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PRESENTATION

Operator

Good morning. My name is Keith and I'll be your conference operator today. At this time I'd like to welcome everyone to the Canadian Western Bank Group Q1 2016 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'd like to withdraw your question, press the pound key. Thank you.

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

Carolyn Graham, Executive Vice President & Chief Financial Officer

Thank you, Keith. Good morning or good afternoon and welcome to CWB Group's 2016 first quarter financial results conference call.

Before we begin, please note that the conference call graphs, quarterly results news release, and supplemental financial information are all available on our website at CWB.com in the Investor Relations section. Our forward-looking statement advisory is on slide 14.

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 Canadian Western Bank Group executive committee: Kelly Blackett, Human Resources; Randy Garvey, Corporate Services; Greg Sprung, Banking; and Bogie Ozdemir, Chief Risk Officer.

For today's call I will begin with an overview of our first quarter financial results, including our recent credit performance, an update on our commentary related to stress testing, and speak to current performance against our medium-term performance objectives. Chris will then review our progress on loan and deposit growth, speak to our outlook for credit quality in view of the challenging economic conditions we're seeing within parts of our operating footprint, and provide perspective on the ongoing implementation of our strategic direction.

Turning now to slide three, this morning we've reported solid first quarter results from core operations, including strong loan growth. We also provided further detail related to the acquisition of CWB Maxium Financial, which closed earlier this week. Chris will expand on that transaction in a few minutes. For my part, I will emphasize that due to the purchase structure the impact of this acquisition on 2016 adjusted cash EPS is likely to be moderately negative; however, we believe CWB Maxium has the potential to contribute as much as 10 percent of CWB's consolidated earnings within five years.

Moving to the next slide, I'll begin with the reminder that for the remainder of this call references to performance highlights refer to the results of continuing operations. Overall, CWB's core operations continue to perform well. First quarter common shareholders net income of $52.1 million compares to $52.4 million a year ago. Diluted earnings per common share of $0.65 and adjusted cash earnings per common share of $0.66 were each consistent with the first quarter last year as a positive impact of strong 12 percent loan growth was offset by an 11 basis point decline in net interest margin, lower non-interest income, growth in non-interest expenses, as well as the increase in Alberta's provincial corporate income tax rate. Excluding net realized gains or losses on securities and the impact of higher Alberta corporate taxes, first quarter adjusted cash earnings per common share from continuing operations increased 6 percent from both last year and the prior quarter. Non-interest income declined $3.4 million as a combined increase in credit-related fee income and fees for retail services was more than offset by a $3.5 million decrease in net gains or losses on securities and lower wealth management revenues. Net losses on securities of $2.9 million before tax this quarter reflect the impact of volatile financial market conditions on CWB's holdings of common equities. Increased non-interest expenses primarily relate to higher salaries and benefits as well as increased general expenses. Premises and equipment expense were consistent. Higher salaries and benefits resulted from annual salary increments and modest increases in staff complement to support ongoing growth across all businesses.

Slide five shows our capital ratios at January 31st. Using the standardized approach for calculating risk-weighted assets, our common equity tier-one ratio was very strong at 8.6 percent and our tier-one ratio was 9.8 percent. Our total ratio was 12 percent, reflecting the November 30th redemption of $300 million of subordinated debentures which did not qualify as non-viability contingent capital under the Basel III requirements. The increase in CWB's CET1 ratio compared to the prior quarter partially reflects initiatives which resulted in lower overall capital requirements for our existing securitized leases. The March 1st Maxium acquisition is expected to reduce all capital ratios by approximately 30 basis points from current levels. The impact of before-tax unrealized losses on cash and securities, including the increase from $76.2 million last quarter to $84.9 million at January 31st, is reflected in our current capital ratios. Our Basel III leverage ratio remains very conservative at 7.7 percent.

Net interest margin of 2.48 percent was relatively consistent with the prior quarter and 11 basis points lower than a year ago. Compared to last year, various positive factors, including more favourable deposit costs and strong volume growth in both higher-yielding loan portfolios as well as preferred types of branch raised deposits were more than offset by the impact of lower loan yield and competitive factors. The Bank of Canada's January and July 2015 interest rate cuts and the corresponding consecutive 15 basis point decreases in CWB's prime lending interest rate have had a negative impact on loan yields. Related reductions in the cost of various deposits have not fully offset the net interest margin impact of these changes. Continued pressure on this key metric is expected resulting from the combined impact of the current very low interest rate environment, competitive factors, and the persistently flat yield curve, as well as the likelihood that we will carry moderately higher average balances of cash and securities in view of current macroeconomic conditions.

Turning to slide seven, credit quality remains consistent with our expectations, reflecting CWB's disciplined under-writing, our secured lending business model, and pro-active loan management. In a few minutes Chris will speak to our credit risk management processes, which support our track record for strong credit performance. For my part, I'll provide an overview of where we stand and what we see today. The annualized provision for credit losses of 18 basis points as a percentage of average loans was consistent with the prior quarter and up from 16 basis points in the first quarter last year. The provision for credit losses remains at the low end of our 2016 target range of 18 to 23 basis points. However, we expect the provision to migrate towards the higher end of the range over the full year.

Slide eight shows the level of gross impaired loans this quarter. Total gross impaired loans of $111.5 million represented 55 basis points of total loans outstanding, up from 49 basis points last quarter and 44 basis points last year. Included in the total are Alberta gross impaired loans of $45.2 million, which increased from $30.2 million last year, primarily reflecting new impairments in the energy and equipment finance portfolios. Compared to the prior quarter, gross impaired loans in Alberta increased $3.5 million as an increase of $6.7 million in impairments within the equipment finance portfolio were partially offset by reductions in both real estate and energy. The year-over-year increase in gross impaired loans is consistent with expectations we established before the price of oil began to fall, when loan impairments were at unsustainably low levels. The level of gross impaired loans fluctuates as new impairments are identified and existing impaired loans are either resolved or written off and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures.

