Canada	$ 1,362,647	$ -	$ 36,831	$ 1,325,816	$ 1,327,541	$ 1,014	$ 21,257	$ 1,307,298
A province or municipality	531,798	-	9,973	521,825	443,510	137	4,789	438,858
Other Debt Securities	146,610	1	3,075	143,536	306,671	2,930	1,180	308,421
Preferred Shares	110,696	-	17,121	93,575	149,159	11	16,760	132,410
Total	$ 2,151,751	$ 1	$ 67,000	$ 2,084,752	$ 2,226,881	$ 4,092	$ 43,986	$ 2,186,987

The securities portfolio is primarily comprised of high-quality debt and equity instruments that are not held for trading purposes. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve as well as volatility in equity markets.

As at October 31, 2018, CWB assessed the securities with unrealized losses and, based on available objective evidence, concluded that the unrealized losses resulted from changes in interest rates and not from deterioration in the creditworthiness of the issuers. No impairment charges were included in gains (losses) on securities, net (2017 – nil).

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

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

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

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

7. LOANS

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

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

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

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

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

	As at October 31, 2018				As at October 31, 2017			
	Gross Amount	**Gross Impaired Amount[(2)]**	**Specific Allowance**	**Net Impaired Loans**	Gross Amount	Gross Impaired Amount[(2)]	Specific Allowance	Net Impaired Loans
Personal	**$ 5,247,160**	**$ 28,961**	**$ 647**	**$ 28,314**	$ 4,725,715	$ 19,816	$ 209	$ 19,607
Business								
General commercial loans	**7,458,010**	**21,815**	**5,484**	**16,331**	6,307,560	58,183	3,071	55,112
Commercial mortgages[(1)]	**4,865,183**	**29,376**	**3,290**	**26,086**	4,266,702	16,571	385	16,186
Real estate project loans	**3,854,681**	**9,920**	**2,000**	**7,920**	4,029,810	21,391	2,020	19,371
Equipment financing and leasing	**4,779,005**	**47,800**	**15,606**	**32,194**	3,892,150	50,760	10,132	40,628
Oil and gas production loans	**129,089**	**-**	**-**	**-**	123,631	1,540	800	740
Total	**$ 26,333,128**	**$ 137,872**	**$ 27,027**	**110,845**	$ 23,345,568	$ 168,261	$ 16,617	151,644
Collective Allowance[(3)]				**(119,766)**				(119,298)
Net Impaired Loans After Collective Allowance				**$ (8,921)**				$ 32,346

(1) Multi-family residential mortgages are included in commercial mortgages.
(2) Gross impaired loans include foreclosed assets with a carrying value of $6,628 (October 31, 2017 – $1,983). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) The collective allowance for credit loss includes amounts related to committed but undrawn credit exposures and letters of credit and is not allocated by loan type (see Note 8).

During the year, interest recognized as income on impaired loans totaled $5,743 (2017 – $3,552).

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

	As at October 31, 2018			As at October 31, 2017		
	Gross Impaired Amount	**Specific Allowance**	**Net Impaired Loans**	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	**$ 77,018**	**$ 12,627**	**$ 64,391**	$ 105,831	$ 6,270	$ 99,561
British Columbia	**13,699**	**2,069**	**11,630**	17,460	2,179	15,281
Ontario	**16,829**	**3,016**	**13,813**	19,169	3,134	16,035
Saskatchewan	**8,957**	**1,330**	**7,627**	8,273	1,485	6,788
Manitoba	**9,873**	**4,006**	**5,867**	6,635	1,099	5,536
Quebec	**4,826**	**2,345**	**2,481**	3,721	1,369	2,352
Other	**6,670**	**1,634**	**5,036**	7,172	1,081	6,091
Total	**$ 137,872**	**$ 27,027**	**110,845**	$ 168,261	$ 16,617	151,644
Collective Allowance[1]			**(119,766)**			(119,298)
Net Impaired Loans After Collective Allowance			**$ (8,921)**			$ 32,346

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

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

As at October 31, 2018	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**More than 90 days**	**Total**
Personal	**$ 51,904**	**$ 15,797**	**$ 691**	**$ 1,484**	**$ 69,876**
Business	**117,835**	**33,590**	**9,088**	**486**	**160,999**
Total	**$ 169,739**	**$ 49,387**	**$ 9,779**	**$ 1,970**	**$ 230,875**
As at October 31, 2017	$ 110,336	$ 37,518	$ 6,116	$ 683	$ 154,653

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

									Composition Percentage	
($ millions)	**BC**	**AB**	**ON**	**SK**	**MB**	**QC**	**Other**	**Total**	**Oct. 31 2018**	Oct. 31 2017
Personal[1]	**$ 1,420**	**$ 1,359**	**$ 2,018**	**$ 237**	**$ 113**	**$ -**	**$ 100**	**$ 5,247**	**20%**	20%
Business										
General commercial loans	**2,189**	**2,564**	**1,917**	**286**	**231**	**139**	**132**	**7,458**	**28**	27
Commercial mortgages	**2,045**	**2,167**	**199**	**279**	**156**	**18**	**1**	**4,865**	**19**	18
Equipment financing and leasing[2]	**708**	**1,239**	**1,297**	**453**	**227**	**523**	**332**	**4,779**	**18**	17
Real estate project loans	**2,532**	**954**	**191**	**132**	**46**	**-**	**-**	**3,855**	**15**	17
Oil and gas production loans	**-**	**112**	**-**	**17**	**-**	**-**	**-**	**129**	**-**	1
	7,474	**7,036**	**3,604**	**1,167**	**660**	**680**	**465**	**21,086**	**80**	80
Total[3]	**$ 8,894**	**$ 8,395**	**$ 5,622**	**$ 1,404**	**$ 773**	**$ 680**	**$ 565**	**$ 26,333**	**100%**	100%
Composition Percentage										
October 31, 2018	**34%**	**32%**	**21%**	**5%**	**3%**	**3%**	**2%**	**100%**		
October 31, 2017	35%	33%	19%	6%	3%	2%	2%	100%		

(1) Includes mortgages securitized through the National Housing Act Mortgage Backed Securities program reported on-balance sheet of $609 (October 31, 2017 – $381) (see Note 9).
(2) Includes securitized leases and loans reported on-balance sheet of $1,622 (October 31, 2017 – $1,212) (see Note 9).
(3) This table does not include an allocation of the allowance for credit losses.

