CWB FINANCIAL GROUP

NEWS RELEASE

CWB reports first quarter financial performance

Strong loan growth with continuing geographic diversification

Pre-tax, pre-provision income up 10% compared to last year, with positive operating leverage

Common share dividend increase

"CWB's strong financial performance has continued into the first quarter of fiscal 2019. We delivered another double-digit increase of both pre-tax, pre-provision income and total revenue compared to the first quarter last year, complemented by positive operating leverage. Growth of adjusted cash earnings per share was 7% and credit quality remained strong," said Chris Fowler, President and CEO. "With continued execution of CWB's Balanced Growth strategy, and supported by our strong capital position, we are pleased to declare a common share dividend increase this quarter."

"CWB's Balanced Growth strategy is designed to broaden our relationships with business owners across the country. Focused business transformation efforts will continue to enhance our client experience and increase our addressable market by extending our capabilities to meet more of our clients' needs. We are making steady progress on all fronts, including our planned transition to the *Advanced* approach for managing regulatory capital. This transition will enable us to profitably serve clients in previously untapped markets, and benefit shareholders by better equipping CWB to target growth opportunities that generate the most attractive risk-adjusted returns. Our dedicated people have been working hard toward this transition for a number of years, and we are pleased to be nearing submission of our final application."

First Quarter 2019 Highlights(1)(2) (compared to the same period in the prior year)

- Strong operating performance with common shareholders' net income up 7%, pre-tax, pre-provision income up 10%, and total revenue 10% higher.
- Diluted and adjusted cash earnings per common share of $0.75 and $0.80, up 9% and 7%, respectively, with gains related to CWT strategic transactions contributing approximately $0.03 to adjusted cash earnings per common share in the first quarter last year.
- Continued execution of CWB's Balanced Growth strategy with 10% loan growth, including expansion in every province. Loan growth was 16% in Ontario and 15% in strategically-targeted general commercial loans.
- Branch-raised deposits increased 3%, with very strong 13% growth of term deposits partially offset by 2% lower demand and notice deposits.
- Net interest margin of 2.61%, up nine basis points.
- Positive operating leverage of 0.4%.
- Gross impaired loans represented 0.51% of gross loans at quarter-end, down from 0.56% last year.
- Provision for credit losses on total loans as a percentage of average loans of 24 basis points, compared to 18 basis points last year and 19 basis points last quarter.
- Strong Basel III regulatory capital ratios under the *Standardized* approach for calculating risk-weighted assets of 9.1% common equity Tier 1 (CET1), 10.7% Tier 1 and 12.0% Total capital.
- Common share dividend declared on March 6, 2019 of $0.27 per share, up two cents, or 8%, from the dividend declared one year ago and one cent, or 4%, from the dividend declared last quarter.

(1) Highlights include certain non-IFRS measures – refer to definitions following the table of Selected Financial Highlights on page 21.
(2) Effective November 1, 2018, CWB adopted IFRS 9 *Financial Instruments* (IFRS 9). Amounts for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 (refer to Notes 2 and 3 of the interim consolidated financial statements). Prior period comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classification and Measurement* (IAS 39) and have not been restated.

Edmonton, March 7, 2019 – Canadian Western Bank (TSX: CWB) (CWB) today announced strong operating performance with common shareholders' net income of $66 million and pre-tax, pre-provision income of $118 million, up 7% and 10%, respectively, from the first quarter last year. Total revenue of $212 million was up 10% from last year, including a 13% increase in net interest income, partially offset by 13% lower non-interest income. Net interest income growth reflects the benefits of 13% growth in average loans and a nine basis point increase in net interest margin to 2.61%. Lower non-interest income primarily reflects pre-tax gains of approximately $3 million realized from the CWT strategic transactions in the first quarter last year. Overall credit quality was strong with gross impaired loans representing 0.51% of gross loans at quarter-end, down from 0.56% last year. The provision for credit losses on total loans represented 24 basis points of average loans, compared to 18 basis points last year, with the difference largely reflecting provisions recognized on two general commercial loans. Non-interest expenses were up 9% and acquisition-related fair value changes were relatively unchanged. Diluted and adjusted cash earnings per common share of $0.75 and $0.80 were up 9% and 7%, respectively. Gains related to CWT strategic transactions contributed approximately $0.03 to adjusted cash earnings per common share in the first quarter last year.

Compared to the prior quarter, common shareholders' net income and pre-tax, pre-provision income were up 3% and 6%, respectively. Total revenue was 2% higher, driven by 2% growth of net interest income. Sequential growth of net interest income reflects 3% growth in average loans and stable net interest margin. The provision for credit losses was up five basis points from last quarter, reflecting the same factor noted above, and non-interest expenses were 3% lower. Diluted and adjusted cash earnings per common share were up 4% and 3%, respectively.

Execution of CWB Financial Group's Balanced Growth strategy	
Balanced Growth Objective	**Strategic Execution**
Full-service client growth with a focus on business owners, including further geographic and industry diversification	➢ 10% loan growth compared to last year, including 16% growth in Ontario. ➢ Proportion of loan portfolio in Central and Eastern Canada of 27% was up 1% from last year, with Ontario up to 22% from 21%. ➢ Increased business diversification with 15% annual growth of general commercial loans.
Growth and diversification of funding sources	➢ Branch-raised deposits growth of 3%, including very strong 13% growth of term deposits partially offset by 2% lower demand and notice deposits.
Optimized capital management through transition to the *Advanced Internal Ratings Based Approach* (AIRB)	➢ On track to submit final application in fiscal 2019 for transition to the AIRB approach.

Balanced Growth of assets and funding sources

Total loans, excluding the allowance for credit losses, at January 31, 2019 of $26,888 million were up 10% from last year and 2% from the prior quarter. Year-over-year growth was consistent with CWB's Balanced Growth strategy, including strong growth in the strategically-targeted Ontario market and general commercial loans across CWB's geographic footprint. Ontario continued to lead growth by province in dollar terms with a significant increase of approximately $796 million (16%), representing 32% of CWB's total lending growth. Growth in Ontario included strong performance from CWB's businesses that have a national footprint, including CWB Maxium, CWB Optimum Mortgage, CWB Franchise Finance and CWB National Leasing. Growth in both Alberta and British Columbia was also strong at 10% and 9%, respectively. British Columbia now represents 33% and Alberta comprises 32% of the total portfolio.

CWB continues to execute on key strategic objectives to grow and diversify core funding sources. Total deposits increased 5% sequentially. Branch-raised deposits growth of 3% includes very strong 13% growth of term deposits, partially offset by 2% lower demand and notice deposits. Funding from capital markets was down 3% from the prior year and the balance of outstanding securitization was also lower. Higher amounts of outstanding securitization last year reflected success in funding the purchase of approximately $850 million of business lending assets mainly through CWB's securitization channels on January 31, 2018. Broker-sourced deposits increased 9% from last year.

Ongoing business transformation initiatives to enhance CWB's client experience and support development of full-service client relationships

CWB's focused business transformation and ongoing investment in strong core technology has enabled progress toward an enhanced client experience and growth of full-service relationships through further development of targeted services and more efficient processes. Initiatives began last year to realign client-facing operations within banking branches, and will continue through the remainder of 2019. These realignments follow previously completed undertakings to centralize and standardize credit support processes. Together, these structural improvements are expected to enhance CWB's capacity to deliver on its reputation for excellence in personalized service in a highly scalable manner. Management also expects these initiatives to increase CWB's operational efficiency and drive strong data integrity in support of capital and risk management.

Strong credit quality

Strong overall credit quality continues to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management.

Gross impaired loans this quarter totaled $136 million and represented 0.51% of gross loans. This compares to $137 million, or 0.56%, last year and $138 million, or 0.52%, last quarter. While Alberta-based loans comprised 32% of CWB's total portfolio at January 31, 2019, Alberta-based impaired loans accounted for 43% of total impairments this quarter, down from 58% in the same period last year and 56% last quarter.

The provision for credit losses was estimated under IFRS 9 for the first time this quarter, with the provision in prior periods estimated under IAS 39. Under IFRS 9, the first quarter provision for credit losses as a percentage of average loans of 24 basis points consisted of 22 basis points related to impaired loans and two basis points related to performing loans. Under IAS 39, provisions for credit losses represented 18 basis points in the first quarter of last year, including 16 basis points related to impaired loans and two basis points related to performing loans. The provision for credit losses of 19 basis points last quarter was entirely related to impaired loans. The increase in the provision related to impaired loans during the first quarter compared to both the prior year and prior quarter primarily reflected provisions recognized on two general commercial loans. CWB continues to carefully monitor the entire loan portfolio for signs of weakness and has not identified any current or emerging systemic issues.

Efficient operations and positive operating leverage

The first quarter efficiency ratio of 44.4%, which measures adjusted non-interest expenses divided by total revenue, compares favourably with 44.6% in the same period last year and 46.7% in the previous quarter.

Operating leverage, which is calculated as the growth rate of total revenue less the growth rate of adjusted non-interest expenses, was positive 0.4%, compared to 3.9% last year and 0.1% in the prior quarter.

Prudent capital management and dividends

At January 31, 2019, CWB's capital ratios were 9.1% CET1, 10.7% Tier 1 and 12.0% Total capital. With a strong capital position under the more conservative *Standardized* approach for calculating risk weighted assets, CWB is well-positioned to create value for shareholders through a range of capital deployment options consistent with its Balanced Growth strategy. Ongoing support and development of each of CWB's businesses will remain a key priority, and we will continue to evaluate potential strategic acquisitions.

Upon transition to IFRS 9 on November 1, 2018, CWB recorded an increase to shareholders' equity of $23 million, primarily related to the implementation of the new impairment guidelines. This transition adjustment resulted in an increase to the CET1 and Tier 1 capital ratios of approximately 10 basis points and a nominal impact to the Total capital ratio.

The normal course issuer bid (NCIB) announced on September 27, 2018 was fully utilized in the three months ended January 31, 2019. CWB purchased and cancelled 1,767,000 common shares under the NCIB at an average price of $27.05 per share for a total amount of $48 million. The purchase of common shares was considered an appropriate investment since recent market prices did not reflect the underlying value of CWB's business. This resulted in a decrease to CWB's capital ratios of approximately 20 basis points.

On January 29, 2019 CWB closed an offering of non-cumulative 5-year rate reset Non-Viability Contingent Capital (NVCC) First Preferred Shares Series 9 for gross proceeds of $125 million. This issuance resulted in an increase in the Tier 1 and Total capital ratios of approximately 55 basis points.

CWB evaluates common share dividend increases every quarter against our dividend payout ratio target of approximately 30% of common shareholders' net income, the current strength of our capital position, as well as capital requirements under the *Standardized* approach to support ongoing strong and balanced asset growth. The common share dividend declared yesterday of $0.27 per share is up two cents, or 8%, from the dividend declared one year ago and one cent, or 4%, from the dividend declared last quarter. While the dividend payout ratio this quarter was approximately 36%, we expect earnings growth to result in migration of this metric toward 30% while supporting our track record of dividend increases over the medium-term.

Medium-term Performance Target Ranges

Medium-term target ranges are based on expectations for performance under the more conservative *Standardized* approach for risk and capital management, moderate economic growth and a relatively stable interest rate environment in Canada over the three- to five-year forecast horizon. Our target ranges are presented in the following table:

Key metrics[1]	Medium-term performance target ranges	Current context
Adjusted cash earnings per common share growth	7 - 12%	Delivered 7%.
Adjusted return on common shareholders' equity	12 - 15%	Delivered 11.9%.
Operating leverage	Positive	Delivered positive 0.4%.
Common equity Tier 1 capital ratio under the Standardized approach	Strong	Delivered a very strong ratio of 9.1%.
Common share dividend payout ratio	~30%	Delivered 36%, with an increase in the quarterly common share dividend declared to $0.27.

(1) See definitions on page 21.

About CWB Financial Group

CWB Financial Group (CWB) is a diversified financial services organization serving businesses and individuals across Canada. Operating from its headquarters in Edmonton, Alberta, CWB's key business lines include full service business and personal banking offered through branch locations of Canadian Western Bank and Internet banking services provided by Motive Financial. Highly responsive specialized financing is delivered under the banners of CWB Optimum Mortgage, CWB Equipment Financing, CWB National Leasing, CWB Maxium Financial and CWB Franchise Finance. Trust Services are offered through Canadian Western Trust. Comprehensive wealth management offerings are provided through CWB Wealth Management, which includes the businesses of CWB McLean & Partners Wealth Management Ltd and Canadian Western Financial. As a public company on the Toronto Stock Exchange (TSX), CWB trades under the symbols "CWB" (common shares), "CWB.PR.B" (Series 5 Preferred Shares), "CWB.PR.C" (Series 7 Preferred Shares) and "CWB.PR.D" (Series 9 Preferred Shares). Learn more at www.cwb.com.

Fiscal 2019 First Quarter Results Conference Call

CWB's first quarter results conference call is scheduled for Thursday, March 7, 2019, at **11:00 a.m. ET** (**9:00 a.m. MT**). CWB's executives will comment on financial results and respond to questions from analysts.