The overall loan portfolio is reviewed regularly to provide early identification of potential adverse trends with impairment decisions undertaken on a case-by-case basis. Realization plans for impaired loans are monitored closely by a specialized team. Specific allowances for potential write-offs are conservatively established through detailed analysis of both the overall quality and marketability of security held against each impaired account. Within total specific allowances of $20.9 million at January 31st, our specific allowances of $12.8 million on loans with Alberta-based security, up from $11 million last quarter and $7.1 million one year ago. Within Alberta, total specific allowances on exposures to oil and gas producers of $10.9 million compared to $9.3 million last quarter and $4.7 million in the first quarter last year. Annualized first quarter net new specific allowances of 18 basis points were consistent with the prior quarter and up from 15 basis points last year. CWB's exposure to energy service companies is primarily comprised of term-reducing advances against standardized industrial equipment captured within our equipment finance vertical. Specific allowances on Alberta-based equipment finance loans were $1.5 million at January 31st compared to $1.1 million in the first quarter last year and $0.9 million last quarter. While both the dollar level of gross impaired loans and the provision for credit losses are likely to trend higher through the remainder of the year, actual credit losses are expected to remain within CWB's historical range of acceptable levels. The collective allowance increased 11 percent in the past year, consistent with overall loan growth, and continues to meet all tests of adequacy.

Looking now at slide nine, we continue to stress test our balance sheet, earnings, and capital to confirm our confidence in the resiliency inherent in our secured lending business model and to assess the potential impacts of various scenarios, including the low for long oil price scenario with significant and prolonged economic weakness within the oil exporting provinces. We believe our stress tests are rigorous, comprehensive, and conservative due to the fact that they incorporate multiple dimensions of artificially intensified severity. Recent stress tests assumed that 150 percent of CWB's historical peak loss rates for each loan type were experienced across all lending segments simultaneously for Alberta and Saskatchewan exposures along with 100 percent of peak loss rates experienced simultaneously in all other regions. Incorporated within this assumed consolidated provisioning of approximately 65 basis points were loss rates related to direct loans to oil and gas producers of approximately 425 basis points and loss rates related to CWB's equipment finance and leasing exposures in Alberta of approximately 175 basis points.

In order to further amplify the severity of these tests, related assumptions include a persistent low interest rate environment and significantly slower loan growth to reflect lower levels of economic activity. We also assume significant compression of net interest margin attributed to the combination of an overall increase in funding costs and much higher balances of gross impaired loans. Finally, we assume all of these severe conditions persist over a three-year timeframe, in conjunction with a protracted period of low oil prices. Results of these tests support our confidence in CWB's proven business model and the resilience of our strong capital position. While the combined impact of severe stress scenarios over a multi-year time period constrains earnings growth, CWB remains profitable and financially stable, even through what we believe are severe tail risk scenarios. The durability of CWB's capital position under the severe conditions assumed within these stress tests reflects both our commercial lending focus and our use of the standardized approach for calculating risk-weighted assets, under which CWB is required to assign 100 percent risk weighting to the majority of our business loans.

Turning now to slide ten, our medium-target ranges for financial performance reflect the objectives embedded within CWB's strategic direction and a time horizon consistent with the longer-term interests of our shareholders. Medium-term results will be driven by our commitment to expand and diversify CWB's core operations, which includes further optimization of our funding mix and strong targeted loan growth with solid credit quality. We will also maintain our focus on effective expense management in consideration of revenue growth opportunities and prudent capital and liquidity management. CWB's first quarter financial results were solid, despite persistent challenges related to low interest rates and volatile financial markets. It is evident that pressure on net interest margin continues to be the single most challenging factor for growth in CWB's earnings per share and return on shareholders' equity. In view of the likelihood of continued pressure on this key metric in combination with elevated economic uncertainty and slower economic growth compared to prior years, general profitably and earnings growth are expected to fall below CWB's medium-term target ranges in fiscal 2016.

First quarter operating leverage was negative 1 percent as moderate year-over-year growth of 5 percent in non-interest expenses outpaced 4 percent growth in total revenues. However, we remain committed to the disciplined control of growth in discretionary expenses and are confident the investments we continue to pursue will strengthen our ability to achieve ongoing strong profitable growth and result in positive operating leverage over a three- to five-year period. We maintain a strong capital position under the more conservative standardized approach for calculating risk-weighted assets. Our initiative to transition to the risk-sensitive advanced internal rating based or AIRB method to calculate risk-weighted assets will continue over the next several years. The AIRB approach will put us on more equal footing with our competitors by adding risk sensitivity to CWB's framework for capital management.

Yesterday our Board declared a quarterly dividend, cash dividend of $0.23 per common share, consistent with last quarter and 10 percent higher than the quarterly dividend declared one year ago. Common share dividend increases are evaluated every quarter against the dividend payout ratio target of approximately 30 percent. The first quarter dividend payout ratio was 34 percent and the timing of future dividend increases will be influenced by capital requirements to support expected asset growth as well as the impact on earnings growth from challenges related to persistent net interest margin pressure and macroeconomic uncertainty.

I'll now turn things over to Chris for further discussion on loan growth and credit performance as well as our outlook going forward.

Chris Fowler, President & Chief Executive Officer

Thank you, Carolyn.

Slide 11 demonstrates our track record of very strong loan growth over the past five years. Loans grew 4 percent this quarter and 12 percent over the past 12 months. CWB's initial participation in the NHA MBS program contributed $173 million or 1 percent to the increase in outstanding loans. Ongoing strong growth demonstrates our success in achieving higher relative contributions from non-oil producing provinces across our growing geographic footprint. Combined first quarter growth within BC and Ontario accounted for two-thirds of the overall increase from the prior quarter compared to less than one-third in the same quarter last year. In contrast, Alberta accounted for less than a third of CWB's sequential loan growth in the first quarter compared to 50 percent last year. Our ability to achieve strong growth outside of Alberta is the direct result of our well-defined strategic direction. We've enjoyed rapid growth within our business lines that have a nationwide presence, including National Leasing and Optimum Mortgage. With 80 percent of its current business in Ontario and originations in the first 12 months expected to exceed $350 million, CWB Maxium Financial will also support further geographic diversification.

