

CWB reports solid financial performance led by strong loan growth

Common share dividend declared of \$0.18 per share, up 13% over the dividend declared a year earlier
Quarterly dividend declared on CWB preferred shares

Third Quarter 2013 Highlights¹ (compared to the same period in the prior year)

- Net income available to common shareholders of \$47.5 million, down 1% from the record quarterly results last year.
- Diluted earnings per common share of \$0.60, down 2%, and adjusted cash earnings per common share of \$0.61, down 3%.
- Total revenues, on a taxable equivalent basis (teb), of \$145.7 million, up 5%.
- Loan growth of 3% in the quarter, 10% year-to-date and 12% over the past twelve months.
- Net interest margin of 2.74% (teb) compared to 2.65% in the previous quarter and 2.85% in the same period last year.
- Net claims expense of \$5.0 million (\$0.05 per share) resulting from the catastrophic southern Alberta floods and \$3.3 million related to severe hailstorms contributed to an \$8.5 million decline in net insurance revenues.
- Stable Basel III regulatory capital ratios using the *Standardized* approach for calculating risk-weighted assets of 7.9% common equity Tier 1 (CET1), 9.6% Tier 1 and 13.9% total ratio.
- Completed the previously announced investment in McLean & Partners Wealth Management Ltd., a Calgary-based wealth management firm.
- Total loans and assets under administration surpassed milestones of \$15 billion and \$8 billion, respectively.

(1) Highlights include certain non-IFRS measures – refer to definitions following the table of Selected Financial Highlights on page 4.

Edmonton, August 28, 2013 – Canadian Western Bank (TSX: CWB) (CWB or the Bank) today announced solid third quarter financial performance led by strong double-digit loan growth. Compared to the record quarterly results last year, net income available to common shareholders of \$47.5 million was down 1%, while diluted earnings per common share decreased 2% to \$0.60. Adjusted cash earnings per common share declined 3% to \$0.61. Total revenues (teb) of \$145.7 million increased 5% over a year earlier as the positive contribution to net interest income from strong 12% loan growth was offset by an 11 basis point decline in net interest margin (teb). Other income was relatively unchanged as net gains on securities and growth in trust and wealth management fees combined to offset an \$8.5 million decline in net insurance revenues. Excluding net claims expense related to the catastrophic southern Alberta floods, quarterly diluted earnings per share was \$0.65, and adjusted cash earnings per share was \$0.66, up 7% and 5%, respectively.

Compared to last quarter, net income available to common shareholders increased 10% (\$4.5 million), reflecting the combined benefit of three additional revenue-earning days, a nine basis point improvement in net interest margin and strong 3% loan growth. Adjusted cash earnings per share was up 11% (\$0.06).

Year-to-date net income available to common shareholders of \$136.0 million increased 5% compared to the same period last year as the benefit of strong loan growth and higher other income was offset by the impact of a 13 basis point decline in net interest margin (teb) and increased non-interest expenses. Diluted earnings per common share increased 2% to \$1.71, while adjusted cash earnings per share declined 1% to \$1.74.

“Our solid performance this quarter includes the impacts of catastrophic flooding in June that affected many of our clients and employees in southern Alberta,” said Chris Fowler, President and CEO. “I’m very proud of how our team came together during this time and we are continuing to work hard to provide appropriate support for clients who were directly affected. This includes offering solutions that consider individual client circumstances, as well as efficiently processing property and auto insurance claims.”

“The achievement of double-digit loan growth through the first nine months demonstrates a meaningful part of CWB Group’s ongoing growth potential. The results also underscore our commitment to building strong client relationships while continuing to enhance our products and services across all lines of business.”

“Although the financial impact of the floods and subsequent hailstorms inhibited growth in total revenues, the quarterly increase in net interest margin and securities gains provided material positive offsets,” continued Mr. Fowler. “While the recent steepening of the yield curve will help to support net interest margin, the low prime lending interest rate and competitive influences will likely constrain our ability to achieve further improvement over the near term.”

On August 28, 2013, CWB's Board of Directors declared a cash dividend of \$0.18 per common share, payable on September 26, 2013 to shareholders of record on September 19, 2013. This quarterly dividend was consistent with the previous quarter and 13% (\$0.02) higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of \$0.453125 per Series 3 Preferred Share payable on October 31, 2013 to shareholders of record on October 24, 2013.

Fiscal 2013 Minimum Performance Targets and Outlook

The minimum performance targets established for the 2013 fiscal year together with CWB's actual year-to-date performance are presented in the table below:

	2013 Year-to-date Performance	2013 Minimum Targets
Net income available to common shareholders growth ⁽¹⁾	5%	8%
Total revenue (teb) growth ⁽¹⁾	7%	8%
Loan growth ⁽²⁾	12%	10%
Provision for credit losses as a percentage of average loans ⁽³⁾	0.19%	0.18% - 0.23%
Efficiency ratio (teb) ⁽⁴⁾	46.2%	46%
Return on common shareholders' equity ⁽⁵⁾	13.9%	14%
Return on assets ⁽⁶⁾	1.04%	1.05%

(1) Year-to-date performance for earnings and revenue growth is the current year results over the same period in the prior year.

(2) Loan growth is the increase over the past twelve months.

(3) Year-to-date provision for credit losses, annualized, divided by average total loans.

(4) Efficiency ratio (teb) calculated as non-interest expenses divided by total revenues (teb).

(5) Return on common shareholders' equity calculated as annualized net income available to common shareholders divided by average common shareholders' equity.

(6) Return on assets calculated as annualized net income available to common shareholders divided by average total assets.

Catastrophic southern Alberta floods in June were followed by severe hailstorms in July, and net claims expense related to these events contributed to a \$7.2 million decline in net insurance revenues compared to the first nine months of 2012. Additional claims expense that may arise as a direct result of the June floods will be covered by CWB's catastrophe reinsurance treaty. Excluding net claims expense specifically related to the southern Alberta floods, consolidated year-to-date growth in net income available to common shareholders and total revenue (teb) were 8% each, while year-to-date return on common shareholders' equity and return on assets were 14.3% and 1.07% respectively. Based on results through the first nine months and in the absence of severe weather events in the fourth quarter, all of our 2013 minimum targets are attainable, but the achievement of performance measures related to total revenue growth, profitability and efficiency will be challenging.

Year-to-date performance in relation to our targets for loan growth, net income available to common shareholders and total revenues was driven by ongoing strong activity across most of our key lending sectors and each geographic region. With the notable exception of net insurance revenues, double-digit growth across most categories of other income also provided meaningful contributions and helped to mitigate the effects of a lower net interest margin. Although net interest margin improved sequentially, primarily as a result of lower average liquidity, we expect this key metric will continue to be constrained. Net interest margin challenges and the resulting impact on total revenues also affect our key profitability measures and the efficiency ratio. We remain very attentive to the rate of growth in non-interest expenses and will continue to manage business investment in consideration of our long-term strategy, minimum performance targets and expected revenue growth. Overall credit quality remains consistent with expectations and supports our view that the annual provision for credit losses will remain below the midpoint of the 2013 target range.

The Canadian economy continues to expand at a moderate pace, resulting in low inflation and relatively stable employment levels. Economic fundamentals within the Bank's key western Canadian markets remain comparatively strong, with economic repercussions from severe summer flooding expected to be temporary. The Canadian housing market appears to be undergoing an orderly adjustment with price and volume declines concentrated in specific geographic regions. Consensus forecasts call for accelerated domestic growth in 2014, supporting our optimistic outlook for ongoing profitable growth opportunities. We look forward to providing our fourth quarter and fiscal year end results, along with minimum performance targets for 2014, on December 5, 2013.

About CWB Group

Canadian Western Bank offers a full range of business and personal banking services across the four western provinces and is the largest publicly traded Canadian bank headquartered in Western Canada. The Bank, along with its operating affiliates, National Leasing Group, Canadian Western Trust, Valiant Trust, Canadian Direct Insurance, Canadian Western Financial, Adroit Investment Management, and McLean & Partners Wealth Management, collectively offer a diversified range of financial services across Canada and are together known as the CWB Group. The common shares of Canadian Western Bank are listed on the Toronto Stock Exchange under the trading symbol "CWB". The Bank's Series 3 Preferred Shares trade on the Toronto Stock Exchange under the trading symbol "CWB.PR.A". Refer to www.cwb.com for additional information.

Fiscal 2013 Third Quarter Results Conference Call

CWB's quarterly conference call and live audio webcast took place on August 29, 2013 at 2:00 p.m. ET. The webcast will be archived on the Bank's website at cwb.com for sixty days.

A replay of the conference call will be available until September 12, 2013 by dialing 905-694-9451 (Toronto) or 1-800-408-3053 (toll-free) and entering passcode 6674131.

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Selected Financial Highlights

(unaudited) (\$ thousands, except per share amounts)	For the three months ended			Change from July 31 2012	For the nine months ended			Change from July 31 2012
	July 31 2013	April 30 2013	July 31 2012		July 31 2013	July 31 2012	July 31 2012	
Results of Operations								
Net interest income (teb – see below)	\$ 122,702	\$ 113,576	\$ 115,217	6 %	\$ 351,027	\$ 330,326	6 %	
Less teb adjustment	2,161	2,000	2,086	4	6,076	7,164	(15)	
Net interest income per financial statements	120,541	111,576	113,131	7	344,951	323,162	7	
Other income	23,032	23,390	22,933	-	68,801	61,979	11	
Total revenues (teb)	145,734	136,966	138,150	5	419,828	392,305	7	
Total revenues	143,573	134,966	136,064	6	413,752	385,141	7	
Net income available to common shareholders	47,484	42,988	48,004	(1)	135,954	129,152	5	
Earnings per common share								
Basic ⁽¹⁾	0.60	0.54	0.62	(3)	1.72	1.69	2	
Diluted ⁽²⁾	0.60	0.54	0.61	(2)	1.71	1.68	2	
Adjusted cash ⁽³⁾	0.61	0.55	0.63	(3)	1.74	1.75	(1)	
Return on common shareholders' equity ⁽⁴⁾	14.0 %	13.4 %	16.1 %	(210) bp	13.9 %	15.4 %	(150) bp ⁽⁵⁾	
Return on assets ⁽⁶⁾	1.06	1.00	1.19	(13)	1.04	1.10	(6)	
Efficiency ratio (teb) ⁽⁷⁾	45.9	47.3	42.8	310	46.2	44.2	200	
Efficiency ratio	46.6	48.0	43.4	320	46.9	45.0	190	
Net interest margin (teb) ⁽⁸⁾	2.74	2.65	2.85	(11)	2.68	2.81	(13)	
Net interest margin	2.69	2.60	2.80	(11)	2.64	2.75	(11)	
Provision for credit losses as a percentage of average loans	0.20	0.19	0.19	1	0.19	0.20	(1)	
Per Common Share								
Cash dividends	\$ 0.18	\$ 0.17	\$ 0.16	13 %	\$ 0.52	\$ 0.46	13 %	
Book value	17.06	16.82	15.56	10	17.06	15.56	10	
Closing market value	28.92	28.46	26.27	10	28.92	26.27	10	
Common shares outstanding (thousands)	79,372	79,171	78,319	1	79,372	78,319	1	
Balance Sheet and Off-Balance Sheet Summary								
Assets	\$ 17,926,556	\$ 17,779,280	\$ 16,033,025	12 %				
Loans	15,282,875	14,884,553	13,642,414	12				
Deposits	14,962,142	14,780,315	13,455,398	11				
Debt	852,789	897,183	603,931	41				
Shareholders' equity	1,563,103	1,540,971	1,428,090	9				
Assets under administration	8,209,949	7,821,089	6,830,282	20				
Assets under management	1,811,068	904,730	814,498	122				
Capital Adequacy⁽⁹⁾								
Common equity Tier 1 ratio	7.9 %	8.0 %	n/a %	n/a bp				
Tier 1 ratio	9.6	9.7	10.5	(90)				
Total ratio	13.9	14.1	13.7	20				

n/a – not applicable

(1) Basic earnings per common share (EPS) is calculated as net income available to common shareholders divided by the average number of common shares outstanding.

(2) Diluted EPS is calculated as net income available to common shareholders divided by the average number of common shares outstanding adjusted for the dilutive effects of stock options.

(3) Adjusted cash EPS is diluted EPS excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges mainly related to the acquisition of National Leasing Group Inc. and are not considered indicative of ongoing business performance. The effect of the non-tax deductible change in the fair value of contingent consideration was eliminated in the third quarter of 2012 on the settlement of such consideration. The Bank believes the adjusted results provide a better understanding about how management views CWB's performance.

(4) Return on common shareholders' equity is calculated as annualized net income available to common shareholders divided by average common shareholders' equity.

(5) bp – basis point change.