8. ALLOWANCE FOR CREDIT LOSSES

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

Specific Allowance

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

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

Collective Allowance

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

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

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

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

		2018			2017		
		Specific Allowance	**Collective Allowance**	**Total**	Specific Allowance	Collective Allowance	Total
Balance at beginning of year		**$ 16,617**	**$ 119,298**	**$ 135,915**	$ 16,269	$ 110,943	$ 127,212
Provision for credit losses		**47,789**	**468**	**48,257**	42,631	8,355	50,986
Write-offs		**(45,359)**	**-**	**(45,359)**	(47,094)	-	(47,094)
Recoveries		**7,980**	**-**	**7,980**	4,811	-	4,811
Balance at End of Year		**$ 27,027**	**$ 119,766**	**$ 146,793**	$ 16,617	$ 119,298	$ 135,915
Represented by:							
Loans		**$ 27,027**	**$ 101,502**	**$ 128,529**	$ 16,617	$ 99,712	$ 116,329
Committed but undrawn credit exposures and letters of credit	(Note 15)	**-**	**18,264**	**18,264**	-	19,586	19,586
Total Allowance		**$ 27,027**	**$ 119,766**	**$ 146,793**	$ 16,617	$ 119,298	$ 135,915

9. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Securitization of equipment financing leases and loans

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

During 2018, CWB sold securitized equipment financing leases and loans of $1,178,726 to third parties (2017 - $679,352) for cash proceeds of $1,063,792 (2017 - $610,201).

Securitization of residential mortgages

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

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

During 2018, CWB sold securitized residential mortgages of $184,213 to the CHT for cash proceeds of $181,635 (2017 - $39,957 sold for cash proceeds of $38,973) and did not sell any securitized residential mortgage directly to third party investors (2017 - $88,354 sold for cash proceeds of $90,003).

Securities sold under repurchase agreements

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

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

	2018		2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized leases and loans	**$ 1,621,943**	**$ 1,690,933**	$ 1,211,816	$ 1,248,146
Securitized residential mortgages	**277,942**	**271,492**	119,180	116,374
Securities sold under repurchase agreements	**95,126**	**95,126**	58,358	58,358
	1,995,011	**2,057,551**	1,389,354	1,422,878
Associated Liabilities(1)	**1,852,980**	**1,786,645**	1,284,694	1,280,758
Net Position	**$ 142,031**	**$ 270,906**	$ 104,660	$ 142,120

(1) Associated liabilities consist of $1,479,133 related to securitized leases and loans (2017 – $1,105,180), $278,721 related to residential mortgages securitized through the NHA MBS program (2017 – $121,156) and $95,126 related to securities sold under repurchase agreements (2017 – $58,358).

Additionally, CWB has securitized residential mortgages through the NHA MBS program totaling $330,599 with a fair value of $322,926 (2017 - $262,213 with a fair value of $256,038) that were not transferred to third parties.

10. PROPERTY AND EQUIPMENT

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

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

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

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

	Leasehold Improvements	Land and Buildings	Computer Equipment	Office Equipment	Total
Cost					
Balance at November 1, 2017	**$ 72,398**	**$ 18,754**	**$ 31,444**	**$ 40,842**	**$ 163,438**
Additions	**4,179**	**151**	**5,262**	**3,573**	**13,165**
Disposals	**(72)**	**-**	**(5)**	**(94)**	**(171)**
Balance at October 31, 2018	**76,505**	**18,905**	**36,701**	**44,321**	**176,432**
Accumulated Depreciation and Impairment					
Balance at November 1, 2017	**47,263**	**5,580**	**23,461**	**31,019**	**107,323**
Depreciation for the year	**4,133**	**549**	**2,684**	**2,816**	**10,182**
Disposals	**(72)**	**-**	**(5)**	**(94)**	**(171)**
Balance at October 31, 2018	**51,324**	**6,129**	**26,140**	**33,741**	**117,334**
Net Carrying Amount at October 31, 2018	**$ 25,181**	**$ 12,776**	**$ 10,561**	**$ 10,580**	**$ 59,098**
Cost					
Balance at November 1, 2016	$ 70,146	$ 18,701	$ 28,319	$ 39,101	$ 156,267
Additions	2,486	53	3,918	2,777	9,234
Disposals	(234)	-	(793)	(1,036)	(2,063)
Balance at October 31, 2017	72,398	18,754	31,444	40,842	163,438
Accumulated Depreciation and Impairment					
Balance at November 1, 2016	43,399	5,016	21,921	28,601	98,937
Depreciation for the year	4,098	564	2,333	2,768	9,763
Disposals	(234)	-	(793)	(350)	(1,377)
Balance at October 31, 2017	47,263	5,580	23,461	31,019	107,323
Net Carrying Amount at October 31, 2017	$ 25,135	$ 13,174	$ 7,983	$ 9,823	$ 56,115

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

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

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

		MX		NL		M&P		WM		Total
Balance at November 1, 2017	**$**	**38,869**	**$**	**35,776**	**$**	**7,099**	**$**	**3,925**	**$**	**85,669**
Partial ownership change		**-**		**-**		**(524)**		**23**		**(501)**
Balance at October 31, 2018	**$**	**38,869**	**$**	**35,776**	**$**	**6,575**	**$**	**3,948**	**$**	**85,168**
Balance at November 1, 2016	$	38,869	$	35,776	$	6,306	$	3,811	$	84,762
Partial ownership change		-		-		793		114		907
Balance at October 31, 2017	$	38,869	$	35,776	$	7,099	$	3,925	$	85,669

Intangible Assets

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

Amortization of acquisition-related intangible assets with finite useful lives is reported in other expenses and amortization of internally generated software is included in premises and equipment expenses on the consolidated statements of income and calculated 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, 2017	**$**	**154,761**	**$**	**59,606**	**$**	**6,632**	**$**	**11,153**	**$**	**5,150**	**$**	**237,302**
Additions		**31,118**		**-**		**-**		**-**		**-**		**31,118**
Partial ownership change		**-**		**(395)**		**(68)**		**(69)**		**-**		**(532)**
Disposals		**(1,608)**		**-**		**-**		**-**		**-**		**(1,608)**
Balance at October 31, 2018		**184,271**		**59,211**		**6,564**		**11,084**		**5,150**		**266,280**
Accumulated Amortization												
Balance at November 1, 2017		**48,462**		**24,709**		**-**		**10,288**		**4,113**		**87,572**
Amortization		**13,212**		**5,036**		**-**		**751**		**527**		**19,526**
Disposals		**(1,608)**		**-**		**-**		**-**		**-**		**(1,608)**
Balance at October 31, 2018		**60,066**		**29,745**		**-**		**11,039**		**4,640**		**105,490**
Net Carrying Amount at October 31, 2018	**$**	**124,205**	**$**	**29,466**	**$**	**6,564**	**$**	**45**	**$**	**510**	**$**	**160,790**
Cost												
Balance at November 1, 2016	$	141,927	$	58,906	$	6,514	$	10,922	$	5,150	$	223,419
Additions		20,298		-		-		-		-		20,298
Partial ownership change		-		700		118		231		-		1,049
Disposals		(7,464)		-		-		-		-		(7,464)
Balance at October 31, 2017		154,761		59,606		6,632		11,153		5,150		237,302
Accumulated Amortization												
Balance at November 1, 2016		42,557		19,607		-		8,768		3,175		74,107
Amortization		13,369		5,102		-		1,520		938		20,929
Disposals		(7,464)		-		-		-		-		(7,464)
Balance at October 31, 2017		48,462		24,709		-		10,288		4,113		87,572
Net Carrying Amount at October 31, 2017	$	106,299	$	34,897	$	6,632	$	865	$	1,037	$	149,730

Impairment

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

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

The recoverable amounts for CWB's cash-generating units have been calculated based on the higher of their value in use and fair value less costs of disposal. Fair value less costs of disposal was determined by using a market-based approach of the associated cash-generating unit, whereby the fair value was based on an enterprise value as approved by management. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the cash-generating unit. Unless indicated otherwise, value in use was determined similarly as in the comparative year. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the five-year future business plan. Cash flows for a further 15-year period were extrapolated using a constant growth rate of 2.0% (2017 – 3.0%), which is based on the long-term forecast Canadian gross domestic product growth rate. The forecast period is based on CWB's long-term perspective with respect to the operation of these cash-generating units.
- A pre-tax discount rate of 10.1% (2017 – 9.8%) was applied in determining the recoverable amounts, which was comprised of a risk-free interest rate and a market risk premium.