On a consolidated basis, our personal loans and mortgages portfolio posted the highest growth in the past year, followed by strong performance from real estate project loans, both reflecting supportive dynamics within Canada's housing markets. although we are seeing reduced housing activity in Alberta and Saskatchewan, activity in most geographic areas remains strong and affordability remains within historical ranges outside of certain neighbourhoods in Toronto and Vancouver. We primarily participate in housing activity through personal mortgages and residential project financing. As I mentioned, Optimum Mortgage continues to deliver strong growth with an attractive risk profile and over half the new originations are now based outside of Western Canada. At approximately 43 percent of the total, Ontario represents the largest geographic exposure within Optimum's portfolio, followed by Alberta at 28 percent and British Columbia at 16 percent. Optimum's business model focuses on affordably priced homes with an average loan to value at initial funding of 70 percent on an average origination of $300,000. The average size of each outstanding mortgage is $266,000. We assess markets by postal code and continue to actively adjust our maximum loan to value criteria based on local conditions. Ongoing monitoring of real estate projects 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 requires pre-sales supported by non-refundable deposits. To date there has been no material evidence of account deterioration.

Our overall direct exposure to oil and gas activity remains unchanged at approximately 5 percent of total loans outstanding. This includes loans to energy producers at 2 percent of total loans and loans to service companies at 3 percent of total loans. Nearly three quarters of CWB's direct exposure to exploration and production companies is comprised of syndicated advances to borrowers with strong balance sheets and substantial proven developed and producing reserves. We assess our exposures on an ongoing basis to ensure facility limits reflect current reserve estimates and oil price assumptions that are conservative in view of prevailing market prices. We review our sensitivity prices at least semi-annually or when market prices and/or foreign exchange rates fluctuate materially. Our direct exposure to oil and gas production loans was up $16 million from last quarter and $64 million compared to the first quarter last year.

As Carolyn mentioned, loans to service companies are primarily comprised of term-reducing advances against standard industrial equipment as opposed to operating lines of credit or loans secured against receivables and/or inventory. Of note, the total outstanding balance of equipment loans in Alberta has contracted moderately in the past year as borrowers in this province have been pro active in rationalizing their fleets. The secondary market for standard industrial equipment is liquid and global. Although pricing remained supportive through the first quarter, recent auction results have included generally softer pricing in secondary markets, particularly for specialized equipment. We continue to be diligent in the management of all our exposures during this low and volatile oil price environment.

Consistent with our strategy through prior cycles, we will continue to service high-quality clients operating within our targeted industry segments across the country. We continue to expect the overall group-wide loan growth in fiscal 2016 should be relatively consistent with levels achieved in recent years. This expectation is primarily based on higher relative contributions from non-oil producing provinces as well as the addition of two new contributors, participation in the NHA MBS program and CWB Maxium Financial. These two new sources are expected to contribute significantly to net growth this year, helping to offset slower growth in Alberta and Saskatchewan.

Turning back to credit performance and the outlook for credit quality, I want to emphasize the extent to which credit risk management really matters to this organization. Since we opened for business over 30 years ago we have been known for rewarding shareholders with strong growth, but the fact is we would not be who we are or where we are without our enduring commitment to a culture that puts risk management first. The foundational principles of our lending policies have stood through a number of economic and commodity price cycles. Our disciple through the cycle underwriting process incorporates a rigorous examination of our borrowers' cash flows, working capital, and balance sheet leverage. Our experience over the years has confirmed that a poor credit experience is often the result of ineffective management on the part of the borrower. In other words, it matters who you lend to. We choose our clients very carefully and we target our lending to specific sectors where we understand the market and the security we take to support our exposures. This strategy is reflected in our low long-term loss experience.

At the moment we face a challenging backdrop within portions of our branch footprint and we continue to work proactively with our clients to assess the first and second order impacts on their businesses from reduced economic activity in the oil-producing provinces. 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 direct credit impact of elevated levels of unemployment compared to what would be expected from other Canadian banks with more pronounced focus on unsecured personal lending.

We continue to support our clients with responsive service, disciplined, secured credit underwriting and proactive loan management. In support of our loan management processes, experienced credit adjudicators have been activated in the field to help branches and credit teams proactively identify and address higher-risk loans. This step will better enable us to identify business challenges early, secure our interests, and limit further exposure by working collaboratively with effective clients.

CWB has weathered many storms and many periods of substantial economic volatility. Through it all we have delivered a consistent bottom line experience and a nearly unprecedented run of profitability for our shareholders, in no small part because we know that risk management matters a great deal. Notwithstanding the challenges this cycle has presented and those which are sure to come, we fully expect the solid credit quality as compared to our competitors will continue to be a hallmark of our business model.

CWB's outlook for 2016 remains positive despite caution related to our businesses in Alberta and Saskatchewan due to the direct and indirect impacts of persistent low energy prices. Although we fully expect credit losses to migrate higher from our low level, over the course of the year we believe our overall financial performance will continue to benefit from an expanding geographic footprint with increased business diversification, as well as ongoing success from key strategic initiatives to build core funding sources, enhance client offerings, and leverage our technology investments.

The acquisition of CWB Maxium Financial will be very positive for us moving forward. Maxium's specialized financing originations provide attractive returns and are complementary to our existing lending verticals. This acquisition brings an experienced, motivated, and highly respected management group with a demonstrated history of delivering consistently strong financial performance, including strong credit quality as well as further opportunities for cross-selling across the CWB Group.

Although the acquisition does not include securitized assets originated by Maxium prior to March 1, 2016, positive contributions to adjusted earnings per share are expected to commence next year and accelerate thereafter. Starting from a slightly negative base this year, we fully believe CWB Maxium could represent up to 10 percent of CWB's consolidated net income within five years. This is admittedly an ambitious goal, in part because it requires Maxium to out-perform our existing group of high performing businesses, but it is a goal we feel is achievable based on Maxium's outstanding track record.

I'd like to take a moment to highlight what this acquisition represents. In combination with the divestitures of Canadian Direct Insurance and the stock transfer business of Valiant Trust last year, our recent transactions have substantially enhanced CWB's earnings power by trading two low-growth streams of earnings at high multiples for a high-growth stream of earnings at an attractive price. I'm confident these developments will be recognized as significant wins for CWB's shareholders over time. In that sense, I believe we will look back on the past year as a period of exceptional value creation.

The launch of our new core banking system is currently scheduled for May 2nd and we have recently communicated to our clients. This launch represents a significant milestone for CWB. Historically, we've met our clients' needs in very targeted ways through responsive service and specialization in selected areas of the market. Our next level of growth will include added focus on developing more multi-product client relationships. With the implementation of our new system we will have the ability, for the first time, to leverage a client-centric view of our branch-based relationships rather than a product-centric view. This is one of the host of benefits associated with our new system and is perhaps the most immediately significant. Ultimately, it will enable us to offer a more comprehensive and more customized suite of financial products and facilitate a step change towards achievement of our vision to be seen as crucial to our clients' future.