(6) Return on assets is calculated as annualized net income available to common shareholders divided by average total assets.

(7) Efficiency ratio is calculated as non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration.

(8) Net interest margin is calculated as annualized net interest income divided by average total assets.

(9) As of January 1, 2013, the Office of the Superintendent of Financial Institutions Canada (OSFI) adopted a new capital management framework called Basel III and capital is managed and reported in accordance with those requirements. Capital ratios prior to fiscal 2013 have been calculated using the previous framework, Basel II. Capital ratios calculated under Basel III are not directly comparable to the equivalent Basel II measures.

Taxable Equivalent Basis (teb)

Most banks analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by International Financial Reporting Standards (IFRS) and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-IFRS Measures

Taxable equivalent basis, adjusted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, common equity Tier 1, Tier 1 and total capital adequacy ratios, average balances, claims loss ratio, expense ratio and combined ratio do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other banks.

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), dated August 28, 2013, should be read in conjunction with Canadian Western Bank's (CWB or the Bank) unaudited condensed interim consolidated financial statements for the period ended July 31, 2013, and the audited consolidated financial statements and MD&A for the year ended October 31, 2012, available on SEDAR at www.sedar.com and the Bank's website at www.cwb.com.

Forward-looking Statements

From time to time, the Bank makes written and verbal forward-looking statements. Statements of this type are included in the Annual Report and reports to shareholders and may be included in filings with Canadian securities regulators or in other communications such as press releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about the Bank's objectives and strategies, targeted and expected financial results and the outlook for the Bank's businesses or for the Canadian economy. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could."

By their very nature, forward-looking statements involve numerous assumptions. A variety of factors, many of which are beyond the Bank's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general business and economic conditions in Canada including the volatility and lack of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, regulatory and legal developments, the level of competition in the Bank's markets, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, the accuracy of and completeness of information the Bank receives about customers and counterparties, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, reliance on third parties to provide components of the Bank's business infrastructure, changes in tax laws, technological developments, unexpected changes in consumer spending and saving habits, timely development and introduction of new products, and management's ability to anticipate and manage the risks associated with these factors. It is important to note that the preceding list is not exhaustive of possible factors.

These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause the Bank's actual results to differ materially from the expectations expressed in such forward looking statements. Unless required by securities law, the Bank does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

Assumptions about the performance of the Canadian economy in 2013 and how it will affect CWB's businesses are material factors the Bank considers when setting its objectives. In setting minimum performance targets for fiscal 2013, management's assumptions included: modest economic growth in Canada aided by positive relative performance in the four western provinces; relatively stable energy and other commodity prices; sound credit quality with actual losses remaining within the Bank's historical range of acceptable levels; and, a lower net interest margin attributed to expectations for a prolonged period of very low interest rates due to uncertainties about the strength of global economic recovery and other macroeconomic indicators. Management's assumptions at the end of the third quarter remained relatively unchanged compared to those at the 2012 fiscal year end.

Potential risks that would have a material adverse impact on the Bank's economic expectations and forecasts include a global economic recession spurred by unfavourable developments in the euro zone, a recession in the United States, a meaningful slowdown in China's economic growth, or a significant and sustained deterioration in Canadian residential real estate prices. At the end of the third quarter, management's expectations and view of the potential risks were relatively consistent with the 2012 fiscal year end. However, ongoing capacity challenges for exporting Canadian crude oil may have a greater than expected impact on both the overall level of future capital investment and government fiscal flexibility within the Bank's key markets.

Management's Discussion and Analysis

Overview

CWB reported solid third quarter performance led by the achievement of strong loan growth of 3% in the quarter, 10% year-to-date and 12% over the past twelve months. Compared to the record third quarter results last year, net income available to common shareholders of \$47.5 million was down 1% (\$0.5 million), as the full benefit of strong loan growth was offset by the impact of ongoing pressure on net interest margin and higher non-interest expenses. Total other income was relatively unchanged from a year earlier and includes an \$8.5 million decline in net insurance revenues mainly resulting from claims expense related to Alberta's catastrophic floods and severe hailstorms. Diluted earnings per common share was down 2% (\$0.01) to \$0.60. Adjusted cash earnings per common share, which excludes non-tax deductible changes in fair value of contingent consideration and the after-tax amortization of acquisition-related intangible assets, decreased 3% to \$0.61.

Compared to the previous quarter, net income available to common shareholders increased 10% (\$4.5 million) reflecting the positive revenue impact of three additional revenue-earning days, an improved net interest margin and loan growth. Within other income, a \$3.9 million increase in net gains on securities and a \$2.7 million contribution from the 'other' component of other income combined to lessen the impact of an \$8.4 million decline in net insurance revenues. An increase of \$2.1 million in non-interest expenses was mainly attributed to the Bank's investment in McLean & Partners Wealth Management Ltd. (McLean & Partners), and was more than offset by the related revenue contribution.

On a year-to-date basis, net income available to common shareholders was up 5% (\$6.8 million) to \$136.0 million, while diluted earnings per common share increased 2% (\$0.03) to \$1.71. Adjusted cash earnings per common share declined 1% to \$1.74. The difference in the rate of growth between diluted and adjusted cash earnings per share relates to the exclusion in adjusted cash earnings per share of the non-tax deductible change in fair value of contingent consideration related to the 2010 acquisition of National Leasing and the after-tax amortization of acquisition-related intangible assets. The lower growth rate of adjusted cash earnings per share compared to net income available to common shareholders reflects the foregoing, as well as the impact of CWB common shares issued in the third quarter of 2012 in settlement of the contingent consideration associated with National Leasing. Growth in total revenues (teb) of 7% (\$27.5 million) was driven by a 6% (\$20.0 million) increase in net interest income (teb) and 11% (\$6.8 million) growth in other income. The year-to-date net interest margin (teb) of 2.68% was 13 basis points lower than the prior year while non-interest expenses were up 11% (\$19.5 million).

Third quarter return on common shareholders' equity (ROE) of 14.0% was 210 basis points lower than the same period in 2012, but up 60 basis points compared to the prior quarter. Year-to-date ROE of 13.9% was 150 basis points lower than the same period last year. Third quarter return on assets of 1.06% compares to 1.19% a year earlier and 1.00% last quarter. Year-to date return on assets was 1.04%, compared to 1.10% in 2012.

Investment in McLean & Partners

On May 17, 2013, CWB completed its previously announced strategic acquisition of 55% ownership of McLean & Partners, a Calgary-based wealth management company. The investment complements CWB's existing wealth management businesses and supports the Bank's strategic objectives to deepen client relationships, diversify revenue and augment future earnings growth. At the outset, the acquisition is slightly accretive to adjusted earnings per common share, but has a modest negative impact on the efficiency ratio. There was no material impact on capital ratios. The addition of McLean & Partners' \$896 million of assets under management brings CWB's total to \$1,811 million as at July 31, 2013.

Total Revenues (teb)

Total revenues, comprised of both net interest income (teb) and other income, grew 5% (\$7.6 million) compared to the same quarter in 2012 and 6% (\$8.8 million) over previous quarter to reach \$145.7 million. Year-to-date total revenues were \$419.8 million, up 7% (\$27.5 million) compared to the same period last year.

Net Interest Income (teb)

Q3 2013 vs. Q3 2012

Net interest income of \$122.7 million was up 6% (\$7.5 million) over the same quarter last year as the revenue contribution from strong loan growth of 12% was offset by an 11 basis point reduction in net interest margin to 2.74%. The change in net interest margin mainly resulted from lower loan yields reflecting the combined impact

Management's Discussion and Analysis

of sustained very low interest rates and ongoing competitive influences, as well as lower loan fees and payout penalties, partially offset by more favourable fixed term deposit costs.

Q3 2013 vs. Q2 2013

Compared to the previous quarter, net interest income was up 8% (\$9.1 million) reflecting the combination of three additional revenue-earning days, a nine basis point increase in net interest margin (teb) and ongoing loan growth. The sequential increase in net interest margin primarily resulted from implementation of the Bank's strategy to reduce average liquidity to a prudent level based on the current economic environment.

YTD 2013 vs. YTD 2012

Year-to-date net interest income of \$351.0 million increased 6% (\$20.7 million) as the benefit of strong 10% loan growth was offset by a 13 basis point reduction in net interest margin (teb) to 2.68%. The change in net interest margin on a year-to-date basis was primarily driven by lower yields on loans and securities, including reduced loan fees and payout penalties, partially offset by more favourable fixed term deposit costs.

Interest rate sensitivity

Note 13 to the unaudited interim consolidated financial statements summarizes the Bank's exposure to interest rate risk as at July 31, 2013. The estimated sensitivity of net interest income to a change in interest rates is presented in the table below. The amounts represent the estimated change in net interest income that would result over the following twelve months from a one-percentage point change in interest rates. The estimates are based on a number of assumptions and factors, which include:

- a constant structure in the interest sensitive asset and liability portfolios;
- floor levels for various deposit liabilities;
- interest rate changes affecting interest sensitive assets and liabilities by proportionally the same amount and applied at the appropriate repricing dates; and,
- no early redemptions.

(\$ thousands)	July 31 2013	April 30 2013	July 31 2012
Estimated impact on net interest income of a 1% increase in interest rates			
1 year	\$ 15,324	\$ 20,425	\$ 12,943
1 year percentage change	3.6 %	4.9 %	3.2 %
Estimated impact on net interest income of a 1% decrease in interest rates			
1 year	\$ (25,267)	\$ (28,260)	\$ (19,267)
1 year percentage change	(5.9) %	(6.8) %	(4.7) %

Higher sensitivity to a decrease in rates is due to asymmetry in the impact of falling rates on loans and deposits. A decrease of one-percentage point in rates is assumed to reduce loan yields by an equivalent amount. However, the assumed change in total deposit costs is lower because deposits yielding less than one percent at the beginning of the period are only adjusted to zero.

In addition to the projected changes in net interest income noted above, it is estimated that a one-percentage point increase in all interest rates at July 31, 2013 would decrease unrealized gains related to available-for-sale securities and the fair value of interest rate swaps designated as hedges, and result in a reduction in other comprehensive income of approximately \$12.7 million, net of tax (July 31, 2012 – \$9.7 million). It is estimated that a one-percentage point decrease in all interest rates at July 31, 2013 would result in a higher level of unrealized gains related to available-for-sale securities and increase the fair value of interest rate swaps designated as hedges, which would increase other comprehensive income by approximately \$12.7 million, net of tax (July 31, 2012 – \$9.7 million).

Management maintains the asset liability structure and interest rate sensitivity within the Bank's established policies through pricing and product initiatives, as well as the use of interest rate swaps and other appropriate strategies.

Outlook for net interest margin

Looking forward, improvement in net interest margin over this quarter is unlikely in the absence of increases in the prime lending interest rate and/or a persistent steepening of the interest rate curve. Management maintains its strategic focus on mitigating the earnings impact of ongoing margin pressure through an emphasis on achieving higher relative growth in better yielding loan portfolios with an acceptable risk profile, improving the deposit mix to lower the overall cost of funds, prudently managing liquidity levels and increasing contributions from other income sources.

Management's Discussion and Analysis

Other Income

Q3 2013 vs. Q3 2012

Third quarter other income of \$23.0 million was relatively consistent with the same quarter last year, but the composition varied considerably. Negative net insurance revenues of \$2.2 million represented an \$8.5 million decline as a result of the significant impact on net claims expense from Alberta's catastrophic floods and severe hailstorms. Net gains on securities of \$7.0 million increased \$5.1 million mainly reflecting the realization of gains owing to unexpectedly strong performance within the Bank's portfolio of common shares. Based on the level of gains realized and the current composition of the securities portfolio, including a significant increase toward quarter-end in the level of unrealized losses on preferred shares, net gains on securities are not expected to provide a meaningful source of revenue in the fourth quarter. Trust and wealth management services revenue was up 49% (\$2.2 million), primarily reflecting the addition of McLean & Partners, which contributed \$2.0 million of the overall increase. The 'other' category of other income increased 28% (\$0.6 million) owing to gains realized on the sale of \$66 million of insured residential mortgages. Credit related fee income increased 9% (\$0.5 million).

Q3 2013 vs. Q2 2013

Other income was down 2% (\$0.4 million) compared to the previous quarter as an \$8.4 million decline in net insurance revenues, reflecting Alberta weather events, was largely offset by the combination of a \$3.9 million increase in net gains on securities, a \$2.6 million higher contribution from the 'other' component of other income and \$1.5 million growth in trust and wealth management revenue. The aforementioned gains realized on the sale of residential mortgages accounted for the increase in 'other' other income, while higher trust and wealth management revenue was driven by the addition of McLean & Partners. Credit related fee income increased 8% (\$0.4 million), while retail services fees were 14% (\$0.4 million) lower.