The key assumptions described above may change as economic and market conditions change. CWB estimates that reasonable possible changes in these assumptions are not expected to cause the recoverable amounts of the cash-generating units to decline below the carrying amounts.

No impairment losses on goodwill or intangible assets were identified during 2018 or 2017.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

Use of Derivatives

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

Derivative financial instruments primarily used by CWB include:

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

Interest rate swaps are used as hedging instruments to manage interest rate risk. CWB enters into these interest rate derivative instruments only for its own account and does not act as an intermediary in this market. The credit risk is limited to the amount of any adverse change in interest rates applied on the notional contract should the counterparty default. The Asset Liability Committee (ALCo) of CWB establishes and monitors approved counterparties (including an assessment of creditworthiness). Approved counterparties are limited to rated financial institutions or their associated parent/affiliate with a minimum rating of A high or equivalent.

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

Bond forward transactions are used as hedging instruments to manage interest rate risk on commitments on loans to be pooled through the NHA MBS program and issued as a CMB. CWB enters into bond forward transactions for its own account and does not act as an intermediary in this market. The risk is limited to the change in price of the bond due to adverse change in interest rates.

Exposure to foreign exchange risk is not material to CWB's overall financial position. Foreign exchange markets are not speculated in by taking a trading position in currencies. Maximum exposure limits are established and monitored by ALCo and are defined by allowable unhedged amounts. The position is managed within the allowable target range by spot and forward transactions or other hedging techniques.

Equity swap transactions are used as hedging instruments to manage risk related to the payout of restricted share units and deferred share units. CWB enters into equity swap instruments only for its own account and does not act as an intermediary in this market. The risk is limited to the amount of an increase in CWB's share price applied on the notional contract amount and any re-invested dividends should the counterparty default.

Designated Accounting Hedges

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

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

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

Embedded Derivatives

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

Fair Value

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

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

	As at October 31, 2018					As at October 31, 2017				
	Notional Amount	**Replace-ment Cost**	**Future Credit Exposure**	**Credit Risk Equivalent**	**Risk-Weighted Balance**	Notional Amount	Replace-ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk-Weighted Balance
Interest rate swaps	**$ 4,908,000**	**$ 75**	**$ 19,440**	**$ 19,515**	**$ 3,903**	$ 3,553,000	$ 298	$ 8,365	$ 8,663	$ 1,733
Foreign exchange contracts	**189,128**	**238**	**1,891**	**2,129**	**429**	170,194	2,627	1,702	4,329	582
Equity swaps	**24,127**	**2,203**	**1,570**	**3,773**	**755**	22,459	9,526	1,527	11,053	877
Bond forward contracts	**15,000**	**55**	**-**	**55**	**11**	-	-	-	-	-
Total	**$ 5,136,255**	**$ 2,571**	**$ 22,901**	**$ 25,472**	**$ 5,098**	$ 3,745,653	$ 12,451	$ 11,594	$ 24,045	$ 3,192

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, 2018				As at October 31, 2017			
	Favourable Contracts		**Unfavourable Contracts**		Favourable Contracts		Unfavourable Contracts	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps designated as accounting hedges	**$ -**	**$ -**	**$ 4,908,000**	**$ (65,130)**	$ 195,000	$ 239	$ 3,358,000	$ (31,483)
Foreign exchange contracts	**27,195**	**238**	**161,933**	**(2,307)**	61,609	2,627	108,585	(3,898)
Equity swaps designated as accounting hedges	**9,008**	**2,203**	**9,277**	**(1,339)**	18,222	7,769	-	-
Equity swaps not designated as accounting hedges	**-**	**-**	**5,842**	**(805)**	4,237	1,758	-	-
Bond forward contracts designated as accounting hedges	**15,000**	**55**	**-**	**-**	-	-	-	-
Total	**$ 51,203**	**$ 2,496**	**$ 5,085,052**	**$ (69,581)**	$ 279,068	$ 12,393	$ 3,466,585	$ (35,381)

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:

	2018	2017
Favourable derivative financial instruments (assets)	**$ 9,248**	$ 7,847
Unfavourable derivative financial instruments (liabilities)	**$ 49,001**	$ 19,191

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

	As at October 31, 2018				As at October 31, 2017			
	Maturity				Maturity			
	1 Year or Less		More than 1 Year		1 Year or Less		More than 1 Year	
	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate
Interest rate swaps designated as accounting hedges[(1)]	$ 1,070,000	1.72%	$ 3,838,000	1.98%	$ 1,880,000	1.24%	$ 1,673,000	1.05%
Foreign exchange contracts[(2)]	189,128	-	-	-	170,194	-	-	-
Equity swaps designated as accounting hedges[(3)]	9,233	2.85%	9,052	2.86%	9,214	2.12%	9,008	2.18%
Equity swaps not designated as accounting hedges[(4)]	5,842	2.65%	-	-	4,237	2.02%	-	-
Bond forward contracts designated as accounting hedges[(5)]	15,000	-	-	-	-	-	-	-
Total	$ 1,289,203		$ 3,847,052		$ 2,063,645		$ 1,682,008	

(1) CWB receives interest at a fixed contractual rate and pays interest on the one-month (30-day) Canadian Bankers' Acceptance rate. Interest rate swaps designated as accounting hedges outstanding at October 31, 2018 mature between January 2019 and October 2023.
(2) Foreign exchange contracts outstanding at October 31, 2018 mature between November and December 2018. The contractual interest rate is not meaningful for foreign exchange contracts.
(3) Equity swaps designated as accounting hedges outstanding at October 31, 2018 mature between June 2019 and June 2021.
(4) Equity swaps not designated as accounting hedges outstanding at October 31, 2018 mature in June 2019.
(5) Bond forward contracts outstanding at October 31, 2018 mature in December 2018.

During the year, $26,848 net unrealized after-tax losses (2017 – $ 22,089) were recorded in other comprehensive income for changes in fair value of the effective portion of derivatives designated as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged items affect income.

During the year, $994 of net gains after tax (2017 – $3,321) were reclassified to net income.

At October 31, 2018, hedged cash flows are expected to occur and affect profit or loss within the next five years (2017 – five years).