The conference call may be accessed on a listen-only basis by dialing (416) 764-8688 or toll-free (888) 390-0546 and entering passcode 34381190. The call will also be webcast live on the CWB's website, www.cwb.com.

A replay of the conference call will be available until March 14, 2019, by dialing (888) 390-0541 (toll-free) and entering passcode 381190#.

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Selected Financial Highlights[1]

(unaudited) ($ thousands, except per share amounts)	January 31 2019[2]	October 31 2018	January 31 2018	Change from January 31 2018
Results from Operations				
Net interest income	**$ 193,342**	$ 189,093	$ 171,267	13 %
Non-interest income	**19,097**	19,473	21,950	(13)
Total revenue	**212,439**	208,566	193,217	10
Pre-tax, pre-provision income	**118,073**	111,182	107,064	10
Common shareholders' net income	**66,499**	64,501	61,929	7
Earnings per common share				
Basic	**0.75**	0.73	0.70	7
Diluted	**0.75**	0.72	0.69	9
Adjusted cash	**0.80**	0.78	0.75	7
Return on common shareholders' equity	**11.1 %**	11.1 %	11.1 %	- bp[5]
Adjusted return on common shareholders' equity	**11.9**	11.9	12.0	(10)
Return on assets	**0.90**	0.89	0.91	(1)
Efficiency ratio	**44.4**	46.7	44.6	(20)
Net interest margin	**2.61**	2.61	2.52	9
Operating leverage	**0.4**	0.1	3.9	(350)
Provision for credit losses on total loans as a percentage of average loans[3][4]	**0.24**	0.19	0.18	6
Provision for credit losses on impaired loans as a percentage of average loans[3][4]	**0.22**	0.19	0.16	6
Number of full-time equivalent staff	**2,200**	2,178	2,085	6 %
Per Common Share				
Cash dividends	**$ 0.26**	$ 0.26	$ 0.24	8 %
Book value	**27.39**	26.09	24.98	10
Closing market value	**29.42**	30.62	38.70	(24)
Common shares outstanding (thousands)	**87,210**	88,952	88,772	(2)
Balance Sheet and Off-Balance Sheet Summary				
Assets	**$ 29,348,618**	$ 29,021,463	$ 27,914,204	5
Loans	**26,780,617**	26,204,599	24,268,866	10
Deposits	**23,910,243**	23,699,957	22,812,435	5
Debt	**2,037,066**	2,007,854	2,083,444	(2)
Shareholders' equity	**2,778,408**	2,585,752	2,482,909	12
Assets under administration	**8,357,142**	8,368,716	9,027,373	(7)
Assets under management	**2,136,700**	2,100,802	2,187,193	(2)
Capital Adequacy				
Common equity Tier 1 ratio	**9.1 %**	9.2 %	9.4 %	(30) bp[5]
Tier 1 ratio	**10.7**	10.3	10.6	10
Total ratio	**12.0**	11.9	12.3	(30)

(For the three months ended: January 31 2019, October 31 2018, January 31 2018)

(1) Non-IFRS measures defined on page 21.
(2) Results for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 (refer to Notes 2 and 3 of the interim consolidated financial statements). Prior period comparatives have been prepared in accordance with IAS 39 and have not been restated.
(3) Under IFRS 9, provisions for credit losses relate primarily to loans, committed but undrawn credit exposures and letters of credit, and also apply to debt securities measured at fair value through other comprehensive income and other financial assets. Prior to the adoption of IFRS 9, provisions for credit losses only related to loans, committed but undrawn credit exposures and letters of credit.
(4) Includes provisions for credit losses on loans, committed but undrawn credit exposures and letters of credit.
(5) bp – basis point change.

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), dated March 6, 2019, should be read in conjunction with Canadian Western Bank's (CWB) unaudited condensed interim consolidated financial statements for the period ended January 31, 2019, and the audited consolidated financial statements and MD&A for the year ended October 31, 2018, available on SEDAR at www.sedar.com and CWB's website at www.cwb.com.

IFRS 9

CWB adopted International Financial Reporting Standard (IFRS) 9 *Financial Instruments* (IFRS 9), which replaces International Accounting Standard (IAS) 39 *Financial Instruments: Classification and Measurement* (IAS 39) for the fiscal year beginning November 1, 2018. As permitted by IFRS 9, CWB has not restated prior period comparative figures and has recognized an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) to reflect the application of the new requirements at the adoption date. For further details, refer to Notes 2 and 3 of the interim consolidated financial statements.

The most significant impact to CWB with the transition to IFRS 9 is the introduction of an expected credit loss (ECL) approach for measuring impairment that is applicable to financial assets measured at amortized cost, debt securities measured at fair value through other comprehensive income (FVOCI), and certain off-balance sheet loan commitments and financial guarantee contracts. The implementation of an ECL approach under IFRS 9, which results in allowances for credit losses being recognized on financial assets regardless of whether there has been an actual loss event, is a significant change from the incurred loss model under IAS 39.

Under IFRS 9, CWB refers to allowances and provisions for credit losses on impaired loans (Stage 3) and performing loans (Stages 1 and 2). CWB's specific allowances under IAS 39 are consistent with Stage 3 allowances for credit losses under IFRS 9, while the collective allowance under IAS 39 is replaced by Stage 1 and 2 allowances for credit losses under IFRS 9.

Forward-looking Statements

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

By their very nature, forward-looking statements involve numerous assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that management's predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that its assumptions may not be correct and that its strategic goals will not be achieved.

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

Additional information about these factors can be found in the Risk Management section of CWB's annual Management's Discussion and Analysis (MD&A). These and other factors should be considered carefully, and readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause CWB's actual results to differ materially from the expectations expressed in such forward-looking statements. Unless required by securities law, CWB does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

Assumptions about the performance of the Canadian economy over the forecast horizon and how it will affect CWB's businesses are material factors considered when setting organizational objectives and targets. In determining expectations for economic growth, CWB primarily considers economic data and forecasts provided by the Canadian government and its agencies, as well as certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the Outlook sections of this MD&A, and/or Outlook sections of CWB's MD&A for the year ended October 31, 2018.

Strategic Transactions

On January 31, 2018, CWB closed an asset purchase agreement to acquire for cash equipment loans and leases, and general commercial lending assets totaling approximately $850 million (referred to as the acquired "business lending assets"). The business lending assets acquired were fully aligned with CWB's Balanced Growth strategy, including strategic objectives for industry and geographic diversification. The portfolio was primarily comprised of assets concentrated within the transportation, construction and healthcare industries, with approximately three quarters of the exposures distributed across Central and Eastern Canada.

On August 16, 2017, CWB announced that Canadian Western Trust (CWT) will focus its activities within business lines that are most aligned with the strategic objectives of CWB Financial Group, and will no longer offer self-directed account services to holders of certain securities. CWT initiated a process to appoint successor trustees for these accounts (referred to as the "CWT strategic transactions"). The CWT strategic transactions were completed in fiscal 2018.

Overview of Financial Performance

Q1 2019 vs. Q1 2018

Common shareholders' net income of $66 million and pre-tax, pre-provision income of $118 million were up 7% and 10%, respectively. Earnings growth reflects the combined positive impact of 10% growth of total revenue, partially offset by higher non-interest expenses and an increase in the provision for credit losses. Net interest income of $193 million was up 13%, reflecting the benefits of 13% average loan growth and a nine basis point increase in net interest margin to 2.61%. Non-interest income decreased 13%, primarily due to pre-tax gains from the strategic transactions within Canadian Western Trust last year. The provision for credit losses on total loans as a percentage of average loans under IFRS 9 was 24 basis points, which consists of 22 basis points related to impaired loans and two basis points related to performing loans. Under IAS 39, provisions for credit losses represented 18 basis points in the first quarter of last year, including 16 basis points related to impaired loans and two basis points related to performing loans. The increase in the provision related to impaired loans during the first quarter compared to the prior year primarily reflected provisions recognized on two general commercial loans. Non-interest expenses were up 9% and acquisition-related fair value changes were relatively unchanged.

Q1 2019 vs. Q4 2018

Compared to the prior quarter, common shareholders' net income and pre-tax, pre-provision income were up 3% and 6%, respectively. Total revenue was up 2%, primarily due to 2% growth in net interest income. Sequential growth of net interest income reflects 3% average loan growth and stable net interest margin. The provision for credit losses on total loans was up five basis points from last quarter, reflecting the same factor noted above, and non-interest expenses were 3% lower. Diluted and adjusted cash earnings per common share were up 4% and 3%, respectively.

Adjusted ROE and ROA

The first quarter adjusted return on common shareholders' equity (ROE) of 11.9% was relatively consistent with 12.0% in the same period last year and unchanged from the prior quarter.

Return on assets (ROA) of 0.90% was relatively unchanged from last year and last quarter.

Outlook for ROE and ROA

Over the medium-term, management expects earnings growth and profitability to benefit from an expanding geographic footprint with increased business diversification and success in key strategic initiatives to enhance CWB's client experience, build core funding sources, and leverage current and future investment in technology.

While CWB is on track to submit its fiscal application in fiscal 2019 for transition to the *Advanced Internal Ratings Based* (AIRB) approach, the benefits to financial performance from this capital management transition are not currently incorporated within the medium-term targets presented in this MD&A.

Total Revenue

First quarter total revenue of $212 million grew 10% compared to the same quarter last year and 2% from the prior quarter.

Net Interest Income

Q1 2019 vs. Q1 2018

Net interest income of $193 million increased 13%, reflecting the combined benefits of 13% average loan growth and a nine basis point increase in net interest margin to 2.61%. The increase in net interest margin primarily reflects higher asset yields and favourable changes in asset mix, which more than offset higher funding costs. The increase in asset yields mainly reflects the higher interest rate environment. Changes in asset mix include both lower average balances of cash and securities as well as stronger relative growth of higher-yielding loan portfolios. The increase in funding costs also reflects the higher interest rate environment, as well as client preference for fixed term deposits.

Q1 2019 vs. Q4 2018

Net interest income was up 2%, reflecting the impact of 3% average loan growth and stable net interest margin. Within net interest margin, the positive impacts of the higher interest rate environment on asset yields were offset by impacts on funding costs, including a continued client preference for fixed term deposits.

Interest rate sensitivity

Note 13 to the interim consolidated financial statements summarizes CWB's exposure to interest rate risk as at January 31, 2019. The estimated sensitivity of net interest income to a change in interest rates is presented in the table below. The amounts represent the estimated change in net interest income that would result over the following 12 months from a one-percentage point change in interest rates. The estimates are based on a number of assumptions and factors, which include:

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

($ thousands)	**January 31 2019**	October 31 2018	January 31 2018
Estimated impact on net interest income of a 1% increase in interest rates			
1 year	**$ 5,369**	$ 6,234	$ 1,427
1 year percentage change	**0.70 %**	0.86 %	0.21 %
Estimated impact on net interest income of a 1% decrease in interest rates			
1 year	**$ (9,818)**	$ (7,467)	$ (6,115)
1 year percentage change	**(1.28)%**	(1.03) %	(0.90)%

In addition to the projected changes in net interest income noted above, it is estimated that a one-percentage point increase in all interest rates at January 31, 2019 would increase unrealized losses related to debt and equity securities measured at FVOCI and the fair value of interest rate swaps designated as hedges, and result in a reduction in other comprehensive income (OCI) of approximately $108 million, net of tax (January 31, 2018 – $90 million).

It is estimated that a one-percentage point decrease in all interest rates at January 31, 2019 would have the opposite effect, increasing OCI by approximately $110 million, net of tax (January 31, 2018 – $88 million). Management maintains the asset liability structure and interest rate sensitivity within CWB's established policies through pricing and product initiatives, as well as the use of interest rate swaps.

Outlook for net interest income

Management now expects to deliver growth of net interest income in the high single-digit range in fiscal 2019, driven primarily by strong loan growth. CWB's focused business transformation and ongoing investment in strong core technology has enabled progress toward an enhanced client experience and growth of full-service relationships through further development of targeted services and more efficient processes.

These initiatives are expected over the medium term to provide support for net interest margin through delivery of new capabilities to accelerate growth of branch-raised deposits, along with a sustained focus to drive strong growth in higher yielding loan portfolios with an acceptable risk profile.

In fiscal 2019 management expects limited growth of full-year net interest margin compared to 2018 reflecting a relatively flat prime interest rate outlook for the balance of fiscal 2019. Further improvement of net interest margin is possible in 2019 if competitive factors currently affecting both deposit costs and asset yields within certain portfolios begin to subside, or if a Bank of Canada rate increase occurs earlier in the fiscal year.

Non-interest Income

Q1 2019 vs. Q1 2018

Non-interest income of $19 million was down 13%, as growth of credit related fees was more than offset by the impact of approximately $3 million of gains realized from the CWT strategic transactions recorded within 'other' non-interest income in the first quarter last year.

Q1 2019 vs. Q4 2018

Non-interest income was down 2%, mainly reflecting the combined impact of weaker equity market performance on market-sensitive wealth management fees and lower credit related fees.

Outlook for non-interest income

CWB now expects full-year non-interest income in fiscal 2019 to be relatively consistent with last year. Stable performance is expected across most categories, reflecting CWB's strategy to extend and deepen relationships with both new and existing business and personal clients. 'Other' non-interest income is expected to be lower, reflecting the impact of gains on sale related to the CWT strategic transactions realized in 2018.

