MARKETWIRED

Moderator: Carolyn Graham
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12:00 p.m. MT

Operator: This is conference # 88518597.

Good afternoon. My name is Lori and I will be your conference operator today. At this time, I would like to welcome everyone to the CWB's first-quarter 2015 financial results conference call.

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

Thank you, Carolyn Graham, Executive Vice President and Chief Financial Officer, you may begin your conference.

Carolyn Graham: Thank you very much, Lori. Good afternoon, everyone, and welcome to the 2015 first-quarter result conference call for Canadian Western Bank Group. Before we begin, please note that the conference call graphs, quarterly results news release, and supplemental financial information are all available on our Web site, at cwb.com in the Investor Relations sections. I'd also draw your attention to our forward-looking statements advisory that's on slide 13.

The agenda for today's call is on the second slide. Joining me is our President and Chief Executive Officer, Chris Fowler, as well as other members of the Canadian Western Bank Group executive committee: Kelly Blackett, Executive Vice President, Human Resources; Randy Garvey, Executive Vice President,

Corporate Services; Greg Sprung, EVP, Banking; Brian Young, EVP, Canadian Western Bank and CEO of Canadian Direct Insurance.

For today's call, Chris will first discuss our recent strategic announcements, and then I will provide a brief overview of our first-quarter financial highlights, as well as performance against our 2015 performance target ranges for combined operations. Chris will return to provide an overview of our longer-term outlook and strategic direction, and we'll leave time for Q&A at the end of the call.

Chris Fowler: Thank you, Carolyn. Subsequent to quarter-end, we announced refinements to our long-term strategy, with definitive agreements to sell our property and casualty insurance subsidiary, Canadian Direct Insurance; and the stock transfer business of our subsidiary, Valiant Trust Company, to industry leaders in their respective fields for combined proceeds of CAD230 million. A summary of both transactions, with a review of the strategic rationale and estimated financial impact is included on slides 3 to 5.

We discussed the sale of CDI during our conference call held on February 11th. The sale of Valiant's stock transfer business, announced this week, resulted from the same purposeful strategic assessment initiated over a year ago and is supported by the same rationale. While the product lines offered by Valiant have provided solid contributions to our trust services offerings, our ability to profitably grow the stock transfer business was challenged in the face of ongoing industry consolidation and technology investment required to meet evolving needs of clients for these types of services.

Sales proceeds from the divestitures represented approximately 2.5 times CDI's net book value as of October 31, 2014, and approximately 4 times Valiant's normalized annual revenue. Inclusive of combined net earnings and expected after tax gains on sale, CWB shareholders received a compound annual growth rate of more than 17 percent based on our initial combined investment of approximately CAD34 million in 2004.

Current year contributions to earnings, based on an after-tax sales proceeds from these transactions, are expected to exceed CAD1.25 per common share,

an amount which far surpasses our combined earnings forecasts for CDI and Valiant over a long multi-year time period. We intend to deploy the capital generated from these transactions, in due course, for strategic and accretive opportunities within faster growing business lines that are better aligned with CWB's strategic direction. And we're confident that doing so will generate superior returns for CWB's shareholders moving forward.

As we stated before, our primary areas of interest for potential strategic acquisitions are centered on opportunities in equipment finance and leasing and wealth management. We believe these refinements to our strategic focus will further strengthen CWB's competitive position and the outlook for growth from continuing operations and we have no plans of further divestitures. I'll now turn things back over to Carolyn.

Carolyn Graham: Thanks, Chris. As a result of this sales, beginning this quarter, we have defined the contributions of both Canadian Direct Insurance and Valiant's stock transfer business as discontinued operations; all remaining operations, as continuing operations; and the total of continuing and discontinued operations as combined operations. For the remainder of this call, unless otherwise noted, references to performance highlights refer to the results of combined operations.

Moving now to slide 6, Canadian Western Bank reported strong first-quarter performance, highlighted by very strong loan growth, sound credit quality and relatively stable net interest margin. Overall, our core operations continue to perform very well. In the absence of elevated insurance claims, growth and adjusted cash earnings per share and key profitability ratios would have all been within our target ranges, while the efficiency ratio would have been only slightly above our target range of 47 percent or less.

The expected gain on sale from the transactions involving Canadian Direct Insurance and Valiant will drive considerable outperformance on a full-year basis, relative to our combined operations targets for growth in adjusted cash earnings per share, key profitability ratios, as well as the efficiency ratio.