13. OTHER ASSETS

		As at October 31 2018	As at October 31 2017
Accrued interest receivable		$ 77,004	$ 67,805
Accounts receivable		60,533	36,013
Derivative collateral receivable	(Note 27)	55,550	34,660
Deferred tax asset	(Note 22)	45,877	39,701
Prepaid expenses		9,181	7,498
Income tax receivable		7,547	3,710
Financing costs[(1)]		6,480	5,682
Other		9,167	10,455
Total		$ 271,339	$ 205,524

(1) Amortization for the year amounted to $2,502 (2017 - $2,262).

14. DEPOSITS

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

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

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

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

	As at October 31 2018	As at October 31 2017
Within 1 year	$ 6,108,436	$ 6,523,479
1 to 2 years	3,830,943	3,098,182
2 to 3 years	3,344,859	1,870,404
3 to 4 years	1,320,789	1,832,669
4 to 5 years	1,500,751	937,131
Total	$ 16,105,778	$ 14,261,865

15. OTHER LIABILITIES

		October 31 2018	October 31 2017
Accounts payable and accrued liabilities		$ 290,560	$ 230,187
Accrued interest payable		164,171	126,557
Contingent consideration	(Note 26)	29,814	32,920
Provisions for committed but undrawn credit exposures and letters of credit	(Note 8)	18,264	19,586
Income taxes payable		9,794	9,413
Deferred tax liability	(Note 22)	5,745	7,252
Deferred revenue		5,534	3,970
Leasehold inducements		3,170	3,698
Derivative collateral payable	(Note 27)	-	6,670
Other		4,901	14,756
Total		$ 531,953	$ 455,009

16. DEBT

a) Debt Securities

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

	Within 1 Year	1 to 3 Years	3 to 5 Years	As at October 31 2018	As at October 31 2017
Securitized leases and loans	$ 548,218	$ 713,788	$ 217,127	$ 1,479,133	$ 1,105,180
Securitized residential mortgages	26,299	103,533	148,889	278,721	121,156
Total	$ 574,517	$ 817,321	$ 366,016	$ 1,757,854	$ 1,226,336

b) Subordinated Debentures

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

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

Interest Rate	Maturity Date	Earliest Date Redeemable by CWB at Par	As at October 31 2018	As at October 31 2017
3.463%[(1)]	December 17, 2024	December 17, 2019	$ 250,000	$ 250,000

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

17. CAPITAL STOCK

Authorized:

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

Issued and fully paid:

		2018		2017	
		Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 5					
Outstanding at beginning and end of year		5,000,000	$ 125,000	5,000,000	$ 125,000
Preferred Shares - Series 7					
Outstanding at beginning and end of year		5,600,000	140,000	5,600,000	140,000
		10,600,000	265,000	10,600,000	265,000
Common Shares					
Outstanding at beginning of year		88,494,353	731,885	88,103,120	718,377
Issued on acquisition-related contingent consideration instalment payment	(Note 26)	160,293	5,750	-	-
Issued under dividend reinvestment plan		119,174	4,248	177,731	5,280
Issued on exercise or exchange of options[(1)]		178,279	2,818	213,502	8,228
Outstanding at end of year		88,952,099	744,701	88,494,353	731,885
Share Capital			$ 1,009,701		$ 996,885

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

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

a) Common shares

On September 27, 2018, CWB announced the approval of OFSI and the Toronto Stock Exchange to repurchase for cancellation up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, under a normal course issuer bid (NCIB) during the 12 month period commencing October 1, 2018. The previous NCIB for the purchase of up to 1,767,000 common shares was for the 12 month period commencing on September 30, 2017. No common shares have been repurchased under either NCIB.

b) Preferred Shares

Non-Viability Contingent Capital Preferred Share Rights and Privileges

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

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

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

c) Dividends

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

	2018	2017
$1.00 per common share (2017 - $0.93)	$ 88,819	$ 82,107
$1.10 per preferred share - Series 5 (2017 - $1.10)	5,500	5,500
$1.56 per preferred share - Series 7 (2017 - $1.56)	8,750	8,750
Total	$ 103,069	$ 96,357

Subsequent to October 31, 2018, the Board of Directors of CWB declared a dividend of $0.26 per common share payable on January 3, 2019 to shareholders of record on December 14, 2018, a dividend of $0.275 per Series 5 preferred share payable on January 31, 2019 to shareholders of record on January 22, 2019, and a dividend of $0.390625 per Series 7 preferred share payable on January 31, 2019 to shareholders of record on January 22, 2018. With respect to these dividend declarations, no liability was recorded on the consolidated balance sheet at October 31, 2018.

d) Dividend Reinvestment Plan

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

At the option of CWB, the common shares may be issued from CWB's treasury at an average market price based on the closing prices of a board lot of common shares on the Toronto Stock Exchange (TSX) for the five trading days immediately preceding the dividend payment date, with a discount of between 0% to 5%. CWB also has the option to fund the plan through the open market at market prices. During the year, 119,174 (2017 – 177,731) common shares were issued under the plan from CWB's treasury with no discount (2017 – no discount).

18. SHARE-BASED PAYMENTS

a) Stock Options

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

CWB has authorized 6,398,728 common shares (2017 – 6,577,007) for issuance under the share incentive plan. Of the amount authorized, options exercisable into 2,833,461 shares (2017 – 3,390,759) are issued and outstanding. The outstanding options vest within three years and are exercisable at a fixed price equal to the average of the market price on the day of and the four days preceding the grant date. Options granted after 2015 expire within seven years of date of grant. Previously granted options expire within five years of date of grant. Outstanding options expire from December 2018 to March 2025.

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

	2018			2017		
Options	**Number of Options**		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance at beginning of year	**3,390,759**	**$**	**31.02**	5,205,794	$	29.63
Granted	**262,563**		**35.15**	339,630		30.84
Exercised or exchanged	**(782,769)**		**28.95**	(1,850,575)		27.17
Expired	**(37,092)**		**36.94**	(271,055)		29.67
Forfeited	**-**		**-**	(33,035)		35.91
Balance at End of Year	**2,833,461**	**$**	**31.90**	3,390,759	$	31.02
Exercisable at End of Year	**1,628,324**	**$**	**34.64**	1,787,718	$	35.34

Further details relating to stock options outstanding and exercisable follow:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
$23.70 to $26.13	1,125,615	3.0	$	24.83	522,671	$	26.13
$29.99 to $35.15	602,193	5.8		32.72	-		-
$37.50 to $39.42	1,105,653	0.4		38.66	1,105,653		38.66
Total	2,833,461	2.6	$	31.90	1,628,324	$	34.64

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 2018, option holders exchanged the rights to 782,769 (2017 – 1,850,575) options and received 178,279 (2017 – 213,502) shares in return by way of cashless settlement.

Salary expense of $1,776 (2017 – $1,931) 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 2.0% (2017 – 1.3%), (ii) expected option life of 5.0 (2017 – 5.0) years, (iii) expected annual volatility of 28% (2017 – 26%), and (iv) expected annual dividends of 2.9% (2017 – 3.1%). 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 $6.48 (2017 – $4.77) per share.