YTD 2013 vs. YTD 2012

Year-to-date other income of \$68.8 million was up 11% (\$6.8 million) compared to 2012 driven by strong, double-digit increases in all categories except net insurance revenues and foreign exchange gains. Net insurance revenues were \$7.2 million lower as growth in net earned premiums was more than offset by claims expense mainly related to the Alberta floods and severe hailstorms. Net gains on securities increased 82% (\$5.7 million). Trust and wealth management income was up 20% (\$2.9 million) inclusive of a \$2.0 million contribution from McLean & Partners. The elimination of charges for contingent consideration fair value changes accounted for \$2.5 million of the positive difference in other income compared to last year. Credit related fee income increased 11% (\$1.5 million), in line with overall loan growth. The 'other' category of other income was up 26% (\$0.8 million) mainly driven by gains recognized on the sale of insured residential mortgages, while retail services contributions increased 10% (\$0.7 million).

Credit Quality

Overall credit quality reflects continued strong underwriting practices and relatively stable levels of economic activity in Western Canada despite slower growth in the global economy. Gross impaired loans at July 31, 2013 of \$72.7 million remained very low in relation to total loans outstanding and compare to \$61.6 million last quarter and \$70.2 million a year earlier. The increase in the dollar level of gross impaired loans this quarter is consistent with normal fluctuations and was not affected by the impact of floods in southern Alberta.

(unaudited) (\$ thousands)	For the three months ended			Change from July 31 2012
	July 31 2013	April 30 2013	July 31 2012	
Gross impaired loans, beginning of period	\$ 61,623	\$ 55,734	\$ 87,873	(30) %
New formations	23,285	19,923	13,434	73
Reductions, impaired accounts paid down or returned to performing status	(9,086)	(10,158)	(28,233)	(68)
Write-offs	(3,083)	(3,876)	(2,833)	9
Total⁽¹⁾	\$ 72,739	\$ 61,623	\$ 70,241	4 %
Balance of the ten largest impaired accounts	\$ 42,831	\$ 33,189	\$ 32,444	32 %
Total number of accounts classified as impaired ⁽³⁾	142	131	116	22
Gross impaired loans as a percentage of total loans ⁽⁴⁾	0.48 %	0.41 %	0.51 %	(3) bp ⁽²⁾

(1) Gross impaired loans include foreclosed assets held for sale with a carrying value of \$6,857 (April 30, 2013 – \$7,256 and July 31, 2012 – \$11,721).

(2) bp – basis point change.

(3) Total number of accounts excludes National Leasing.

(4) Total loans do not include an allocation for credit losses or deferred revenue and premiums.

Management's Discussion and Analysis

The dollar level of gross impaired loans represented 0.48% of total loans at quarter end, compared to 0.41% last quarter and 0.51% one year ago. As at July 31, 2013, the collective allowance for credit losses exceeded the balance of impaired loans, net of specific allowances. The total allowance for credit losses (collective and specific) represented 116% of gross impaired loans at quarter end, compared to 129% last quarter and 114% one year ago. The total allowance for credit losses was \$84.5 million at July 31, 2013, compared to \$79.5 million last quarter and \$79.8 million a year earlier.

The dollar level of gross impaired loans fluctuates as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures. Specific allowances for expected write-offs are established through detailed analyses of both the overall quality and ultimate marketability of the security held against impaired accounts. Actual credit losses are expected to remain within the Bank's historical range of acceptable levels.

The provision for credit losses measured against average loans was 20 basis points in the quarter and 19 basis points year-to-date. This compares to 19 basis points in the previous quarter and 20 basis points through the first nine months last year. Based on the current environment and expectations for credit quality looking forward, management believes the annual provision for credit losses will remain below the midpoint of the 2013 target range of 18 to 23 basis points.

Impact of southern Alberta floods on the loan portfolio

A total of 21 residential mortgages with a combined authorized dollar value of \$8.6 million were identified as potentially impacted by the floods, but none have been classified as impaired. All residential mortgage discussions have confirmed that insurance is in force and clients are proceeding with claims on their respective properties, including, where applicable, provincial disaster relief applications. Flooding also temporarily compromised the ability of many businesses in the affected regions to operate. The Bank identified 13 potentially affected business clients where property inspections were completed by CWB staff. These inspections confirmed no extensive damage to any of the affected clients' operations or property securing CWB advances. With the information available at August 28, 2013, management expects the collective allowance for credit losses is sufficient to absorb any flood-related losses that may be identified in the future.

Non-interest Expenses

One of management's key priorities is to deliver strong long-term growth while maintaining effective control of costs. Significant anticipated expenditures relate to additional staff complement to support ongoing growth, as well as expanded infrastructure and further investment in technology. This strategy is aligned with a commitment to maximize long-term shareholder value and is expected to provide material benefits in future periods. Work toward implementation of a new core banking system is well underway. Current plans estimate completion of this very significant technology project in 2015 based on an initial capital budget of \$50 million. Upgrades and expansion of branch infrastructure are also ongoing. Compliance with an increasing level of regulatory rules and oversight for all Canadian banks requires the investment of both time and resources, which further contributes to higher non-interest expenses.

Q3 2013 vs. Q3 2012

Quarterly non-interest expenses of \$67.0 million were up 13% (\$7.8 million) compared to the same quarter last year primarily reflecting 12% (\$4.7 million) higher salaries and benefits and a 21% (\$2.1 million) increase in general expenses. Of the \$7.8 million total increase in non-interest expenses, \$1.5 million (19%) reflects the current quarter addition of McLean & Partners. The overall change in salaries and benefits, excluding McLean & Partners, mainly resulted from higher compensation expense associated with a larger staff complement to support ongoing growth across all businesses. Increases in stock-based and variable compensation were influenced by both the increase in staff complement and a higher number of employees participating in the Bank's long-term incentive plan. The change in general expenses was driven by increases of \$0.3 million each in deposit insurance premiums and employee training, as well as a \$0.2 million increase in community investment. Employee training costs relate to delivery of the Bank's *Being Crucial* training program to almost all client-facing account managers within the branch network. Premises and equipment expense was 11% (\$1.1 million) higher primarily due to increases in direct computer costs, ongoing upgrades to existing technology and infrastructure, and costs associated with the opening of a new full-service branch in Winnipeg, Manitoba in the latter part of 2012.

Management's Discussion and Analysis

Q3 2013 vs. Q2 2013

Compared to the previous quarter, non-interest expenses were up 3% (\$2.1 million), with the addition of McLean & Partners accounting for 76% (\$1.5 million) of the difference. Excluding the contribution of McLean & Partners, the change in composition of non-interest expense mainly reflected \$1.2 million lower marketing and business development costs, offset by expenses related to salaries and benefits, employee training, regulatory costs and professional services.

YTD 2013 vs. YTD 2012

Year-to-date non-interest expenses were up 11% (\$19.5 million) over 2012 reflecting a 12% (\$13.7 million) increase in salaries and benefits driven by staff complement, annual salary increments, and higher stock-based and variable compensation. General expenses rose 9% (\$2.8 million), while premises and equipment costs were up 10% (\$2.8 million).

Efficiency ratio

The third quarter efficiency ratio (teb), which measures non-interest expenses as a percentage of total revenues (teb), was 45.9%, compared to 42.8% in the third quarter last year and 47.3% in the previous quarter. The improvement compared to the prior quarter mainly reflects the combined positive impact of three additional revenue-earning days and an improved net interest margin, partially offset by the modest negative impact from McLean & Partners. Excluding claims expense specifically related to the catastrophic southern Alberta floods, the third quarter efficiency ratio was 44.4%. The negative change in the efficiency ratio compared to the same quarter last year reflects constrained revenue growth resulting from the year-over-year decline in net interest margin, increased non-interest expenses to facilitate business growth, and the impact of McLean & Partners, partially offset by the benefit of strong loan growth. Based on the year-to-date efficiency ratio of 46.2%, and in consideration of expected fourth quarter revenues and planned expenditures, management believes its 2013 efficiency ratio target of 46% or better is attainable, but it will be challenging.

Income Taxes

The third quarter effective income tax rate (teb) was 25.2%, compared to 26.2% in the same quarter last year. The effective income tax rate (teb) for the first nine months of 2013 was 25.6%, down 100 basis points from the same period one year ago reflecting the non-tax deductible charge related to the 2012 fair value contingent consideration changes and a 150 basis point decrease in the basic federal income tax rate effective on January 1, 2012.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of income taxes, and totaled \$37.7 million for the third quarter, compared to \$50.5 million in the same period last year. The net decrease in comprehensive income was driven by unrealized losses from changes in fair value of available-for-sale securities of \$10.4 million and a slight decline in net income. The change in fair value of available-for-sale securities mainly relates to declines in the market value of the Bank's preferred share portfolio. Fluctuations in the value of preferred shares are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve. Market fluctuations during the third quarter, particularly the impact of a steepening interest rate curve, led to a 5% decline in the reference S&P/TSX preferred share ladder index, compared to a 4% decline in fair value of the Bank's preferred share portfolio. While the combined dollar investment in preferred shares and common equities is relatively small in relation to total liquid assets, it increases the potential for comparatively larger fluctuations in OCI.

Year-to-date comprehensive income of \$140.6 million was down from \$146.9 million in 2012 mainly resulting from an increase in unrealized losses from changes in fair value of available-for-sale securities. The 5% (\$7.1 million) increase in net income was more than offset by the realization of \$9.4 million of gains on securities, net of tax, through the income statement, and a \$2.5 million loss, net of tax, from changes in fair value of available-for-sale securities, primarily reflecting market dynamics for preferred shares, described above.

Balance Sheet

Total assets increased 1% (\$147 million) in the quarter, 6% (\$1,053 million) year-to-date and 12% (\$1,894 million) in the past year to reach \$17,927 million at July 31, 2013.

Management's Discussion and Analysis

Cash and Securities

Cash and securities totaled \$2,285 million at July 31, 2013, compared to \$2,077 a year earlier and \$2,545 million at the end of last quarter. In a manner consistent with the Bank's asset/liability policies and in view of the current economic environment, management prudently reduced average liquidity through the third quarter. Net unrealized losses recorded on the balance sheet of \$4.5 million compare to unrealized gains of \$16.5 million last quarter and \$12.1 million a year earlier, with the differences mainly reflecting a decrease in the market value of preferred shares and the realization of gains on common shares. The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common equities that are not held for trading purposes and, where applicable, are typically held until maturity. As discussed above, fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve. Fluctuations during the current period mainly relate to steepening of the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares.

Net realized gains on securities in the third quarter of \$7.0 million compare to \$1.9 million in the same period last year and \$3.1 million in the previous quarter. Year-to-date net gains of \$12.8 million reflect favourable market conditions that prompted the realization of gains following unexpectedly strong performance within the common share portfolio. Based on the level of gains realized and current composition of the securities portfolio, including a significant quarterly increase in the level of unrealized losses on preferred shares, net gains on securities are not expected to provide a meaningful source of revenue in the fourth quarter. The Bank has no direct investment in any non-Canadian sovereign debt or other securities issued outside of Canada or the United States.

Treasury Management

Assuming a supportive economic environment continues and following the prudent reduction of liquidity described above, management expects average liquidity to remain relatively consistent with the current level going forward.

DBRS Limited maintains published credit ratings on the Bank's senior debt (deposits), short-term debt, subordinated debentures and preferred shares of "A (low)", "R1 (low)", "BBB (high)", and "Pfd-3 (high)", respectively, all with a stable outlook. Credit ratings do not comment on market price or suitability of any financial instrument for a particular investor and are not recommendations to purchase, sell or hold securities. Ratings are subject to revision or withdrawal at any time by the rating organization. Management believes the ratings widen the base of clients and investors who can participate in CWB's offerings, while also lowering overall funding costs and the cost of capital. The successful launch of a Bearer Deposit Note (BDN) program during the quarter exemplifies the funding diversification available to the Bank on the basis of its credit ratings. Refer to the *Deposits* section of this MD&A for additional details of the BDN program.

The Basel Committee on Banking Supervision (the Basel Committee) has issued a framework document outlining two new liquidity standards. The document prescribes the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as minimum regulatory standards beginning in 2015 and 2018, respectively. The LCR establishes a common measure of liquidity risk and requires institutions to maintain sufficient liquid assets to cover a minimum of 30 days of cash flow requirements in a stressed situation. The NSFR describes a second common measure of liquidity establishing a minimum acceptable amount of stable funding based on the liquidity characteristics of a financial institution's assets and activities over a one-year horizon. Although the Basel Committee has introduced a phase-in period for compliance with LCR guidelines, Canadian banks will be required to fully comply with the LCR regulations in 2015 with no phase-in. The Basel Committee issued an additional Consultative Document during the quarter, discussing qualitative and quantitative disclosure standards related to the LCR. Based on its review of the relevant standards, CWB believes it is well positioned to comply with these new requirements.