Moving to the next slide, quarterly common shareholders' net income from combined operations of CAD54.2 million was up 3 percent. Both diluted and adjusted cash earnings per share, which excludes the amortization of intangible assets and the non-tax deductible change in fair value of contingent consideration, also increased 3 percent to CAD0.67 and CAD0.69 respectively.

Loan growth of 4 percent for the quarter and 12 percent compared to last year, reflected good performance across almost all lending sectors with the strongest year-over-year increase coming from real estate project loans, followed by growth in our equipment finance and leasing and corporate lending portfolios. Quarterly total revenues on a tax equivalent basis of CAD159.9 million represent a 4 percent increase from the first quarter last year, as strong growth in loans was partially offset by a 4 basis point increase in net interest margin to 2.60 percent, along with lower non-interest income.

Non-interest income of CAD23.4 million was down CAD5.1 million compared to the same quarter last year, as the combined increases in credit, retail, and wealth management sources was more than offset by lower net gains on securities and a decrease in net insurance revenues resulting from higher claims expense this quarter. The decrease in net gains on securities mainly resulted from less favorable market conditions in the current period and elevated gains realized in the first quarter last year.

Based on the current market environment and the composition of the securities portfolio, the potential for net losses on securities, due to valuation impairments, may provide a lower contribution to non-interest income compared to expectations at the beginning of 2015; although market conditions are inherently volatile, making this a very difficult line to predict.

Compared to the previous quarter, common shareholders' net income and adjusted cash earnings per share declined 7 percent and 5 percent respectively, as the benefit of very strong 4 percent loan growth and higher net interest margin was more than offset by lower non-interest income. This decrease in non-interest income primarily reflects the one-time gain on sale of our former Edmonton Main Branch premises in the last quarter.

Overall credit quality remains solid and within expectations. The dollar provision for credit losses was below our target range, at 16 basis points of average loans, up from 9 basis points in the previous quarter, and down from 19 basis points a year earlier. Based on the standardized approach for calculating risk-weighted assets, CWB's all-in Basel III capital ratios were 7.9 percent common equity Tier 1; 9.2 percent Tier 1; and 12.2 percent total capital, all above applicable regulatory minimums and our internal targets.

Capital generated from the strategic transactions involving Canadian Direct Insurance and Valiant Trust will increase our regulatory capital ratios by more than 70 basis points. This capital level will position us to move quickly on strategic and accretive capital deployment opportunities as they materialize, while providing flexibility to manage uncertainty. Canadian Western Bank's Basel III leverage ratio at the end of the quarter was 7.7 percent compared to the regulatory minimum of 3 percent, reflecting very low leverage.

Yesterday, our Board declared a quarterly cash dividend of CAD0.21 per common share, unchanged from the previous quarter and up 11 percent compared to the quarterly dividend declared one year ago. The Board also declared the quarterly dividend on our Series 5 Preferred Shares.

The next slide shows the historic trend of net interest margin, spread on loans, and the prime lending interest rate. First-quarter net interest margin of 2.60 percent represented a decrease of 4 basis points from the same period last year, with this difference largely reflecting reduced loan yields, partially offset by lower average balances of cash securities. Net interest margin was up 4 basis points compared to the previous quarter, primarily the result of lower average balances of cash and securities, as well as extended duration within the security portfolio.

Continued pressure on net interest margin is expected to continue in view of the current very low interest rate environment and the potential for further cuts by the Bank of Canada. The January rate cut is expected to have a negligible impact in 2015, but additional cuts would have a more meaningful impact.

Competitive factors and lack of steepness in the yield curve also continued to constrain improvement in net interest margins.

That said, we maintain our strategic focus to mitigate the earnings impact of ongoing margin pressure through efforts to achieve stronger relative growth in higher yielding loan portfolios with an acceptable risk profile, improving the funding mix to lower our overall cost of funds, while prudently managing liquidity levels.

Slide 9 shows first-quarter results compared to our target ranges for combined operations performance. Compared to the first quarter last year, growth in adjusted cash earnings per share from combined operations was constrained by lower net gains on securities and a higher insurance claims expense, as well as the 4 basis point decline in net interest margin.