During the year, $2,818 (2017 – $8,228) was transferred from the share-based payment reserve to share capital, representing the estimated fair value recognized for 782,769 (2017 – 1,850,575) options exercised during the year.

b) Restricted Share Units

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

During the year, salary expense of $9,160 (2017 – $9,677) was recognized related to RSUs. As at October 31, 2018, the liability for the RSUs held under this plan was $10,821 (October 31, 2017 – $14,510). At the end of each period, the liability and salary expense are adjusted to reflect changes in the fair value of the RSUs.

Number of RSUs	**2018**	2017
Balance at beginning of year	**731,930**	741,244
Granted	**283,083**	360,929
Vested and paid out	**(367,752)**	(336,159)
Forfeited	**(20,447)**	(34,084)
Balance at End of Year	**626,814**	731,930

c) Performance Share Units

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

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

During the year, salary expense of $2,951 (2017 – $1,878) was recognized related to PSUs. As at October 31, 2018, the liability for the PSUs held under this plan was $5,225 (October 31, 2017 – $3,603). 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	**2018**	2017
Balance at beginning of year	**209,263**	177,579
Granted	**54,929**	58,807
Vested and paid out	**(69,959)**	(27,123)
Balance at End of Year	**194,233**	209,263

d) Deferred Share Units

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

During the year, other non-interest expenses included $858 (2017 – $804) related to the DSUs. As at October 31, 2018, the liability for DSUs held under this plan was $5,238 (October 31, 2017 – $6,281). 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	**2018**	2017
Balance at beginning of year	**172,833**	142,969
Granted	**28,888**	29,864
Paid out	**(30,652)**	-
Balance at End of Year	**171,069**	172,833

19. NON-CONTROLLING INTERESTS

Non-controlling interests relate to the following:

	As at October 31 2018	As at October 31 2017
CWB Wealth Management Ltd.	$ 2,056	$ 1,987
McLean & Partners Wealth Management Ltd.	695	810
Total	**$ 2,751**	$ 2,797

20. CONTINGENT LIABILITIES AND COMMITMENTS

a) Credit Instruments

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

	October 31 2018	October 31 2017
Credit Instruments		
Commitments to extend credit	$ 4,708,313	$ 4,063,709
Guarantees and standby letters of credit	520,775	451,486
Total	**$ 5,229,088**	$ 4,515,195

Commitments to extend credit to customers also arise in the normal course of business and include undrawn availability under lines of credit and commercial operating loans of $2,334,078 (October 31, 2017 – $2,010,830) and authorized but unfunded loan commitments of $2,374,235 (October 31, 2017 – $2,052,879). In the majority of instances, availability of undrawn commercial commitments is subject to the borrower meeting specified financial tests or other covenants regarding completion or satisfaction of certain conditions precedent. It is also usual practice to include the right to review and withhold funding in the event of a material adverse change in the financial condition of the borrower. The allowance for credit losses related to committed but undrawn credit exposures and letters of credit is included in other liabilities on the consolidated balance sheets (see Note 15). From a liquidity perspective, undrawn credit authorizations will be funded over time, with draws in many cases extending over a period of months. In some instances, authorizations are never advanced or may be reduced because of changing requirements. Revolving credit authorizations are subject to repayment which, on a pooled basis, also decreases liquidity risk.

Guarantees and standby letters of credit represent CWB's obligation to make payments to third parties when a customer is unable to make required payments or meet other contractual obligations. These instruments carry the same credit risk, recourse and collateral security requirements as loans extended to customers and generally have a term that does not exceed one year. Losses, if any, resulting from these transactions are not expected to be material.

b) Lease Commitments

CWB has obligations under long-term, non-cancellable operating leases for the rental of premises. The leases typically run 10 to 15 years, with an option to renew the lease for an additional five years. Operating leases primarily comprise branch and office premises and are not capitalized. Total costs, including free rent periods and step-rent increases, are expensed on a straight-line basis over the lease term.

Minimum future lease commitments for each of the five succeeding years and thereafter are as follows:

2019	$ 13,912
2020	13,483
2021	12,070
2022	9,667
2023	8,971
2024 and thereafter	24,338
Total	**$ 82,441**

c) Purchase Obligations

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

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

2019	$	1,856
2020		1,429
2021		1,064
Total	**$**	**4,349**

d) Guarantees

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

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

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

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

e) Legal and Regulatory Proceedings

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

21. EMPLOYEE FUTURE BENEFITS

All employee future benefits related to CWB's group retirement savings and employee share purchase plans are recognized in the periods during which services are rendered by employees. CWB's contributions to the group retirement savings plan and employee share purchase plan totaled $15,038 (2017 – $13,727).

22. INCOME TAXES

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

The provision for income taxes consists of the following:

	2018	2017
Consolidated statements of income		
Current	**$ 105,381**	$ 85,941
Deferred	**(8,504)**	(3,708)
	96,877	82,233
Other comprehensive income		
Tax expense (recovery) related to:		
Available-for-sale securities	**(7,410)**	1,642
Derivatives designated as cash flow hedges	**(10,297)**	(9,350)
	(17,707)	(7,708)
Total	**$ 79,170**	$ 74,525

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:

	2018		2017	
Combined Canadian federal and provincial income taxes and statutory tax rate	**$ 97,324**	**26.9%**	$ 83,623	26.8%
Increase (decrease) arising from:				
Tax-exempt income	**(1,708)**	**(0.4)**	(2,645)	(0.8)
Stock-based compensation	**479**	**0.1**	519	0.2
Other	**782**	**0.2**	736	0.2
Provision for Income Taxes and Effective Tax Rate	**$ 96,877**	**26.8%**	$ 82,233	26.4%

Deferred tax balances are comprised of the following:

	2018	2017
Deferred Tax Assets		
Allowance for credit losses	**$ 25,847**	$ 26,988
Leasing income	**18,608**	14,915
Deferred loan fees	**12,068**	10,875
Deferred deposit broker commission	**(8,219)**	(6,625)
Other temporary differences	**(2,427)**	(6,452)
	$ 45,877	$ 39,701
Deferred Tax Liabilities		
Intangible assets	**$ 4,373**	$ 5,547
Other temporary differences	**1,372**	1,705
	$ 5,745	$ 7,252

23. EARNINGS PER COMMON SHARE

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

The calculation of earnings per common share follows:

	2018	2017
Numerator		
Common shareholders' net income	$ 249,256	$ 214,277
Denominator		
Weighted average of common shares outstanding - basic	88,806,458	88,296,592
Dilutive instruments:		
Stock options(1)	478,441	295,586
Weighted Average Number of Common Shares Outstanding - Diluted	89,284,899	88,592,178
Earnings Per Common Share		
Basic	$ 2.81	$ 2.43
Diluted	2.79	2.42

(1) At October 31, 2018, the denominator excludes 1,368,216 (2017 – 1,556,237) of employee stock options with an average exercise price of $38.76 (2017 - $37.49), adjusted for unrecognized stock-based compensation, that is greater than the average market price.