In summary, solid first quarter results have us well positioned at the outset of an important year. As we go forward, we are focused on upholding our strong tradition of growth on both sides of the balance sheet with an undiminished emphasis on credit quality accompanied by a heightened focus on the earnings power of our business model. I believe this will continue to translate into consistent growth of CWB's intrinsic value and strong long-term shareholder returns.

With that, I'll turn it back over to Carolyn.

Carolyn Graham, Executive Vice President & Chief Financial Officer

Thanks, Chris.

This concludes our formal presentation for today's call and I'll ask Keith to begin the question and answer period.

QUESTION AND ANSWER SESSION

Operator

At this time I would like to remind everyone in order to ask a question over the phone it's star one on your telephone keypad.

Your first question is from Sumit Malhotra from Scotia Capital. Your line is open.

Sumit Malhotra, Scotia Capital

Thanks. Good afternoon. I have a couple questions on capital to get started. Firstly, Carolyn, it's not very often with this company I've seen loans increase by 4 percent to 5 percent sequentially and your risk-weighted assets actually decline and your comment regarding the initiatives around your pool of securitized leases, I'm think that's the likely issue here that caused that decrease. Can you tell me if I'm correct on that assumption and what exactly were these initiatives?

Carolyn Graham, Executive Vice President & Chief Financial Officer

You're right, Sumit. We revised or upgraded or modernized the securitization program that we have in place to securitize National Leasing's leases. We changed the retained interest, we received second credit rating on a portion of the note, which allowed us a preferential risk weighting under the standardized approach for credit risk. So that added about 25 basis points to capital in the quarter. When we announced the Maxium acquisition in December we talked about a net 10 basis point impact to capital with the closing. That netted together, both the benefit from the National Leasing securitization and the assets that came on balance sheet with closing the acquisition. And those two transactions have occurred one in the first quarter and the other in the second quarter.

Sumit Malhotra, Scotia Capital

Okay. And there's a couple things mixed together there, because I was going to go to Maxium as the second part of my capital question, but just on the National Leasing, on this initiative on its own, the obvious question that comes to mind for me is there more of this to do in terms of being able to receive this favourable treatment or have you, for the existing portfolio, I'd assume for any new business that comes on you'll be following this methodology but for the existing portfolio have you taken that as far as you can from the capital benefit perspective?

Carolyn Graham, Executive Vice President & Chief Financial Officer

Yes. It was a one-time switch to the new program, recognize the change in risk-weighted assets. So what it does, it allows us to continue to use securitization as a funding source at a less punitive capital treatment than what we had under the old program.

Sumit Malhotra, Scotia Capital

All right. That makes sense. And then over to Maxium, and I think I got a little confused when you were combining the two, in your December press release it was indicated that upon closing you were anticipating a 10 basis point capital impact and then the way I read it there was going to be further impacts as the additional payments were made, additional future payments, contingent payments were made. Now today there's, ah, the way it reads is that there's a 30 basis point impact on the closing. Can you explain to me the difference between what you told us in December and what we're reading today?

Carolyn Graham, Executive Vice President & Chief Financial Officer

Absolutely. So when we talked about, in December we talked about the net impact on capital at the close of the Maxium transaction, we were talking about both of these factors. So we were considering about a 30 basis point reduction in capital coming from closing the Maxium transaction offset by 20 to 25 basis point benefit coming from the change in National Leasing's securitization program. So that was the net pro forma 10 percent reduction we expected in December. So we've realized 20 to 25 basis points in the first quarter on the National piece so we're left with, in the second quarter, a 30 basis point impact.

The 30 basis point impact will bring relatively few risk-weighted assets onto the balance sheet with the closing of Maxium because we're not taking their securitized leases with us, but we will have a deduction from CET1 capital related to the intangible assets and goodwill that come with the purchase accounting for the transaction.

Sumit Malhotra, Scotia Capital

And that's an all-in number even taking into account the shares that you issued on closing.

Carolyn Graham, Executive Vice President & Chief Financial Officer

Absolutely.

Sumit Malhotra, Scotia Capital

So pro forma for you as far as you view your capital is around 8.3 percent today.

Carolyn Graham, Executive Vice President & Chief Financial Officer

That's correct.

Sumit Malhotra, Scotia Capital

Okay. I'll ask one more and then I'll re-queue, and that just has to do with, Chris, your comments on loan growth. I follow you on what you're expecting on Maxium and the geographic diversification that certainly is benefitting your numbers but what I wasn't quite sure about when you talked about your loan growth was the NHA MBS program. So when I think of that program it's usually something that I've heard banks talk about as more of a benefit to funding, but you're talking about the purchase of insured loans. I've never thought of CWB as a company that was, for example, in an excess deposit position that you were looking to purchase loans for investment purposes. So maybe I'll stop there and if you could just educate me on how you're viewing this program and why we should think of that as core loan growth, if you will.

Carolyn Graham, Executive Vice President & Chief Financial Officer

So I'll take that one, Sumit. So we're looking at this initiative as the first step of a couple of phase. So the first one was creating the NHA MBS pools, which we did through some purchased portfolios, and those portfolios qualify as high-quality liquidity assets for liquidity purposes. Although they remain on the balance sheet reported as a loan we did acquire these portfolios to contribute to high-quality liquid assets to meet the liquidity requirements. We are looking for, in future quarters, to then activate the CMB program, in which we case we could then turn them into another funding sources. So this would be a multiple-step process. So liquidity first, then the funding potential, and the third opportunity for us once we have those two things in place would be to look at then offering a cost competitive insured residential mortgage product through our branch network. That's not been a market we've gone after aggressively in the past because we didn't have a way to cost effectively fund it. So this is the first step of something that for us is a multi-part strategy.

Sumit Malhotra, Scotia Capital

So I'm assuming that these MBS are housed in your personal loans and mortgage portfolio. Is that like—?

Carolyn Graham, Executive Vice President & Chief Financial Officer

Yes.

Sumit Malhotra, Scotia Capital

So when I, and, you know, I don't know how far to take this here, but I look at pretty solid growth for this portfolio, that's actually been quite consistent, but is this program a material source of growth? Like if I look at the $200 million plus increase in personal loans and mortgages, how much of it is what you would call truly originated loan growth versus the NHA MBS program?