We continue to focus on the 2015 performance targets published last December. As I mentioned a moment ago, in the absence of elevated insurance claims, growth in adjusted cash earnings per share and key profitability ratios would all have been within our target ranges after this first quarter. Looking forward, the expected gain on sale from the divestitures will drive considerable outperformance on a full-year basis relative to our targets for growth in adjusted cash earnings per share, key profitability ratios, and the efficiency ratio.

If we exclude the expected gains and without deployment of the capital realized from the sales, the achievement of our published targets for 2015 earnings per share growth and key profitability ratios from combined operations will be challenging. Our published 2015 targets assumed full-year contributions from each of the insurance and stock transfer businesses, and for return on equity, a lower capital base that did not consider the significant gains to be realized.

Focusing on our historic success factors, the volume in the loan pipeline remains drawn and we are confident in our ability to achieve another year of double-digit loan growth. Based on the economic environment, along with our secured lending business model and strong history of underwriting and

loan management, we expect the provision for credit losses will fall within the target range, 17 to 22 basis points of average loans for the full year.

One of our key objectives is to ensure expense growth is contained in consideration of expected revenue growth. We expect to prudently manage the growth of non-interest expenses in view of planned investment necessary to support future business growth, and on this basis, the efficiency ratio target of 47 percent or less, is believed to be attainable, but will be challenging.

I'll now turn things back to Chris.

Chris Fowler: Thank you, Carolyn. As Carolyn mentioned, I'm going to spend a few minutes on our current business outlook by referencing some key financial metrics. Then I will move to a more general discussion of our longer-term strategy, inclusive of the strategic transactions and the macroeconomic backdrop.

Slide 10 shows our quarterly loan growth over the past 4.5 years. Net quarterly loan growth of CAD632 million or 4 percent is a very strong start to the year and represents our second highest quarter of growth in the past five years. Loan growth over the past 12 months was also strong at 12 percent, and looking at the ongoing activity in our markets and our current pipeline for new loans, we remain confident in our ability to deliver double-digit loan growth in line with our target range of 10 percent to 12 percent.

Consensus forecasts for economic performance in Western Canada have been revised in recent months, primarily as a result of the anticipated impact of low oil prices. Alberta is no longer expected to outperform the rest of Canada, reflecting expectations for reduced capital investment and slower in-migration, owing to a more conservative mid-term outlook for resource-related activity.

However, low oil prices and weaker Canadian dollar have combined to improve the outlook for Canada's non-oil exporting provinces, in which we also operate, including British Columbia, Manitoba, and Ontario. Combined with improving economic conditions in the U.S., this has resulted in consensus expectations for stable overall economic conditions in Canada this

year. While oil prices are proving difficult to forecast, many market participants anticipate a moderate oil price recovery beginning in the second half of 2015. Our view is to be always realistic in our outlook and support our clients based on their prospects.

Canadian residential real estate markets have been resilient and affordability in most geographic areas remains within historical ranges, largely reflecting low interest rates. However, the combination of historically high price levels and sentiment related to potential economic headwinds, caused by low energy prices, could lead to moderated housing sector activity in certain markets.

CWB's direct exposure to the energy industry is small relative to the overall portfolio, at approximately 6 percent of total loans outstanding. This includes direct loans to energy producers of approximately 2 percent and direct lending to service companies within the sector representing approximately 4 percent of total loans.

Growth opportunities related to these areas are expected to continue to be limited in the near-term by the low oil price environment. We have amended the price decks used to calculate the borrowing base for direct oil and gas exposure to reflect conservative assumptions based on today's price environment and outlook. We remain comfortable with our current exposure to this sector.

Turning to slide 11, the dollar level of gross impaired loans has increased compared to the prior quarter and one year ago. Total gross impaired loans of CAD80 million represents 44 basis points of total loans outstanding compared to 35 basis points last quarter and 33 basis points a year earlier.

The level of gross impaired loans fluctuates, as existing impairments are either resolved or written off, and as new impairments are added. The level of gross impaired loans increased this quarter as expected, and the higher specific provisions mainly relate to a single account within the oil and gas production portfolio.

New formations of impaired loans primarily relate to this one oil and gas production loan, coupled with new formations within the real estate portfolio

in British Columbia. The total number of accounts classified as impaired fell 5 percent during the first quarter. Actual credit losses are expected to remain within CWB's historical range of acceptable levels.