Based on the current composition of the debt securities portfolio, realized net gains and losses are not expected to contribute materially to non-interest income in 2019; however, the magnitude and timing of gains and losses are dependent on market factors that are difficult to predict. Effective November 1, 2018, under IFRS 9 realized gains and losses on equity securities designated at FVOCI, consisting of CWB's preferred share holdings, are recorded in OCI and are not subsequently recognized through earnings. Realized gains and losses that arise upon sale of preferred shares are reclassified from AOCI to retained earnings. Further detail is provided in Note 2 of the interim consolidated financial statements.

Acquisition-related Fair Value Changes

The change in estimated fair value of contingent consideration related to the acquisition of CWB Maxium was $5 million this quarter, unchanged from the same quarter last year and last quarter. The change in fair value reflects the expected value of the contingent consideration after evaluating CWB Maxium's actual earnings to date and the estimated probability-weighted future operating performance. CWB Maxium continued to deliver strong performance, consistent with management's expectations.

The earn-out period related to the acquisition of CWB Maxium concluded on February 28, 2019. Cumulative charges of approximately $3 million in the second quarter this year would represent the maximum payout available through the purchase agreement. Related detail is provided in Note 12 to the interim consolidated financial statements.

Non-interest Expenses

Q1 2019 vs. Q1 2018

Non-interest expenses of $96 million were up 9% ($8 million), primarily due to a 7% ($4 million) increase in salaries and benefits and a 14% increase ($2 million) in premises and equipment expenses. Higher salaries and benefits mainly reflects hiring activity to support overall business growth and annual salary increments. Higher premises and equipment primarily reflect ongoing investment in technology infrastructure to position CWB for future growth.

Q1 2019 vs. Q4 2018

Non-interest expenses were down 3% ($3 million). The 7% ($3 million) increase in salaries and benefits was more than offset by a 29% ($6 million) reduction in other expenses, including lower consultant fees, the customary seasonal decrease in advertising expenses, and lower recruitment and training costs.

Efficiency ratio and operating leverage

The first quarter efficiency ratio of 44.4%, which measures adjusted non-interest expenses divided by total revenue, compares favourably to 44.6% in the same period last year and 46.7% in the previous quarter. The difference sequentially reflects seasonally lower non-interest expenses.

Operating leverage, which is calculated as the growth rate of total revenue less the growth rate of adjusted non-interest expenses over the same period last year was positive 0.4%, compared to 3.9% last year and 0.1% last quarter.

Outlook for the efficiency ratio and operating leverage

CWB's medium-term targets for growth of adjusted cash earnings per share and positive operating leverage incorporate expectations for strong business growth supported through strategic investment in people, technology and infrastructure, along with effective control of non-interest expenses in view of revenue growth opportunities. CWB's annual efficiency ratio over the past three years has been approximately 46%. Management expects CWB's efficiency ratio to fluctuate around this level over the near term, and expects to deliver slightly positive operating leverage on a full-year basis in 2019. Quarterly volatility of operating leverage may occur based on the timing of expenditures.

Income Taxes

The first quarter effective income tax rate was 26.5%, compared to 26.7% last year.

Outlook for income taxes

CWB's expected income tax rate for 2019 is approximately 27%.

Comprehensive Income

Comprehensive income is comprised of net income and OCI, all net of income taxes.

Q1 2019 vs. Q1 2018

Comprehensive income of $122 million was up from $41 million last year, resulting from a $77 million increase in OCI and $5 million higher net income.

Changes in OCI, all net of tax, mainly resulted from increases in the change in fair values of derivatives designated as cash flow hedges ($60 million), debt securities measured at FVOCI under IFRS 9 and equity securities designated at FVOCI under IFRS 9 ($16 million). CWB's debt securities portfolio, which is classified at FVOCI, is comprised primarily of debt securities issued or guaranteed by Canada, a province or a municipality. CWB's equity securities, which are designated at FVOCI, are comprised of investment grade preferred shares. Fluctuations in value are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve.

CWB's debt and equity securities were previously classified as available-for-sale securities under IAS 39. For further details relating to classification and measurement of debt and equity securities under IFRS 9, refer to Note 2 of the interim consolidated financial statements.

Balance Sheet

The quarter end balance of total assets of $29,349 million was up 5% from last year and 1% from last quarter.

Cash and Securities

Cash and securities totaled $2,037 million at January 31, 2019, compared to $3,062 million last year and $2,238 million last quarter. Lower balances of cash and securities compared to last year mainly reflect liquidity requirements one year ago related to second quarter maturities. Average balances of cash and securities for the three months ending January 31, 2019 of $2,459 million compares to $3,111 million in the first quarter last year, and was relatively unchanged from $2,465 million last quarter. The change in average balances compared to last year mainly reflects conservative liquidity and funding management in anticipation of the acquisition of business lending assets on January 31, 2018.

CWB's liquidity management is based on an internal stressed cash flow model, with the level of cash and securities driven primarily by the term structure of both assets and liabilities, and the liquidity structure of the liabilities.

CWB maintains prudent liquidity levels at all times while the composition of total liquid assets supports ongoing compliance with the Office of the Superintendent of Financial Institutions Canada (OSFI) Liquidity Adequacy Requirements guideline.

The cash and securities portfolio is comprised of high quality debt instruments and investment grade preferred shares that are not held for trading purposes and, where applicable, are typically held until maturity. Net unrealized losses on cash and securities recorded on the balance sheet of $48 million were down from $52 million last year and $67 million last quarter.

Loans

Total loans, excluding the allowance for credit losses, of $26,888 million increased 10% ($2,495 million) from last year and 2% ($555 million) from the prior quarter.

(unaudited) (millions)	**January 31 2019**	October 31 2018	January 31 2018	% Change from January 31 2018
General commercial loans	**$ 7,799**	$ 7,458	$ 6,769	15 %
Personal loans and mortgages	**5,268**	5,247	4,786	10
Commercial mortgages	**4,963**	4,865	4,265	16
Equipment financing and leasing	**4,815**	4,779	4,534	6
Real estate project loans	**3,908**	3,855	3,939	(1)
Oil and gas production loans	**135**	129	100	35
Total loans outstanding(1)	**$ 26,888**	$ 26,333	$ 24,393	10 %

(1) Total loans outstanding by lending sector exclude the allowance for credit losses.

Q1 2019 vs. Q1 2018

In dollar terms, growth by lending sector in the past year was led by general commercial loans ($1,030 million) and commercial mortgages ($698 million).

Growth of personal loans and mortgages was $482 million. Overall growth within this category reflects continued origination of both alternative and "A" mortgages, where "A" mortgages consist of residential mortgages eligible for bulk portfolio insurance. The book value of Alternative mortgages originated within CWB's broker-sourced residential mortgage business, CWB Optimum Mortgage (CWB Optimum), represent approximately 54% of CWB's personal loans and mortgage portfolio, or approximately 11% of CWB's total loans, unchanged from one year ago. Total loans of $3,014 million within CWB Optimum increased 7% ($188 million) from the first quarter last year. At approximately 56% of the total, Ontario represents the largest geographic exposure by province within CWB Optimum's portfolio, followed by British Columbia at 18% and Alberta at 17%. Consistent with CWB's previously stated expectations, growth within CWB Optimum has slowed compared to prior years. This reflects the impacts of reduced housing market activity in certain regions following changes to OSFI's Guideline B-20, *Residential Mortgage Underwriting Practices and Procedures* (B-20), CWB's overall risk appetite for alternative mortgages as a proportion of total loans, and ongoing refinement of CWB's risk appetite within the alternative mortgage market, including a preference for stronger credits. In combination, these factors have constrained the rate of new mortgage originations within CWB Optimum.

Equipment financing and leasing increased $281 million, and oil and gas production loans were up $35 million in the past year. CWB continues to maintain a proactive approach to manage its small portfolio of oil and gas production loans, with the increase this quarter reflecting higher utilization of existing credit facilities. The total balance of loans in this category continues to comprise less than 1% of CWB's total loans, and underlying commodity exposures skewed toward natural gas liquids.

Real estate project loans contracted $31 million, with net growth in Ontario more than offset by the impact of successful project completions and payouts in Alberta and British Columbia. Lagging impacts of the 2015 – 2016 regional recession have resulted in fewer new real estate project lending opportunities in Edmonton and Calgary.

Q1 2019 vs. Q4 2018

On a sequential basis, loan growth exceeded $500 million for the seventh consecutive quarter, with Alberta and Ontario accounting for 38% and 37% of the increase, respectively. Performance within general commercial loans was very strong, with the balance of outstanding loans in this category up 5% ($341 million). Commercial mortgages increased 2% ($98 million) in the first quarter and real-estate project loans increased 1% ($53 million).

Equipment financing and leasing was relatively consistent with the prior quarter, with new originations largely offset by higher-than-expected payouts. The outstanding balance of personal loans and mortgages was also relatively unchanged from the fourth quarter of 2018, mainly reflecting the CWB Optimum-related factors noted above. New CWB Optimum originations in the first quarter were primarily driven by alternative mortgages secured via first mortgages carrying a weighted average loan-to-value at initiation of approximately 69%, along with an increasing proportion of "A" mortgages sourced through the broker channel. The average size of CWB Optimum mortgages originated in the first quarter was approximately $323,000, and the average size of mortgages outstanding at January 31, 2019 was $297,000.

(unaudited) (millions)	**January 31 2019**	October 31 2018	January 31 2018	% Change from January 31 2018
British Columbia	**$ 8,963**	$ 8,894	$ 8,258	9 %
Alberta	**8,606**	8,395	7,835	10
Ontario	**5,828**	5,622	5,032	16
Saskatchewan	**1,426**	1,404	1,344	6
Manitoba	**794**	773	745	7
Quebec	**680**	680	664	2
Other	**591**	565	515	15
Total loans outstanding(1)	**$ 26,888**	$ 26,333	$ 24,393	10 %

(1) Total loans outstanding by province exclude the allowance for credit losses.

Year-over-year growth was consistent with CWB's Balanced Growth strategy to increase geographic diversification. Ontario continued to lead growth by province in dollar terms with a significant increase of $796 million (16%), representing 32% of CWB's total lending growth. Growth in both Alberta and British Columbia was also strong at 10% ($771 million) and 9% ($705 million), respectively. Outstanding loans in Quebec and the Atlantic provinces increased by $92 million (8%). Strong growth in Ontario and the other provinces outside of Western Canada reflects the geographic diversification objectives embedded within CWB's Balanced Growth strategy. Growth in these regions was underpinned by strong performance from CWB's businesses that have a national footprint, including CWB Maxium, CWB Optimum Mortgage, CWB Franchise Finance and CWB National Leasing. Saskatchewan and Manitoba grew 6% and 7% from last year, or $82 million and $49 million, respectively.

Outlook for loans

CWB will continue to support high-quality borrowers with a focus on business owners operating within targeted industry segments across Canada. Continued strategic execution has positioned CWB to capture increased market share within a larger addressable market, and management remains committed to deliver double-digit annual loan growth whenever prudent. This includes a continued focus on secured loans that offer an appropriate return and acceptable risk profile.

Overall growth of residential mortgages is expected to continue to resemble the growth rate across the rest of CWB's loan portfolio. With increased securitization capabilities, management expects CWB's residential mortgage growth to include an increased proportion of "A" mortgages sourced both through the CWB Optimum broker channel and CWB's branch network. Management remains committed to the ongoing development of CWB Optimum as it continues to produce solid returns while maintaining an acceptable risk profile.

CWB continues to assess the ongoing impacts of macroprudential measures on housing market conditions and future construction-related opportunities within targeted markets. In general, management expects to continue to identify opportunities to finance well-capitalized developers on the basis of sound loan structures and acceptable pre-sale/lease levels.

Potential risks that could have a material adverse impact on loan growth expectations include a significant and sustained deterioration in Canadian residential real estate prices, material changes to trade agreements, including the imposition of tariffs, which could affect the outlook for Canadian exports, material weakening of energy and other commodity prices compared to recent levels, with regional commodity price differentials, a material contraction of economic growth in the U.S., or a significant disruption in major global economies.

Credit Quality

Strong overall credit quality continues to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management.

(unaudited) ($ thousands)	For the three months ended January 31 2019	October 31 2018	January 31 2018	Change from January 31 2018
Gross impaired loans, beginning of period	**$ 137,872**	$ 135,430	$ 168,261	(18) %
New formations	**34,395**	31,977	22,525	53
Reductions, impaired accounts paid down or returned to performing status	**(16,115)**	(15,724)	(46,646)	(65)
Write-offs	**(19,713)**	(13,811)	(6,946)	184
Total(1)	**$ 136,439**	$ 137,872	$ 137,194	(1) %
Balance of the ten largest impaired accounts	**$ 45,720**	$ 56,748	$ 57,420	(20) %
Total number of accounts classified as impaired(2)	**241**	214	239	1
Gross impaired loans as a percentage of gross loans	**0.51 %**	0.52 %	0.56 %	(5) bp(3)

(1) Gross impaired loans include foreclosed assets held for sale with a carrying value of $5,099 (October 31, 2018 – 6,628, January 31, 2018 – $4,093). CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(2) Total number of accounts excludes CWB National Leasing.
(3) bp – basis point change.

