**MARKETWIRED**

**Moderator: Carolyn Graham**
**September 3, 2015**
**11:30 a.m. ET**

Operator: This is conference # 9439754.

Good morning. My name is (Chris), and I'll be your conference operator today. At this time, I would like to welcome everyone to the CWB third-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, please press the pound key.

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

Carolyn Graham: Thank you, Chris.

Good morning, or good afternoon depending on your time zone, and thank you for joining us for our 2015 third-quarter results conference call.

Before we begin, please note that the conference call graphs, quarterly results news release, and supplemental financial information are available on our website at CWB.com in the Investor Relations section. Our forward-looking statements advisory is included on slide 12. 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 the other members of the CWB Group Executive Committee, Kelly Blackett, EVP Human Resources, Randy Garvey, EVP Corporate Services, Greg Sprung, EVP Banking. For today's call, Chris will discuss our growth momentum and highlight our ongoing stable credit quality in view of the economic activity we're seeing within our operating footprint, and he will wrap up with comments on our longer term outlook. I'll close with detail on our third quarter and year-to-date financial highlights, followed by the Q&A.

And I'll now turn things over to Chris.

Chris Fowler: Thank you, Carolyn.

This morning, we reported excellent third quarter financial performance, including divestiture gains of CAD107.6 million from the sales of Canadian Direct Insurance, and the stock transfer business of Valiant Trust, which closed on May 1. We are currently reviewing options to redeploy the divestiture proceeds, and our preference remains towards accretive, franchise-building investments in the areas of equipment financing and wealth management.

Overall, the first three quarters of FY15 reflect strong, solid operating performance from our core operations, including good loan growth and sound credit quality across our geographic footprint, and all key lending segments. Slide 5 demonstrates our track record of very strong loan growth over the past 4 1/2 years. Loans grew 3 percent this quarter, 9 percent so far this year, and 11 percent over the past 12 months, with increases in each lending segment. In view of strong overall loan growth through the first nine months, and our pipeline of new business originations, our expectations for double-digit growth this fiscal year remain intact.

While we recognize the significant challenges apparent in our operating environment, with an emphasis on the oil exporting provinces of Alberta and Saskatchewan, as we look out to FY16, we will continue to pursue opportunities to service high quality borrowers operating within our targeted industry segments, consistent with our strategy through prior cycles.

Over the past year, we posted the highest geographic growth in Alberta, the highest sector growth in equipment financing and leasing, and strong performance from personal loans and mortgages, primarily driven by the ongoing success of Optimum Mortgage. Both National Leasing, our equipment leasing company based in Winnipeg, and Optimum delivered record funding volumes in the third quarter.

Our direct exposure to the energy industry through oil and gas production loans remains flat, with a moderate CAD47 million increase, compared to the third quarter last year, and down CAD24 million from last quarter. Fluctuations in this portfolio reflect draws and repayments on existing credit facilities, as well as a small amount of incremental new business. Overall, our direct exposure to oil and gas remains unchanged at approximately 6 percent of total loans outstanding. This includes loans to energy producers at 2 percent of total loans, and loans to service companies at 4 percent of total loans.

We remain diligent in the management of these portfolios during this low and highly volatile price environment. We assess our exposures on an ongoing basis to ensure facility limits reflect current reserve estimates, and conservative oil price assumptions that are lower than prevailing market prices. We review our sensitivity prices at least semi-annually, or when market prices and/or foreign exchange rates fluctuate materially, such as they recently have.

Turning to the residential mortgage market, CMHC recently expressed a view that Canada's housing market is modestly overvalued overall, with Toronto, Winnipeg and Regina being the markets most at risk of a correction. Our residential real estate exposure in these particular markets is not significant. Overall, affordability in most geographic areas outside of certain neighborhoods in Toronto and Vancouver remains within historical changes, largely due to very low interest rates. We are seeing reduced housing activity in Alberta and Saskatchewan, related to the economic headwinds caused by low energy prices.

We participate in these housing markets through both our branches and Optimum Mortgage sourced mortgages, and through our residential real estate projects. Ongoing monitoring of these real estate projects as they are in progress, confirms that our Edmonton and Calgary exposures include pre-sales of nearly 90 percent of all units under construction. Importantly, our loan funding structure also requires these pre-sales to be supported by non-refundable deposits. To date, there has been no evidence of pre-sale rescissions or account deterioration.

Optimum Mortgage continues to deliver strong growth with an attractive risk profile, offering valuable geographic diversification, with over half of new originations based outside of Western Canada. Our business model in Optimum focuses on affordably priced homes, with an average mortgage loans of CAD260,000, and an average loan to value at origination of 70 percent. We assess markets by postal code, and actively adjust our maximum loan to value criteria based on local conditions. Optimum's underwriting internal controls are designed to mitigate risks inherent in this type of lending.

We have experienced negligible incidences of fraud over our history in this business. That said, the fraudulent activity recently disclosed is a known risk within the broker-originated residential mortgage market. This disclosure has not had an impact on our volumes, nor has it resulted in changes to our underwriting processes.

We have extensive controls in place to help mitigate risks we have identified for this type of business, which include full consideration of the possibility of fraudulent mortgage applications. Our seasoned underwriting team manually adjudicates all loans. Nothing is done by automation, and our underwriters are not compensated with variable pay tied to funding volumes. So there's no incentive to approve questionable deals. Through ongoing selective underwriting in all our markets, we expect Optimum to continue to deliver very strong performance with an attractive risk profile.

Turning to the liability side of the balance sheet, our third quarter results continue to reflect a significant strategic focus to optimize and diversify our funding sources. We issued CAD300 million of well-priced, five year fixed rate notes in June, and delivered very strong 20 percent year over year growth in preferred types of branch-raised demand in those deposits. This focus is one of our key long-term strategic objectives, as it provides deposits that strengthen relationships by providing clients with relevant tools to manage their business and personal finances.