CWB's actual credit losses measured against average loans, excluding increases in the collective allowance over the past five- and 10-year periods, have averaged 15 basis points and 11 basis points, respectively. This is a very low level. The level of gross impaired loans 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 analysis of both the overall quality and ultimate marketability of security held against impaired accounts. The residual balances of specific allowances not required, should a write-off occur, are conservatively added back to the collective allowance.

Management of our secured lending business model starts at origination and has contributed to our longstanding track record for outstanding credit quality. We continue to work proactively with our clients to assess the first and second order impacts on their businesses from dampened expectations for economic performance in parts of Western Canada this year.

At this time, credit quality remains consistent with our expectations, and we will continue to support our clients as we always have, based on our responsive service and disciplined, secured credit underwriting. So far in 2015, concern is evident over the drop in the price of oil, the potential for slowdown in economic growth in Alberta, and the impact this may have on CWB's operations.

This concern has been expressed in the price of our stock. While our stock prices generally reflected our outstanding performance over the long-term, with the statistical correlation of nearly 95 percent to the price of oil, it is clearly sensitive to short-term fluctuations based on the address of our head office and we have no intention of changing our Western Canadian address.

As a Management group, we focus on performance metrics that drive long-term value for our stakeholders, including clients, employees, and shareholders. When we define our strategic direction, we measure ourselves on performance-based metrics like revenue growth, loan growth, provisions for credit loss, return on equity, earnings per share, and cost efficiency, metrics which reflect the true performance of CWB Group and have not had a statistically significant correlation to the price of oil.

My first point of emphasis from a strategic standpoint is that the stock market is taking a very narrow view of CWB's business outlook as it relates to the price of oil. This view misreads and oversimplifies our business model. My second point relates to the strategic realignment I discussed earlier.

Our view of the future is to continue our evolution as a financial institution that is focused and targeted at franchise building areas of the market; in particular, areas where there are natural relationships between business lines that create opportunities for the companies in our group to collaborate, and through that collaboration, to provide multiple financial services that are seen as crucial to our clients.

As we've said before, we have no intention to be all things to all people. We strive to be the best in the markets we choose. Our divestitures of Canadian Direct Insurance and the stock transfer business of Valiant Trust follow this logic. The group companies that remain operate within those franchise building areas we have chosen are all core to our strategic direction and all perform at a very high level.

Historically, we've met our clients' needs in a very targeted way through responsive service and specialization in selected areas of the market. We believe this approach has allowed us to differentiate ourselves from our competitors and deliver a strong value proposition to our clients. Our next level of growth will include added focus on creating more multi-product clients, which requires the combination of appropriate technology investments to deliver market-competitive capabilities and training to marry our capabilities with opportunities.

Turning back to macroeconomic backdrop of Western Canada, and in particular, Alberta, has delivered strong returns over the past years. Alberta GDP growth has exceeded the other Canadian provinces and we've seen significant domestic in-migration of people to the province. Alberta has also provided jobs for many Canadians who commute here to work but do not maintain their family and household locally.

Clearly, the duration of low oil price will impact both in-migration statistics, as well as employment levels across Canada. As I said earlier, there is no shortage of views on the reasons for lower oil prices, the duration the price will stay low, and the potential of economic outcome.

Against this backdrop, at CWB Group, we remain focused on the things we can control. That includes ensuring we continue to build an enduring business model with the correct technology and an engaged and well-trained staff, all delivered in an efficient manner. We've identified relevant performance metrics and we're staying close to our clients to understand what they're facing and the decisions they need to make to remain successful.

In other words, it's business as usual. As a Group, we continue to work together to grow our businesses, nurture our culture, and take care of our clients and each other. Thank you all very much for your time. I will now turn things back over to Carolyn.

Carolyn Graham: Thank you, Chris. That concludes our formal presentation for today's call and I'd like to ask Lori to begin the question-and-answer period.

Operator: If you would like to ask a question at this time simply press star then the number one on your telephone keypad.

Your first question is from Robert Sedran from CIBC.

Robert Sedran: Both your slides 10 and 11, you talked a little bit about the uptick in gross impaired loans, and if I understood correctly, there was a single [E&P] credit and there were also some real estate portfolios in BC?

Chris Fowler: Yes.

Robert Sedran: Are there any meaningful losses expected on those, or is that just impaired loans?