The dollar level of gross impaired loans this quarter totaled $136 million, compared to $137 million last year and $138 million in the prior quarter. The dollar level of gross impaired loans represented 0.51% of gross loans at quarter-end, down from 0.56% last year and 0.52% in the previous quarter. Gross impaired loans within Alberta at January 31, 2019 totaled $59 million and accounted for 43% of total impairments, compared to $80 million or 58% last year, and $77 million or 56% last quarter.

The level of gross impaired loans fluctuates as loans become impaired and are subsequently resolved, and does not directly reflect the dollar value of expected write-offs given tangible security held in support of lending exposures. The overall loan portfolio is reviewed regularly with credit decisions undertaken on a case-by-case basis to provide early identification of possible adverse trends.

Upon adoption of the new impairment requirements of IFRS 9 on November 1, 2018, CWB's allowances for credit losses on performing loans (Stages 1 and 2) totaled $89 million, a decrease of $31 million from the IAS 39 collective allowance as at October 31, 2018 ($120 million). Further details related to the transition to IFRS 9 are included in Notes 2 and 3 of the interim consolidated financial statements.

As at January 31, 2019, the total allowance for credit losses (Stages 1, 2 & 3) was $113 million. In comparison, the total allowance for credit losses (collective and specific) under IAS 39 was $142 million one year ago and $147 million last quarter.

Provision for Credit Losses

The provision for credit losses was estimated under IFRS 9 for the first time this quarter, with the provision in prior periods estimated under IAS 39. Under IFRS 9, the first quarter provision for credit losses as a percentage of average loans of 24 basis points consisted of 22 basis points related to impaired loans and two basis points related to performing loans. Under IAS 39, provisions for credit losses represented 18 basis points in the first quarter of last year, including 16 basis points related to impaired loans and two basis points related to performing loans. The provision for credit losses of 19 basis points last quarter was entirely related to impaired loans. The increase in the provision related to impaired loans during the first quarter compared to both the prior year and prior quarter primarily reflected provisions recognized on two general commercial loans.

Outlook for credit quality

Overall credit quality is expected to continue to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management. CWB continues to carefully monitor the entire loan portfolio for signs of weakness and no current or emerging systemic issues have been identified. The relative concentration of impaired loans in Alberta is expected to continue to normalize in the absence of material commodity price weakness compared to recent levels. Gross impaired loans within CWB Optimum may increase in the event of a material correction of residential home prices.

While IFRS 9 will change the timing of the recognition of credit losses, the actual amount of credit losses realized over the life of a particular loan, represented by write-offs net of recoveries, will not be impacted by this accounting change. Provisions for credit losses on performing loans are expected to be more volatile with implementation of a forward-looking ECL approach under IFRS 9.

Deposits and Funding

CWB continues to execute on initiatives to support key strategic objectives to grow and diversify core funding sources. Total deposits increased 5% from last year ($1,098 million) and 1% ($210 million) from the previous quarter. Branch-raised deposits were up 3% on an annual basis, including very strong 13% growth of term deposits. Branch-raised demand and notice deposit balances were 2% lower compared to last year and the prior quarter. Funding from capital markets was relatively consistent with the prior year, while the balance of outstanding securitization funding declined. Higher amounts of outstanding securitization last year reflected success in funding the purchase of business lending assets on January 31, 2018 mainly through CWB's securitization channels. Broker-sourced deposits increased 9% from last year.

Total deposits by type and source are summarized below:

(unaudited) ($ millions)	As at **January 31 2019**	As at October 31 2018	As at January 31 2018	Change from January 31 2018
Deposits by Source and Type				
CWB Financial Group branch-raised				
Demand and notice	**$ 7,424**	$ 7,594	$ 7,579	(2)%
Term	**4,907**	4,731	4,337	13
	12,331	12,325	11,916	3 %
Broker term	**8,899**	8,368	8,132	9
Capital markets	**2,680**	3,007	2,764	(3)
Total Deposits	**$ 23,910**	$ 23,700	$ 22,812	5 %

Personal deposits represented 63% of total deposits at January 31, 2019, compared to 60% last year and 61% last quarter. Total branch-raised deposits accounted for 52% of total deposits at quarter end, consistent with the same period last year and the prior quarter. Demand and notice deposits comprised 31% of total deposits, compared to 33% last year and 32% last quarter. Total funding raised through the debt capital markets of $2.7 billion represented 11% of total deposits at January 31, 2019, down from 12% last year and 13% last quarter. The deposit broker network remains an efficient source for raising insured fixed term retail deposits and has proven to be a reliable and effective way to access funding and liquidity over a wide geographic base. CWB raises only fixed-term broker deposits, with terms to maturity between one and five years, and does not offer a High Interest Savings Account (HISA) product. Term deposits raised through the broker network represented 37% of total funding at quarter end, up from 36% last year and 35% last quarter.

Securitization

Securitized leases, loans and mortgages are reported on-balance sheet with total loans. The gross amount of securitized leases and loans at January 31, 2019 was $1,631 million, compared to $1,816 million one year ago and $1,622 million last quarter. The gross amount of mortgages securitized under the *National Housing Act* Mortgage Backed Securities (NHA MBS) program was $617 million compared to $460 million one year ago and $609 million last quarter. Total funding from the securitization of leases, loans and mortgages in the first quarter was $222 million compared to $734 million one year ago and $146 million last quarter. Elevated funding from securitization in the first quarter last year related to the acquisition of business lending assets.

Outlook for deposits and funding

CWB's strategic focus to grow and diversify funding sources will continue. This includes a goal to increase branch-raised deposits, with particular emphasis on demand and notice deposits. Future growth in branch-raised funding is expected to reflect success in acquiring more clients and developing broader, full-service client relationships across the country.

Continued development of new and more effective products, along with an ongoing strategic focus on business transformation and process improvement, is expected to enhance the client experience, strengthen CWB's competitive position and support various growth initiatives related to branch-raised funding over the medium term. Initiatives began last year to realign client-facing operations within banking branches and will continue through the remainder of 2019. These structural improvements are expected to support deposit growth through enhanced capacity to deliver on CWB's reputation for excellence in personalized service in a highly scalable manner.

Support for deposit gathering capabilities will also include targeted strategies within the CWB Virtual Branch and Motive Financial as well as continued development of the full-service branch network with the opening of an Ontario branch location, now expected in 2020. Continued diversification of funding sources is also expected to include growth of both debt capital markets and securitization funding channels.

Other Assets and Other Liabilities

Other assets totaled $531 million at January 31, 2019, compared to $584 million last year and $579 million last quarter, with the decreases primarily due to timing of payments for commodity taxes and exchange of collateral related to derivative financial instruments.

Other liabilities totaled $620 million at January 31, 2019, compared to $533 million last year and $725 million last quarter. The change compared to last year relates to an increase in securities sold under repurchase agreements and other liabilities, driven by the timing of payments. The decrease compared to last quarter relates to a reduction in securities sold under repurchase agreements and change in the fair value of derivative financial instruments.

Off-Balance Sheet

Off-balance sheet items include assets under administration and assets under management. Total assets under administration, which are comprised of trust assets and third-party leases under administration, as well as mortgages under service agreements, totaled $8.4 billion at January 31, 2019, compared to $9.0 billion one year ago and $8.4 billion last quarter. Approximately $281 million of assets under administration were transferred to successor trustees over the past twelve months as part of the CWT strategic transactions. The CWT strategic transactions were completed in the fourth quarter of 2018 and no further transfers of deposits or assets under administration to successor trustees will occur under the agreements. Assets under management were $2.1 billion at quarter end, down 2% from $2.2 billion a year earlier and up 2% from $2.1 billion last quarter.

Other off-balance sheet items are comprised of standard industry credit instruments (guarantees, standby letters of credit and commitments to extend credit). CWB does not utilize, nor does it have exposure to, collateralized debt obligations or credit default swaps.

Capital Management

OSFI requires Canadian financial institutions to manage and report regulatory capital in accordance with the Basel III capital management framework. CWB currently reports its regulatory capital ratios using the *Standardized* approach for calculating risk-weighted assets, which requires CWB to carry significantly more capital for certain credit exposures compared to requirements under the AIRB methodology. For this reason, regulatory capital ratios of banks that utilize the *Standardized* approach are not directly comparable with the large Canadian banks and other financial institutions which utilize the AIRB methodology. CWB's required minimum regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% common equity Tier 1 (CET1), 8.5% Tier 1 and 10.5% Total capital.

With strong capital ratios of 9.1% CET1, 10.7% Tier 1 and 12.0% Total capital at January 31, 2019, CWB is well-positioned to create value for shareholders through a range of capital deployment options consistent with our Balanced Growth strategy. Ongoing support and development of each of CWB's core businesses will remain a key priority, and we will continue to evaluate potential strategic acquisitions. CWB's Basel III leverage ratio of 8.5% at quarter end remains very strong.

Significant Changes

CWB adopted IFRS 9 on November 1, 2018 and recorded an increase to shareholders' equity of $23 million upon transition, primarily related to the implementation of the new impairment guidelines. This resulted in an increase to the CET1 and Tier 1 capital ratios of approximately 10 basis points and a nominal impact to the Total ratio. For further details, refer to Notes 2 and 3 of the interim consolidated financial statements.

The normal course issuer bid (NCIB) announced on September 27, 2018 was fully utilized in the three months ended January 31, 2019. CWB purchased and cancelled 1,767,000 common shares under the NCIB at an average price of $27.05 per share for a total amount of $48 million. The purchase of common shares was considered an appropriate investment since recent market prices did not reflect the underlying value of CWB's business. This resulted in a decrease to the capital ratios of approximately 20 basis points.

On January 29, 2019 CWB closed an offering of non-cumulative 5-year rate reset Non-Viability Contingent Capital (NVCC) First Preferred Shares Series 9 for gross proceeds of $125 million. This resulted in an increase in the Tier 1 and Total capital ratios of approximately 55 basis points. For further details refer to Note 9 in the interim consolidated financial statements.

At January 31, 2019 $48 million (October 31, 2018 – nil; January 31, 2018 – nil) was excluded from Total regulatory capital related to outstanding non-NVCC subordinated debentures. This reflects the multi-year phase out of non-qualifying capital instruments under Basel III rules, and resulted in a decrease to the Total capital ratio of approximately 20 basis points in the first quarter.

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

(unaudited) ($ millions)	**As at January 31 2019**	As at October 31 2018	As at January 31 2018
Regulatory Capital			
CET1 capital before deductions	**$ 2,392**	$ 2,369	$ 2,254
Net CET1 deductions	**(215)**	(216)	(211)
CET1 capital	**2,177**	2,153	2,043
Tier 1 capital[(1)]	**2,568**	2,418	2,308
Total capital[(1)]	**2,860**	2,788	2,679
Risk-weighted Assets	**$ 23,931**	$ 23,486	$ 21,825
Capital Adequacy Ratios			
CET1	**9.1 %**	9.2 %	9.4 %
Tier 1	**10.7**	10.3	10.6
Total	**12.0**	11.9	12.3

(1) The 2019 inclusion of non-common equity instruments that do not include NVCC clauses is capped at 30% of the January 1, 2013 outstanding balances (2018 - 40%). At January 31, 2019, $47,500 (October 31, 2018 – nil; January 31, 2018 – nil) was excluded from regulatory capital related to outstanding subordinated debentures.

CET1 Ratio

On a year-over-year basis, the 30 basis point reduction in CWB's CET1 ratio reflects the increase in risk-weighted assets related to strong business growth as well as utilization of the NCIB, partially offset by the impact of the IFRS 9 transition and growth of retained earnings. Compared to the prior quarter, the impact of NCIB utilization more than offset the IFRS 9 transition benefit.

Tier 1 Ratio

Changes to the Tier 1 ratio reflect the same factors which affected the CET 1 ratio, along with the issuance of First Preferred Shares Series 9.

Total Ratio

Changes in the Total ratio reflect the CET1 and Tier 1 items noted above, with the exception of the IFRS 9 transition impact which had no significant effect on Total capital, as well as the partial phase out of non-NVCC subordinated debentures.

Book value per common share at January 31, 2019 was $27.39, up from $24.98 last year and $26.09 last quarter, mainly reflecting growth of retained earnings and common shares purchased under the NCIB.

Common shareholders received a quarterly dividend of $0.26 per common share on January 3, 2019. On March 6, 2019, CWB's Board of Directors declared a cash dividend of $0.27 per common share, payable on March 29, 2019 to shareholders of record on March 15, 2019. This quarterly dividend is up two cents, or 8%, from the dividend declared one year ago and one cent, or 4%, from the previous quarter. The Board of Directors also declared a cash dividend of $0.275 per Series 5 Preferred Share, a cash dividend of $0.390625 per Series 7 Preferred Share, and an initial cash dividend of $0.3832 per Series 9 Preferred Share all payable on April 30, 2019 to shareholders of record on April 23, 2019.