Carolyn Graham, Executive Vice President & Chief Financial Officer

So the NHA MBS program in quarter one contributed $175 million of growth. And we would expect over the course of fiscal 2016 for that number to total about $400 million.

Sumit Malhotra, Scotia Capital

All right. I'll leave it here but just it seems to me that when we think of loan growth for this company it would be more the loans that you yourself have originated to your customers as opposed to liquidity-type instruments, which I would think of more as securities. That's just a comment on my part.

Carolyn Graham, Executive Vice President & Chief Financial Officer

And I wouldn't—I wouldn't disagree. It's the accounting requirements that leave it recognizing as a loan book. So we've absolutely talked about in our disclosure the total loan growth that agrees to the balance sheet and then what is probably more like organic loan growth.

Sumit Malhotra, Scotia Capital

Maybe it makes sense to show that one as a separate loan category going forward, if it's going to be material, but we can talk about that later. Thanks for your time.

Operator

Your next question comes from the line of Shubha Khan from National Bank. Your line is open.

Shubha Khan, National Bank Financial

Thanks. Good afternoon. So, shifting gears here, just looking at credit quality, appreciate the additional colour that you gave us on your stress testing, particularly on the loss rates in oil and gas and equipment finance portfolios, but just so that I'm clear on the historical context of those numbers, do those numbers mean that one just has to adjust by the 150 percent factor that you assumed to get the peak historical loss rates on each of those portfolios? And would you be able to give us when those, tell us when those peaks occurred?

Carolyn Graham, Executive Vice President & Chief Financial Officer

That would be correct, that in one quarter in the past we did have those peak losses in those two portfolios, and it would have occurred in and around 2010. So coming out of the global financial crisis.

Shubha Khan, National Bank Financial

In both cases. So both equipment finance and oil and gas.

Carolyn Graham, Executive Vice President & Chief Financial Officer

Correct.

Shubha Khan, National Bank Financial

Okay.

Carolyn Graham, Executive Vice President & Chief Financial Officer

They were maybe a couple of quarters apart but it would be within—

Chris Fowler, President & Chief Executive Officer

Within a couple, yeah—

Carolyn Graham, Executive Vice President & Chief Financial Officer

Late 2009/early 2010.

Shubha Khan, National Bank Financial

Understood. Okay. And then several of your peers have reported, I guess, higher loan loss provisions, and they've specifically cited impairments in loans to the oil and gas sector. I don't necessarily want to draw you into speculating on your competitors' exposures and underwriting practices but you do make special mention of the fact that the vast majority of your direct energy exposure is secured against hard assets rather than operating lines of credit or secured against inventory, receivables, what have you. So given how little deterioration in credit quality you've seen so far would you say that your oil and gas exposure is quite different from those of your peers in that respect?

Chris Fowler, President & Chief Executive Officer

It's hard to say. I mean if we think the breakdown between E&P lending and the equipment finance side, which would pretty much encapsulate our oil (inaudible) service business, um, I can't speak to the composition of theirs. I do know in our portfolio we have a very limited number of E&P clients. We have under 40. So we have the ability to truly monitor them and follow where they're going and clearly we've seen some increase in impairments there. On the equipment finance side, we had a much larger portfolio in oilfield services in the run up to the global financial crisis and around the time the natural gas price collapsed. We just didn't rebuild that book either. So we've been very selective in both categories.

So where we sit today with 5 percent, you know, we've got companies absolutely that are impacted by the downturn in the price of oil and low for long is a challenge. There's no question. It's impacting that industry and we're following it very closely. We've had some great actions by our clients in terms of scaling back their fleets. So very proactive loan management. You know, we will be obviously attentive to all of the different changes that have occurred. We're staying on top of the energy prices. We adjust our sensitivity prices. So our process is to be proactive and to manage these results and stay on top of this. And it's not, you know, potentially—I can't speak to what the other banks are at but in terms of our total exposure it's a smaller book of business.

Shubha Khan, National Bank Financial

Understood, and that's helpful, but on the capital front then, you know, you mentioned that you consider the bank's current CET1 ratio to be prudent, I guess, in light of the economic environment. Just wondering how that affects your capital deployment objectives. I think you'd talked about wealth management acquisitions in the past. Would those files have been put on hold now or would you still proceed with those types of opportunities?

Chris Fowler, President & Chief Executive Officer

We expect to look for accretive and strategic opportunities and manage our capital appropriately. I mean we believe we are sitting in a very good capital position and we will manage it with relation to the accretiveness of particular opportunities, strategic decisions that they can support and make sure that we are remaining in a capital position that we are very comfortable with.

Shubha Khan, National Bank Financial

Excellent. Thanks. I'll re-queue.

Operator

Your next question comes from the line of Doug Young with Desjardins. Your line is open.

Doug Young, Desjardins Capital Markets

Hi. I guess it's good morning for you, good afternoon for us. First question, I guess Carolyn or Chris, just looking at your loans past due and I just noticed there was a 25 percent increase in loans past due but not impaired yet, I guess your collectable (inaudible) stayed flat sequentially, so I'm just wondering if there was some noise in the past-due numbers that aren't really applicable here or how I should kind of be thinking about those two moving parts.

Carolyn Graham, Executive Vice President & Chief Financial Officer

So absolutely the loans past due are one of the leading indicator factors to look at to assess what may be coming from an impairment perspective and we continue to closely monitor them. You know, there are always items on there that come and go that are on the list, you know, and things that are identified as past due might be where we are continuing to, you know, we haven't signed the paperwork on a renewal so it goes into this category until that gets done and then would come off.

So we're looking at it, assessing it carefully, monitoring personal, the personal factor there includes a large component of Optimum Mortgage's perspective and then on the business side it's spread across the other portfolios, so we continue to monitor those, look at them closely, and where we see signs of weakness, even before they become impaired, proactively look at identifying whether there's actions that we can take to work with that client to protect our interest.

Chris Fowler, President & Chief Executive Officer

And, Doug, in relation with the collective, we did increase it 11 percent last year, in line with the loan growth in the portfolio. So we've had very strong growth and very consistent provisioning based on how we view the risks. And we do a test of adequacy of our collective and we're certainly right on range with it. A $100 million collective allowance is about 85 basis points of our total, which is a very strong position in our view.