Chris Fowler: The E&P loan in Alberta has a specific based on re-evaluation of the borrowing base against the current oil price, and it was the only one in the book that had that. The Company is still operating and paying interest but it is an accounting definition for impairment that they met, and there was no other specifics of any material nature in the balance of the portfolio.

Robert Sedran: So is that the reason why you're comfortable having real estate project loans as a fairly good grower in the quarter, that you're comfortable that the security on these loans is such that, even if something does go the wrong way, you're not going to lose any money? Is that the right way to look at it?

Chris Fowler: Yes, and the way we underwrite, we do focus on number one, Tier 1 developers. Secondly, we like to have strong pre-sell levels with reasonable deposits. So we have focused on this market for 24 years and have developed a lending model that has worked well for us.

Certainly, we came through 2009 and 2010 in very good fashion. We believe that the underwriting that we do for this market does allow us to manage the risks that are – certainly, all lending has risks and it's a question of how you manage it, and we think we manage it well in that portfolio.

Robert Sedran: Chris, back in 2009 and 2010, you had given us some disclosure around what decline in property value, or what decline would have to happen before you were exposed effectively to a loan loss on these things. Can you update us on those numbers?

Chris Fowler: Absolutely. You make these loans based on cost, so if they're in the 75 percent to 85 percent loan to cost, that would put them in the 60 percent to 70 percent loan to value. You take deposits in the 10 percent to 20 percent range. You have a pre-sell requirement in the 50 percent to 80 percent range of the loans, sometimes 100 percent of the loan.

That typically will bring your exposure from a loan-to-cost basis down in around the 50 percent to 60 percent range, and the loan-to-value basis at or above the 50 percent range, so you have a tremendous ability to absorb a reduction in the retail price of the end product.

Robert Sedran: OK. Thank you. That's helpful. And then, Carolyn, on the securities gains comment, I wasn't sure if that meant we should be expecting net securities losses, or if we just may not see the level of gains we saw previously? On a net basis, can you give us an idea of what to expect in that securities gain line? Again, I understand the comment that markets move, but just based on what you said, I'm just not sure how to interpret it?

Carolyn Graham: If we think about – we have total unrealized losses in the portfolio at the end of January of about CAD22 million, with about CAD35 million unrealized losses in our preferred share portfolio. So we do have the accounting requirement that if unrealized losses are determined to be either significant or prolonged, they need to be recognized through earnings rather than just sitting in accumulated other comprehensive income. We continue to work carefully and monitor all of the investments that are in that portfolio.

I would say, at this point, looking forward, when we began the year, we usually thought that normal net gains on sale would be in the CAD2 million range per quarter. We saw this quarter about CAD600,000, so certainly lower than what our original expectation was, and going forward, again, probably flat may be a realistic expectation, and other than that, we just have to continue to manage the portfolio as the market develops.

Robert Sedran: OK. Thanks for the color.

Operator: Your next question is from Sumit Malhotra with Scotia Capital.

Sumit Malhotra: Thanks, good afternoon. Chris, to go back to your comments on impairments, versus the historical loss rates the Company has experienced, you talked about the nature of the lending that the Bank has undertaken and how you've had security or collateral. Can you just remind us, and specifically your commercial book, what is some of the security that you have around the credit that you've extended?

Chris Fowler: By category, if we start with Rob's question on the project lending, that would be security on the project that we are financing. Typically, we're lending in to a balance sheet, so there would be other assets with guarantees from the principles that are involved in that, so it would be a fixed mortgage charge. Commercial mortgages would be secured by, of course, the asset and supported by the leases that would be in place.

For general commercial, you would have real estate security, you have equipment security, so we focus on secured lending and take those specific charges: equipment finance would be, security agreements, could be general security agreements or specific ones. We are very focused on how we originate because that's the point at which it makes a difference, because if you originate well, if you do run into a credit issue, you've got, as I like to say it, a door or two in the room, that you have the ability to find a way to exit.

Sumit Malhotra: Staying with that, when I look at your delinquency trends, again, this stuff is all of the margin, and you're right, we're all very focused to the third decimal on all of the movements, but it does seem like, for example, in your resi mortgage portfolio, which is a smaller portion of the Bank, we are seeing an uptick in delinquency.

So when we hear about the CapEx cuts across the province and how that may result in a higher rate of unemployment, as you referenced, are you of the view that potential credit issues resulting from the energy fallout are more likely to be consumer-based than the commercial business that has been more of CWB's focus?