Management evaluates common share dividend increases every quarter against CWB's dividend payout ratio target of approximately 30% of common shareholders' net income, the current strength of CWB's capital position, and capital requirements under the *Standardized* approach to support ongoing strong and balanced asset growth. While the dividend payout ratio this quarter was approximately 36%, CWB's current capital position is very strong and management expects earnings growth to result in migration of the dividend payout ratio toward the 30% target while supporting CWB's track record of dividend increases over the medium-term.

Further information relating to CWB's capital position is provided in Note 15 of the unaudited interim consolidated financial statements for the period ended January 31, 2019 as well as the audited consolidated financial statements and MD&A for the year ended October 31, 2018.

Basel III Reforms

The Basel Committee on Banking Supervision (BCBS) finalized Basel III reforms in fiscal 2017, with an effective date of January 2022. The reforms are mainly intended to reduce the variability in capital levels and to address a number of weaknesses in the existing capital framework. On July 16, 2018, OSFI launched a public consultation on the proposed Canadian adoption.

On October 30, 2018, OSFI revised its securitization framework to reflect the adoption of the BCBS' *Revisions to the Securitisation Framework* and *Capital Treatment for Short-term "Simple, Transparent and Comparable" Securitisations.* The new requirements were effective November 1, 2018, however OSFI provided transitional arrangements for transactions undertaken before January 1, 2019. In addition, OSFI allowed a one-year grandfathering of the securitization framework for all exposures held at October 31, 2018. As such, upon adoption of the revised guidelines there was no material impact to our capital ratios.

On October 30, 2018, OSFI also revised its guidelines to incorporate the new BCBS *Standardized* approach methodologies for measuring counterparty credit risk and capital requirements for exposures to central counterparties. The adoption required over-the-counter derivative exposures to be reflected under the new *Standardized Approach for Measuring Counterparty Credit Risk (SA-CCR)*, instead of our previous methodology based on the current exposure method. The adoption of these guidelines had no material impact to CWB's capital ratios.

On October 30, 2018, OSFI published its updated *Leverage Requirements Guideline*, effective for November 1, 2018. The revisions align the leverage guideline with OSFI's Q1 2019 adoption of the BCBS standard on SA-CCR and the revisions to the securitization framework as discussed above. The adoption of these guidelines had no material impact to CWB's leverage ratio. On November 20, 2018, OSFI also finalized the Leverage Ratio Disclosure Requirements guideline, effective for November 1, 2018.

Outlook for Capital Management

The ongoing retention of earnings, net of expected common and preferred share dividends, is expected to support capital requirements associated with continued execution of CWB's Balanced Growth strategy and the anticipated achievement of CWB's medium-term performance target for a strong CET1 ratio.

CWB will maintain strong capital ratios under the *Standardized* approach for calculating risk-weighted assets, above CWB's target thresholds and OSFI's required minimums, and is well positioned to manage future business growth and unexpected events. Target capital ratios, including an appropriate capital buffer over the prescribed OSFI minimums, are reconfirmed through CWB's regulatory capital plan.

AIRB transition plan

CWB's project continues in support of an application to OSFI in fiscal 2019 for transition to the AIRB methodology for capital and risk management. Transition to the AIRB approach will benefit shareholders by putting CWB on more equal footing with its competition and increasing CWB's addressable market. It will add risk sensitivity to CWB's framework for capital management, increase risk quantification processes, improve risk-based pricing capabilities and economic capital estimations, improve CWB's stress testing capabilities and enhance CWB's ability to comply with new accounting standards and Internal Capital Adequacy Assessment Process (ICAAP) reporting requirements. These improved risk management capabilities will better equip CWB to allocate resources to target business segments that generate the most attractive risk-adjusted returns.

CWB's AIRB transition project is comprised of several discrete phases, including: establishment of formalized project governance; creation of models including data collection, development and testing, deployment, operationalization and use test; model validation; and, submission of final application to OSFI. All material AIRB models and related scorecards have now been deployed into the business.

Model validation and enhancement of existing models continues. Further development of CWB's risk function is also ongoing, including: three lines of defence enhancement, stress testing capabilities, and economic capital estimation. Implementation of CWB's risk-weighted asset production and capital reporting tools is underway.

Significant Changes in Accounting Policies and Financial Statement Presentation

The unaudited interim consolidated financial statements for the quarter were prepared using the same accounting policies as the audited consolidated financial statements for the year ended October 31, 2018 with the exception of the adoption of IFRS 9 and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) on November 1, 2018.

As permitted by IFRS 9, CWB has not restated prior period comparative figures and has recognized an adjustment to opening retained earnings and AOCI to reflect the application of the new requirements at the adoption date. The application of the impairment requirements of IFRS 9 was the most significant change for CWB. Under IFRS 9, allowances for credit losses related to performing loans are estimated using an ECL approach that incorporates a number of underlying assumptions which involve a high degree of management judgement and can have a significant impact on financial results. The allowance for credit losses is CWB's most significant accounting estimate. For further details, refer to Notes 2 and 3 of the interim consolidated financial statements.

CWB adopted IFRS 15 using the modified retrospective approach and has concluded that there is no significant impact in relation to the adoption of IFRS 15. For further details, refer to Note 2 of the interim consolidated financial statements.

Future Accounting Changes

A number of standards and amendments have been issued by the International Accounting Standards Board (IASB) and are described in further detail in CWB's 2018 Annual Report. These standards and amendments may impact the presentation of financial statements in the future and management is currently reviewing these changes to determine the impact, if any. CWB continues to monitor the IASB's proposed changes to IFRS.

Controls and Procedures

On November 1, 2018, CWB adopted IFRS 9 and updated or modified certain internal controls over financial reporting as a result of the new accounting standard. There were no other significant changes in CWB's disclosure controls and procedures and internal controls over financial reporting that occurred during the quarter ended January 31, 2019 that have materially affected, or are reasonably likely to materially affect, CWB's disclosures of required information and internal controls over financial reporting. Prior to its release, this quarterly report to shareholders was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of CWB.

Third-party Credit Ratings

DBRS Limited (DBRS) maintains published credit ratings on CWB's senior debt (deposits), short-term debt, subordinated debentures and preferred shares of "A (low)", "R1 (low)", "BBB (high)" and "Pfd-3", respectively, all with a stable outlook. Credit ratings do not consider market price or address the suitability of any financial instrument for a particular investor and are not recommendations to purchase, sell or hold securities. Ratings are subject to revision or withdrawal at any time by the rating organization. Management believes the ratings widen the base of clients and investors who can participate in CWB's offerings, while also lowering overall funding costs and the cost of capital.

Updated Share Information

As at February 28, 2019, there were 87,210,158 common shares and 2,395,514 stock options outstanding. For additional information on share capital and stock options, see Notes 17 and 18 of audited annual consolidated financial statements for the year ended October 31, 2018 and Notes 9 and 10 to the interim consolidated financial statements for this quarter.

Dividend Reinvestment Plan

CWB common shares (TSX: CWB) and preferred shares (TSX: CWB.PR.B; CWB.PR.C; CWB.PR.D) and any other class of shares deemed eligible by the Bank's Board of Directors are eligible to participate in CWB's dividend reinvestment plan (the Plan). The Plan provides holders of eligible shares of CWB the opportunity to direct cash dividends toward the purchase of CWB common shares. CWB has elected to issue common shares for the Plan at the average market price (as defined in the Plan). Further details for the Plan are available on CWB's website.

Summary of Quarterly Financial Information

	2019	2018				2017		
($ thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	$ **212,439**	$ 208,566	$ 204,989	$ 196,586	$ 193,217	$ 195,122	$ 183,843	$ 172,443
Common shareholders' net income	**66,499**	64,501	62,362	60,464	61,929	60,833	56,308	47,594
Earnings per common share								
Basic	**0.75**	0.73	0.70	0.68	0.70	0.69	0.64	0.54
Diluted	**0.75**	0.72	0.70	0.68	0.69	0.68	0.64	0.54
Adjusted cash	**0.80**	0.78	0.75	0.73	0.75	0.74	0.69	0.59
Total assets ($ millions)	**29,349**	29,021	28,170	28,134	27,914	26,447	23,345	24,618

The financial results for each of the last eight quarters are summarized above. In general, CWB's performance reflects a relatively consistent trend, although the second quarter contains three fewer revenue-earning days in non-leap years. Total revenue in the first, third and fourth quarters of 2018 include the impact of gains related to the CWT strategic transactions.

For additional details on variations between the prior quarters, refer to the summary of quarterly results section of CWB's MD&A for the year ended October 31, 2018 and the individual quarterly reports to shareholders which are available on SEDAR at www.sedar.com and on CWB's website at www.cwb.com.

Non-IFRS Measures

CWB uses a number of financial measures to assess its performance against strategic initiatives and operational benchmarks. Non-IFRS measures provide readers with an enhanced understanding of how management views CWB's ongoing operating performance. These measures may also provide readers with the ability to analyze trends related to the profitability and effectiveness of CWB's operations and strategies, and determine compliance with regulatory standards. To arrive at certain of the non-IFRS measures, CWB makes adjustments to the reported results. Adjustments relate to items which management believes are not indicative of underlying operating performance. CWB believes that adjusted results provide the reader with a better understanding of how management views its performance. Some of these financial measures do not have standardized meanings prescribed by IFRS and therefore, may not be comparable to similar measures presented by other financial institutions. The non-IFRS measures used in this MD&A are calculated as follows:

- adjusted non-interest expenses – total non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets (see calculation below);
- adjusted common shareholders' net income – total common shareholders' net income, excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax (see calculation below);
- pre-tax, pre-provision income – total revenue less adjusted non-interest expenses (see calculation below);
- adjusted cash earnings per common share – diluted earnings per common share calculated with adjusted common shareholders' net income;
- return on common shareholders' equity – annualized common shareholders' net income divided by average common shareholders' equity;
- adjusted return on common shareholders' equity – annualized adjusted common shareholders' net income divided by average common shareholders' equity;
- return on assets – annualized common shareholders' net income divided by average total assets;
- efficiency ratio – adjusted non-interest expenses divided by total revenue;
- net interest margin – annualized net interest income divided by average total assets;
- provision for credit losses on total loans as a percentage of average loans – annualized provision for credit losses on loans, committed but undrawn credit exposures and letters of credit divided by average total loans. Provisions for credit losses related to debt securities measured at FVOCI and other financial assets are excluded;
- provision for credit losses on impaired loans as a percentage of average loans – annualized provision for credit losses on impaired loans divided by average total loans;
- operating leverage – growth rate of total revenue less growth rate of adjusted non-interest expenses;
- common share dividend payout ratio – common share dividends declared during the past twelve months divided by common shareholders' net income earned over the same period;
- Basel III common equity Tier 1, Tier 1 and Total capital ratios – in accordance with guidelines issued by OSFI;
- risk-weighted assets – on and off-balance sheet assets assigned a risk weighting calculated in accordance with the *Standardized* approach guidelines issued by OSFI; and
- average balances – average daily balances.

Adjusted Financial Measures

(unaudited) ($ thousands)	For the three months ended **January 31 2019**	 October 31 2018	 January 31 2018	Change from January 31 2018
Non-interest expenses	**$ 95,643**	$ 98,751	$ 87,917	9 %
Adjustments (before tax):				
Amortization of acquisition-related intangible assets	**(1,277)**	(1,367)	(1,764)	(28)
Adjusted non-interest expenses	**$ 94,366**	$ 97,384	$ 86,153	10 %
Common shareholders' net income	**$ 66,499**	$ 64,501	$ 61,929	7 %
Adjustments (after tax):				
Acquisition-related fair value changes	**3,629**	3,705	3,640	-
Amortization of acquisition-related intangible assets	**943**	1,005	1,344	(30)
Adjusted common shareholders' net income	**$ 71,071**	$ 69,211	$ 66,913	6 %

Pre-tax, Pre-provision Income

(unaudited) ($ thousands)	For the three months ended **January 31 2019**	 October 31 2018	 January 31 2018	Change from January 31 2018
Total revenue	**$ 212,439**	$ 208,566	$ 193,217	10 %
Less:				
Adjusted non-interest expenses (see above)	**94,366**	97,384	86,153	10
Pre-tax, pre-provision income	**$ 118,073**	$ 111,182	$ 107,064	10 %