24. RELATED PARTY TRANSACTIONS

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

Preferred Rates and Terms

CWB makes loans, primarily residential mortgages, to its officers and employees at various preferred rates and terms. The total amount outstanding for these types of loans is $147,886 (October 31, 2017 – $116,199). CWB offers deposits, primarily fixed term deposits, to its officers and employees and their immediate family at preferred rates. The total amount outstanding for these deposits is $313,004 (October 31, 2017 – $311,194).

Key Management Personnel

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

Compensation of key management personnel is as follows:

	2018	2017
Salaries, benefits and directors' compensation	$ 5,326	$ 5,106
Share-based payments (stock options, RSUs, PSUs and DSUs)(1)	3,132	2,936
Total	$ 8,458	$ 8,042

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

Loans outstanding with key management personnel totaled $190 as at October 31, 2018 (October 31, 2017 – $326). CWB's policies preclude lending to CWB's independent directors.

25. INTEREST RATE SENSITIVITY

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

Asset Liability Gap Positions

($ millions)

October 31, 2018	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Non-interest Sensitive	Total
Assets								
Cash resources and securities	$ 93	$ 105	$ 329	$ 527	$ 1,711	$ -	$ -	$ 2,238
Loans[1]	11,751	1,539	4,079	17,369	8,817	200	(181)	26,205
Other assets[2]	-	-	-	-	-	-	579	579
Derivative financial instruments[3]	15	325	760	1,100	3,847	-	189	5,136
Total	11,859	1,969	5,168	18,996	14,375	200	587	34,158
Liabilities and Equity								
Deposits	7,384	1,564	4,019	12,967	10,763	-	(30)	23,700
Securities sold under repurchase agreements	95	-	-	95	-	-	-	95
Other liabilities[2]	-	-	-	-	-	-	630	630
Debt[1]	52	104	419	575	1,433	-	-	2,008
Equity	-	-	125	125	140	-	2,324	2,589
Derivative financial instruments[3]	4,947	-	-	4,947	-	-	189	5,136
Total	12,478	1,668	4,563	18,709	12,336	-	3,113	34,158
Interest Rate Sensitive Gap	$ (619)	$ 301	$ 605	$ 287	$ 2,039	$ 200	$ (2,526)	$ -
Cumulative Gap	$ (619)	$ (318)	$ 287	$ 287	$ 2,326	$ 2,526	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	(1.8)%	(0.9)%	0.8%	0.8%	6.8%	7.4%	-	-
October 31, 2017								
Cumulative Gap	$ 351	$ 717	$ 752	$ 752	$ 1,960	$ 2,358	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	1.2%	2.4%	2.5%	2.5%	6.5%	7.8%	-	-

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

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

Weighted Average Effective Interest Rates

(%)

October 31, 2018	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total Assets	4.4%	3.5%	4.1%	4.3%	3.6%	6.0%	4.0%
Total Liabilities	1.7	2.3	2.2	1.9	2.5	-	2.1
Interest Rate Sensitive Gap	2.7%	1.2%	1.9%	2.4%	1.1%	6.0%	1.9%
October 31, 2017							
Total Assets	3.6%	3.5%	3.4%	3.5%	3.5%	4.8%	3.5%
Total Liabilities	0.7	1.7	1.8	1.1	2.2	-	2.0
Interest Rate Sensitive Gap	2.9%	1.8%	1.6%	2.4%	1.3%	4.8%	1.5%

Based on the current interest rate gap position, it is estimated that a one percentage point increase in all interest rates would increase net interest income by approximately $6,234 (October 31, 2017 – $8,324) and decrease other comprehensive income $104,554 (October 31, 2017 – $77,293) net of tax, respectively, over the following twelve months. A one-percentage point decrease in all interest rates would decrease net interest income by approximately $7,467 (October 31, 2017 – $13,226) and increase other comprehensive income $107,162 (October 31, 2017 – $76,173), net of tax.

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 CWB's significant financial instruments, such as loans and deposits, lack an available trading market as they are not typically exchanged. Therefore, these instruments have been valued assuming they will not be sold, using present value or other suitable techniques and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

Changes in interest rates are the main cause of changes in the fair value of CWB's financial instruments. The carrying value of loans, deposits, subordinated debentures and debt securities are not adjusted to reflect increases or decreases in fair value due to interest rate changes as CWB's intention is to realize their value over time by holding them to maturity.

The table below provides the carrying amount of financial instruments by category as defined in IAS 39 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, 2018[(1)]		**Derivatives**	**Loans and Receivables, and Non-trading Liabilities**	**Available-for-sale**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
Financial Assets							
Cash resources	(Note 4)	$ -	$ -	$ 153,221	$ 153,221	$ 153,221	$ -
Securities	(Note 5)	-	-	2,084,752	2,084,752	2,084,752	-
Loans[(2)]		-	26,390,375	-	26,390,375	26,551,146	160,771
Derivative related		2,496	-	-	2,496	2,496	-
Total Financial Assets		$ 2,496	$ 26,390,375	$ 2,237,973	$ 28,630,844	$ 28,791,615	$ 160,771
Financial Liabilities							
Deposits[(2)]		$ -	$ 23,743,618	$ -	$ 23,743,618	$ 23,502,200	$ (241,418)
Securities sold under repurchase agreements		-	-	95,126	95,126	95,126	-
Debt		-	2,007,854	-	2,007,854	1,942,472	(65,382)
Contingent consideration		-	29,814	-	29,814	29,814	-
Derivative related		69,581	-	-	69,581	69,581	-
Total Financial Liabilities		$ 69,581	$ 25,781,286	$ 95,126	$ 25,945,993	$ 25,639,193	$ (306,800)

October 31, 2017		Derivatives	Loans and Receivables, and Non-trading Liabilities	Available-for-sale	Total Carrying Amount	Fair Value	Fair Value Over (Under) Carrying Amount
Financial Assets							
Cash resources	(Note 4)	$ -	$ -	$ 521,796	$ 521,796	$ 521,796	$ -
Securities	(Note 5)	-	-	2,186,987	2,186,987	2,186,987	-
Loans[(2)]		-	23,365,410	-	23,365,410	23,649,806	284,396
Derivative related		12,393	-	-	12,393	12,393	-
Total Financial Assets		$ 12,393	$ 23,365,410	$ 2,708,783	$ 26,086,586	$ 26,370,982	$ 284,396
Financial Liabilities							
Deposits[(2)]		$ -	$ 21,916,584	$ -	$ 21,916,584	$ 21,874,990	$ (41,594)
Securities sold under repurchase agreements		-	-	58,358	58,358	58,358	-
Debt		-	1,476,336	-	1,476,336	1,437,516	(38,820)
Contingent consideration		-	32,920	-	32,920	32,920	-
Derivative related		35,381	-	-	35,381	35,381	-
Total Financial Liabilities		$ 35,381	$ 23,425,840	$ 58,358	$ 23,519,579	$ 23,439,165	$ (80,414)

(1) For further information on interest rates associated with financial assets and liabilities, including derivative instruments, refer to Note 25.
(2) Loans and deposits exclude deferred premiums, deferred revenue and allowances for credit losses, which are not financial instruments.