These deposits are also typically lower cost, and provide associated transactional fee income. This is part of our ongoing evolution from being seen primarily as a lender, to be seen as a provider of full banking services that are valued by our clients. Continuing to execute against our strategic objective to build funding sources and grow branch-raised deposits represents a tremendous opportunity for us to drive profitable growth. Favorable changes in deposit mix have supported net interest margin this year, and we expect to make further progress in this regard.

Turning to credit performance, we continue to work proactively with our clients to assess the first and second order impacts on their businesses from reduced economic activity in parts of Western Canada. Just as we've done in prior cycles, we are supporting our clients with responsive service, disciplined, secured credit underwriting, and proactive loan management. Slide 6 shows the level of gross impaired loans this quarter, which remained in line with our expectations. Total gross impaired loans of CAD92 million represents 48 basis points of total loans outstanding, compared to 50 basis points last quarter, and 34 basis points a year earlier.

The total number of accounts classified as impaired at quarter end was lower than the same time last year, and down from last quarter, as our credit group and branch-based lending teams continue to successfully work through challenging loan positions with proactive account management. As we've noted in the past, the level of gross impaired loans fluctuates as existing impairments are either resolved or written-off, and new impairments are identified. Based on our current view of credit quality, actual credit losses are expected to remain within CWB's historical range of acceptable levels.

As our business model is focused on secured mid market commercial lending, we have no material exposure to unsecured personal borrowing, credit cards, auto loans, and in general to non-real estate personal borrowing. This focus reduces our exposure to the credit impact of elevated levels of unemployment, compared to what would be expected from other Canadian banks with a more pronounced focus on personal lending. I will emphasize that the level of gross impaired loans does not reflect the dollar value of expected write-offs, given the tangible security we hold in support of lending exposures.

Real estate project loans, as I mentioned are supported through conservative loan structures and rigorous pre-sale requirements. Equipment loans are targeted to buyers of standard industrial equipment, and backed by hard assets with ready, secondary markets. This type of protection is a signature of our secured lending business model. We are a credit-focused bank, and as many of you know I've either worked in credit, run credit, or had it reporting to me since 1995. Only this year, with the addition of Bogie Ozdemir, our first executive level Chief Risk Officer, have I delegated direct oversight of this function.

Nonetheless, credit quality remains a core fundamental for us. We have strong teams in the field, as well as in our credit risk management group here in Edmonton, and I continue to chair our management loans committee, and personally review our largest files. The foundational principles of our lending policies have stood through a number of cycles and are disciplined, through the cycle underwriting process incorporates a rigorous examination of our borrower's cash flows, working capital and balance sheet leverage.

We target our lending to specific sectors, where we understand the market, and the security we take to support our exposures. It's important to note that our review of these sectors is not a one-time event in advance of funding alone. It continues through an ongoing relationship with each client. Our lending teams have significant expertise gained through years of experience in loan management. We continuously review the critical factors, cash flow, working capital, and the quality of security to detect early signs of deterioration, and where necessary work with our clients to provide support in response to specific challenges.

Notwithstanding our high level of confidence in the protection inherent in our secured lending business model, we continue to stress test our balance sheet, earnings, and capital to assess the potential impact of various scenarios, including economic weakness within the oil-exporting provinces. Recent stress tests extended the scenarios we discussed last quarter with more severe assumptions. We assumed that 150 percent of CWB's historic peak loss rates were experienced across all lending segments simultaneously for Alberta and Saskatchewan exposures, and 100 percent of peak loss rates were experienced simultaneously in all other regions.

Related assumptions included a persistent low interest rate environment, and significantly slower loan growth to reflect lower assumed levels of economic activity, as well as increased competition for deposits resulting in meaningful compression of net interest margin. Results of these tests further support our confidence in CWB's proven business model, and the resilience of our strong capital position under the standardized approach for calculating risk-weighted assets. While the combined impact of severe stress scenarios over a multi-year time period undoubtedly constrains earnings growth, CWB remains profitable and financially stable even through the most severe tail risk scenarios.

Now a few comments on our longer term outlook and strategic direction. The continued volatility in oil prices has renewed concerns over the outlook for economic growth in Canada's oil exporting provinces. On Monday, the Alberta government updated its fiscal outlook, and it's clear that economic growth is constrained. In fact, growth across the country was lower than expected through the first half of the year.

The expected positive impacts of lower energy prices and the lower Canadian dollar on the economies outside the oil exporting provinces has been slow to materialize. As operators in Western Canada, we always respect the business cycle. We've managed through many cycles before and we successfully have grown and thrived, even when CWB's operations were much less robust and diversified than they are today.

We are proud of our Western Canadian address, and comfortable with our exposure to business in this region. Against the current macroeconomic backdrop, we remain focused on the performance metrics that drive long-term value for all stakeholders including clients, employees and shareholders.

As we look to the future, our strategy is to deliver ongoing profitable growth, a conservative balance sheet, efficient operations, and strong credit quality, all while continuing to build our franchise with the capacity to meet more financial needs for more clients. From our perspective at CWB, we continue to support clients with the same business approach that has served us so well through previous cycles.

I will now turn things back over to Carolyn for more details on the third quarter.

Carolyn Graham: Thanks, Chris.

Moving on to the next two slides, I'll begin with a reminder that as a result of the divestitures which closed May 1, we've identified the contributions and gains on sale of both Canadian Direct Insurance and Valiant stock transfer business as discontinued operations, all remaining operations as continuing operations, and the total of continuing and discontinued ops as combined operations. For the remainder of this call, unless otherwise noted, references to performance highlights refer to the results of continuing operations.