Loans

Total loans grew 3% (\$398 million) in the quarter, 10% (\$1,329 million) year-to-date and 12% (\$1,640 million) in the past twelve months to reach \$15,283 million. Measured in dollar terms, sequential growth by lending sector was led by commercial mortgages (\$133 million), real estate project loans (\$105 million), equipment financing and leasing (\$104 million) and general commercial loans (\$91 million). Personal loans and mortgages grew \$32 million, net of the sale of \$66 million of insured residential mortgages, and oil and gas production loans were up \$8 million. The corporate lending portfolio decreased by \$70 million.

Management's Discussion and Analysis

Equipment financing and leasing led growth by lending sector both year-to-date and year-over-year, with growth in dollar terms of \$372 million and \$454 million, respectively. Commercial mortgages followed with growth of \$327 million year-to-date and \$332 million year-over-year. Growth in real estate project loans was also strong at \$314 million year-to-date and \$267 million compared to a year earlier, as opportunities to finance well capitalized developers on the basis of sound loan structures and acceptable pre-sale levels were above management's expectations at the onset of 2013. Growth in general commercial lending activity was \$224 million year-to-date and \$362 million compared to July 31, 2012. Measured by geographic concentration on a year-to-date basis, lending activity in British Columbia showed the highest growth in dollar terms, followed by Alberta, Ontario, Saskatchewan and Manitoba.

(unaudited) (\$ millions)	July 31 2013	April 30 2013	October 31 2012	July 31 2012
General commercial loans	\$ 3,403	\$ 3,312	\$ 3,179	\$ 3,041
Commercial mortgages	3,257	3,124	2,930	2,925
Equipment financing and leasing	2,870	2,766	2,498	2,416
Personal loans and mortgages	2,410	2,378	2,292	2,210
Real estate project loans	2,196	2,091	1,882	1,929
Corporate lending ⁽¹⁾	941	1,011	912	873
Oil and gas production loans	290	282	342	328
Total loans outstanding ⁽²⁾	\$ 15,367	\$ 14,964	\$ 14,035	\$ 13,722

⁽¹⁾ Corporate lending represents a diversified portfolio that is centrally sourced and administered through a designated lending group located in Edmonton. These loans include participation in select syndications that are structured and led primarily by the major Canadian banks, but exclude participation in various other syndicated facilities sourced through relationships developed at CWB branches.

⁽²⁾ Loans by lending sector exclude the allowance for credit losses.

While strong competition from domestic banks and other financial services firms will continue to influence market dynamics across most lending areas, management believes business will be gained from the combined positive influences of a strong client value proposition, enhanced training of client-facing account managers, expanded market presence and increased brand awareness in core geographic markets. CWB's strategic plan is focused on further enhancing existing competitive advantages in business banking, with complementary offerings in personal banking, equipment leasing and other key business areas. The minimum loan growth target for 2013 has been met in the first nine months based on sound credit discipline. The current overall outlook for generating ongoing profitable loan growth remains positive.

Consensus forecasts for Canada's domestic economy remain largely unchanged from the prior quarter, anticipating an acceleration of economic growth in 2014 and 2015. Moderate economic expansion is expected to continue through the remainder of 2013, with relatively stronger regional activity forecasted for the western provinces. The probability of broad and dramatic price declines in domestic housing markets appears to be reducing as overall conditions continue to soften in certain regions at a modest pace. Housing affordability in most markets remains within historical ranges, largely reflecting ongoing very low interest rates and stable employment levels.

Optimum Mortgage

Total loans of \$1,139 million within the broker-sourced residential mortgage business, Optimum Mortgage (Optimum), represented a decline of 1% (\$7 million) compared to the prior quarter, and increases of 4% (\$47 million) year-to-date and 9% (\$92 million) year-over-year. Adjusted for the sale of residential mortgage portfolios totaling \$66 million in the third quarter and \$29 million in the first quarter, Optimum's loan growth was 5% (\$59 million) compared to the prior quarter, 13% (\$142 million) year-to-date and 18% (\$187 million) year-over-year. Growth was driven almost exclusively by alternative mortgages secured via conventional residential first mortgages carrying a weighted average loan-to-value ratio at initiation of approximately 71%. The book value of alternative mortgages represented 79% of Optimum's total portfolio at quarter end. Future regulatory changes, should they occur, could result in moderated demand for mortgages going forward. Overall, Optimum continues to deliver strong performance and management is optimistic about both the risk profile and growth opportunities within this business.

Securitization

Securitized leases are reported on-balance sheet with total loans. The gross amount of securitized leases at July 31, 2013 was \$262 million, compared to \$255 million last quarter and \$201 million one year ago. Leases securitized in the third quarter and year-to-date totaled \$31 million and \$91 million, respectively.

Management's Discussion and Analysis

Residential Mortgage Exposure

In accordance with *OSFI Guideline B20 - Residential Mortgage Underwriting Practices and Procedures*, additional information is provided regarding CWB's residential mortgage exposure. This exposure, including home equity lines of credit (HELOCs), is sourced through Optimum's third-party channels and CWB branches. Bank and trust companies in Canada are prohibited from providing mortgages with a loan-to-value (LTV) of more than 80% unless supported by third-party mortgage insurance. Although mortgage insurance protects the Bank from losses resulting from mortgagor default, it does not replace prudent lending practices, including the underwriting and administration of insured loans, the collection of payments and the protection of loan security.

Following is a geographical breakdown of insured and uninsured loans secured by residential property, including HELOCs:

(unaudited) (\$ thousands)	As at July 31, 2013						
	Insured			Uninsured			Provincial % of Total
	Balance	% of Total Balance	%	Balance	% of Total Balance	%	
Province							
Alberta	\$ 173,416	21	%	\$ 649,981	79	%	\$ 823,397 40 %
British Columbia	96,163	13		645,801	87		741,964 37
Manitoba	7,282	12		53,014	88		60,296 3
Ontario	12,374	5		243,276	95		255,650 13
Saskatchewan	25,156	18		113,690	82		138,846 7
Other	108	100		-	-		108 -
	\$ 314,499	16	%	\$ 1,705,762	84	%	\$ 2,020,261 100 %

(unaudited) (\$ thousands)	As at April 30, 2013						
	Insured			Uninsured			Provincial % of Total
	Balance	% of Total Balance	%	Balance	% of Total Balance	%	
Province							
Alberta	\$ 195,843	24	%	\$ 631,689	76	%	\$ 827,532 42 %
British Columbia	105,826	14		628,670	86		734,496 37
Manitoba	9,273	15		51,625	85		60,898 3
Ontario	17,252	8		211,724	92		228,976 11
Saskatchewan	30,941	22		110,090	78		141,031 7
Other	111	100		-	-		111 -
	\$ 359,246	18	%	\$ 1,633,798	82	%	\$ 1,993,044 100 %

Following are the approximate average LTV ratios for newly originated and acquired uninsured residential mortgages and HELOCs:

(unaudited)	For the three months ending	
	July 31, 2013	April 30, 2013
Alberta	65 %	65 %
British Columbia	63	61
Manitoba	71	66
Ontario	70	72
Saskatchewan	65	64
Other	-	41
	66 %	65 %

Following are total loans secured by residential property, including HELOCs, categorized by amortization period:

(unaudited) (\$ thousands)	As at July 31, 2013		As at April 30, 2013	
	Balance	% of Total Balance	Balance	% of Total Balance
Amortization (years)				
5 or less	\$ 44,484	2 %	\$ 39,329	2 %
> 5 to 10	23,996	1	21,553	1
> 10 to 15	48,768	3	47,828	2
> 15 to 20	155,645	8	147,213	7
> 20 to 25	974,987	48	950,864	48
> 25 to 30	625,981	31	610,514	31
> 30 to 35	143,463	7	172,281	9
> 35	2,937	-	3,462	-
	\$ 2,020,261	100 %	\$ 1,993,044	100 %

The total residential mortgage portfolio is well secured with an average LTV of less than 65%. In the event of a significant economic downturn and/or contraction in real estate prices, the Bank's strong collateral position would mitigate potential losses within this portfolio.

Management's Discussion and Analysis

Deposits

Total deposits at quarter end were \$14,962 million, up 1% (\$182 million) over the previous quarter, 6% (\$817 million) year-to-date, and 11% (\$1,507 million) over the past year. Personal deposits represented 63% of total deposits at July 31, 2013, unchanged from the prior quarter and down from 66% one year ago. Total branch-raised deposits represented 55% of total deposits at July 31, 2013, down from 56% in the previous quarter and 57% one year ago. Demand and notice deposits were 33% of total deposits, unchanged from the previous quarter and up from 32% in the same period last year.

Total branch deposits, including trust services deposits, of \$8,292 million were consistent with the prior quarter, up 6% (\$470 million) year-to-date and 8% (\$584 million) over the past twelve months. The demand and notice component within branch-raised deposits, which includes lower cost deposits, was also consistent with the prior quarter, up 9% (\$419 million) year-to-date and 12% (\$522 million) from the same time last year to reach \$4,877 million. One of management's strategic objectives is to increase the level of personal and business deposits raised within the branch network, trust companies and Canadian Direct Financial, the Internet-based division of the Bank. Specific emphasis is placed on growing deposits that are lower cost, provide associated transactional fee income and strengthen relationships by providing clients with relevant tools for managing their business and personal finances. Meaningful enhancements to CWB's cash management offerings for business clients continue to support this focus on growing branch-raised deposits, as do recently offered training programs that have reached a significant number of branch employees. CWB's expanding market presence, including ongoing expansion and upgrades to existing branches, also supports generation of branch-raised deposits.

Management remains committed to further enhance and diversify all funding sources to support growth, manage the impact of competitive pressures and sustain adequate net interest margins. The deposit broker network remains a valued source for raising insured fixed term retail deposits and has proven to be an extremely effective and efficient way to access funding and liquidity over a wide geographic base. Selectively utilizing debt capital markets is also part of management's strategy to further diversify the funding base over time. At the end of the third quarter, there was a total of \$1,030 million of term deposits raised through debt capital markets, representing 7% of total deposits. Earlier this year, DBRS Limited issued an initial rating of "R-1 (low)" with a stable trend on CWB's short-term debt, enabling the Bank to access an additional source of funding through the issuance of bearer deposit notes (BDNs). The Bank formally announced its BDN program in July with an internally authorized limit of \$500 million. The initial issuance of \$30 million under the BDN program is captured within the total for debt capital market term deposits referenced above. Current plans are to issue approximately \$250 million of BDNs by fiscal year-end. Management will also continue to evaluate the funding potential available through securitization of portfolios that may include equipment loans and leases, residential mortgages and commercial mortgages.

Other Assets and Other Liabilities

Other assets at July 31, 2013 totaled \$358 million, compared to \$350 million last quarter and \$313 million one year ago. Other liabilities at quarter end were \$443 million, compared to \$456 million the previous quarter and \$440 million a year earlier.

Off-Balance Sheet

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets and third-party leases under administration, as well as mortgages under service agreements, totaled \$8,210 million at July 31, 2013, compared to \$7,821 million last quarter and \$6,830 million one year ago. Assets under management were \$1,811 million at quarter end, compared to \$905 million last quarter and \$815 million a year earlier, primarily reflecting the addition of McLean & Partners.

Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit). CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps. For additional information regarding other off-balance sheet items refer to Note 11 of the unaudited interim consolidated financial statements for the period ended July 31, 2013, as well as Notes 11 and 20 of the audited consolidated financial statements on pages 81 and 91, respectively, in the Bank's 2012 Annual Report.

Management's Discussion and Analysis

Capital Management

Effective January 1, 2013, the Office of the Superintendent of Financial Institutions Canada (OSFI) requires Canadian financial institutions to manage and report regulatory capital in accordance with a new capital management framework, commonly referred to as Basel III. The required minimum regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% common equity Tier 1 (CET1), effective in the first quarter of 2013, and 8.5% Tier 1 and 10.5% total capital effective in the first quarter of 2014. The Basel III rules provide for transitional adjustments whereby certain aspects of the new rules will be 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.

At July 31, 2013, the Bank's capital ratios were 7.9% CET1, 9.6% Tier 1 and 13.9% total capital, essentially unchanged from the previous quarter. In June 2013, the Bank redeemed \$50 million of subordinated debentures with a fixed interest rate of 5.95%. The 2013 inclusion of non-qualifying capital instruments in total capital under Basel III is capped at \$607.5 million, based on 90% of the January 1, 2013 balance of \$675 million. As a result, the June redemption of subordinated debentures had no impact on non-qualifying capital included in total capital as the balance of subordinated debentures after the redemption was still in excess of the \$607.5 million cap.