Chris Fowler: We don't know the outcome as yet, depending on what that second order of impact is and really how long the oil price stays low, we don't know what that outcome would be. But we do, again, follow those areas very closely. In terms of our – say on the residential mortgage side, for the Optimum Mortgage book, we've now got 40 percent of that book in Ontario, 30 percent in Alberta, 20 percent in British Columbia, so our main growth in that book is in Ontario.

The focus of our loan management is to be very on top of how these credits evolve. Again, just to go back on the Optimum side, the average loan-to-value in that also is at about 70 percent, and we've got a very strong credit history in that book, too, so they're individually adjudicated and underwritten, they're not credit scored, so we've got a disciplined process under which we grant the loans.

Sumit Malhotra: All right. Thank you for that. Can you still hear me?

Chris Fowler: Yes.

Sumit Malhotra: OK. Just last one is on capital. When we had the CDI call three weeks ago, Carolyn stated that the Bank is comfortable managing at an 8 percent CET1. By my quick math, that suggests you have somewhere in the neighborhood of CAD130 million in excess capital, and please correct me if I'm wrong on that number. Chris, you've been very good at keeping the secret that there were a few assets for sale over the last year.

To go about it the other way, how confident are you that you'll be able to deploy this now seemingly excess capital position you have to the benefit of shareholders in a timely fashion. And what I mean is, we've taken the pain of EPS being lower now as a result of these sales, are you confident that you'll be able to quickly deploy it or is this something that may take some time and you'll be hanging on to that excess capital?

Chris Fowler: First, the answer to that is challenging. We are always interested in acquisitions. We're always looking at different opportunities. The question is how quickly you can get them over the line. I would say that we are very actively looking for acquisitions and we will definitely keep you updated as we move down this road. It is our full intention to redeploy the capital into accretive businesses that really fit into our strategic direction.

That just follows from us working on the divestitures at CDI and Valiant so that we could redeploy it in businesses that we believe would grow, at the same rate as the Bank is growing. And while CDI and the stock transfer business were great businesses, they were growing at less than one-half the

rate of the rest of the Group, so our focus is to redeploy in those faster-growing areas.

Sumit Malhotra: Thanks for your time.

Chris Fowler: Thank you.

Operator: Your next question is from Sohrab Movahedi with BMO Capital.

Sohrab Movahedi: Thank you very much. Chris, I just wanted to go back to the credit topic, if I may. Sorry to come back harping on it, but just so that we're all abundantly clear, a couple of maybe a bit more detailed questions.

The one account that did move into the impaired status that you said was a borrowing based account, can you tell us when that was originated? What I'm trying to get a feel for is how old of a vintage is it?

Chris Fowler: Well, certainly before the price of oil declined. So let's say it's at least – I don't know, actually, when it came on the books. Let's say it's at least two years if not longer on the books.

Sohrab Movahedi: OK, but it's that kind of a vintage, it's not less than a year?

Chris Fowler: No, no, no. It was a well-performing growing company.

Sohrab Movahedi: OK. And then just the concept of watch list, can you give us a sense of what's the average size of the credit on the watch list now and how the volume trends there both in number of accounts and dollar value have been trending, let's say, over the last six months?

Chris Fowler: We don't actually talk publicly about our watch list, because there's many different reasons for accounts to go on the watch list. We can have late reporting as reasons for accounts to go on the watch list. We can say, if you look at our impairments, we still sit with very low levels of impaired loans at 44 basis points of our total book; we've got CAD100 million of collective and specifics, so CAD90 million of the collective, and that based on historical losses, is over three years of losses sitting in our collective.

So from a credit perspective, based on our history of debt write-offs, as I mentioned [for] 15 basis points over the last five years, 11 basis points over the last 10 years, and the last five years includes the global financial crisis. So we are comfortable with our credit profile, and as I said earlier, we do focus on, at origination, how we structure loans, and it's really helped us deliver those very strong credit metrics that we have.

Sohrab Movahedi: OK. That's tremendously helpful. And some of the bigger banks, as they've reported their results, they've tried to dimension quantify, if you will, stress scenarios that they've run on their portfolio, specifically around the credits in Alberta and the losses that may come about because of higher unemployment or lower housing prices. Is it possible at all for you to try and give us a sense of what stresses would jeopardize your outlook on the credit performance?