Overall, CWB's core banking, trust, and wealth management operations continued to perform well. Quarterly common shareholders net income from continuing operations, inclusive of CAD5 million of net losses on securities, was CAD51.2 million, down 3 percent compared to the same quarter last year.

Reported adjusted cash earnings per share, which exclude the amortization of intangible assets, and the non-tax deductible change in fair value of contingent consideration of CAD0.65 was also 3 percent lower. Excluding the net gains and losses on securities in both periods, which we believe is a more appropriate barometer for the ongoing strength of our core banking trust and wealth management operations, common shareholders net income, and adjusted cash earnings per common share both increased 10 percent.

Reported quarterly total revenues on a tax equivalent basis of CAD153.8 million represent a 3 percent increase from the third quarter of last year, as the benefit of strong loan growth and stable net interest margin was partially offset by lower non-interest income. Non-interest income of CAD13.3 million was down CAD6.4 million, compared to the same quarter last year, as the combined 16 percent increase in banking-related fee income, wealth management and trust services revenues, and other non-interest income was more than offset by an CAD8.9 million decrease in net gains and losses on securities. Excluding those gains and losses on securities from both periods, third quarter total revenues grew 9 percent, compared to the same quarter last year.

Net losses on securities in the third quarter this year reflect ongoing active risk management in view of macroeconomic conditions and management's conservative approach to security markets, as well as changes in the liquidity and pricing of the Canadian preferred share market. Based on the current market environment and the composition of the securities portfolio, including a level of unrealized losses at the end of the third quarter, net losses on securities are not expected to have a material impact on non-interest income in the fourth quarter, although market conditions are inherently volatile and difficult to predict.

Compared to the previous quarter, reported common shareholders net income and adjusted cash EPS were relatively unchanged, as the benefits of 3 percent loan growth, stable non-interest income, and 3 additional interest earning days were offset by lower non-interest income and higher non-interest expenses. Excluding net gains and losses on securities in both periods, common shareholders net income and adjusted cash earnings per share were 6 percent and 7 percent higher, respectively.

Year-to-date reported common shareholders net income was up 4 percent, as the positive impacts of strong loan growth, lower preferred share dividends, and increases in most categories of non-interest income more than offset net losses on securities and a higher non-interest expense. Year-to-date, reported adjusted cash EPS of CAD1.96 was up 4 percent. Excluding net gains and losses on securities from both periods, common shareholders net income was up 14 percent, and adjusted cash EPS up 13 percent.

Based on the standardized approach for calculating risk-weighted assets, CWB's all-in Basel III regulatory capital ratios were 8.5 percent Common

Equity Tier 1, 9.8 percent Tier 1, and 12.8 percent total capital, all well above applicable regulatory minimums and internal thresholds. We also maintain a very conservative Basel III leverage ratio of 8 percent.

Stronger capital and leverage ratios compared to prior periods reflect the 60 to 70 basis points of capital generated from the strategic transactions involving CDI and Valiant. We continue to actively pursue opportunities to enhance CWB's earnings power through redeployment of this additional capital. However, we are comfortable maintaining capital ratios above our historic levels until we identify the right growth opportunities for CWB shareholders.

Yesterday, our Board declared a quarterly cash dividend of CAD0.22 per common share, consistent with last quarter, and up 10 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 historical trend of net interest margin, spread on loans, and the prime lending interest rate. Third quarter net interest margin of 2.57 percent was relatively stable, as the impact of lower loan yields reflecting both competitive factors and the Bank of Canada's interest rate cuts in both January and July this year was offset by the combined impact of lower average balances of cash and securities, more favorable deposit costs, and beneficial changes in deposit mix, partly resulting from growth in the preferred types of branch-raised deposits.

Net interest margin was also stable on a sequential and year-to-date bases reflecting same factors, with a slightly lower impact from favorable changes in deposit mix on a year-to-date basis. Going forward, we will continue to maintain our strategic focus, to mitigate the earnings impact of ongoing margin pressure through efforts to achieve stronger relatively growth in higher yielding loan portfolios with an acceptable risk profile, improve the funding mix to lower the overall cost of funds, and prudently manage cash and security levels.

Turning to the next slide, including divestiture gains of CAD1.33 per common share reflected in the results of combined operations, growth and adjusted cash earnings per share, and performance compared to the target ranges for key profitability ratios surpassed expectations established at the start of the year. Recognizing the positive impacts of divestiture gain, and the absence of earning contributions from CDI and Valiant in the second half of this year, we reaffirm our previous statement that the performance target ranges established for the FY15 are not meaningful for continuing operations, with the exception of targets related to loan growth and the provision for credit losses.

With respect to loan growth and credit quality, the volume in the loan pipeline remains strong. And in view of year-to-date performance, we are confident in our ability to achieve another year of high quality, double-digit loan growth. As Chris mentioned, in looking forward to FY16, we plan to continue to pursue opportunities to service high quality borrowers operating within our targeted industry segments, just as we always have. Based on our history of strong underwriting and loan management, and considering our secured lending business model, we expect the full year 2015 provision for credit losses will fall within the target range of 17 to 22 basis points of average loans.

Strong third quarter and year-to-date results from CWB's core banking, trust and wealth management operations demonstrate our ongoing success toward the achievement of our longer term strategic goals. We continue to deliver high quality profitable loan growth, while optimizing our funding mix, confirmed through strong growth in preferred types of branch-raised deposits, as well as contributions from our complementary business lines.

This concludes our formal presentation for today's call. And I'll now ask (Chris) to begin the question and answer period.

Operator: Thank you.

And at this time, I would just like to remind everyone in order to ask a question, please press star then one on your telephone keypad.

Our first question is from Gabriel Dechaine with Canaccord Genuity.

Gabriel Dechaine: Good afternoon. First on the investment losses, I just want to -- the unrealized losses in the preferred share portfolio has been persistent for the, well, the whole sequence of your supplement here. Was this a permanent impairment that went through your income statement this quarter, is that what happened?