Further details regarding CWB's regulatory capital and capital adequacy ratios are included in the following table:

(unaudited) (\$ millions)	As at July 31 2013 ⁽¹⁾	As at April 30 2013 ⁽¹⁾	As at July 31 2012 ⁽²⁾
Regulatory capital			
CET1 capital before deductions	\$ 1,354	\$ 1,331	n/a
Net CET1 deductions	(110)	(101)	n/a
CET1 capital	1,244	1,230	n/a
Tier 1 capital before deductions	1,527	1,513	1,524
Net deductions	(11)	(10)	(106)
Tier 1 capital	1,516	1,503	1,418
Total capital before deductions	2,195	2,181	1,915
Net deductions	(1)	(1)	(61)
Total capital	\$ 2,194	\$ 2,180	\$ 1,854
Risk-weighted assets	\$ 15,846	\$ 15,446	\$ 13,495
Capital adequacy ratios			
CET1	7.9 %	8.0 %	n/a
Tier 1	9.6	9.7	10.5 %
Total	13.9	14.1	13.7

n/a – not applicable

⁽¹⁾ Basel III capital balances at July 31 and April 30, 2013 exclude 10% of existing non-common equity instruments that do not include non-viability contingent capital clauses. At July 31, 2013, a combined \$31 million of outstanding Innovative Tier 1 capital (disclosed in non-controlling interest) and preferred shares (April 30, 2013: \$31 million) as well as \$18 million of outstanding subordinated debentures (April 30, 2013: \$68 million) were excluded from regulatory capital.

⁽²⁾ Capital is managed and reported in accordance with the new capital management framework called Basel III, which was adopted by OSFI on January 1, 2013. Capital ratios prior to fiscal 2013 have been calculated using the previous framework, Basel II. Capital ratios calculated under Basel III are not directly comparable to the equivalent Basel II measures.

Capital ratios exceed the Basel III targets established through CWB's Internal Capital Adequacy Assessment Process (ICAAP) and are supportive of near-term growth expectations and strategic priorities. The ongoing retention of earnings should support capital requirements associated with the anticipated achievement of the 2013 minimum performance targets.

CWB currently reports its regulatory capital ratios using the *Standardized* approach for calculating risk-weighted assets. This approach requires the Bank to carry significantly more capital for certain credit exposures compared to requirements under the *Advanced Internal Ratings Based (AIRB)* methodology used by larger Canadian financial institutions. For this reason, regulatory capital ratios of banks that utilize the *Standardized* approach versus the *AIRB* methodology are not directly comparable. Required resources, costs and potential timelines related to the Bank's possible transition to an *AIRB* methodology for managing credit risk and calculating risk-weighted assets continue to be evaluated. Preliminary analysis confirms a multi-year timeframe will be required. CWB's new core banking system, expected to be implemented in 2015, is a critical component for a number of requirements necessary for *AIRB* compliance, including the collection and analysis of certain types of data.

Further information relating to the Bank's capital position is provided in Note 14 of the unaudited interim consolidated financial statements as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2012.

Management's Discussion and Analysis

Book value per common share at July 31, 2013 was \$17.06, compared to \$16.82 last quarter and \$15.56 one year ago.

Common shareholders received a quarterly cash dividend of \$0.18 per common share on June 27, 2013. On August 28, 2013, CWB's Board of Directors declared a cash dividend of \$0.18 per common share, payable on September 26, 2013 to shareholders of record on September 19, 2013. This quarterly dividend was 13% higher than the quarterly dividend declared one year ago. The Board of Directors also declared a cash dividend of \$0.453125 per Series 3 Preferred Share payable on October 31, 2013 to shareholders of record on October 24, 2013.

Changes in Accounting Policies

There were no new significant accounting policies adopted during the quarter for purposes of presenting the Bank's financial statements under International Financial Reporting Standards (IFRS).

Future Accounting Changes

A number of standards and amendments have been issued by the International Accounting Standards Board (IASB) and are noted on page 51 of the 2012 Annual Report. There were no changes to these items through the third quarter of 2013. The standards and amendments may impact the presentation of financial statements in the future and management is currently reviewing these changes to determine the impact, if any.

CWB continues to monitor activities of the IASB as well as proposed changes to IFRS. Several accounting standards in the process of being amended by the IASB (e.g. loan impairment, leases and insurance) may have a significant impact on the presentation of the Bank's consolidated financial statements in the future.

Controls and Procedures

There were no changes in the Bank's internal controls over financial reporting that occurred during the quarter ended July 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Bank's internal controls over financial reporting.

The Bank's certifying officers have limited the scope of design of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) to exclude the controls, policies and procedures of McLean & Partners, acquired this quarter.

Prior to its release, this quarterly report to shareholders was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of CWB.

Updated Share Information

As at August 23, 2013, there were 79,373,825 CWB common shares outstanding. Also outstanding were employee stock options, which are or will be exercisable for up to 4,498,626 common shares for maximum proceeds of \$119 million.

Dividend Reinvestment Plan

CWB common shares (TSX: CWB) and preferred shares (TSX: CWB.PR.A) are deemed eligible to participate in the Bank's dividend reinvestment plan (the Plan). The Plan provides holders of eligible shares the opportunity to direct cash dividends toward the purchase of CWB common shares. Further details for the Plan are available on the Bank's website at www.cwbankgroup.com/investor_relations/drip. At the current time, for the purposes of the Plan, the Bank has elected to issue common shares from treasury at a 2% discount from the average market price (as defined in the Plan).

Preferred Share Normal Course Issuer Bid

CWB has a Normal Course Issuer Bid (NCIB) outstanding to purchase, for cancellation, up to up to 826,120 Non-Cumulative 5-Year Rate Reset Preferred Shares Series 3 ("preferred shares"). The NCIB commenced March 1, 2013 and will expire February 28, 2014. During the nine months ended July 31, 2013, the Bank purchased and cancelled 31,404 preferred shares under the NCIB. Security holders may contact the Bank to obtain, without charge, a copy of the notice filed with the TSX. Additionally, a copy of the news release is available on the Bank's website and on SEDAR at www.sedar.com.

Management's Discussion and Analysis

Summary of Quarterly Financial Information

(\$ thousands)	2013			2012				2011
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues (teb)	\$ 145,734	\$ 136,966	\$ 137,128	\$ 133,178	\$ 138,150	\$ 127,854	\$ 126,300	\$ 119,673
Total revenues	143,573	134,966	135,21.3	131,199	136,064	125,396	123,680	116,540
Net income	53,323	48,534	51,062	48,616	53,578	45,212	47,051	41,474
Net income available to common shareholders	47,484	42,988	45,482	43,046	48,004	39,669	41,478	35,921
Earnings per common share								
Basic	0.60	0.54	0.58	0.55	0.62	0.52	0.55	0.48
Diluted	0.60	0.54	0.57	0.55	0.61	0.52	0.54	0.47
Adjusted cash	0.61	0.55	0.58	0.56	0.63	0.55	0.57	0.53
Total assets (\$ millions)	17,927	17,779	17,161	16,873	16,033	15,713	15,484	14,849

The financial results for each of the last eight quarters are summarized above. In general, CWB's performance reflects a relatively consistent trend, although the second quarter contains three fewer revenue-earning days, or two fewer days in a leap year such as 2012.

The Bank's quarterly financial results are subject to some fluctuation due to its exposure to property and casualty insurance. Insurance operations, which are primarily reflected in other income, are subject to seasonal weather conditions, cyclical patterns of the industry and natural catastrophes. Mandatory participation in the Alberta auto risk sharing pools can also result in unpredictable quarterly fluctuations.

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

For additional details on variations between the prior quarters, refer to the summary of quarterly results section of the Bank's MD&A for the year ended October 31, 2012 and the individual quarterly reports to shareholders which are available on SEDAR at www.sedar.com and on CWB's website at www.cwbankgroup.com.

Management's Discussion and Analysis

Taxable Equivalent Basis (teb)

Most banks analyze revenue on a taxable equivalent basis to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statement of income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is significantly lower than would apply to a loan or security of the same amount. The adjustment to taxable equivalent basis increases interest income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory rate. The taxable equivalent basis does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other banks. Total revenues, net interest income and income taxes are discussed on a taxable equivalent basis throughout this quarterly report to shareholders.

Non-IFRS Measures

Taxable equivalent basis, adjusted cash earnings per common share, return on common shareholders' equity, return on assets, efficiency ratio, net interest margin, common equity Tier 1, Tier 1 and total capital adequacy ratios, and average balances do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other financial institutions. The non-IFRS measures used in this MD&A are calculated as follows:

- taxable equivalent basis – described above;
- adjusted cash earnings per common share – diluted earnings per common share excluding the after-tax amortization of acquisition-related intangible assets and the non-tax deductible change in fair value of contingent consideration. These exclusions represent non-cash charges mainly related to the acquisition of National Leasing Group Inc. and are not considered to be indicative of ongoing business performance;
- return on common shareholders' equity – annualized net income available to common shareholders divided by average common shareholders' equity;
- return on assets – annualized net income available to common shareholders divided by average total assets;
- efficiency ratio – non-interest expenses divided by total revenues excluding the non-tax deductible change in fair value of contingent consideration;
- net interest margin – net interest income divided by average total assets;
- Basel II Tier 1 and total capital adequacy ratios – in accordance with guidelines issued by OSFI;
- Basel III common equity Tier 1, Tier 1 and total capital ratios – in accordance with guidelines issued by OSFI; and
- average balances – average daily balances.

Consolidated Balance Sheets

(unaudited) (\$ thousands)	As at July 31 2013	As at April 30 2013	As at October 31 2012	As at July 31 2012	Change from July 31 2012
Assets					
Cash Resources					
Cash and non-interest bearing deposits with financial institutions	\$ 3,009	\$ 48,506	\$ 33,690	\$ 59,470	(95)%
Interest bearing deposits with regulated financial institutions (Note 4)	93,478	107,683	177,028	217,290	(57)
Cheques and other items in transit	1,252	5,251	26,265	112	1,018
	97,739	161,440	236,983	276,872	(65)
Securities (Note 4)					
Issued or guaranteed by Canada	785,135	736,092	980,200	688,164	14
Issued or guaranteed by a province or municipality	388,240	600,257	478,622	272,826	42
Other securities	1,014,203	1,046,854	877,278	839,519	21
	2,187,578	2,383,203	2,336,100	1,800,509	21
Loans (Notes 5 and 7)					
Personal	2,410,165	2,378,451	2,292,388	2,210,127	9
Business	12,957,199	12,585,573	11,743,021	11,512,082	13
	15,367,364	14,964,024	14,035,409	13,722,209	12
Allowance for credit losses (Note 6)	(84,489)	(79,471)	(81,723)	(79,795)	6
	15,282,875	14,884,553	13,953,686	13,642,414	12
Other					
Property and equipment	65,170	64,860	68,938	60,862	7
Goodwill	49,424	45,536	45,536	45,536	9
Intangible assets	66,894	53,141	49,959	48,068	39
Insurance related	61,666	56,853	57,650	56,774	9
Derivative related (Note 8)	1,249	1,468	1,951	130	861
Other assets	113,961	128,226	122,466	101,860	12
	358,364	350,084	346,500	313,230	14
Total Assets	\$ 17,926,556	\$ 17,779,280	\$ 16,873,269	\$ 16,033,025	12 %
Liabilities and Shareholders' Equity					
Deposits					
Personal	\$ 9,393,847	\$ 9,293,391	\$ 8,960,118	\$ 8,853,855	6 %
Business and government	5,568,295	5,486,924	5,184,719	4,601,543	21
	14,962,142	14,780,315	14,144,837	13,455,398	11
Other					
Cheques and other items in transit	39,719	68,708	54,030	78,726	(50)
Insurance related	165,277	153,837	160,302	151,052	9
Derivative related (Note 8)	168	18	10	238	(29)
Securities sold under repurchase agreements	-	-	70,089	-	-
Other liabilities	237,557	233,006	239,503	210,353	13
	442,721	455,569	523,934	440,369	1
Debt					
Debt securities	227,789	222,183	209,273	178,931	27
Subordinated debentures	625,000	675,000	425,000	425,000	47
	852,789	897,183	634,273	603,931	41
Equity					
Preferred shares (Note 9)	208,965	209,649	209,750	209,750	-
Common shares (Note 9)	504,380	499,730	490,218	483,266	4
Retained earnings	828,175	794,944	733,298	702,799	18
Share-based payment reserve	24,611	24,026	22,468	23,339	5
Other reserves	(3,028)	12,622	9,247	8,936	(134)
Total Shareholders' Equity	1,563,103	1,540,971	1,464,981	1,428,090	9
Non-controlling interests	105,801	105,242	105,244	105,237	1
Total Equity	1,668,904	1,646,213	1,570,225	1,533,327	9
Total Liabilities and Equity	\$ 17,926,556	\$ 17,779,280	\$ 16,873,269	\$ 16,033,025	12 %