Consolidated Balance Sheets

(unaudited) ($ thousands)		As at January 31 2019[1]	As at October 31 2018	As at January 31 2018	Change from January 31 2018
Assets					
Cash Resources					
Cash and non-interest bearing deposits with financial institutions		**$ 15,681**	$ 73,822	$ 52,776	(70) %
Interest bearing deposits with regulated financial institutions	(Note 5)	**223,476**	26,825	320,394	(30)
Cheques and other items in transit		**12,044**	52,574	18,639	(35)
		251,201	153,221	391,809	(36)
Securities	(Note 5)				
Issued or guaranteed by Canada		**1,121,504**	1,325,816	1,639,543	(32)
Issued or guaranteed by a province or municipality		**421,615**	521,825	640,303	(34)
Other debt securities		**186,023**	143,536	257,768	(28)
Preferred shares		**56,294**	93,575	132,348	(57)
		1,785,436	2,084,752	2,669,962	(33)
Loans	(Note 6)				
Personal		**5,268,104**	5,247,160	4,786,226	10
Business		**21,619,464**	21,085,968	19,606,672	10
		26,887,568	26,333,128	24,392,898	10
Allowance for credit losses	(Note 6)	**(106,951)**	(128,529)	(124,032)	(14)
		26,780,617	26,204,599	24,268,866	10
Other					
Property and equipment		**58,195**	59,098	54,798	6
Goodwill		**85,168**	85,168	85,353	-
Intangible assets		**161,320**	160,790	150,923	7
Derivative related		**23,589**	2,496	15,464	53
Other assets		**203,092**	271,339	277,029	(27)
		531,364	578,891	583,567	(9)
Total Assets		**$ 29,348,618**	$ 29,021,463	$ 27,914,204	5 %
Liabilities and Equity					
Deposits	(Note 7)				
Personal		**$ 15,142,430**	$ 14,483,686	$ 13,722,242	10 %
Business and government		**8,767,813**	9,216,271	9,090,193	(4)
		23,910,243	23,699,957	22,812,435	5
Other					
Cheques and other items in transit		**37,908**	28,489	54,756	(31)
Securities sold under repurchase agreements		**48,856**	95,126	-	100
Derivative related		**27,140**	69,581	54,745	(50)
Other liabilities		**506,453**	531,953	423,530	20
		620,357	725,149	533,031	16
Debt					
Debt related to securitization activities	(Note 8)	**1,787,066**	1,757,854	1,833,444	(3)
Subordinated debentures		**250,000**	250,000	250,000	-
		2,037,066	2,007,854	2,083,444	(2)
Equity					
Preferred shares	(Note 9)	**390,000**	265,000	265,000	47
Common shares	(Note 9)	**730,550**	744,701	740,133	(1)
Retained earnings		**1,672,403**	1,649,196	1,528,682	9
Share-based payment reserve		**24,351**	23,937	23,819	2
Accumulated other comprehensive income		**(38,896)**	(97,082)	(74,725)	(48)
Total Shareholders' Equity		**2,778,408**	2,585,752	2,482,909	12
Non-controlling interests		**2,544**	2,751	2,385	7
Total Equity		**2,780,952**	2,588,503	2,485,294	12
Total Liabilities and Equity		**$ 29,348,618**	$ 29,021,463	$ 27,914,204	5 %

(1) Amounts for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 *Financial Instruments* (IFRS 9) (refer to Notes 2 and 3). Prior period comparatives have been prepared in accordance with IAS 39 *Financial Instruments: Classification and Measurement* (IAS 39) and have not been restated.

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

Consolidated Statements of Income

(unaudited) ($ thousands, except per share amounts)		For the three months ended January 31 2019(1)	October 31 2018	January 31 2018	Change from January 31 2018
Interest Income	(Note 14)				
Loans		**$ 336,249**	$ 319,310	$ 273,544	23 %
Securities		**7,978**	8,075	8,891	(10)
Deposits with regulated financial institutions		**1,765**	1,095	1,982	(11)
		345,992	328,480	284,417	22
Interest Expense					
Deposits		**138,879**	125,779	104,247	33
Debt		**13,771**	13,608	8,903	55
		152,650	139,387	113,150	35
Net Interest Income		**193,342**	189,093	171,267	13
Non-interest Income					
Credit related		**8,346**	8,456	7,893	6
Wealth management services		**4,842**	5,119	5,042	(4)
Retail services		**2,592**	2,588	2,763	(6)
Trust services		**1,884**	1,919	2,177	(13)
Gains on securities, net	(Note 5)	**244**	1	7	nm
Other		**1,189**	1,390	4,068	(71)
		19,097	19,473	21,950	(13)
Total Revenue		**212,439**	208,566	193,217	10
Provision for Credit Losses	(Note 6)	**16,193**	12,432	10,561	53
Acquisition-related Fair Value Changes	(Note 12)	**4,938**	5,041	4,953	-
Non-interest Expenses					
Salaries and employee benefits		**62,377**	59,549	58,103	7
Premises and equipment		**17,004**	16,474	14,901	14
Other expenses		**16,262**	22,728	14,913	9
		95,643	98,751	87,917	9
Net Income before Income Taxes		**95,665**	92,342	89,786	7
Income Taxes		**25,360**	23,919	24,007	6
Net Income		**70,305**	68,423	65,779	7
Net income attributable to non-controlling interests		**243**	360	287	(15)
Shareholders' Net Income		**70,062**	68,063	65,492	7
Preferred share dividends		**3,563**	3,562	3,563	-
Common Shareholders' Net Income		**$ 66,499**	$ 64,501	$ 61,929	7 %
Average number of common shares (in thousands)		**88,386**	88,933	88,629	-
Average number of diluted common shares (in thousands)		**88,515**	89,267	89,217	(1)
Earnings Per Common Share					
Basic		**$ 0.75**	$ 0.73	$ 0.70	7 %
Diluted		**0.75**	0.72	0.69	9

(1) Amounts for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 (refer to Notes 2 and 3). Prior period comparatives have been prepared in accordance with IAS 39 and have not been restated.

nm – not meaningful

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

Consolidated Statements of Comprehensive Income

(unaudited) ($ thousands)	For the three months ended January 31 2019[(1)]	January 31 2018
Net Income	**$ 70,305**	$ 65,779
Other Comprehensive Income (Loss), Net of Tax		
Items that will be subsequently reclassified to net income		
Debt securities measured at fair value through other comprehensive income (2018: Available-for-sale debt and equity securities)		
Gains (losses) from change in fair value[(2)]	**17,811**	(9,222)
Reclassification to net income[(3)]	**(217)**	(5)
	17,594	(9,227)
Derivatives designated as cash flow hedges		
Gains (losses) from change in fair value[(4)]	**43,839**	(14,448)
Reclassification to net income[(5)]	**363**	(1,597)
	44,202	(16,045)
Items that will not be subsequently reclassified to net income		
Losses on equity securities designated at fair value through other comprehensive income[(6)]	**(10,526)**	n/a
	51,270	(25,272)
Comprehensive Income for the Period	**$ 121,575**	$ 40,507
Comprehensive income for the period attributable to:		
Shareholders	**$ 121,332**	$ 40,220
Non-controlling interests	**243**	287
Comprehensive Income for the Period	**$ 121,575**	$ 40,507

(1) Amounts for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 (refer to Notes 2 and 3). Prior period comparatives have been prepared in accordance with IAS 39 and have not been restated.
(2) Net of income tax of $6,733 (2018 - $3,375).
(3) Net of income tax of $80 (2018 - $2).
(4) Net of income tax of $16,214 (2018 - $5,317).
(5) Net of income tax of $134 (2018 - $588).
(6) Net of income tax of $3,807 (2018 - n/a).

n/a – not applicable

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

Consolidated Statements of Changes in Equity

(unaudited) ($ thousands)		For the three months ended January 31 2019[1]	January 31 2018
Preferred Shares	(Note 9)		
Balance at beginning of period		**$ 265,000**	$ 265,000
Issued		**125,000**	-
Balance at end of period		**390,000**	265,000
Common Shares	(Note 9)		
Balance at beginning of period		**744,701**	731,885
Purchased for cancellation		**(14,798)**	-
Issued under dividend reinvestment plan		**647**	814
Transferred from share-based payment reserve on the exercise or exchange of options		**-**	1,684
Issued on acquisition-related contingent consideration instalment payment	(Note 12)	**-**	5,750
Balance at end of period		**730,550**	740,133
Retained Earnings			
Balance at beginning of period under IAS 39		**1,649,196**	1,488,634
Impact of adopting IFRS 9 on November 1, 2018	(Note 3)	**22,514**	n/a
Balance at beginning of period under IFRS 9		**1,671,710**	n/a
Shareholders' net income		**70,062**	65,492
Dividends – Preferred shares		**(3,563)**	(3,563)
– Common shares		**(23,067)**	(21,288)
Net premium on common shares purchased for cancellation	(Note 9)	**(33,036)**	-
Realized losses reclassified from accumulated other comprehensive income	(Note 5)	**(6,696)**	n/a
Issuance costs on preferred shares		**(3,007)**	-
Decrease attributable to non-controlling interests ownership change		**-**	(593)
Balance at end of period		**1,672,403**	1,528,682
Share-based Payment Reserve			
Balance at beginning of period		**23,937**	24,979
Amortization of fair value of options	(Note 10)	**414**	524
Transferred to common shares on the exercise or exchange of options		**-**	(1,684)
Balance at end of period		**24,351**	23,819
Accumulated Other Comprehensive Income			
Debt securities measured at fair value through other comprehensive income (2018: Available-for-sale debt and equity securities)			
Balance at beginning of period under IAS 39		**(48,962)**	(29,175)
Impact of adopting IFRS 9 on November 1, 2018	(Note 3)	**12,994**	n/a
Balance at beginning of period under IFRS 9		**(35,968)**	n/a
Other comprehensive income (loss)		**17,594**	(9,227)
Balance at end of period		**(18,374)**	(38,402)
Derivatives designated as cash flow hedges			
Balance at beginning of period		**(48,120)**	(20,278)
Other comprehensive income (loss)		**44,202**	(16,045)
Balance at end of period		**(3,918)**	(36,323)
Equity securities designated at fair value through other comprehensive income			
Impact of adopting IFRS 9 on November 1, 2018	(Note 3)	**(12,774)**	n/a
Balance at beginning of period under IFRS 9		**(12,774)**	n/a
Other comprehensive loss		**(10,526)**	n/a
Realized losses reclassified to retained earnings	(Note 5)	**6,696**	n/a
Balance at end of period		**(16,604)**	n/a
Total Accumulated Other Comprehensive Income		**(38,896)**	(74,725)
Total Shareholders' Equity		**2,778,408**	2,482,909
Non-Controlling Interests			
Balance at beginning of period		**2,751**	2,797
Net income attributable to non-controlling interests		**243**	287
Dividends to non-controlling interests		**(450)**	(699)
Balance at end of period		**2,544**	2,385
Total Equity		**$ 2,780,952**	$ 2,485,294

(1) Amounts for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 (refer to Notes 2 and 3). Prior period comparatives have been prepared in accordance with IAS 39 and have not been restated.

n/a – not applicable

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

Consolidated Statements of Cash Flows

(unaudited) ($ thousands)		For the three months ended **January 31 2019**[1]	January 31 2018[2]
Cash Flows from Operating Activities			
Net income		**$ 70,305**	$ 65,779
Adjustments to determine net cash flows:			
Current income taxes receivable and payable, net		**18,669**	(8,672)
Provision for credit losses	(Note 6)	**16,193**	10,561
Accrued interest receivable and payable, net		**9,094**	9,413
Depreciation and amortization		**8,139**	7,332
Fair value change in contingent consideration	(Note 12)	**4,938**	4,953
Deferred income taxes, net		**(2,883)**	(6,472)
Amortization of fair value of employee stock options	(Note 10)	**414**	524
Gains on securities, net		**(244)**	(7)
Net gain on CWT strategic transactions	(Note 3)	**-**	(3,009)
Change in operating assets and liabilities:			
Deposits, net		**210,286**	909,453
Loans, net		**(573,381)**	(1,051,806)
Securities sold under resale agreements, net		**(46,270)**	(58,358)
Debt related to securitization activities, net		**29,212**	607,108
Other items, net		**11,267**	(70,069)
		(244,261)	416,730
Cash Flows from Financing Activities			
Dividends		**(25,983)**	(24,037)
Dividends to non-controlling interests		**(450)**	(699)
Common shares purchased for cancellation	(Note 9)	**(47,834)**	-
Preferred shares issued, net of issuance costs	(Note 9)	**121,993**	-
		47,726	(24,736)
Cash Flows from Investing Activities			
Interest bearing deposits with regulated financial institutions, net		**(196,651)**	183,501
Securities, purchased		**(553,422)**	(1,135,566)
Securities, sale proceeds		**402,229**	311,913
Securities, matured		**472,055**	324,138
Property, equipment and intangible assets		**(7,766)**	(7,487)
Acquisition-related contingent consideration instalment payment	(Note 12)	**(28,000)**	(17,250)
Proceeds from CWT strategic transactions	(Note 3)	**-**	3,059
		88,445	(337,692)
Change in Cash and Cash Equivalents		**(108,090)**	54,302
Cash and Cash Equivalents at Beginning of Period		**97,907**	(37,643)
Cash and Cash Equivalents at End of Period *		**$ (10,183)**	$ 16,659
* Represented by:			
Cash and non-interest bearing deposits with financial institutions		**$ 15,681**	$ 52,776
Cheques and other items in transit (included in Cash Resources)		**12,044**	18,639
Cheques and other items in transit (included in Other Liabilities)		**(37,908)**	(54,756)
Cash and Cash Equivalents at End of Period		**$ (10,183)**	$ 16,659
Supplemental Disclosure of Cash Flow Information			
Interest and dividends received		**$ 353,824**	$ 292,083
Interest paid		**146,934**	106,542
Income taxes paid		**27,519**	28,817

(1) Amounts for the period ended January 31, 2019 have been prepared in accordance with IFRS 9 (refer to Notes 2 and 3). Prior period comparatives have been prepared in accordance with IAS 39 and have not been restated.