Carolyn Graham: Thanks, Gabriel. It's Carolyn. Given the current market conditions in the third quarter, we realized -- we did realize some losses in both our preferred and common equity portfolios, primarily as a risk management activity to reduce our overall exposure to certain sectors.

And over time, we systematically reduced the size of the preferred share portfolio, both in dollar terms and as a percentage of our balance sheet. Absolutely, as you can see from our supplemental changes in the structure of the preferred share market this year have created challenging conditions, and contributed to the unrealized loss position.

At this point, we don't anticipate recognizing impairments through earnings on our preferred share portfolio next quarter. Our expectation is a nil contribution from this category of non-interest income, with a similar outlook for next year, although markets are always unpredictable.

Gabriel Dechaine: It sounds like you were ready for that question. Did you just crystallized them off, is that's what you did?

Carolyn Graham: That's right. As we looked at the positions that we held, the current market conditions and decided what we wanted the portfolio to look like going forward.

Gabriel Dechaine: OK. Now moving on to Optimum, and Chris, thanks for going thoroughly through that business. It's obviously one that's of great interest these days, given what happened with Home Capital, and I think just in general because of the state of the economy and the economic outlook. Can you break down the percentage of those mortgages that are coming -- sorry, the originations that are coming from Ontario over the past 12 months, whether that's accelerated?

And going, if you could, please, go into a bit more detail on your fraud detection and fraud avoidance strategies or risk management tools, whatever you want to call it, just to reassure the market that having a loan growth strategy that emphasizes the subprime mortgages at this stage of the game is a sound one?

Carolyn Graham: Great, Gabriel, I'll take that one as well. So just to follow-up, Chris talked a little bit about the underwriting internal controls that we have in place for us and the mortgage with this alternative lending business. Our funding over the last 12 months, and over the last quarter have come about half from Ontario, so that is a growing part of our portfolio. The portfolio at the end of July is about 40 percent Ontario, 30 percent Alberta, 20 percent BC, just to give you a sense of what the portfolio looks like.

So I'm going to go through my notes again on this one, Gabriel, to make sure I cover all of the components of the internal controls that we have in place at Optimum. So it starts with our first-line of defense, which is decentralized business development teams that are located on the ground in our core lending geographies. Those individuals have direct relationships with the referral sources and perform the initial due diligence on our broker partners.

We utilize a third-party service that tracks other lenders unfavorable experiences with mortgage brokers, and our own loan origination system has a warning flag to identify deals that come to us that were previously referred to other originators. Once a deal passes underwriting, our fulfillment team completes cross-checking and validation of the documentation regarding the applicant's employment, income and down payment source.

We also have audit and compliance staff on site who provide additional review of applications that are flagged as higher risk. These two areas represent our second line of defense, with Canadian Western Bank's internal audit team the third line, ensuring that the underwriting process is sound, and risk management processes are operating as intended.

Chris mentioned our seasoned underwriting team manually adjudicates every single mortgage application. Nothing is done by automation. And our underwriters are not compensated in any way tied to funding volumes, so there is no incentive in our process to approve questionable deals. In general, we believe that through a combination of regulatory and legislative changes and enhancements to risk management by all originators following the financial crisis, we believe that Canadian underwriting standards are tighter today than they have been at any time in the past.

Gabriel Dechaine: OK. So but, how much of that business is in rural versus urban settings? And then, also just -- the portfolio is about, almost 10 percent of CWB's total loan book. And I Am happy to hear that's all manually adjudicated, you do the old fashion type of underwriting. But as that portfolio keeps growing, and it grew 25 percent this quarter, how can you maintain those standards or, and do you expect to maintain that approach, as it gets to even more than 10 percent of your portfolio over time?

Chris Fowler: Well, our goal as we look at the operations there, we've done some very tactical technology additions to that group, which has really helped us in terms of managing the flow of information. The credit decisions are done manually, so we believe we have a process in place that will help us continue to be efficient in how we manage the credit side.

In terms of the geographies of our lending, we do lend by postal code. We do lend into liquid markets, so our focus is not to be in rural. It is to be in metropolitan addresses, metropolitan postal codes. So we track each postal code, we see what the sales volumes are. We look to see if there's some frothiness in that particular postal code. And if there is, we would then adjust our loan to value maximums.

So we're very, we intensely manage it, so that we -- really want to put -- as I said in my comments, we are credit-focused, and we don't lose track of that just for the sake of growth. We are in the business of growing. We put more feet on the ground in Ontario, so our growth there has come from more intensive working of that footprint, but not from changing anything to do with our credit standards.

Gabriel Dechaine: OK. Thanks, I'll requeue.

Chris Fowler: Thank you.

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

Sumit Malhotra: Thanks. Good afternoon. Just want to start with some of the parameters you gave us in and around your stress test. So 150 percent of your historical loss rate peak for Alberta and Saskatchewan, which I believe is about 50 percent of the book, and then100 percent for the remainder. So, just looking back at the history of this Company over the last 15 years or so, is the peak level you're looking at -- you're using a base of say, 25 or 30 basis points?

Carolyn Graham: So the way we've calculated the peak loss has not been based on the way that we actually incurred those losses, but if each of our portfolios had the peak loss that they've realized in our history all at the same time. What we found is they have not all occurred at the same time. Equipment finance tends to realize the losses early, others have taken longer to work their way through. So it works out to be about 45 basis points loss at the peak. Applying 150 percent to Alberta and Saskatchewan, 100 percent to the rest of the portfolio works out to an all-in provision at about 60 basis points.

Sumit Malhotra: So 60 basis points. That's actually very helpful that you're using the max loss rate for each portion. So 60 basis points is what your stress test gets you, and your commentary is that at that level, and even taking into some into account some of the other spillover effects such as a lower NIM and lower loan growth, how -- are you stating that the Company is still solidly profitable?