nm - not meaningful

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

Consolidated Statements of Income

(unaudited) (\$ thousands, except per share amounts)	For the three months ended			Change from July 31 2012	For the nine months ended		Change from July 31 2012
	July 31 2013	April 30 2013	July 31 2012		July 31 2013	July 31 2012	
Interest Income							
Loans	\$ 187,420	\$ 177,159	\$ 176,977	6 %	\$ 543,620	\$ 509,343	7 %
Securities	11,522	11,272	10,578	9	34,018	33,412	2
Deposits with regulated financial institutions	261	419	500	(48)	1,117	1,822	(39)
	199,203	188,850	188,055	6	578,755	544,577	6
Interest Expense							
Deposits	70,302	68,853	68,387	3	209,370	199,749	5
Debt	8,360	8,421	6,537	28	24,434	21,666	13
	78,662	77,274	74,924	5	233,804	221,415	6
Net Interest Income	120,541	111,576	113,131	7	344,951	323,162	7
Provision for Credit Losses (Note 6)	7,491	6,684	6,453	16	20,502	19,144	7
Net Interest Income after Provision for Credit Losses	113,050	104,892	106,678	6	324,449	304,018	7
Other Income							
Credit related	5,475	5,053	5,026	9	15,962	14,422	11
Insurance, net (Note 3)	(2,225)	6,201	6,251	(136)	9,178	16,406	(44)
Trust and wealth management services	6,825	5,371	4,587	49	17,239	14,340	20
Gains on securities, net	7,020	3,074	1,896	270	12,756	7,016	82
Retail services	2,373	2,774	2,249	6	7,615	6,916	10
Foreign exchange gains	863	804	812	6	2,169	2,291	(5)
Contingent consideration fair value change	-	-	-	-	-	(2,489)	(100)
Other	2,701	113	2,112	28	3,882	3,077	26
	23,032	23,390	22,933	-	68,801	61,979	11
Net Interest and Other Income	136,082	128,282	129,611	5	393,250	365,997	7
Non-Interest Expenses							
Salaries and employee benefits	44,038	42,287	39,350	12	127,680	114,019	12
Premises and equipment	10,900	10,730	9,839	11	31,884	29,098	10
Other expenses	11,857	11,623	9,779	21	33,758	30,930	9
Provincial capital taxes	164	187	150	9	531	345	54
	66,959	64,827	59,118	13	193,853	174,392	11
Net Income before Income Taxes	69,123	63,455	70,493	(2)	199,397	191,605	4
Income Taxes	15,800	14,921	16,915	(7)	46,478	45,764	2
Net Income	\$ 53,323	\$ 48,534	\$ 53,578	- %	\$ 152,919	\$ 145,841	5 %
Net Income Attributable to Non-Controlling Interests	2,020	1,739	1,772	14	5,537	5,284	5
Net Income Attributable to Shareholders of the Bank	\$ 51,303	\$ 46,795	\$ 51,806	(1)%	\$ 147,382	\$ 140,557	5 %
Preferred share dividends (Note 9)	3,796	3,800	3,802	-	11,398	11,405	-
Premium paid on purchase of preferred shares for cancellation (Note 9)	23	7	-	nm	30	-	nm
Net Income Available to Common Shareholders	\$ 47,484	\$ 42,988	\$ 48,004	(1)%	\$ 135,954	\$ 129,152	5 %
Average number of common shares (in thousands)	79,248	79,075	77,527	2	79,041	76,281	4
Average number of diluted common shares (in thousands)	79,590	79,471	78,107	2	79,437	76,972	3
Earnings Per Common Share							
Basic	\$ 0.60	\$ 0.54	\$ 0.62	(3)	\$ 1.72	\$ 1.69	2
Diluted	0.60	0.54	0.61	(2)	1.71	1.68	2

nm – not meaningful

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

Consolidated Statements of Comprehensive Income

(unaudited) (\$ thousands)	For the three months ended		For the nine months ended	
	July 31 2013	July 31 2012	July 31 2013	July 31 2012
Net Income	\$ 53,323	\$ 53,578	\$ 152,919	\$ 145,841
Other Comprehensive Income (Loss), net of tax				
Available-for-sale securities:				
Gains (losses) from change in fair value ⁽¹⁾	(10,426)	(1,541)	(2,531)	6,154
Reclassification to net income ⁽²⁾	(5,257)	(1,377)	(9,439)	(5,145)
	(15,683)	(2,918)	(11,970)	1,009
Derivatives designated as cash flow hedges:				
Gains (losses) from change in fair value ⁽³⁾	161	(592)	(204)	(84)
Reclassification to net income ⁽⁴⁾	(128)	461	(101)	162
	33	(131)	(305)	78
	(15,650)	(3,049)	(12,275)	1,087
Comprehensive Income for the Period	\$ 37,673	\$ 50,529	\$ 140,644	\$ 146,928
Comprehensive income for the period attributable to:				
Shareholders of the Bank	\$ 35,653	\$ 48,757	\$ 135,107	\$ 141,644
Non-controlling interests	2,020	1,772	5,537	5,284
Comprehensive Income for the Period	\$ 37,673	\$ 50,529	\$ 140,644	\$ 146,928

⁽¹⁾ Net of income tax of \$3,743 and \$794 for the three and nine months ended July 31, 2013, respectively (2012 - \$560 and \$2,194).

⁽²⁾ Net of income tax of \$1,763 and \$3,317 for the three and nine months ended July 31, 2013, respectively (2012 - \$500 and \$1,870).

⁽³⁾ Net of income tax of \$54 and \$69 for the three and nine months ended July 31, 2013, respectively (2012 - \$206 and \$30).

⁽⁴⁾ Net of income tax of \$43 and \$34 for the three and nine months ended July 31, 2013, respectively (2012 - \$161 and \$57).

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

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

Consolidated Statements of Changes in Equity

(unaudited) (\$ thousands)	For the nine months ended	
	July 31 2013	July 31 2012
Retained Earnings		
Balance at beginning of period	\$ 733,298	\$ 608,848
Net income attributable to shareholders of the Bank	147,382	140,557
Dividends	(11,398)	(11,405)
- Preferred shares	(41,077)	(35,201)
- Common shares	(30)	-
Premium paid on purchase of preferred shares for cancellation (Note 9)	(30)	-
Balance at end of period	828,175	702,799
Other Reserves		
Balance at beginning of period	9,247	7,849
Changes in available-for-sale securities	(11,970)	1,009
Changes in derivatives designated as cash flow hedges	(305)	78
Balance at end of period	(3,028)	8,936
Preferred Shares (Note 9)		
Balance at beginning of period	209,750	209,750
Purchase of preferred shares for cancellation	(785)	-
Balance at end of period	208,965	209,750
Common Shares (Note 9)		
Balance at beginning of period	490,218	408,282
Issued under dividend reinvestment plan	10,571	8,400
Transferred from share-based payment reserve on the exercise or exchange of options	2,397	2,207
Issued on exercise of options	1,194	978
Issued on settlement of contingent consideration	-	63,399
Balance at end of period	504,380	483,266
Share-based Payment Reserve		
Balance at beginning of period	22,468	21,884
Amortization of fair value of options (Note 10)	4,540	3,662
Transferred to common shares on the exercise or exchange of options	(2,397)	(2,207)
Balance at end of period	24,611	23,339
Total Shareholders' Equity	1,563,103	1,428,090
Non-Controlling Interests		
Balance at beginning of period	105,244	105,225
Net income attributable to non-controlling interests	5,537	5,284
Dividends to non-controlling interests	(5,296)	(5,272)
Business acquisition (Note 15)	316	-
Balance at end of period	105,801	105,237
Total Equity	\$ 1,668,904	\$ 1,533,327

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

Consolidated Statements of Cash Flow

(unaudited) (\$ thousands)	For the nine months ended	
	July 31 2013	July 31 2012
Cash Flows from Operating Activities		
Net income	\$ 152,919	\$ 145,841
Adjustments to determine net cash flows:		
Provision for credit losses	20,502	19,144
Depreciation and amortization	15,884	12,975
Current income taxes receivable and payable	(4,450)	7,793
Amortization of fair value of employee stock options	4,540	3,662
Accrued interest receivable and payable, net	7,061	1,455
Deferred income taxes, net	2,468	(1,631)
Gain on securities, net	(12,756)	(7,016)
Change in operating assets and liabilities:		
Deposits, net	817,305	1,060,709
Loans, net	(1,349,691)	(1,368,276)
Securities sold under repurchase agreements, net	(70,089)	-
Other items, net	(3,922)	3,206
	(420,229)	(122,138)
Cash Flows from Financing Activities		
Common shares issued	(Note 10) 11,765	9,277
Preferred shares purchased and cancelled	(Note 10) (815)	-
Debentures issued	250,000	-
Debentures redeemed	(50,000)	(120,000)
Debt securities issued	90,596	170,237
Debt securities repaid	(72,079)	(81,183)
Dividends	(52,475)	(46,606)
Distributions to non-controlling interests	(5,296)	(5,272)
	171,696	(73,547)
Cash Flows from Investing Activities		
Interest bearing deposits with regulated financial institutions, net	83,362	16,736
Securities, purchased	(4,578,671)	(3,234,525)
Securities, sale proceeds	3,002,929	1,967,368
Securities, matured	1,728,735	1,407,463
Property, equipment and software costs	(19,108)	(12,886)
Business acquisition	(Note 15) (10,098)	-
	207,149	144,156
Change in Cash and Cash Equivalents	(41,384)	(51,529)
Cash and Cash Equivalents at Beginning of Period	5,926	32,385
Cash and Cash Equivalents at End of Period *	\$ (35,458)	\$ (19,144)
* Represented by:		
Cash and non-interest bearing deposits with financial institutions	\$ 3,009	\$ 59,470
Cheques and other items in transit (included in Cash Resources)	1,252	112
Cheques and other items in transit (included in Other Liabilities)	(39,719)	(78,726)
Cash and Cash Equivalents at End of Period	\$ (35,458)	\$ (19,144)
Supplemental Disclosure of Cash Flow Information		
Interest and dividends received	\$ 600,916	\$ 555,521
Interest paid	232,722	217,487
Income taxes paid	49,125	37,728

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

Notes to Interim Consolidated Financial Statements

(unaudited)
(\$ thousands, except per share amounts)

1. Basis of Presentation and Significant Accounting Policies

These unaudited condensed interim consolidated financial statements of Canadian Western Bank (CWB or the Bank) have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as the audited consolidated financial statements for the year ended October 31, 2012. These interim consolidated financial statements of CWB, domiciled in Canada, have also been prepared 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). Under IFRS, additional disclosures are required in annual financial statements and accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2012 as set out on pages 64 to 109 of the Bank's 2012 Annual Report.

The interim consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2013.

2. Future Accounting Changes

CWB continues to monitor the IASB's proposed changes to accounting standards. Although not expected to materially impact the Bank's 2013 consolidated financial statements, these proposed changes may have a significant impact on future financial statements. Additional discussion on certain accounting standards that may impact the Bank is included in the audited consolidated financial statements within the Bank's 2012 Annual Report.

3. Insurance Revenues, Net

Insurance revenues, net, as reported in other income on the consolidated statement of income are presented net of net claims and adjustment expenses, and policy acquisition costs.

	For the three months ended			For the nine months ended	
	July 31 2013	April 30 2013	July 31 2012	July 31 2013	July 31 2012
Net earned premiums	\$ 32,122	\$ 30,701	\$ 31,476	\$ 94,318	\$ 91,965
Commissions and processing fees	487	404	490	1,329	1,422
Net claims and adjustment expenses	(28,226)	(18,312)	(19,330)	(67,223)	(58,319)
Policy acquisition costs	(6,608)	(6,592)	(6,385)	(19,246)	(18,662)
Total, net	\$ (2,225)	\$ 6,201	\$ 6,251	\$ 9,178	\$ 16,406

4. Securities

Net unrealized gains (losses) reflected on the balance sheet follow:

	As at July 31 2013	As at April 30 2013	As at October 31 2012
Interest bearing deposits with regulated financial institutions	\$ 264	\$ 672	\$ 482
Securities issued or guaranteed by			
Canada	119	495	176
A province or municipality	(76)	253	(67)
Other debt securities	1,067	1,916	1,637
Equity securities			
Preferred shares	(8,748)	8,451	6,971
Common shares	2,876	4,681	2,114
Unrealized gains (losses), net	\$ (4,498)	\$ 16,468	\$ 11,313

The securities portfolio is primarily comprised of high quality debt instruments, preferred shares and common shares that are not held for trading purposes and, where applicable, are typically held until maturity. Fluctuations in value are generally attributed to changes in interest rates, market credit spreads and shifts in the interest rate curve. Volatility in equity markets also leads to fluctuations in value, particularly for common shares. For the three and nine months ended July 31, 2013, the Bank assessed the securities with unrealized losses and, based on available objective evidence, no impairment charges (2012 – nil) were included in gains on securities, net.