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

- Cash resources and securities are reported on the consolidated balance sheets at the fair value disclosed in Notes 4 and 5. Securities purchased under resale agreements are reported at the fair value as disclosed on the consolidated balance sheets. These values are based on quoted market prices, if available. Where a quoted market price is not readily available, other valuation techniques are based on observable market rates used to estimate fair value.

- Fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated and exclude the allowance for credit losses. For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market. For all other loans, fair value is estimated by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks.

- With the exception of derivative financial instruments and contingent consideration, other assets and other liabilities reported on the consolidated balance sheets are either not considered financial instruments, or are assumed to approximate their carrying value due to their short-term nature. Other assets and other liabilities which are not considered financial instruments include property and equipment, goodwill and other intangible assets, deferred tax asset, prepaid and deferred expenses, financing costs, deferred tax liability, deferred revenue and leasehold inducements.

- For derivative financial instruments where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

- For contingent consideration, included in other liabilities, where an active market does not exist, fair value is determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities.

- Deposits with no stated maturity are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits are determined by discounting the contractual cash flows at current market rates for deposits of similar terms.

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

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

Fair Value Hierarchy

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

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

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

b) Level 3 Financial Instruments Measured at Fair Value

The Level 3 financial liabilities measured at fair value on the consolidated balance sheet as at October 31, 2018 are related to the acquisition of CWB Maxium Financial Inc. and the divestiture related to the CWT strategic transactions (see Note 3). Fair value is determined by estimating the expected value of the contingent consideration, taking into consideration the potential financial outcomes and their associated probabilities.

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

	2018	2017
Acquisitions		
Balance at beginning of year	**$ 32,420**	$ 24,257
Acquisition-related fair value changes	**20,094**	18,295
Contingent consideration instalment payment[(1)]	**(23,000)**	(10,132)
	29,514	32,420
Divestitures		
Balance at beginning of year	**500**	-
Divestiture-related fair value changes	**(200)**	-
CWT strategic transactions	**-**	500
	300	500
Balance at End of Year	**$ 29,814**	$ 32,920

(1) Under the terms of the March 2016 purchase agreement relating to the acquisition of CWB Maxium Financial Inc., contingent consideration payment instalments will be made annually with determination of the total amount payable based on CWB Maxium Financial Inc.'s cumulative business performance over a 36-month period. Up to 50% of each contingent consideration payment may be settled with CWB common shares at the vendor's option, provided the average share price over the preceding 20 days exceeds $30.00, with the remainder to be paid in cash. CWB completed the second contingent consideration instalment payment in 2018 with cash totaling $17,250 and the issuance of 160,293 CWB common shares with a fair value of $5,750. The 2017 instalment was paid in cash.

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 to mitigate credit exposures related to these financial instruments. The agreements do not meet the netting criteria required by IAS 32 *Financial Instruments: Presentation* as the right to set-off is only enforceable in the event of default or occurrence of other predetermined events.

		Amounts not offset on the consolidated balance sheet			
As at October 31, 2018	Gross amounts reported on the consolidated balance sheets	Impact of master netting agreements	Cash collateral[(1)]	Securities received as collateral[(1)(2)]	Net amount
Financial Assets					
Derivative instruments	**$ 2,496**	**$ 2,496**	**$ -**	**$ -**	**$ -**
Financial Liabilities					
Derivative instruments	**$ 69,581**	**$ 2,496**	**$ 55,550**	**$ -**	**$ 11,535**

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

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

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

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

29. CAPITAL MANAGEMENT

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

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

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI. Capital is managed and reported in accordance with the requirements of the Basel III Capital Adequacy Accord (Basel III) using the *Standardized* approach. OSFI requires banks to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the deemed credit risk of each type of asset, a standardized weighting of 0% to 150% is assigned. As an example, a loan that is fully insured by CMHC is applied a risk weighting of 0% as CWB's risk of loss is nil, while uninsured commercial loans are assigned a risk weighting of 100% to reflect the higher level of risk associated with this type of asset. The ratio of regulatory capital to risk-weighted assets is calculated and compared to OSFI's standards for Canadian financial institutions. Off-balance sheet assets, such as the notional amount of derivatives and some credit commitments, are included in the calculation of risk-weighted assets and both the credit risk equivalent and the risk-weighted calculations are prescribed by OSFI.

The required minimum regulatory capital ratios for a bank using the *Standardized* approach for credit risk, including a 250 basis point capital conservation buffer, are 7.0% common equity Tier 1 (CET1), 8.5% Tier 1 and 10.5% Total capital. In addition, OSFI requires banks to maintain a minimum leverage ratio of 3%. The leverage ratio provides the ratio of Tier 1 capital to on-balance sheet and off-balance sheet exposures.

Basel III rules, effective January 1, 2013, provide for transitional adjustments with certain aspects of the new rules phased in between 2013 and 2019. The only available transition allowance in the Basel III capital standards permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments. The 2018 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 40% (2017 – 50%) of the balance of non-common equity instruments outstanding at January 1, 2013. At October 31, 2018 and 2017, there were no exclusions from regulatory capital related to outstanding subordinated debentures.

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

Capital Structure And Regulatory Ratios

	2018	2017
Regulatory Capital, Net of Deductions		
Common equity Tier 1	**$ 2,153,019**	$ 2,009,530
Tier 1	**2,418,231**	2,274,727
Total	**2,788,048**	2,644,071
Capital Ratios		
Common equity Tier 1	**9.2%**	9.5%
Tier 1	**10.3**	10.8
Total	**11.9**	12.5
Leverage Ratio	**8.0**	8.3

30. SUBSIDIARIES

As at October 31, 2018, CWB, either directly or indirectly through its subsidiaries, controls the following significant subsidiaries.

Canadian Western Bank Subsidiaries[(1)]

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

	Address of Head Office	Carrying Value of Voting Shares Owned by the Bank[(3)]
CWB National Leasing Inc.	1525 Buffalo Place Winnipeg, Manitoba	$ 134,458
CWB Maxium Financial Inc.	30 Vogell Road, Suite 1 Richmond Hill, Ontario	30,812
CWB Wealth Management Ltd.[(2)]	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	29,346
McLean & Partners Wealth Management Ltd.	801 10th Ave SW Calgary, Alberta	
Canadian Western Financial Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
CWB Insurance Solutions Ltd.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	
Canadian Western Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	19,136
Valiant Trust Company	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	8,080
Canadian Western Bank Leasing Inc.	Suite 3000, 10303 Jasper Avenue Edmonton, Alberta	1

(1) Unless otherwise noted, CWB, either directly or through its subsidiaries, owns 100% of the voting shares of each entity.
(2) CWB owns 89.14% of the voting shares of CWB Wealth Management Ltd.
(3) The carrying value of voting shares is stated at the cost of CWB's equity in the subsidiaries in thousands of dollars.

SHAREHOLDER INFORMATION

CWB Financial Group Corporate Headquarters

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

Transfer Agent and Registrar

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

Stock Exchange Listings

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

Shareholder Administration

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

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

Duplicated Communications

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

Direct Deposit Services

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

Eligible Dividend Designation

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

Dividend Reinvestment Plan

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

Investor Relations

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

Investor Relations Department

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

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

This 2018 Annual Report, along with our Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular, is available on our website, or will be available in due course. For additional printed copies of these reports, please contact the Investor Relations Department.