(2) During the first quarter of 2019, debt related to securitization activities was reclassified from Financing Activities to Operating Activities. Comparative figures have been reclassified to conform to the current period presentation.

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

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

1. Basis of Presentation and Significant Accounting Policies

These unaudited condensed interim consolidated financial statements of Canadian Western Bank (CWB) have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as the audited consolidated financial statements for the year ended October 31, 2018, with the exception of the adoption of International Financial Reporting Standard (IFRS) 9 *Financial Instruments* (IFRS 9) and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) as discussed Note 2. These interim consolidated financial statements of CWB, domiciled in Canada, have also been prepared in accordance with subsection 308 (4) of the Bank Act and the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI). Under IFRS, additional disclosures are required in annual financial statements and accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2018.

The interim consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2019.

2. Changes in Accounting Policies

(a) IFRS 9 *Financial Instruments*

CWB adopted IFRS 9 effective November 1, 2018, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The adoption of IFRS 9 resulted in changes in accounting policies primarily related to the classification, measurement and impairment of financial assets. Classification of CWB's financial liabilities is unchanged. To facilitate a better understanding of CWB's interim consolidated financial statements, additional information on significant accounting policy changes related to the transition to IFRS 9 are described in Notes 3, 5 and 6.

IFRS 9 was applied on a retrospective basis and as permitted, prior period comparatives were not restated. Upon transition, an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) was recorded to reflect the application of the new requirements at the adoption date. Refer to Note 3 for further details on the impact of the transition to the opening balance sheet on November 1, 2018.

CWB has elected to continue to apply the hedge accounting requirements of IAS 39. Our policy for hedge accounting is described in Note 12 of the audited consolidated financial statements for the year ended October 31, 2018 (see page 95 of the 2018 Annual Report).

i) Classification and Measurement of Financial Assets

Initial Recognition and Measurement

Financial assets consist of both debt and equity instruments. Under IFRS 9, financial assets are initially recognized at fair value and subsequently measured at fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost.

Derivatives continue to be measured at FVTPL under IFRS 9, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements continue to apply as described in Note 12 of the audited consolidated financial statements for the year ended October 31, 2018 (see page 95 of the 2018 Annual Report).

Debt Instruments

Debt instruments, including loans and debt securities, are initially measured at fair value and are subsequently classified and measured at FVTPL, FVOCI or amortized cost based on the contractual cash flow characteristics of the instrument and the business model under which the asset is held.

The intent of the assessment of the contractual cash flow characteristics of an instrument is to determine if contractual payments to be received represent solely principal and interest (SPPI), consistent with a basic lending arrangement. Principal, for the purposes of the test, is defined as the fair value of the instrument at initial recognition and is subject to change over its life due to transactions such as repayments and amortization of related premiums or discounts. Interest represents consideration for the time value of money, credit risk, other basic lending risks and costs, such as liquidity risk and administrative costs, as well as a profit margin. Contractual terms that introduce risks or volatility that are unrelated to a basic lending arrangement do not represent cash flows that are SPPI and as a result, the related financial asset is classified and measured at FVTPL.

For debt instruments that meet the requirements of the SPPI test, classification at initial recognition is determined based on the business model under which the assets are managed. Considerations include how performance of the debt instruments is evaluated, the risks that affect the performance of the business model, and how those risks are managed, and the manner in which management is compensated. Potential business models are as follows:

- Held to collect: Objective is to collect contractual cash flows.
- Held to collect and sell: Objective is to both collect contractual cash flows and sell the financial assets.
- Held for sale or other business models: Encompasses all other business models. CWB does not currently hold assets within this category.

The use of judgment is required in assessing both the contractual cash flow characteristics and the business model of debt instruments.

Measured at Amortized Cost

Debt instruments measured at amortized cost are managed under a 'held to collect' business model and have contractual cash flows that satisfy the requirements of the SPPI test. These financial assets are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of allowances for credit losses estimated based on the expected credit loss (ECL) approach.

Measured at Fair Value through Other Comprehensive Income

Debt instruments measured at FVOCI, which are managed under a 'held to collect and sell' business model and have contractual cash flows that represent SPPI, are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, unrealized gains and losses related to the debt instruments are recorded in other comprehensive income (OCI), net of tax. Impairment losses and recoveries, estimated using an ECL approach, are recognized in the consolidated statements of income and correspondingly reduce the accumulated changes in fair value recorded in OCI. Gains and losses realized on disposal of debt instruments classified at FVOCI are included in the consolidated statements of income.

Equity Instruments

Equity instruments are classified and measured at FVTPL unless an irrevocable election is made to designate non-trading instruments at FVOCI at the time of initial recognition. If the election is applied, unrealized gains and losses are recorded in OCI, net of tax, and are not subsequently reclassified to the consolidated statements of income. When realized, gains and losses that arise upon derecognition are reclassified from AOCI to retained earnings. Equity securities are not subject to an impairment assessment under IFRS 9.

ii) Impairment

Expected Credit Loss Approach

IFRS 9 introduces an ECL approach to estimate allowances for credit losses that is applicable for financial assets measured at amortized cost, debt securities measured at FVOCI, and certain off-balance sheet loan commitments and financial guarantee contracts which were previously provided for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37). The implementation of an ECL approach under IFRS 9, which results in the recognition of allowances for credit losses on financial assets regardless of whether an actual loss event has occurred, is a significant change from the incurred loss model under IAS 39 as described in Note 8 of the audited consolidated financial statements for the year ended October 31, 2018 (see page 90 of the 2018 Annual Report).

The ECL approach categorizes financial assets into three stages based on changes in credit risk since inception. A financial asset can move between stages depending on improvement or deterioration of credit risk.

Performing Assets

- Stage 1: From initial recognition until the date on which the financial asset experiences a significant increase in credit risk (SICR), the allowance for credit losses is measured based on ECL from defaults occurring in the 12 months following the reporting date.
- Stage 2: A financial asset migrates to Stage 2 when it experiences a SICR since initial recognition and the allowance for credit losses is measured based on ECL from defaults occurring over the remaining life of the asset.

Impaired Assets

- Stage 3: When a financial asset is identified as credit-impaired, it migrates to Stage 3 and an allowance for credit losses equal to full lifetime ECL is recognized. Interest income is recognized on the carrying amount of the asset, net of the allowance for credit losses.

ECL represents the discounted probability-weighted estimate of cash shortfalls expected to result from defaults over the relevant time horizon. ECL estimations are a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). PD, which represents the estimate of the likelihood of default, considers past events, current market conditions and forward-looking information over the relevant time horizon. LGD represents an estimate of loss arising from default based on the difference between the contractual cash flows due and those that CWB expects to receive, including consideration for the amount and quality of collateral held. EAD represents an estimate of the exposure at a future default date, taking into account estimated future repayments of principal and draws on committed facilities.

For most financial assets, ECL is estimated on an individual basis. Financial assets for which allowances for credit losses are estimated on a collective basis are grouped based on similar credit risk characteristics.

As part of the transition to IFRS 9, CWB updated governance frameworks impacted by the transition to IFRS 9 and implemented new controls related to key processes and significant areas of judgment. An Expected Credit Loss Committee, which includes senior management representation from Risk, Finance and the business was established to provide oversight to the IFRS 9 impairment process. The Expected Credit Loss Committee is responsible to review key inputs and assumptions used in ECL estimates and assess the appropriateness of performing loan allowances for credit losses.

Forward-looking Information

The estimation of ECL and the assessment of SICR consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

With consideration of several external sources of information, CWB formulates a base case view of the future direction of relevant macroeconomic variables, which is updated quarterly. A representative range of other possible forecast scenarios is developed to incorporate multiple probability-weighted outcomes. The base case scenario represents the best estimate of forecast macroeconomic variables while other scenarios represent more optimistic or pessimistic outcomes.

Additional information regarding the incorporation of forward-looking information and the related judgment and estimation involved in the process is described in Note 6.

Assessment of Significant Increases in Credit Risk

At each reporting date, CWB assesses whether a financial asset has experienced a SICR since initial recognition by comparing the risk of a default occurring over the asset's remaining expected life at the reporting date and the date of initial recognition.

The assessment of changes in credit risk is performed at least quarterly, generally at the instrument level. Significant judgment is also required in the application of SICR thresholds. The thresholds used to define SICR are reviewed and assessed at least annually, unless there is a material change in credit risk management practices that prompts a more frequent review, and are expected to change infrequently.

Refer to Note 6 for additional information regarding the assessment of SICR.

Expected Life

When measuring ECL, CWB considers the maximum contractual period over which an exposure to credit risk exists. For most instruments, the expected life is limited to the remaining contractual life, including prepayment and extension options. For certain revolving credit facilities, the expected life is estimated based on the period over which CWB is exposed to credit risk and how credit losses are mitigated by management actions.

Modified Financial Assets

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in an impact to contractual cash flows. In particular, in an effort to minimize CWB's realized losses, modifications may be granted in situations where a borrower experiences financial difficulty. Modifications may include payment deferrals, extension of amortization periods, interest rate reductions, principal forgiveness, debt consolidation or forbearance. If it is determined that the modification results in expiry of cash flows, the original asset is derecognized and a new asset is recognized based on the new contractual terms.

Where a modification does not result in derecognition, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate, and a gain or loss is recognized immediately in the consolidated statements of income. The financial asset continues to be subject to the same assessment for SICR relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when estimating ECL for the modified asset. Financial assets that are modified while having an allowance for credit losses equal to lifetime ECL may revert to having to an allowance for credit losses equal to 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Definition of Default

The definition of default used in the estimation of ECL is consistent with the definition of default used for internal credit risk management purposes. Loans are determined to be in default and classified as impaired when payments are contractually past due 90 days or more, where CWB has commenced realization proceedings, or where CWB is of the opinion that the loan should be regarded as impaired based on objective evidence. Objective evidence that a loan is impaired may include significant financial difficulty of a borrower, default or delinquency of a borrower, breach of loan covenants or conditions, or indications that a borrower will enter bankruptcy.

The determination of impairment under IFRS 9 is generally consistent with the definition under IAS 39, with one exception. Under IAS 39, residential mortgages guaranteed or insured for both principal and interest by the Canadian government, a province or a Canadian government agency and loans that are fully secured and in the process of collection are not classified as impaired until payments are 365 days and 180 days in arrears, respectively. Under IFRS 9, all loans are classified as impaired when payments are contractually past due 90 or more days.

Financial assets are reviewed on an ongoing basis to assess whether any should be classified as impaired. Loans that have become impaired are monitored closely by a specialized team with regular reviews of each loan and its realization plan. Impaired loans are returned to performing status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Write-offs

Financial assets are written off, either partially or in full, against the related allowance for credit losses when CWB concludes that there is no realistic prospect of future recovery in respect of those amounts. When financial instruments are secured, this is generally after all collateral has been realized or transferred to CWB, or in certain circumstances, when the net realizable value of any collateral and other available information suggests that there is no reasonable expectation of further recovery. In subsequent periods, any recoveries of amounts previously written off are recorded as a reduction to the provision for credit losses in the consolidated statements of income.

(b) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and replaces IAS 18 *Revenue, IAS* 11 *Construction Contracts* and related Interpretations. IFRS 15 provides a single, principles based five-step model that applies to all contracts with customers. The standard excludes from its scope revenue arising from items such as financial instruments and leases as these fall within the scope of other IFRSs. CWB has performed a detailed analysis on each revenue stream that is within the scope of the new standard. CWB adopted IFRS 15 using the modified retrospective approach and has concluded that there is no significant impact in relation to the adoption of IFRS 15.

(c) Future Accounting Changes

CWB continues to monitor the IASB's proposed changes to accounting standards. Although not expected to materially impact CWB's 2019 consolidated financial statements, these proposed changes may have a significant impact on future financial statements. Additional discussion on certain accounting standards that may impact CWB is included in Note 1 of the audited consolidated financial statements for the year ended October 31, 2018 (see page 85 of the 2018 Annual Report).

3. Transition to IFRS 9

Reconciliation of IAS 39 to IFRS 9

The following table details the impact of the transition to IFRS 9 on the consolidated balance sheet as at November 1, 2018. Reclassification adjustments reflect the movement of assets between measurement categories with no impact to shareholders' equity or change to the assets' carrying value. Remeasurement adjustments, which include changes to allowances for credit losses related to the adoption of the impairment requirements of IFRS 9, result in a change to the carrying value of the assets and an impact to shareholders' equity, net of tax. Refer to Note 2 for additional information regarding accounting policy changes related to the transition to IFRS 9.