Notes to Interim Consolidated Financial Statements

5. Loans

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

(\$ millions)	BC	AB	ON	SK	MB	Other	Total	Composition Percentage		
								July 31 2013	April 30 2013	October 31 2012
Personal	\$ 831	\$ 1,008	\$ 348	\$ 157	\$ 65	\$ 1	\$ 2,410	16 %	16 %	16 %
Business										
Real estate	2,602	2,207	349	378	119	25	5,680	36	36	36
Commercial	1,373	1,902	392	203	103	118	4,091	27	27	28
Equipment financing and energy ⁽¹⁾	569	1,375	553	252	102	335	3,186	21	21	20
	4,544	5,484	1,294	833	324	478	12,957	84	84	84
Total Loans⁽²⁾	\$ 5,375	\$ 6,492	\$ 1,642	\$ 990	\$ 389	\$ 479	\$ 15,367	100 %	100 %	100 %
Composition Percentage										
July 31, 2013	35%	42%	11 %	6 %	3%	3%	100 %			
April 30, 2013	34%	43%	11 %	6 %	3%	3%	100 %			
October 31, 2012	33%	45%	10 %	6 %	3%	3%	100 %			

⁽¹⁾ Includes securitized leases reported on-balance sheet of \$262 (April 30, 2013 – \$255; October 31, 2012 – \$238).

⁽²⁾ This table does not include an allocation for credit losses.

6. Allowance for Credit Losses

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

	For the three months ended July 31, 2013			For the three months ended April 30, 2013		
	Specific Allowance	Collective Allowance for Credit Losses	Total	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	\$ 8,971	\$ 70,500	\$ 79,471	\$ 6,667	\$ 69,701	\$ 76,368
Provision for credit losses	6,067	1,424	7,491	5,885	799	6,684
Write-offs	(3,083)	-	(3,083)	(3,876)	-	(3,876)
Recoveries	610	-	610	295	-	295
Balance at end of period	\$ 12,565	\$ 71,924	\$ 84,489	\$ 8,971	\$ 70,500	\$ 79,471

	For the three months ended July 31, 2012		
	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	\$ 10,718	\$ 64,771	\$ 75,489
Provision for credit losses	4,191	2,262	6,453
Write-offs	(2,833)	-	(2,833)
Recoveries	686	-	686
Balance at end of period	\$ 12,762	\$ 67,033	\$ 79,795

	For the nine months ended July 31, 2013			For the nine months ended July 31, 2012		
	Specific Allowance	Collective Allowance for Credit Losses	Total	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	\$ 14,379	\$ 67,344	\$ 81,723	\$ 10,650	\$ 61,330	\$ 71,980
Provision for credit losses	15,922	4,580	20,502	13,441	5,703	19,144
Write-offs	(20,131)	-	(20,131)	(13,090)	-	(13,090)
Recoveries	2,395	-	2,395	1,761	-	1,761
Balance at end of period	\$ 12,565	\$ 71,924	\$ 84,489	\$ 12,762	\$ 67,033	\$ 79,795

Notes to Interim Consolidated Financial Statements

7. Impaired and Past Due Loans

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

	As at July 31, 2013				As at April 30, 2013			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Personal Business	\$ 2,410,165	\$ 16,993	\$ 795	\$ 16,198	\$ 2,378,451	\$ 14,561	\$ 715	\$ 13,846
Real estate ⁽¹⁾	5,680,489	35,876	8,362	27,514	5,448,703	28,664	3,453	25,211
Commercial	4,089,650	7,935	499	7,436	4,062,170	9,586	1,231	8,355
Equipment financing and energy	3,187,060	11,935	2,909	9,026	3,074,700	8,812	3,572	5,240
Total⁽²⁾	\$ 15,367,364	\$ 72,739	\$ 12,565	60,174	\$ 14,964,024	\$ 61,623	\$ 8,971	52,652
Collective allowance⁽³⁾				(71,924)				(70,500)
Net impaired loans after collective allowance				\$ (11,750)				\$ (17,848)

	As at October 31, 2012			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Personal Business	\$ 2,292,388	\$ 13,404	\$ 459	\$ 12,945
Real estate ⁽¹⁾	5,001,041	23,022	2,605	20,417
Commercial	3,867,557	22,281	7,745	14,536
Equipment financing and energy	2,874,423	8,133	3,570	4,563
Total⁽²⁾	\$ 14,035,409	\$ 66,840	\$ 14,379	52,461
Collective allowance⁽³⁾				(67,344)
Net impaired loans after collective allowance				\$ (14,883)

⁽¹⁾ Multi-family residential mortgages are included in real estate loans.

⁽²⁾ Gross impaired loans include foreclosed assets with a carrying value of \$6,857 (April 30, 2013 – \$7,256 and October 31, 2012 – \$10,462) which are held for sale. The Bank pursues timely realization on foreclosed assets and does not use the assets for its own operations.

⁽³⁾ The collective allowance for credit risk is not allocated by loan type.

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

	As at July 31, 2013			As at April 30, 2013		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	\$ 40,260	\$ 9,249	\$ 31,011	\$ 31,958	\$ 5,479	\$ 26,479
British Columbia	24,273	1,415	22,858	21,866	1,027	20,839
Ontario	4,121	840	3,281	4,607	1,170	3,437
Saskatchewan	1,783	439	1,344	1,392	520	872
Manitoba	929	149	780	308	188	120
Other	1,373	473	900	1,492	587	905
Total	\$ 72,739	\$ 12,565	60,174	\$ 61,623	\$ 8,971	52,652
Collective allowance⁽¹⁾			(71,924)			(70,500)
Net impaired loans after collective allowance			\$ (11,750)			\$ (17,848)

	As at October 31, 2012		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	\$ 36,769	\$ 9,711	\$ 27,058
British Columbia	22,629	2,190	20,439
Ontario	3,081	1,167	1,914
Saskatchewan	2,309	456	1,853
Manitoba	615	203	412
Other	1,437	652	785
Total	\$ 66,840	\$ 14,379	52,461
Collective allowance⁽¹⁾			(67,344)
Net impaired loans after collective allowance			\$ (14,883)

⁽¹⁾ The collective allowance for credit risk is not allocated by province.

Gross impaired loans exclude certain past due loans where payment of interest or principal is contractually in arrears. Details of such past due loans that have not been included in the gross impaired amount are as follows:

	As at July 31, 2013				
	1 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Total
Personal Business	\$ 16,414	\$ 8,455	\$ 1,192	\$ 1,336	\$ 27,397
	13,764	14,248	1,805	23	29,840
	\$ 30,178	\$ 22,703	\$ 2,997	\$ 1,359	\$ 57,237
Total as at April 30, 2013	\$ 47,634	\$ 7,572	\$ 3,241	\$ 1,858	\$ 60,305
Total as at October 31, 2012	\$ 25,849	\$ 27,799	\$ 4,194	\$ 375	\$ 58,217

Notes to Interim Consolidated Financial Statements

8. Derivative Financial Instruments

The Bank designates certain derivative financial instruments 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 forecasted 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.

For the three and nine months ended July 31, 2013, \$161 of net unrealized after tax gains and \$204 of net unrealized after tax losses (2012 – \$592 and \$84 after tax losses) were recorded in other comprehensive income for changes in fair value of the effective portion of equity and interest rate swap derivatives designated as cash flow hedges, and no amounts (2012 – nil) were recorded in other income for changes in fair value of the ineffective portion of derivatives classified as cash flow hedges. Amounts accumulated in other comprehensive income are reclassified to net income in the same period that the hedged item affects income. For the three and nine months ended July 31, 2013, \$128 and \$101 of net gains after tax (2012 – \$461 and \$162 after tax losses) were reclassified to net income.

The following table shows the notional value outstanding for derivative financial instruments and the related fair value:

	As at July 31, 2013			As at April 30, 2013		
	Notional Amount	Positive Fair Value	Negative Fair Value	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps designated as hedges ⁽¹⁾	\$ 725,000	\$ 78	\$ (163)	\$ 325,000	\$ 102	\$ (7)
Equity swaps designated as hedges ⁽²⁾	17,470	1,158	-	15,445	1,342	-
Foreign exchange contracts ⁽³⁾	1,091	13	(5)	11,639	24	(11)
Derivative related amounts	\$ 743,561	\$ 1,249	\$ (168)	\$ 352,084	\$ 1,468	\$ (18)

	As at October 31, 2012		
	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps designated as hedges	\$ 225,000	\$ 154	\$ -
Equity swaps designated as hedges	15,445	1,778	-
Foreign exchange contracts	2,450	19	(10)
Derivative related amounts	\$ 242,895	\$ 1,951	\$ (10)

⁽¹⁾ Interest rate swaps designated as hedges outstanding at July 31, 2013 mature between August 2013 and January 2015.

⁽²⁾ Equity swaps designated as hedges outstanding at July 31, 2013 mature between June 2014 and June 2016. Equity swaps are used to reduce the earnings volatility from restricted share units linked to the Bank's common share price.

⁽³⁾ Foreign exchange contracts outstanding at July 31, 2013 mature between August 2013 and April 2014.

There were no forecasted transactions that failed to occur during the three and nine months ended July 31, 2013.

9. Capital Stock

Share Capital

	For the nine months ended			
	July 31, 2013		July 31, 2012	
	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares - Series 3				
Outstanding at beginning and end of period ⁽¹⁾	8,390,000	\$ 209,750	8,390,000	\$ 209,750
Purchased for cancellation	(31,404)	(785)	-	-
Outstanding at end of period	8,358,596	208,965	8,390,000	209,750
Common Shares				
Outstanding at beginning of period	78,742,812	490,218	75,461,981	408,282
Issued under dividend reinvestment plan ⁽²⁾	384,296	10,571	316,862	8,400
Issued on exercise or exchange of options	245,066	1,194	283,664	978
Issued on settlement of contingent consideration	-	-	2,256,868	63,399
Transferred from share-based payment reserve on exercise or exchange of options	-	2,397	-	2,207
Outstanding at end of period	79,372,174	504,380	78,319,375	483,266
Share Capital		\$ 713,345		\$ 693,016

⁽¹⁾ Holders of the Preferred Shares – Series 3 are entitled to receive non-cumulative quarterly fixed dividends for the initial five-year period ending April 30, 2014 of 7.25% per annum, payable quarterly, as and when declared. For further information on dividend rates after April 30, 2014, refer to Note 17 of the audited consolidated financial statements for the year ended October 31, 2012 (see page 87 of the 2012 Annual Report).

⁽²⁾ Shares were issued at a 2% discount from the average closing price of the five trading days preceding the dividend payment date.

Preferred Share Normal Course Issuer Bid

On February 27, 2013, the Bank received approval from the Toronto Stock Exchange (TSX) to institute a Normal Course Issuer Bid (NCIB) to purchase and cancel up to 826,120 of its Non-Cumulative 5-Year Rate Reset Preferred Shares Series 3, being 10% of the issued preferred shares. The NCIB commenced March 1, 2013 and will expire February 28, 2014. During the nine months ended July 31, 2013, the Bank purchased and cancelled 31,404 preferred shares for a total of \$815, of which \$785 reduced the outstanding balance of preferred shares and the \$30 premium paid above book value was charged to retained earnings.

Notes to Interim Consolidated Financial Statements

10. Share-based Payments

Stock Options

	For the three months ended			
	July 31, 2013		July 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	3,735,818	\$ 25.60	3,650,376	\$ 22.79
Granted	986,232	28.47	531,548	26.40
Exercised or exchanged	(206,858)	19.60	(75,534)	15.83
Forfeited	(8,355)	27.92	(48,875)	26.81
Balance at end of period	4,506,837	\$ 26.49	4,057,515	\$ 23.35

	For the nine months ended			
	July 31, 2013		July 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options				
Balance at beginning of period	3,441,100	\$ 24.51	3,542,072	\$ 21.36
Granted	1,810,899	28.30	1,261,378	25.86
Exercised or exchanged	(550,580)	18.58	(655,275)	17.14
Expired	(162,075)	31.18	-	-
Forfeited	(32,507)	27.53	(90,660)	25.62
Balance at end of period	4,506,837	\$ 26.49	4,057,515	\$ 23.35

The terms of the share incentive plan allow the holders of vested options a cashless settlement alternative whereby the option holder can either (i) elect to receive shares by delivering cash to the Bank in the amount of the option exercise price or (ii) elect to receive 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. Of the 550,580 (2012 – 655,275) options exercised or exchanged in the nine months ended July 31, 2013, option holders exchanged the rights to 487,739 (2012 – 584,525) options and received 182,225 (2012 – 212,914) shares in return under the cashless settlement alternative.