Doug Young, Desjardins Capital Markets

Yeah, I guess I just thought you would have, I thought I would have seen a little bit more shift in collective as the past due, but maybe we can chat about that off line. Chris, just another question around the dividend, because I think it was mentioned a few times in the prepared remarks and in the release about, I mean your payout ratio is 34 percent this quarter, I mean your target payout ratio is 30 percent, and should we think about the dividend staying flat here as your earnings kind of work your payout ratio to 30 percent or should we anticipate you bringing up your payout ratio target? I'm just trying to think of how to think about future dividend increases in the context of that.

Carolyn Graham, Executive Vice President & Chief Financial Officer

So, you know, obviously, as we mentioned, our Board considers quarterly dividend declarations. At this point we've just, you know, just recently set our mid-term targets with an approximately 30 percent dividend payout ratio so that is what we're comfortable with looking forward over the three- to five-year term. So we'll assess every quarter against that.

Doug Young, Desjardins Capital Markets

Okay. Okay. And just lastly maybe, Carolyn, just on the NIMs, I think you mentioned in your prepared remarks that you expect further pressure on NIMs. Is this, I mean is this one or two basis point further compression you expect or do you think it could level out here at the Q1 levels for the remainder of the year? I'm just trying to get a quantification of what we should be thinking about.

Carolyn Graham, Executive Vice President & Chief Financial Officer

That's one where there are always—every time there's a factor that's a headwind, there's one that comes up that's a tailwind, so we expect NIM to stay within a narrow band right around where we are today. You know, unless there's some significant change in the interest rate environment we're unlikely to get anything significant. In the past, in the global financial crisis we did see competitors exit the Western Canadian markets and that was beneficial to us from a pricing perspective. We've not seen that to date.

Chris Fowler, President & Chief Executive Officer

Yeah, so the loan yield side is one portion. The other side is we are—now granted this is not a short-term outcome but our go-live on our new core banking system does significantly increase sort of the flexibility of the products we're able to deliver to our clients. So we've got a tremendous opportunity in front of us to really convert many single-product clients to multi, which would include looking for full banking, which we see as a big benefit to funding. So we've got tools in place as we think about NIM in the long term, it's not in the short term clearly, but it's a great opportunity for us as we look forward.

Doug Young, Desjardins Capital Markets

Thank you very much.

Operator

Your next question comes from the line of Meny Grauman from Cormark Securities. Your line is open.

Meny Grauman, Cormark Securities

Hi. Good afternoon. Chris, in your opening remarks you emphasize it's not your first cycle but I'm just wondering as we march down the path of the cycle is there anything surprising that you see, either positive or negative, and specifically in terms of loan growth or credit? Are things unfolding—is anything unfolding differently than what you would have expected? Different than previous cycles?

Chris Fowler, President & Chief Executive Officer

Well, I think the fact that we're at the level of the oil price right now is surprising. I don't think any of us expected it to continue at this sort of declining rate for as long as it has. So that's, I think, a surprise. But in terms of how our credit has evolved and in terms of the loan originations we were looking at, you know, we do, you know, we're very focused on how we underwrite and the risk management processes we've put in place, so our goal is to have in place tools that in the event of a credit challenge that we have the ability to adjust and to make restructuring opportunities or the ability for conversations with clients for them to reassess their asset base.

So, you know, I think none of that is really surprising, because when you are underwriting you always want to give yourself options in the event of an economic problem. So here we are, we're in an economic problem, and we are dealing with our clients that are caught up in that as pro-actively as possible.

Meny Grauman, Cormark Securities

Specifically I wanted your thoughts on the 9 percent year-over-year loan growth in Alberta and where you think that is headed over the next few quarters and the next 12 months. Is that something you have some insight in in terms of what direction is that kind of pace going in?

Chris Fowler, President & Chief Executive Officer

Yeah, we've completely slowed in the Alberta origination side. What we have seen, as Carolyn mentioned earlier, in prior downturn cycles is an exit of non-Alberta-based lenders, which than can provide opportunity to lend to strong companies that definitely have the sustainability in different economic environments. So in terms of clarity of loan growth in Alberta I would say that, you know, we are being very conservative as we think about that. So the growth that we've been able to generate and particularly in Q1 was significantly higher in the non-oil producing (inaudible).

Carolyn Graham, Executive Vice President & Chief Financial Officer

I think if you look quarter by quarter we had really strong growth in Alberta in the first couple of quarters last year and then it slowed significantly. So I think looking at sort of third quarter, fourth quarter, and now the first quarter of 2016 you can see the slowdown in Alberta. So 9 percent year over year still includes sort of really strong at the very beginning of the four quarters ago.

Meny Grauman, Cormark Securities

Right. And does that 9 percent include maybe some business being seeded to you from other players that are getting less, that are less aggressive in the market now? You mentioned that that's typically something you see but is there any sign of that?

Chris Fowler, President & Chief Executive Officer

We have not seen sign of that to any great extent so far.

Meny Grauman, Cormark Securities

Okay. And then you mentioned something about softer auction prices and I was wondering whether, if that persisted, would that change your loan loss ratio guidance for the year? And, as just a follow-up, that kind of, ah, if that trend persists in terms of auction prices, does that change the way you deal with impaired loans specifically when it comes to the equipment financing portfolio?

Chris Fowler, President & Chief Executive Officer

Okay. So, yes, we have seen softer prices, and the softer prices were, they were generally softer and they were more soft in the more specialized units. The much sort of cross purpose yellow iron that can be used in forestry, oil and gas, municipal infrastructure, those weren't, they were down definitely but not significantly. It was the more specialized. In terms of us looking at dealing with our clients, absolutely when we look at any account that is either to be underwritten or is an outstanding loan we look at it with the lens of what's their cash flow, their working capital, and how are we secured. So if there is a lower valuation as we think about what secondary markets are like, it does affect the way we look at it, no question. We are a conservative lender and we do focus in on how it is we can deal with that client, so the value of the security is a big part of that equation.

Meny Grauman, Cormark Securities

Thank you very much.

Operator

Your next question comes from the line of Sohrab Movahedi from BMO Capital Markets. Your line is open.

Sohrab Movahedi, BMO Capital Markets

Thank you. A few loan loss type questions but first, Carolyn, did I write it down that you said the NHA MBS asset class, let's say, that's included in the loans, ah, or added to around $175 million of the growth this quarter, is probably going to have another $225 million balance of year to bring it in total to $400 million?