Carolyn Graham: The Company is still profitable, positive ROE, and regulatory capital ratios remain acceptable and consistent with our target levels.

Sumit Malhotra: All right, that's helpful.

Let me go to the second part of that. And Chris, since you talked about your background as the credit guy so to speak, this is probably best for you. I think CWB, particularly in periods of stress has talked over the years, about the large nature of security or collateral that it has in the loans that it originates. And if I have my notes right here, I think it's something north of 80 percent of your loans have some form of security or collateral.

So A, can you confirm what exactly that percentage is? B, what would be some of the underlying assets that you're secured with? And C, are you comfortable that the collateral value of those assets holds up in the stress scenario that you're describing?

Chris Fowler: Certainly. In terms of the percentage overall of secured loans, it would be in the -- I would think it's at least 90 percent. We are just not in the business of unsecured lending. So it's not to say we don't have some in our personal credits, and our personal credits are really focused on the owners of businesses we finance to, so we will for sure have some small unsecured lines there. But it would be over 90 percent of our book is secured.

So if I just look at the loan segments, and start with the one that we've got on page 14 of our MD&A, so commercial mortgages. We lend to the mortgageability of those properties. Commercial mortgages in our world are third-party tenanted buildings. We like to have it where we fully analyze the lease turnover rates. We've got buildings we believe have the economic life to support the loan. So we're very focused on the tenants, the mortgageability of the rent roll, and the quality of the assets.

So we would generally lend in that 60 percent to 75 percent range on that, from an appraisal perspective, but we actually truly lend to the mortgageability, meaning the rent roll, and understanding what that lease turnover risk is. On general commercial loans, that would include a basket of security that could include, from an operating loan perspective, accounts receivable and inventory, where we would be very specific on the types of risk we're looking to take, and the margin value ascribed. It would include equipment, and would also include owner-occupied real estate, so premises a company would operating from.

Again, those would all be value based on how we would -- we would have independent appraisals, if it's real estate, and equipment typically is based at cost. We'd look at the different types of equipment that -- our focus on equipment that would capture equipment financing and leasing line, as well.

We really lend to what we call standard industrial equipment. So our focus is not to be in high technology with obsolescence. Where our focus is to be in equipment that would have secondary uses, secondary markets. And it could be a D&I Cat used by an oil field services contractor, but it can just as well be used in forestry, municipal infrastructure, it could be used in highway building, could be used in many different areas. So our goal is to focus on that standard industrial equipment.

On the real estate project loans, we are very specific in the borrowers we deal with, the geographies we lend into. We like to be in the liquid markets. The loan structures that we do are very focused in the sense, that we like to have pre-sales with deposits. Certainly, in the last go-around in 2009 and 2010, when we looked at the book of business, and we actually had some problems in smaller geographies, where we have been very, in the last number of years much, very disciplined in how we continue to manage that. So we feel very confident in our book, and confident in the lending structures.

And one of the examples I gave in the last turndown was the, if you had a loan for an inter-construction say, it's a condominium project, 85 percent loan to cost with a 15 percent deposit requirement on units, we would typically have a pre-sale requirement that would pay the loan out. And we did tests such as what would happen, if you had say, half of the pre-sales where there was rescissions of those sales. And you would tend to go from about a 70 percent loan to value, to about a 54 percent loan to value. So you have a lot of built in flexibility on that retail price for a price correction in that loan structure. So that loan structure has worked very well for us.

Personal loans and mortgages, we've talked to the Optimum Mortgage, our average outstanding loan in there is about CAD260,000, typically about 70 percent loan to value at origination. So we are a conservative lender in there, and we call it alternate lending, as opposed to -- we don't believe we lend into the subprime. We do focus on people that have cash flow to support the loans, and the equity amount going into the transaction is strong. So we believe that's a very stable and secure source, and stable way for us to grow.

Corporate lending on that chart, that includes participations in syndicated loans led by typically the large Canadian banks, and that is a portfolio diversification tool for us. That includes many different industries, and it can range from manufacturing to oil field service to transportation. So there's quite a range of opportunities there, and there is typically very strong companies that would have a national presence. And then, our oil and gas production loans, which is our smallest portfolio, and one that I touched on in my opening comments that is pretty much in a holding pattern.

We are very focused in how we lend there. We've got about a third of those loans that would be say, we would call it emerging juniors, where we would have somewhere in 800 to 1,500-barrels a day. We lend those on a borrowing base. A borrowing base is based on proven production. So the structure you have on that is, you test it based on the engineers report, with the engineers price deck, and then you put in a sensitivity price to determine where you would test that the production would continue to be profitable to support the loan.

And you set a margin limit based on your borrowing base, that allows you to assess whether the borrower is in compliance of that. So that's about a third of the loans. And then the other two-thirds are typically syndicated loans led by the larger banks, where we would either be on a borrowing base, or be in a covenant structured loan. So this portfolio, of course, given the volatility and the price of oil, is one that we've certainly have under the microscope, and we're following it very closely. So that's a very long answer, Sumit, to your question, but that runs through our lending verticals.

Sumit Malhotra: I can tell you feel strongly about this.

Chris Fowler: Yes, I do.

Sumit Malhotra: OK. I've got some reading to do in the transcript to make sure I have all of it, but I think that will certainly give me an idea at least what is backing these loans, when you say they're secured. I'm going to ask one last one that I hope is quicker. Obviously, your two divestitures closed this quarter, and we saw the increase in your CT1 ratio. You talked about equipment financing and wealth management as areas of interest as you have in the past.

Let me just ask you this. The book value after these sales is CAD22, the stock is at CAD23. Where does, or where or why hasn't the normal course issuer bid been reactivated? And at these levels, is CWB shares on a buyback an attractive source of capital returned?