For the nine months ended July 31, 2013, salary expense of \$4,540 (2012 - \$3,662) was recognized relating to the estimated fair value of options granted. The fair value of options granted was estimated using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 1.4% (2012 – 1.1%), (ii) expected option life of 4.0 (2012 – 4.0) years, (iii) expected annual volatility of 22% (2012 – 31%), and (iv) expected annual dividends of 2.5% (2012 – 2.4%). The weighted average fair value of options granted was estimated at \$3.93 (2012 – \$4.92) per share.

Further details relating to stock options outstanding and exercisable at July 31, 2013 follow:

	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 8.58 to \$11.76	77,050	0.4	\$ 11.65	77,050	\$ 11.65	
\$16.89 to \$22.09	463,355	1.1	19.71	463,355	19.71	
\$23.93 to \$26.40	1,463,838	3.3	25.48	229,886	23.43	
\$28.09 to \$30.76	2,502,594	4.1	28.80	-	-	
Total	4,506,837	3.5	\$ 26.49	770,291	\$ 20.01	

Restricted Share Units

For the nine months ended July 31, 2013, salary expense of \$6,809 (2012 – \$5,274) was recognized related to the Restricted Share Units (RSUs). As at July 31, 2013, the liability for the RSUs held under this plan was \$7,663 (2012 – \$7,012). At the end of each period, the liability is adjusted through salary expense to reflect changes in the fair value of the RSUs. As at July 31, 2013, 655,615 RSUs were outstanding (2012 – 595,707).

Deferred Share Units

For the nine months ended July 31, 2013, non-interest expenses "other expenses" included \$375 (2012 – \$404) related to the Deferred Share Units (DSUs). As at July 31, 2013, the liability for DSUs held under this plan was \$2,392 (2012 – \$2,058). At the end of each period, the liability is adjusted through salary expense to reflect changes in the fair value of the DSUs. As at July 31, 2013, 82,710 DSUs were outstanding (2012 – 78,347).

Notes to Interim Consolidated Financial Statements

11. Contingent Liabilities and Commitments

In the normal course of business, the Bank enters into various commitments and has contingent liabilities, which are not reflected in the consolidated balance sheets. At July 31, 2013, these items include guarantees and standby letters of credit of \$342,077 (April 30, 2013 - \$315,837; October 31, 2012 - \$286,676). Significant contingent liabilities and commitments, including guarantees provided to third parties, are discussed in Note 20 of the Bank's audited consolidated financial statements for the year ended October 31, 2012 (see page 91 of the 2012 Annual Report).

In the ordinary course of business, the Bank and its subsidiaries are party to legal 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.

12. Fair Value of Financial Instruments

The Bank categorizes its fair value measurements of financial instruments recorded on the consolidated balance sheets according to a three-level hierarchy. Level 1 fair value measurements reflect published market prices quoted in active markets. Level 2 fair value measurements were estimated using a valuation technique based on observable market data. Level 3 fair value measurements were determined using a valuation technique based on unobservable market data.

Further information on how the fair value of financial instruments is determined is included in Note 29 of the October 31, 2012 consolidated audited financial statements (see page 99 of the 2012 Annual Report).

The following table presents the Bank's financial assets and liabilities that are carried at fair value, categorized by level under the fair value hierarchy:

As at July 31, 2013	Fair Value	Valuation Technique		
		Level 1	Level 2	Level 3
Financial assets				
Cash resources	\$ 97,739	\$ 89,521	\$ 8,218	\$ -
Securities	2,187,578	2,187,578	-	-
Derivative related	1,249	-	1,249	-
	\$ 2,286,566	\$ 2,277,099	\$ 9,467	\$ -
Financial liabilities				
Other liability ⁽¹⁾	\$ 1,679	\$ -	\$ -	\$ 1,679
Derivative related	168	-	168	-
	\$ 1,847	\$ -	\$ 168	\$ 1,679

As at April 30, 2013	Fair Value	Valuation Technique		
		Level 1	Level 2	Level 3
Financial assets				
Cash resources	\$ 161,440	\$ 130,140	\$ 31,300	\$ -
Securities	2,383,203	2,383,203	-	-
Derivative related	1,468	-	1,468	-
	\$ 2,546,111	\$ 2,513,343	\$ 32,768	\$ -
Financial liabilities				
Derivative related	\$ 18	\$ -	\$ 18	\$ -

As at October 31, 2012	Fair Value	Valuation Technique		
		Level 1	Level 2	Level 3
Financial assets				
Cash resources	\$ 236,983	\$ 236,983	\$ -	\$ -
Securities	2,336,100	2,336,100	-	-
Securities purchased under resale agreements	1,951	-	1,951	-
	\$ 2,575,034	\$ 2,573,083	\$ 1,951	\$ -
Financial liabilities				
Derivative related	\$ 10	\$ -	\$ 10	\$ -

⁽¹⁾ Level 3 financial instruments was comprised of the contingent consideration related to the acquisition of McLean & Partners Wealth Management Ltd. (see note 15).

Notes to Interim Consolidated Financial Statements

13. Interest Rate Sensitivity

The Bank's exposure to interest rate risk as a result of a difference or gap between the maturity or repricing behavior of interest sensitive assets and liabilities, including derivative financial instruments, is discussed in Note 28 of the audited consolidated financial statements for the year ended October 31, 2012 (see page 98 of the 2012 Annual Report). The following table shows the gap position for selected time intervals.

Asset Liability Gap Positions

(\$ millions)	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
July 31, 2013								
Assets								
Cash resources and securities	\$ 246	\$ 686	\$ 703	\$ 1,635	\$ 428	\$ 194	\$ 29	\$ 2,286
Loans	7,035	716	1,872	9,623	5,576	146	(62)	15,283
Other assets	-	-	-	-	-	-	358	358
Derivative financial instruments ⁽¹⁾	50	75	534	659	84	-	1	744
Total	7,331	1,477	3,109	11,917	6,088	340	326	18,671
Liabilities and Equity								
Deposits	5,723	847	3,664	10,234	4,745	-	(17)	14,962
Other liabilities	4	7	30	41	40	11	351	443
Debt	8	17	68	93	510	250	-	853
Equity	-	-	-	-	105	-	1,564	1,669
Derivative financial instruments ⁽¹⁾	743	-	-	743	-	-	1	744
Total	6,478	871	3,762	11,111	5,400	261	1,899	18,671
Interest Rate Sensitive Gap	\$ 853	\$ 606	\$ (653)	\$ 806	\$ 688	\$ 79	\$ (1,573)	\$ -
Cumulative Gap	\$ 853	\$ 1,459	\$ 806	\$ 806	\$ 1,494	\$ 1,573	\$ -	\$ -
Cumulative Gap as a Percentage of Total Assets	4.6 %	7.8 %	4.3 %	4.3 %	8.0 %	8.4 %	- %	- %
April 30, 2013								
Cumulative Gap	\$ 1,364	\$ 2,056	\$ 1,245	\$ 1,245	\$ 1,478	\$ 1,502	\$ -	\$ -
Cumulative Gap as a Percentage of Total Assets	7.5 %	11.3 %	6.9 %	6.9 %	8.2 %	8.3 %	- %	- %
October 31, 2012								
Cumulative Gap	\$ 1,560	\$ 1,586	\$ 773	\$ 773	\$ 1,211	\$ 1,437	\$ -	\$ -
Cumulative Gap as a Percentage of Total Assets	9.1 %	9.3 %	4.5 %	4.5 %	7.1 %	8.4 %	- %	- %

⁽¹⁾ Derivative financial instruments are included in this table at the notional amount.

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

⁽³⁾ 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.

The effective, weighted average interest rates of financial assets and liabilities are shown below:

	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
July 31, 2013							
Total assets	3.8 %	2.6 %	3.7 %	3.6 %	4.8 %	4.7 %	4.0 %
Total liabilities	1.3	1.8	2.1	1.6	2.4	3.3	1.9
Interest rate sensitive gap	2.5 %	0.8 %	1.6 %	2.0 %	2.4 %	1.4 %	2.1 %
April 30, 2013							
Total assets	3.8 %	2.4 %	3.8 %	3.6 %	4.9 %	4.9 %	4.0 %
Total liabilities	1.3	2.1	2.1	1.6	2.4	3.4	1.9
Interest rate sensitive gap	2.5 %	0.3 %	1.7 %	2.0 %	2.5 %	1.5 %	2.1 %
October 31, 2012							
Total assets	3.8 %	2.7 %	3.7 %	3.6 %	5.0 %	5.0 %	4.1 %
Total liabilities	1.3	2.1	2.3	1.7	2.5	-	2.0
Interest rate sensitive gap	2.5 %	0.6 %	1.4 %	1.9 %	2.5 %	5.0 %	2.1 %

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 3.6% or \$15,324 (April 30, 2013 – 4.9% or \$20,425) and decrease other comprehensive income \$12,707 (April 30, 2013 – \$9,464) 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 5.9% or \$25,267 (April 30, 2013 – 6.8% or \$28,260) and increase other comprehensive income \$12,707 (April 30, 2013 – \$9,464) net of tax.

Notes to Interim Consolidated Financial Statements

14. Capital Management

Beginning January 1, 2013, capital for Canadian financial institutions is managed and reported in accordance with a capital management framework specified by OSFI commonly called Basel III. Further details are available in the Capital Management section in the Q3 2013 Management's Discussion and Analysis.

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

Additional information about the Bank's capital management practices is provided in Note 31 to the fiscal 2012 audited consolidated financial statements within 2012 Annual Report.

Capital Structure and Regulatory Ratios

	As at July 31 2013	As at April 30 2013	As at July 31 2012 ⁽¹⁾
Regulatory capital, net of deductions			
Common equity Tier 1	\$ 1,243,708	\$ 1,229,936	\$ n/a
Tier 1	1,515,961	1,503,325	1,417,660
Total	2,194,220	2,180,295	1,854,224
Capital ratios			
Common equity Tier 1	7.9 %	8.0 %	n/a %
Tier 1	9.6	9.7	10.5
Total	13.9	14.1	13.7
Asset to capital multiple	8.0 x	8.0 x	8.6 x

⁽¹⁾ Capital ratios prior to fiscal 2013 have been calculated using the previous capital framework, Basel II. Capital ratios calculated under Basel III are not directly comparable to the equivalent Basel II measures.

In June 2013, the Bank redeemed \$50,000 of subordinated debentures with a fixed interest rate of 5.95%. The 2013 inclusion of non-qualifying capital instruments in total capital under Basel III is capped at \$607,500, based on 90% of the January 1, 2013 balance of \$675,000. As a result, the June redemption of subordinated debentures had no impact on non-qualifying capital included in total capital as the balance of subordinated debentures after the redemption was still in excess of the \$607,500 cap.

During the three and nine months ended July 31, 2013, the Bank complied with all internal and external capital requirements.

15. Business Acquisition

Effective May 17, 2013, the Bank acquired 54.6% of the outstanding common shares of McLean & Partners Wealth Management Ltd. (McLean & Partners), a Calgary, Alberta based wealth management firm, in exchange for \$10,098 cash and contingent consideration for a total acquisition cost of \$11,777. Additional contingent consideration, to a maximum of \$1,639, will be paid in cash if earnings targets are achieved over a two year period. The results of operations for McLean & Partners have been included in the Bank's consolidated financial statements since the effective acquisition date.

The following table summarizes the fair value of the assets acquired and liabilities assumed:

Fair value of consideration transferred	\$ 11,777
Identifiable assets acquired and liabilities assumed	
Intangible assets	9,840
Other items, net	696
Deferred income tax liability	(2,330)
Non-controlling interest	(316)
Goodwill	\$ 3,887

Intangible assets include customer relationships, non-competition agreements and a trade name. The trade name, which has an estimated value of \$518, is not subject to amortization. The total amount of goodwill and intangible assets is not deductible for income tax purposes.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

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Stock Exchange Listings

The Toronto Stock Exchange
Common Shares: CWB
Series 3 Preferred Shares: CWB.PR.A

Transfer Agent and Registrar

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Eligible Dividends Designation

CWB designates all dividends for both common and preferred shares 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 or visit cwb.com.

Investor Relations

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Online Investor Information

Additional investor information including supplemental financial information and corporate presentations are available on CWB's website at cwb.com.

Quarterly Conference Call and Webcast

CWB's quarterly conference call and live audio webcast took place on August 29, 2013 at 2:00 p.m. ET. The webcast will be archived on the Bank's website at cwb.com for sixty days. A replay of the conference call will be available until September 12, 2013 by dialing 905-694-9451 (Toronto) or 1-800-408-3053 (toll-free) and entering passcode 6674131.