Carolyn Graham, Executive Vice President & Chief Financial Officer

In total to $400 million for fiscal 2016, that's right.

Sohrab Movahedi, BMO Capital Markets

Right. And is that number included kind of in the denominator for your 18 to 23 basis point loan loss guidance?

Carolyn Graham, Executive Vice President & Chief Financial Officer

Yes. We didn't change, yeah.

Sohrab Movahedi, BMO Capital Markets

Okay.

Carolyn Graham, Executive Vice President & Chief Financial Officer

We didn't change the target range with the accounting for this new liquidity source.

Sohrab Movahedi, BMO Capital Markets

Okay. And when you are talking about being at the upper end of that range in 2016, is that on average in 2016 you will be at the upper end or you will just gradually trend towards the upper end such that by the end of 2016, let's say, we're at the upper end. In Q4 2016 would be—

Carolyn Graham, Executive Vice President & Chief Financial Officer

Um...

Sohrab Movahedi, BMO Capital Markets

Because if, you know, first quarter you're at 18, so if you were going to be at 23 for the full year that means on average 25 basis points each of the next three quarters.

Carolyn Graham, Executive Vice President & Chief Financial Officer

Right.

Sohrab Movahedi, BMO Capital Markets

Right? So I'm just trying to get a feel for are you looking at it on a full-year basis or you don't think in any given quarter you're going to be much more than the upper end, let's say?

Carolyn Graham, Executive Vice President & Chief Financial Officer

We're looking at it on a full-year basis. Yeah. And we'll continue to consider, as the year develops.

Sohrab Movahedi, BMO Capital Markets

That's fair. Just for clarity. And then maybe another quick one here, I guess, Chris, you know, I think you've been fairly, um, the stress test parameters I think have been characterized as almost unrealistic, my words not yours, but, you know, it's the strenuous nature of the stress case, so what does that stress scenario inform as far as the way you run the bank or the Board thinks about the bank? I mean how do you use that stress scenario in your decision-making process?

Chris Fowler, President & Chief Executive Officer

Well, I think you have to decide the business you want to be in. You have to be clear on the returns that you expect from it and you have to be very firm on how you structure. So when we think about stress we need to think about what are the opportunities to grow the bank but also to maintain a very strict and underwriting process that does give you the opportunity to manage your fate should there be a downturn.

And that's really—stress testers are about, you know, if you're in a portfolio of personal credit cards or unsecured loans, you don't really have a lot of doors in the room in the event of increasing unemployment, for example. So quite often your arrears then turn into impairments and impairments turn into write-offs. We don't have those books of business. So when we look at the stress test we are really looking at the type of loans we have, and we are a very targeted organization in terms of the areas of the market we look to focus and specialize in, and the stress tests really give us that feedback.

Sohrab Movahedi, BMO Capital Markets

And so is it fair to say then that at least part of the information that you gather from the stress test is that you have a fortress balance sheet from a capital adequacy perspective?

Chris Fowler, President & Chief Executive Officer

That's what we absolutely believe. And certainly the standardized approach is a big part of that in terms of the level of capital we have at the start of it all, and that definitely is, I think, the correct conclusion.

Sohrab Movahedi, BMO Capital Markets

Okay. And then if I can, just thinking one last one, I mean obviously you've mentioned that the oil price environment just being depressed and declining and prolonged, you know, that has been the surprise, so fair to say that over the last, I don't know, six months, your risk stance therefore has become more conservative?

Chris Fowler, President & Chief Executive Officer

Well, the way we look at credit, we do look for the good borrowers and the companies that, you know, from a balance sheet perspective, from a management perspective that we believe have sustainability. So we would always want to underwrite strong borrowers where we understand the risk we're looking to take on. And historically when we've seen downturns we have taken market share where those opportunities have presented themselves. So I would say that we're always cautious in how we look at our loans and we don't look to be more liberal when times are robust. We believe we're conservative in every time.

Sohrab Movahedi, BMO Capital Markets

So no change in risk stance in the last six months.

Chris Fowler, President & Chief Executive Officer

That would be true.

Sohrab Movahedi, BMO Capital Markets

Okay. Thank you very much.

Operator

Your next question comes from the line of Gabriel Dechaine from Canaccord Genuity. Your line is open.

Gabriel Dechaine, Canaccord Genuity

Good afternoon. Last week we heard one of the banks talk about some of the actions they're taking in their consumer portfolio, for instance, in Alberta, reducing limits on credit cards and things like that. What are you doing in your commercial portfolio? What kind of discussions are you having? Especially in advance of the spring redetermination.

Chris Fowler, President & Chief Executive Officer

Well, I would say that we're, again, being very proactive with our clients. Clearly the redetermination will be based on in that E&P book in particular where we get the December 31, 2015 engineering, so we will be applying our sensitivity price against those reports and based on the price deck the engineers put up and, you know, I think we're having very honest conversations with our clients in how that will be treated. So there's no question there's a focus on that. Now we're also, when we think about that book, it's not very many borrowers, and over two-thirds of that is in syndicated portfolio where they're larger, a lot of those are covenant-based loans and syndicated books with multiple banks in them. So there's, you know, we're always wanting to be very conservative in all of those conversations.

Gabriel Dechaine, Canaccord Genuity

Are you adjusting limits available or increasing the checks that need to be met to draw down? Or like do you anticipate increasing pricing as the risk profiles change? And maybe not just the E&P portfolio, because it's not that big, but across the broader commercial portfolio.

Chris Fowler, President & Chief Executive Officer

We always adjust pricing based on current information and clearly as risks go up, price goes up. When we have different valuations on assets, so if we have a margining, be it on a commercial account or a borrowing base on an E&P loan, absolutely the limits are adjusted immediately. And that's, you know, that's just part of the disciplined risk management that we would have in place.

Gabriel Dechaine, Canaccord Genuity

Is it feasible to push through higher pricing? It's kind of, you know, maybe easier said than done?

Chris Fowler, President & Chief Executive Officer

It's always a challenge.

Gabriel Dechaine, Canaccord Genuity

Yeah. Well, the other thing I just wanted to ask about was the, um, you know, when you talked about your gross impaired loans being at 55, the ratio at 55, and then you compared that to the 150 or so that we saw in 2010, what were you trying to signal there? That we're still well off of those historical highs? Or could we see it reach those highs again?