Chris Fowler: Well, we, of course, done that calculation on what a buyback would look like, but we are really focused on growing our business, and we see that as a franchise building opportunity for us. The sale of those two companies was an opportunity to come into the -- a transformation of how we look at the future. Neither of those companies we felt we could grow.

They are both great companies. We believe they will continue to produce for the companies that acquired them. But for us, we really like the focus we have on the market, the segments that we are looking to grow and build.

And as mentioned, equipment financing and wealth are two areas that we think will provide future benefit to shareholders, and that's where we are looking to grow. So we're going to sit today. Today we have a very strong SET1 ratio and a very strong leverage ratio. So we believe our balance sheet is in fantastic shape, and the opportunity is in front of us to make the right acquisitions.

Sumit Malhotra: Thanks for your time.

Chris Fowler: Thank you.

Operator: The next question is from Robert Sedran with CIBC.

Robert Sedran: Hi, good afternoon. Just a couple of follow-ups on questions the guys have already asked. But Carolyn, you said that, unless market conditions change, you're envisioning somewhere around zero on the securities gains and losses line. There's already a fairly sizeable unrealized loss, and what kind of market conditions would create a realized loss out of those?

Carolyn Graham: The market conditions might be a change in the underlying quality of the issuer that would indicate an impairment beyond simply being the share price of the pref at the current time. It is looking at the preferred index as a whole, that market has been hit hard. We believe these are still solid investments that will deliver on the dividend payments. So that's why the unrealized losses continue to be reported and accumulated in other comprehensive income. So it would tend to be an issuer event, that would drive to earnings recognition at this point.

Robert Sedran: And these are all, I mean, this is pretty high quality portfolio in terms of its other banks, its utilities, it's nothing that would have a tremendous amount of credit risk in it?

Carolyn Graham: The entire portfolio is investment grade, either a P2 or a P3.

Robert Sedran: OK. And then, just following up on some of that stress test disclosures there, the basis point information was helpful. I'm curious if you can tell us when those peak loss rates would have been hit? I assume, much as they may have developed differently, they were probably in the same area in terms of the timing on them, and when were they? And I'm also assuming that this goes back, as far back as the formation of Canadian Western Bank, not back into some of the predecessor firms that might have predated CWB as it exists today?

Carolyn Graham: So Rob, I'll make sure to answer both parts of the questions. The peak losses in each portfolio were all recognized in the periods since the global financial crisis. So those were the periods of the highest losses in CWB history back -- well, my memory takes me back like the 31 years since we've been Canadian Western Bank. But those actual peak losses have all been post global financial crisis.

Off the top of my head, it was equipment finance that went first. It was probably energy that lagged behind, but over the 2009, 2010 period was when we saw the spike in gross impaireds. And it would be in the resolution period coming out of that, that we likely reached the peak losses in each portfolio.

Robert Sedran: And you're obviously comfortable that that's the right -- that's the relevant benchmark to use, not withstanding the fact that the oil price didn't really stay all that low for that long, you're still comfortable that that is the right benchmark?

Carolyn Graham: We believe that that is the right benchmark. If we think back to the global financial crisis, the actual write-offs, which were higher than what we recorded through the provisions, reached a max of 22 basis points from our reported perspective in 2010. So we think using that peak loss calculation, which comes to a weighted average loss of 45, and then stressing that even more in Alberta and Saskatchewan, we believe that is an appropriate severe stress situation.

The other thing that we've done in these stress tests is then assumed, what if that situation remains for a three-year period? So again, the oil went down, and came back up again in the financial crisis period, but this stress test that we've done looks at, what if these conditions continue over a three-year period.

Robert Sedran: And would the dividend be covered under those scenarios, or is that -- am I getting too specific in terms of what the earnings impact might be?

Carolyn Graham: We include the dividend under normal assumptions. So we've included consistent dividends. We've not included capital issues, and we have run it on assumptions with, what if loan growth gets to the 6 percent to 7 percent range, which was what occurred in 2009, and we've run it with what happens if loan growth is flat. Sorry, and I'll just confirm, we assume no dividend increase. So, that would assume a flat CAD0.22 per quarter on the common.

Robert Sedran: OK. That's it for me, thank you.

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

Meny Grauman: Hi, good afternoon. I just wanted to follow-up on the topic of the security. I wanted to find out, in the loans secured by the standard industrial equipment that you talked about, what is that resale market looking like right now? I know it's a maybe a broad area of equipment, but if you could give us some color on the resale market as it stands now?

Chris Fowler: Well, probably the best examples have been the last couple of auctions at the Ritchie's facilities, particularly in Edmonton here, and they have been -- the prices have been very strong. And not only have there been buyers still from Western Canada in the market there, but there has also been a lot of international buyers of the equipment. So, I would say that the -- I realize that's information from a couple months ago, from the last auction they had. But certainly over the last 12 months, the auction prices of this type of equipment has absolutely held up, and been very strong.

Meny Grauman: Thanks for that. And then, just wanted to get a little bit more information on the gross impairments. In the equipment financing and energy category, you had a quarter over quarter increase, I think it was about 20 percent increase. And I'm wondering, what was driving that? Is that mostly energy there?

Chris Fowler: So that would come from our equipment finance group in the bank and also from National Leasing, so there would be a mixture of exposures there. National Leasing, they would include in their lending verticals some agriculture, which we don't really have in the bank.

We've got, in that market, there's certainly been some stress in the -- particularly in Eastern Alberta, western Saskatchewan with some drought conditions that have really affected the farmers there. So that's caused some impairments. So they, again, impairments are -- clearly, the loan becomes non-performing, but it doesn't necessarily translate into a loan loss.