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

2019 Annual Meeting

The annual meeting of the common shareholders of Canadian Western Bank will be held in Edmonton, AB, on April 4, 2019 at The Fairmont Hotel Macdonald (Empire Ballroom) at 1:00 p.m. MT (3:00 p.m. ET).

Corporate Secretary

Bindu Cudjoe

Senior Vice President,
General Counsel and
Corporate Secretary
CWB Financial Group

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

Please contact either:

Carolyn J. Graham

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or

Robert A. Manning

Chairman of the Audit Committee
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SENIOR OFFICERS

Executive Officers

Chris H. Fowler

President and Chief Executive Officer

Carolyn J. Graham, FCPA, FCA

Executive Vice President and Chief Financial Officer

Kelly S. Blackett

Executive Vice President, Human Resources and Corporate Communications

Glen Eastwood

Executive Vice President, Business Transformation

Darrell Jones

Executive Vice President, and Chief Information Officer

Stephen Murphy

Executive Vice President, Banking

H. Bogac (Bogie) Ozdemir

Executive Vice President and Chief Risk Officer

Senior Corporate Officers

Niall Boles

Senior Vice President and Treasurer

David L. Thompson

Senior Vice President, Credit Risk Management

Bindu Cudjoe

Senior Vice President, General Counsel and Corporate Secretary

Vlad Ahmad

Senior Vice President, Operations and Transformation

Allen D. Stephen, CPA, CA

Vice President and Chief Accountant

Commercial and Retail Banking

Jeff Bowling

Senior Vice President and Regional General Manager, Prairies

Blaine Forer

Senior Vice President and Regional General Manager, British Columbia

Lester Shore

Senior Vice President and Regional General Manager, Northern Alberta

Mario Furlan

Senior Vice President, Real Estate and Specialized Lending

Jeff Wright

Senior Vice President, Client Solutions

CWB National Leasing

Michael Dubowec

President and Chief Executive Officer

CWB Optimum Mortgage

Rejean Roberge

Vice President

Canadian Western Trust

Scott Scobie

Vice President and General Manager

CWB Wealth Management

David Schaffner

President and Chief Executive Officer

McLean & Partners Wealth Management

Kevin Dehod

President and Chief Executive Officer

CWB Maxium Financial

Paul McLean

Chief Executive Officer

Daryl MacLellan

President

Ombudsman

Michael Novak

LOCATIONS

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Mike McAulay

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(204) 452-0939
Chris Voogt

CWB National Leasing Group

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

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(780) 441-2249
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motivefinancial.com

Canadian Western Trust

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

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FIVE YEAR FINANCIAL SUMMARY

($ thousands, except per share amounts)

	2018	2017	2016	2015	2014
Results from Continuing Operations(1)					
Net interest income per financial statements	**$ 724,990**	$ 642,390	$ 585,224	$ 543,472	$ 499,565
Non-interest income	**78,368**	84,245	72,672	67,948	84,305
Pre-tax, pre-provision income(2)	**436,188**	388,729	350,603	322,479	318,977
Total revenue	**803,358**	726,635	657,896	611,420	583,600
Common shareholders' net income	**249,256**	214,277	177,761	208,064	205,288
Earnings per share					
Basic	**2.81**	2.43	2.13	2.59	2.57
Diluted	**2.79**	2.42	2.13	2.59	2.54
Adjusted cash(2)	**3.01**	2.63	2.26	2.63	2.59
Return on common shareholders' equity(2)	**11.0%**	10.1%	9.3%	12.4%	13.9 %
Adjusted return on common shareholders' equity(2)	**11.9**	11.0	9.9	12.6	14.2
Return on assets(2)	**0.89**	0.85	0.73	0.97	1.05
Efficiency ratio(2)	**45.7**	46.5	46.7	47.3	45.4
Net interest margin(2)	**2.60**	2.56	2.41	2.53	2.56
Number of full-time equivalent staff	**2,178**	2,058	1,966	1,928	1,788
Results from Combined Operations(1)					
Common shareholders' net income	**$ 249,256**	$ 214,277	$ 177,761	$ 319,701	$ 218,549
Earnings per share					
Basic	**2.81**	2.43	2.13	3.97	2.73
Diluted	**2.79**	2.42	2.13	3.97	2.70
Adjusted cash(3)	**3.01**	2.63	2.26	4.01	2.76
Return on common shareholders' equity(2)	**11.0%**	10.1%	9.3%	19.1%	14.8 %
Adjusted return on common shareholders' equity(2)	**11.9**	11.0	9.9	19.3	15.1
Return on assets(2)	**0.89**	0.85	0.73	1.48	1.10
Results from Discontinued Operations(1)					
Common shareholders' net income	**$ -**	$ -	$ -	$ 111,637	$ 13,261
Earnings per share					
Basic	**-**	-	-	1.38	0.16
Diluted	**-**	-	-	1.38	0.16
Adjusted cash(2)	**-**	-	-	1.38	0.17
Per Common Share					
Average common shares outstanding (thousands)	**88,806**	88,297	83,411	80,442	80,034
Cash dividends	**$ 1.00**	$ 0.93	$ 0.92	$ 0.86	$ 0.78
Book value	**26.09**	24.82	23.58	22.18	19.52
Market price					
High	**40.83**	37.36	29.30	38.16	43.30
Low	**29.81**	23.68	19.26	21.04	32.61
Close	**30.62**	36.34	25.45	25.13	37.75
Balance Sheet and Off-Balance Sheet Summary					
Assets	**$ 29,021,463**	$ 26,447,453	$ 25,222,549	$ 22,838,527	$ 20,635,046
Cash resources, securities and repurchase agreements	**2,237,973**	2,708,783	2,791,968	2,994,534	2,697,185
Loans	**26,204,599**	23,229,239	21,961,348	19,475,383	17,536,489
Deposits	**23,699,957**	21,902,982	21,194,553	19,365,407	17,373,014
Debt	**2,007,854**	1,476,336	1,268,198	1,187,623	1,036,990
Shareholders' equity	**2,585,752**	2,461,045	2,342,040	1,910,907	1,693,527
Assets under administration	**8,368,716**	10,408,012	10,689,398	9,293,683	10,101,698
Assets under management	**2,100,802**	2,114,861	1,924,181	1,882,736	1,795,975
Capital Adequacy					
Common equity Tier 1 ratio	**9.2%**	9.5%	9.2%	8.5%	8.0 %
Tier 1 ratio	**10.3**	10.8	11.0	9.7	9.3
Total ratio	**11.9**	12.5	13.1	12.7	12.8
Other Information					
Provision for credit losses as a percentage of average loans	**0.20%**	0.23%	0.38%	0.17%	0.15 %
Net impaired loans as a percentage of total loans	**(0.03)**	0.14	-	(0.11)	(0.19)

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

(2) See page 20 for non-IFRS definitions.