Carolyn Graham: Hi, Sohrab. It's Carolyn. In our ICAAP testing and our ongoing stress testing, we evaluate things that are, we believe, important to an understanding of the key risks that could impact Canadian Western Bank and those include things like declines in real estate values. They include things like market slowdowns that affect us, and loan growth, changes in the industry environment around net interest margin, and fundamentally credit losses, given the composition of our business model.

In all of that stress testing, both to our regular processes, and as we continue to work through the current economic volatility, we are satisfied with the levels of capital that we maintain under the standardized approach to credit risk, and we're comfortable with our ability to withstand the kinds of shocks that might be unlikely but potential.

Sohrab Movahedi: And what would be the types of shocks that would be unlikely but potential?

Carolyn Graham: We don't track or stress based on a particular GDP level or unemployment level, given that we're not a Bank that has the advanced internal rating base models. That's not data capabilities that we have today, so we tend to stress on what we believe realistic outcomes would be of those macroeconomic factors.

Sohrab Movahedi: Got you. OK. And then – sorry, just one last question, and I will preface it by saying it's a bit of an unfair question, but when you spoke with us back in December, you did articulate some financial objectives for 2015. Clearly, you knew at the time that you are in the middle of these strategic reviews, because soon thereafter you announced the CDI and the second one recently. What has changed vis-à-vis your outlook, materially anyway, since then, or were are these truly surprises that came at you or the timing of these things were as surprising to you as they were to us?

Carolyn Graham: When we set those targets and shared them with the market in the beginning of December, as Chris mentioned, the strategic review that culminated in these two transactions has been underway for well over a year. But were we at the beginning of December when we set our performance targets based on status quo operations?

We were very much in the – we weren't in negotiation stages, we were still looking at potential organizations that might be interested in these two companies, had not even began Management presentations or in-depth data room analysis or any of that. So we knew what we were pursuing, but certainly did not have a sense at that time whether or not deals could be done in a manner that was acceptable to us from any number of aspects, so we set those targets based on status quo operations.

Sohrab Movahedi: OK. Chris, one last one. Is the stock price a big distraction for Management right now?

Chris Fowler: Is the stock price a big distraction? We are focused on what we have in front of us every day. I said our loan growth in Q1 was our largest in five years, or our second largest in five years. It's actually our second largest in our history.

We're very focused on growing our Bank. We're very focused on delivering our new technology that we will have coming out in the first quarter of 2016, so we are looking at continuing to build our Organization.

The stock price as I said, it's a market oversimplification of our business model. We have roughly 40 percent in Alberta, 60 percent not in Alberta. We've got a very small exposure directly to oil and gas.

Clearly, there's a GDP issue in Alberta. We have to see where the oil price goes. But we are building a growing Organization. We're targeted, focused, we have a strategic direction we're following that we believe will deliver continuing and increasing returns to shareholders, and that's our focus.

Sohrab Movahedi: Thank you very much for taking my questions.

Chris Fowler: Thank you.

Operator: Your next question is from Meny Grauman with Cormark Securities.

Meny Grauman: Hi, good afternoon. Question about the margin. You talked about January's surprise Bank of Canada cut is having a negligible impact, but additional Bank of Canada cuts potentially being more meaningful. I'm wondering if you could explain that a little more? Are you assuming that potential future cuts would be fully translated into prime and therefore a bigger impact or just want a little more clarity there?

Carolyn Graham: Two things I'd say to that, Meny. The first thing would be that over the last about six months, we've extended the duration of our equity book and that has positioned us to be more neutral to changes in interest rates, so that was helpful with that cut in January, and why that 25, 15 basis point cut in prime has a negligible impact looking out to 2015.

The comment about further cuts is more around the dynamic where, with a future cut, our floating rate loan portfolio would reprice to reflect a change in prime, but that deposits are very clearly reaching lower levels so that we wouldn't be able to see the same reduction in client deposit bases that we would see on the loan portfolio.

Meny Grauman: Thanks. And then a follow-up question, just on the strong loan growth. Is there any sense that some of the loan growth is coming from maybe some competitors de-emphasizing Alberta, in particular? Or the question is what is the competitive landscape like in Alberta specifically now? Do you notice any change?

Chris Fowler: I would say that we haven't seen a change as yet. Historically, we have seen that in an occasion where there is an economic slowdown in Alberta, where we would then have an opportunity to increase our market share, but we have not seen that as yet.