We've got -- we, if you look back to 2010, our gross impaired loans peaked at 168 basis points. We're currently at 48 basis points on gross impaired loans. Even that 168 basis points didn't exceed net charge-offs of what Carolyn just mentioned at 22 basis points. So the security aspect of -- the secured aspect of our portfolio gives us tremendous resilience in managing these accounts, as we run through tougher economic times. So as I said, we are sitting with a business model that is very focused on how we've made the loans. We believe we are a through the cycle lender. We've thought through the different ways to

manage those exposures, and again, we're sitting with a very strong balance sheet, as
well.

Meny Grauman: And then, just a final question, maybe a little bit bigger picture. I'm just wondering, you're showing really good loan growth in Alberta, and the credit picture still holding up. I'm wondering, there is probably a timing lag here. But apart from that, are there any other factors that stand out to you, as supporting that volume growth, and that credit performance? Or are there any factors that people aren't appreciating, that maybe stand out to you, being closer to the source there?

Chris Fowler: Well, so we've got growth -- portions of that growth would include say, the interim construction where we've got exposures in Edmonton and Calgary for residential construction. And those projects are very high levels of pre-sales, very strong deposits. So those are loans that we would have approved, and they continue to fund as they build out. So that's part of loan growth that sort of builds in as these projects evolve.

They are still being -- there is still infrastructure spending going on in Alberta. It's not that everything stops. There is a significant amount of CapEx that is still is spent in the oil and gas market. There was an article just this past week from, Our Energy, just talking about the built in CapEx that just keeps the oil sands producing as well, and a lot of that comes from Edmonton. There's a lot of oil field manufacturing that occurs here. So there's still a lot of economic activity that goes on, even with the lower oil prices, and what we've been focusing on is production levels.

Where are the production levels, because production levels do still require servicing of wells. If you think about conventional or fracked, it still requires on the oil sands side, a significant amount of infrastructure spend just to keep production levels where they're at, and there's still growth there. So, there is still a residual amount of business that it's -- clearly, the lower oil prices affect that next project, but the existing production is still there, and it's still generates activity that has to be supported. And we have clients that are -- we don't have a huge exposure for direct oil field exposure at about 6 percent, at 4 percent and 2 percent in services and production, but it is still a lot of activity generated out of that industry.

Meny Grauman: Thanks for that.

Operator: The next question is from Shubha Khan with National Bank Financial.

Shubha Khan: Thanks, good afternoon.

So you talked about updating your oil price assumptions subsequent to quarter end, and at least that was in the MD&A. And I don't know if I misheard you, Chris, but I think you mentioned that you're now assuming oil prices below the prevailing price. And in any case, I'm wondering what that might mean for loan loss provisions if anything at all, particularly collective provisions going forward? So will we see a step up in the rate of provisioning in Q4 and beyond, not just in your oil and gas portfolio, but for the loan book as a whole?

Carolyn Graham: So I'm going to let, I'll talk about the collective, and then we can come back, and Chris can talk about the price deck if we like. The collective, so the things that impact the collective as we look at our estimates going forward, one of the most significant ones in a time of economic slowdown that could impact the estimate of the collective, would be the composition of the portfolio as it is split between loans that show no evidence of -- no objective evidence of impairment, versus those that have some evidence. So as loan are perhaps downgraded from a risk rating perspective, that shifts them from one bucket to another, and our estimate applies a higher loss rate, obviously, to those loans with increased evidence of impairment.

We are, our collective allowance is estimated very conservatively, and that will continue. So could the collective increase? It has been increasing in the past, along with the growth in the loan portfolio. Would we expect a material increase? Not at this point, but we do expect to continue to provide adequately, so both the specifics and the collective cover our best estimate of losses in the portfolio.

Chris Fowler: (Multiple speakers) So do you want me to speak to the price deck or is that?

Shubha Khan: Yes, absolutely.

Chris Fowler: Yes, I mean, our focus on -- so as I said, when you're making a borrowing base loan, you have an engineers report on the resource with an engineers price deck. And your job then is to do a sensitivity price, and where you then assess the production levels, as defined by the engineer with a lower price weight. So what we do, is we believe we have a very conservative price deck, and so we've got in US dollars, we're using $38 right now and $46 for next year. So we're being very conservative in how we think about the pricing of oil.

Shubha Khan: OK, and Carolyn, so just to come back to your remarks. When I think about the collective losses or total loan provisions going forward, so despite the fact that you reduced your oil price assumptions, that wouldn't have a uniformly negative impact on your loss, given default or probability of default assumptions for the whole portfolio, or would only have an impact on part of the portfolio? Is that how we should think about it or --?

Carolyn Graham: Yes, it would impact -- it impacts our assessment of the direct, certainly, the direct producers, absolutely. And we use a number, for the rest of the portfolio we calculate the collective allowance on a -- for each individual loan type. So certainly, our assumptions around macroeconomic factors that affect each of those loan types differ. So it would be one characteristic that we would look at, as it might affect employment, or collateral values, or the other macro factors we consider.

Shubha Khan: OK. And just on Optimum, a number of specialty mortgage lenders have seen a strong origination, strong loan growth in the last quarter, so Optimum, obviously, no exception. And it coincides of course, with the slowdown in Home Capital's originations. Is there any indication as far as you're concerned, that Optimum and other alternative mortgage lenders are gaining share at the expense of Home Capital? And then, in particularly I'm wondering whether it's possible these market share gains are occurring, because the brokers at Home Capital terminated, or may be doing increased business with other lenders in the channel?

Chris Fowler: We don't know exactly which brokers were involved. We have our internal control process in place. We continue to evaluate and underwrite on a mortgage by mortgage basis, so we believe that our -- so we can't say whether our growth comes at the expense of Home or not.