Chris Fowler, President & Chief Executive Officer

Well, the way we look at it today based on the information at hand, the accounts that are in our book we have 555 basis points of impairments.

And, you know, our expectation is that we will continue to manage that. We've got, you know, we're not saying it's going to go to 150. That was certainly—I think 168 was our peak in our gross impairments in Q2 of 2010. That was just that's a peak level of impairments.

Carolyn Graham, Executive Vice President & Chief Financial Officer

The purpose of it, Gabriel, is actually to give context. The increase in gross impaireds over the last four quarters, six quarters has been significant if you do just a simple percentage increase of the dollars outstanding of gross impaired loans. So it was an attempt to give context of where we are today.

Gabriel Dechaine, Canaccord Genuity

Okay. I guess, Carolyn, my last question, expenses, they've been kind of flat for the past three quarters. They're up year over year but the last three quarters around that $74 million, $75 million range. Is there a silver lining in any of this that, you know, costs are easier to control, labour costs in Alberta for instance, buying new real estate and if you need to expand a branch or anything like that that becomes a lot cheaper in this kind of environment than it was a few years ago? And could we see—like what kind of expense growth should we expect as a result?

Carolyn Graham, Executive Vice President & Chief Financial Officer

So I think the factors that you talk about are all true in Alberta. I wouldn't say they're material factors that are impacting where we're at at this point. And in thinking about expenses as we go forward for the rest of 2016, you know, the first would be that when our core banking system goes live at the beginning of the third quarter we will see increased NIE as we start to amortize the cost of that system. So that's going to be about between $0.04 and $0.05 a share over the back end of the year. So that's sort of for the full 2016.

So if you're looking at quarter one's expenses, that will be an increase in the back end of the year. And then we'll also start to see the operating costs of Maxium Financial again starting in the second quarter, which will increase, um, add about $2 million in NIE through the remaining eight, over the eight months remaining in fiscal 2016.

Gabriel Dechaine, Canaccord Genuity

Is that $0.04 to $0.05 into 2017 as well?

Carolyn Graham, Executive Vice President & Chief Financial Officer

Yeah, so about $2.5 million cost before tax per quarter.

Gabriel Dechaine, Canaccord Genuity

Gotcha.

Carolyn Graham, Executive Vice President & Chief Financial Officer

On an ongoing basis.

Gabriel Dechaine, Canaccord Genuity

And then the—you mentioned the NIE for Maxium, what's the revenue component roughly?

Carolyn Graham, Executive Vice President & Chief Financial Officer

So the revenue component in the beginning is not significant, because we're starting essentially from a book of almost zero.

Gabriel Dechaine, Canaccord Genuity

Okay, gotcha. All-righty. That's it for me. Have a good rest of the day.

Carolyn Graham, Executive Vice President & Chief Financial Officer

Thanks. You too, Gabriel.

Operator

Your next question comes from the line of Darko Mihelic from RBC Capital Markets. Your line is open.

Darko Mihelic, RBC Capital Markets

Hi. Thank you. Maybe just sticking with Maxium then, can you give us an idea of what Maxium earned over the last 12 months?

Chris Fowler, President & Chief Executive Officer

They were not under IFRS, so it's a different construct, so they were about $15 million in the last 12 months.

Darko Mihelic, RBC Capital Markets

$15 million. I'm just trying to back into a PE. So if we think of the $120 million as the full-blown cost, is that the way to think of, you know, the PE as being somewhere in the range of just eight times? Is that... I mean under IFRS would that be—

Chris Fowler, President & Chief Executive Officer

Yeah. You have to keep in mind that the $120 million is earn-out over three years and based on growth that we anticipate to support them in with adding our resources to theirs. So the $120 million really is an earn-out.

Darko Mihelic, RBC Capital Markets

Okay. And then maybe just switching gears back to credit quality, I think, Chris, you said two-thirds of your E&P loans are syndicated?

Chris Fowler, President & Chief Executive Officer

Yes.

Darko Mihelic, RBC Capital Markets

If that's the case, you're not really in the driver's seat. So I'm just curious, when you say you're going to closely monitor them, is there actually anything you can do being a syndicated player?

Chris Fowler, President & Chief Executive Officer

Well, in any syndicated loan, if there's action to be taking there's majority consent items and unanimous consent items. Unanimous consent items are really the rate amount and terms of the security and those are the things that really matter when you run into companies that become distressed, so you are at the table. You absolutely are working with the lead lender but it's definitely the, it's definitely the structure that you've got all the roles and responsibilities are all spelled out up front.

Darko Mihelic, RBC Capital Markets

Okay. But I guess where I'm going with that is if lines are cut significantly, I don't know, 15 to 20 percent, and the lenders all, the lenders basically pushed into impairment, I mean you pretty much follow along.

Chris Fowler, President & Chief Executive Officer

Absolutely. Yeah, I agree with that.

Darko Mihelic, RBC Capital Markets

Okay. And then, I guess, the last question that I have for you is with respect to the unrealized losses under the securities balance. Are you guys providing any sort of a forward-looking view? Should we be thinking about more write-downs?

Carolyn Graham, Executive Vice President & Chief Financial Officer

So if we think about the preferred share portfolio, which is the largest portion of the unrealized losses, for that portfolio it would only be anticipated to come through the income statement if there was a credit event on one of the issuers. So not necessarily a credit downgrade but, you know, bring lines in that portfolio for us would be a downgrade to below investment grade or something like bankruptcy or filing would be signs of a credit event that would then likely require something through earnings. But we're not projecting any of that at present.

On the common portfolio, that portfolio is being significantly reduced and we don't expect material earnings impact going forward from that portfolio either.

Darko Mihelic, RBC Capital Markets

Okay, that's helpful. Thanks very much.

Operator

There are no further questions at this time. I'll turn the call back over to the presenters.

Carolyn Graham, Executive Vice President & Chief Financial Officer

Thank you, Keith, and thank you, everyone on the line, for your continued interest in the CWB Group. Chris and I will be speaking again this afternoon during our annual general meeting that will be held at 3:00 p.m. Mountain Time here in Edmonton. There is a link to the webcast on our Investor Relations website at CWB.com and I'd invite you to listen in again today. We look forward to reporting our 2016 second quarter results on June the 2nd and of course in the meantime if you have any follow-up questions or comments please call us or contact us by email. Thanks and have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.