Meny Grauman: Thank you.

Chris Fowler: Thank you.

Operator: Your next question is from Darko Mihelic with RBC Capital.

Darko Mihelic: Hi. Thank you. My first question is with respect to risk-weighted assets. On page 4 of your supplemental, the derivative portion of risk-weighted assets went from CAD2.6 billion to CAD6.4 quarter-over-quarter, but somehow your overall risk-weighted assets didn't move nearly quite as much, so I'm just – which is a few lines down. Can you help me understand that dynamic, please?

Carolyn Graham: The growth in the risk-weighted assets to the derivative book, that's primarily related to our interest rate swaps and that one, quarter one to quarter one, reflects the increase in the amount of notional swaps outstanding. That's part of the way that we extended the duration of the book. As far as growth in that category over growth in risk-weighted assets in total, I would say that's just the fact that derivatives are a very small part of our balance sheet.

Darko Mihelic: Are they denominated somewhat differently? I'm sorry, I just don't understand how it goes from CAD2.6 billion to CAD6.5 billion in risk-weighted assets? Am I looking at that wrong? Is there some different definition of values here?

Carolyn Graham: There is, and Darko, I'd probably have to get back to you on the underlying detail, but as a standardized Bank, we are given standardized risk rates related to derivatives that would be different than the large banks, so it's also based on the positive or negative fair value.

Darko Mihelic: OK. So effectively, when I see this risk-weighted amount of being CAD6.5 billion, it's not CAD6.5 billion that makes its way into the risk-weighted assets down below, is that what you're suggesting?

Carolyn Graham: I'm going to have to get back to you on that detail, Darko.

Darko Mihelic: OK. The second question relates to – you mentioned the pipeline. Can you actually speak to the pipeline? Are you seeing any areas – are you seeing a slowdown in the Alberta pipeline is my question?

Carolyn Graham: Sorry, Darko, if I can just come back to the first question, the note in the supplemental would be that the risk-weighted asset amount related to derivatives is in thousands, and the total risk-weighted at the bottom is in millions.

Darko Mihelic: OK, that answers my dumb question. Thank you. With respect to the pipeline, can you speak to – are you seeing any regional weakness?

Chris Fowler: I would say that in our book across the business, we've had very strong growth in all our books of business. Net growth in our commercial is less than we had hoped. It's an area we're looking to focus, but we have good pockets of growth in that business. The area where we have spoken to as being a leading indicator of the economy, would be our equipment finance book.

That book has overall grown very well because BC and Saskatchewan East have grown well, but Alberta was actually flat in this last quarter. So that would speak to what we would expect to see, just a slowdown in that specific category. But overall, the pipeline is still very robust and we are still looking at 10 percent to 12 percent growth for the fiscal year.

Darko Mihelic: OK. And maybe just my last question, you are freeing up a lot of capital. We talked a little bit about the deployment of it. To deploy that much capital, do you not need more lenders? Can you help me understand – is it even – do you even have the capacity to deploy that capital in an organic fashion over the course of the next two years?

Chris Fowler: Our goal would be potentially organic, but also we're very interested in acquisitions, and acquisitions would come with people and systems and opportunities to bolt on to our existing operation. As we've said, we are very interested in both [equipment] finance and wealth management, in particular, as areas from which we can add to our ability to continue to grow.

Darko Mihelic: OK, great. Thank you.

Operator: Your next question is from Scott Chan with Canaccord Genuity.

Scott Chan: Thanks. Chris, I just wanted some clarification. Did you say that you're not looking to divest anything else?

Chris Fowler: Correct.

Scott Chan: OK. And just the loan growth, the strong quarter-over-quarter increase, I see a lot of moves based actually in Alberta. Is that safe to say that it was driven by the real estate portfolio?

Chris Fowler: Real estate and commercial, yes, and the growth in the equipment finance was flat.

Scott Chan: Was flat. OK. Thank you.

Operator: You have no further questions at this time.

Carolyn Graham: Thank you, Lori. Thank you very much, everyone, for your continued interest in Canadian Western Bank. Please join us by webcast, available at cwb.com, this afternoon, as we hold our annual general meeting here in Edmonton.

We also look forward to reporting our 2015 second-quarter results on June 4. And if you have any follow-up questions or comments, please call us or contact us by e-mail. Thank you and good day.

Operator: Ladies and gentlemen, this concludes today's conference call.

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