But we continue to underwrite and believe that the fundings in the past quarter are strong mortgages that have appropriate underwriting credit quality. And they are focused on that alt A category, not on the insured A. So each individual loan is assessed based on that ability to determine the borrower's credit quality. So, it's a different structure, and being in that alt A manually adjudicated loans, it's a completely -- we believe we're confident in our origination standards, and the oversights we have in place.

Shubha Khan: Understood. Thanks so much.

Operator: The next question is from Gabriel Dechaine with Canaccord Genuity.

Gabriel Dechaine: Hi, just a couple follow-ups. I saw some real estate construction loan growth this quarter. I just want to know what type of loans are still driving that, what the pipeline looked like as well? And then, I've got a follow-up.

Chris Fowler: OK. So in our inter construction, the mix there is, we have land development loans, condo loans, town house loans and high-rise. So the majority of our exposures would be in the condominium loan area, with a very high level of pre-sales. So we've got about almost half of our inter-construction loans are in BC, and the other half is essentially in Alberta, and a very small amount is in Toronto. We've got -- so the growth there has been very consistent, again as I mentioned before, we like the loan instructors we lend into. We like having the high pre-sales with the deposits, and we believe that it gives you a lot of flexibility, if you run into a price correction scenario.

Gabriel Dechaine: Right. And so BC is a big contributor, and is the pipeline still pretty good?

Chris Fowler: Oh, yes. It's still very strong. But we certainly expect the Alberta pipeline to be slower as we look forward. We've got a very strong stable of companies that we've lent to over the last 20 years here, and they are very respectful of the cycle as well. I mean, they will clearly, only focus on those projects that they know that they have a liquid market they can sell into.

So, and that's really the structure of lending, not just in the economic times that we are entering in Alberta, but also in the Lower Mainland. I mean, there has been a lot of talk about the price of real estate in Lower Mainland. And so, we find the borrowers are very respectful of that, and as we look at our book, the Lower Mainland has many different price points.

You've got the West side, West End side, West End side that is more expensive, than as you move into East Vancouver, Burnaby, New West, and now into Fraser Valley the prices are much lower. And so, we have a good mix of business across all of those different sort of geographies within the market. So we're comfortable with the borrowers, and are comfortable with the credit structures we have in place.

Gabriel Dechaine: And I mean, you expect the originations to exceed pay downs still, or no?

Chris Fowler: Well, right now, that's exactly where we sit, where originations are exceeding paydowns. That -- you know you had a good loan when it pays out in this market.

Gabriel Dechaine: Yes. OK, my last -- and just do you restructure loans, and do you anticipate restructuring any loans? And what happens to restructured loans? I'm starting to hear that from -- or see it actually in some of the press releases of oil, energy companies, smaller ones anyway.

When you restructure a loan, what happens? I don't know if it -- suddenly, because of some accounting rule, it has to go into impaired, or it can stay current? Is it just a little bit more of a capital charge against that loan when it goes restructured? Can you help me work that through?

Chris Fowler: Sure. I'll speak to the loan management, and then I'll let Carolyn speak to the accounting of that. We are very proactive loan managers, and we certainly showed -- we believe that we showed very specifically to the market in 2009 and 2010, in the global financial crisis, where we had -- we got up to 168 basis points of our portfolio became impaired, and we only had 22 basis points of write-offs at that time.

Loan restructuring is all about finding that borrower, and our goal is to find them early, to look at the alternatives, understand what their market is, who their competitors are, what their cost frames are. And look at that bundle of collateral that we have, what their prospects are, and find a way that we can have a path forward. If there is a path forward, it can include selling loans, maybe potentially, can have some different amortizations on existing loans. So you would look at the whole range of options for that borrower.

And the goal is to maintain that strong relationship with them, so that you can find a way through the challenges. And we like to call that sort of, doors in the room. So obviously, as you make a loan today, so as you get down the road, you want to have some options. So you need to have a loan structure, you have to have collateral, you have to have things that you can do that helps you manage the loan, when, if there is a challenge.

In terms of the accounting side of a restructuring, that would really be involved if you are actually writing an interest rate down, or you had some level of impairment that you were taking, but still allowing the loan to be current. So I don't know, Carolyn, if you have any comments on that. It's not a big issue.

Carolyn Graham: Yes, it's not an issue that we look at from an accounting perspective. So we drive the risk ratings, be they watch or impaired through the underlying credit quality, the assessment of the lending teams, and credit risk management teams. So yes, it's not driven by accounting on our side.

Gabriel Dechaine: No, I meant more, if there's a loan that gets restructured that allows the borrower to become -- pay less interest or whatever, or the amortization gets extended, is there an accounting classification change of that loan?

Carolyn Graham: Not an accounting classification change.

Gabriel Dechaine: OK. And are you starting to see any of that activity yet? Or because you said, that it's more like a proactive process, so it maybe you're having those discussions or?

Chris Fowler: Well, we have not as you can see, from our new formations, I would say that, we are not seeing that yet. I mean, we certainly are very much on top of it.

I think that it's important to see as well, is in that box on -- I'm not sure what page it is, but it has got, but it shows you the resolutions we also had in the last quarter. So that's a the key factor that we are very focused on how we manage it. And we certainly will look to resolve loans as quickly as we can. So this last quarter, we had resolutions of CAD15.5 million out of our book of impaired loans. So that's a very strong loan management testament, and that's really the focus that we want to continue to put on this book.

Gabriel Dechaine: OK, all right. Well, that's it for me. Thanks.

Chris Fowler: Great. Thanks, Gabe.

Operator: And we have no further questions at this time. I'll turn the call back over to our presenters.

Carolyn Graham: Thank you, Chris, and thank you everyone on the line for your continued interest in Canadian Western Bank. We look forward to reporting our year-end results on December 3, and if you have any follow-up questions or comments, please call us or contact us by e-mail. Thank you, and have a good day.

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

**END**