	IAS 39 Measurement Category	IFRS 9 Measurement Category	IAS 39 Carrying Value as at October 31, 2018	Re-classification	Re-measurement	IFRS 9 Carrying Value as at November 1, 2018
Assets						
Cash resources	Amortized cost	Amortized cost	$ 126,396	$ -	$ (35) [1]	$ 126,361
	Available-for-sale	n/a	26,825	(26,825) [2]	-	-
	n/a	FVOCI	-	26,825 [2]	-	26,825
			153,221	-	(35)	153,186
Securities	Available-for-sale	n/a	2,084,752	(2,084,752) [3]	-	-
	n/a	FVOCI	-	2,084,752 [3]	-	2,084,752
			2,084,752	-	-	2,084,752
Loans, net of allowance for credit losses	Amortized cost	Amortized cost	26,204,599	-	19,810 [4]	26,224,409
Other			578,891	-	(7,633) [5]	571,258
Total Assets			**$ 29,021,463**	**$ -**	**$ 12,142**	**$ 29,033,605**
Liabilities and Equity						
Deposits	Amortized cost	Amortized cost	$ 23,699,957	$ -	$ -	$ 23,699,957
Other			725,149	-	(10,592) [6]	714,557
Debt	Amortized cost	Amortized cost	2,007,854	-	-	2,007,854
Total Liabilities			26,432,960	-	(10,592)	26,422,368
Equity						
Preferred shares			265,000	-	-	265,000
Common shares			744,701	-	-	744,701
Retained earnings			23,937	-	22,514 [7]	46,451
Share-based payment reserve			1,649,196	-	-	1,649,196
Accumulated other comprehensive income			(97,082)	-	220 [8]	(96,862)
Total Shareholders' Equity			2,585,752	-	22,734	2,608,486
Non-controlling interests			2,751	-	-	2,751
Total Equity			2,588,503	-	22,734	2,611,237
Total Liabilities and Equity			**$ 29,021,463**	**$ -**	**$ 12,142**	**$ 29,033,605**

(1) Recognition of allowances for credit losses related to cash resources measured at amortized cost.
(2) Available-for-sale interest-bearing deposits with regulated financial institutions have been reclassified to FVOCI as the securities met the SPPI criteria and are managed in a 'hold to collect and to sell' business model. Cash and non-interest bearing deposits with regulated financial institutions as well as cheques and other items in transit continue to be measured at amortized cost.
(3) Available-for-sale debt securities totalling $1,991,177 have been reclassified to FVOCI as the securities met the SPPI criteria and are managed in a 'hold to collect and to sell' business model. Available-for-sale equity securities of $93,575 have been designated at FVOCI.
(4) Decrease in allowances for credit losses related to loans (see the 'Reconciliation of Allowances for Credit Losses' below).
(5) Decrease in deferred tax assets of $7,563 combined with the recognition of allowances for credit losses of $70 related to other financial assets.
(6) Decrease in allowances for credit losses related to committed but undrawn credit exposures and letters of credit of $11,419 (see the 'Reconciliation of Allowances for Credit Losses' below) partially offset by an increase in deferred tax liabilities of $827.
(7) Cumulative after-tax impact of the adoption of IFRS 9.
(8) After-tax impact of the recognition of allowances for credit losses related to debt securities measured at FVOCI.

n/a – not applicable.

Reconciliation of Allowances for Credit Losses

The reconciliation of CWB's allowances for credit losses in accordance with IAS 39 and provisions for committed but undrawn credit exposures and letters of credit in accordance with IAS 37 to the corresponding amount determined under IFRS 9 as at November 1, 2018 follows:

	IAS 39 / IAS 37 as at October 31, 2018				**IFRS 9 as at November 1, 2018**			
	Specific Allowance	Collective Allowance	Total	Re-measurement	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Debt securities at FVOCI[1][2]	$ -	$ -	$ -	$ 301	**$ 301**	**$ -**	**$ -**	**$ 301**
Loans	27,027	101,502	128,529	(19,810)	**57,999**	**23,693**	**27,027**	**108,719**
Committed but undrawn credit exposures and letters of credit[3]	-	18,264	18,264	(11,419)	**2,787**	**4,058**	**-**	**6,845**
Total[4]	$ 27,027	$ 119,766	$ 146,793	$ (30,928)	**$ 61,087**	**$ 27,751**	**$ 27,027**	**$ 115,865**

(1) The allowance for credit losses on debt securities measured at FVOCI is recorded in AOCI in the consolidated balances sheets.
(2) Previously available-for-sale debt securities under IAS 39.
(3) Included in other liabilities in the consolidated balance sheets.
(4) Excludes insignificant allowances for credit losses related to cash resources and other financial assets of $105.

4. Strategic Transactions

Equipment Loans and Leases and General Commercial Lending Assets

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

Canadian Western Trust (CWT)

On August 16, 2017, CWB announced that CWT, a wholly-owned subsidiary of CWB, will no longer offer self-directed account services to clients holding certain securities, and CWT initiated a process to appoint successor trustees for these accounts. Pre-tax gains of $3,009 related to these transactions are recorded in other non-interest income on the consolidated statements of income for the three months ended January 31, 2018, reflecting sales proceeds less the carrying value of assets sold and related transaction costs. Total pre-tax gains related to these transactions in the year ended October 31, 2018 were $4,030. The carrying value of deposits transferred totalled $21,899 for the three months ended January 31, 2018. Total deposits transferred in the year ended October 31, 2018 were $30,409.

5. Securities

Classification and Measurement

The securities portfolio consists of both debt securities and preferred shares. Prior to the transition to IFRS 9 on November 1, 2018, these investments were classified as available-for-sale and measured at fair value, with changes to carrying value recognized in OCI, net of tax. Under IFRS 9, the applicable measurement categories are as follows:

Debt Securities

Debt securities, which are measured at FVOCI, have contractual cash flows that satisfy the requirements of the SPPI test and are purchased with the objective of collecting contractual cash flows and selling the assets in response to, or in anticipation of, changes in interest rate, credit or foreign currency risk, funding sources or terms or to meet liquidity requirements.

Debt securities measured at FVOCI are initially recorded at fair value, net of transaction costs. They are subsequently measured at fair value, with unrealized gains and losses recorded in OCI, net of tax, until the security is sold. Impairment losses and recoveries, estimated using an ECL approach, are recognized in the provision for credit losses in the consolidated statements of income and correspondingly reduce the accumulated changes in fair value recorded in OCI. Gains and losses realized upon sale of the securities are recorded in gains (losses) on securities, net in the consolidated statements of income. Interest income earned is recorded using the effective interest method.

Preferred Shares

CWB has made the irrevocable election to measure preferred shares, which are equity instruments held for long-term investment purposes, at FVOCI. Dividends from preferred shares are recognized in interest income in the consolidated statements of income. Related gains and losses are recorded in OCI, net of tax, and are subsequently transferred to retained earnings, and not earnings, if the instrument is sold.

Unrealized Gains and Losses

Unrealized gains and losses related to debt securities and cash resources measured at FVOCI and equity securities designated at FVOCI follow:

	IFRS 9			
	As at January 31, 2019			
	Amortized Cost[2]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Measured at FVOCI				
Interest bearing deposits with regulated financial institutions[1]	**$ 223,488**	**$ -**	**$ 12**	**$ 223,476**
Debt securities issued or guaranteed by				
Canada	**1,141,360**	**10**	**19,866**	**1,121,504**
A province or municipality	**425,427**	**-**	**3,812**	**421,615**
Other debt securities	**187,727**	**4**	**1,708**	**186,023**
Designated at FVOCI				
Preferred shares	**78,575**	**-**	**22,281**	**56,294**
Total	**$ 2,056,577**	**$ 14**	**$ 47,679**	**$ 2,008,912**

	IAS 39							
	As at October 31, 2018				As at January 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale								
Interest bearing deposits with regulated financial institutions[1]	$ 26,825	$ -	$ -	$ 26,825	$ 320,425	$ -	$ 31	$ 320,394
Debt securities issued or guaranteed by								
Canada	1,362,647	-	36,831	1,325,816	1,672,740	28	33,225	1,639,543
A province or municipality	531,798	-	9,973	521,825	649,013	68	8,778	640,303
Other debt securities	146,610	1	3,075	143,536	257,306	3,161	2,699	257,768
Preferred shares	110,696	-	17,121	93,575	143,364	1	11,017	132,348
Total	$ 2,178,576	$ 1	$ 67,000	$ 2,111,577	$ 3,042,848	$ 3,258	$ 55,750	$ 2,990,356

(1) Included in cash resources on the consolidated balance sheets.
(2) The amortized cost of debt securities and cash resources measured at FVOCI is net of allowances for credit losses of $248.

During the first quarter of 2019, CWB disposed of preferred shares with a fair value of $22,881 and reclassified a cumulative after-tax realized loss of $6,696 from AOCI to retained earnings (2018 – pre-tax realized loss of $93 recognized in gains (losses) on securities, net). Dividend income recognized in the consolidated statement of income during the three months ended January 31, 2019 on preferred shares that were still held as at January 31, 2019 totalled $687. Dividend income recognized in the consolidated statement of income during the three months ended January 31, 2019 on preferred shares that were disposed of during the quarter totalled $182.

Impairment

During the three months ended January 31, 2019, a recovery for credit losses of $53 was recorded in the consolidated statement of income related to a reduction in estimated allowances for credit losses on performing debt securities measured at FVOCI, all of which were in Stage 1 as at January 31, 2019. No impairment losses were recognized during the three months ended October 31, 2018 and January 31, 2018.

6. Loans, Impaired Loans and Allowances for Credit Losses

Loans at Amortized Cost

Loans, including leases, which are measured at amortized cost and stated net of unearned income, unamortized premiums or discounts and allowances for credit losses, are originated or purchased with the objective of collecting contractual cash flows and generate cash flows that satisfy the requirements of the SPPI test. Loan fees integral to the yield, net of transaction costs, are amortized to interest income using the effective interest method.

The composition of CWB's loan portfolio by geographic region and industry sector follow:

($ millions)	BC	AB	ON	SK	MB	QC	Other	Total	Composition Percentage Jan. 31 2019	Oct. 31 2018	Jan. 31 2018
Personal[1]	$ 1,416	$ 1,380	$ 2,005	$ 244	$ 115	$ -	$ 108	$ 5,268	20 %	20 %	20 %
Business											
General commercial loans	2,216	2,710	2,069	285	227	139	153	7,799	29	28	28
Commercial mortgages	2,172	2,128	194	280	174	15	-	4,963	18	19	17
Equipment financing and leasing[2]	697	1,249	1,335	448	230	526	330	4,815	18	18	19
Real estate project loans	2,462	1,020	225	153	48	-	-	3,908	15	15	16
Oil and gas production loans	-	119	-	16	-	-	-	135	-	-	-
	7,547	7,226	3,823	1,182	679	680	483	21,620	80	80	80
Total[3]	$ 8,963	$ 8,606	$ 5,828	$ 1,426	$ 794	$ 680	$ 591	$ 26,888	100 %	100 %	100 %
Composition Percentage											
January 31, 2019	33 %	32 %	22 %	5 %	3 %	3 %	2 %	100 %			
October 31, 2018	34 %	32 %	21 %	5 %	3 %	3 %	2 %	100 %			
January 31, 2018	34 %	32 %	21 %	5 %	3 %	3 %	2 %	100 %			

(1) Includes mortgages securitized through the *National Housing Act* Mortgage-backed Securities program reported on-balance sheet of $617 (October 31, 2018 – $609, January 31, 2018 – $460).
(2) Includes securitized leases reported on-balance sheet of $1,631 (October 31, 2018 – $1,622, January 31, 2018 – $1,816).
(3) This table does not include allowances for credit losses.

Credit Quality

Internal Risk Ratings

Within CWB's loan portfolios, borrowers are assigned a borrower risk rating (BRR) that reflects the credit quality of the obligor using industry and sector-specific risk models and expert credit judgment. BRRs are assessed and assigned at the time of loan origination and reviewed at least annually, with the exception of consumer loans and single-unit residential mortgages. More frequent reviews are conducted for borrowers with weaker risk ratings, borrowers that trigger a review based on adverse changes in financial performance and borrowers requiring or requesting changes to credit facilities. Each BRR has a PD calibrated against it, which is estimated based on CWB's historical loss experience for each risk segment or risk rating level, adjusted for forward-looking information. CWB's 22-point BRR scale broadly aligns to external ratings as follows:

Description	**Rating Category**	**Standard & Poor's**	**Moody's Investor Services**
Investment grade or low risk	1 to 6M	AAA to BBB-	Aaa to Baa3
Non-investment grade or medium risk	6L to 8L	BB+ to CCC+	Ba1 to Caa1
Watchlist or high risk	9H to 10L	CCC and below	Caa2 and below
Impaired	11 to 12	Default	Default

Carrying Value of Exposures by Risk Rating

Gross carrying amounts of loans and the contractual amounts of committed but undrawn credit exposures and letters of credit, categorized based on internal risk ratings, follow:

	As at January 31, 2019			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Loans – Personal				
Low risk	$ 2,601,942	$ 38,084	$ -	$ 2,640,026
Medium risk	1,922,987	606,254	-	2,529,241
Watchlist or high risk	-	67,197	-	67,197
Impaired	-	-	31,640	31,640
Total	4,524,929	711,535	31,640	5,268,104
Allowance for credit losses	(1,540)	(1,263)	(1,089)	(3,892)
Total, net of allowance for credit losses	$ 4,523,389	$ 710,272	$ 30,551	$ 5,264,212
Loans – Business				
Investment grade or low risk	$ 1,746,979	$ 12,458	$ -	$ 1,759,437
Non-investment grade or medium risk	18,916,382	599,900	-	19,516,282
Watchlist or high risk	-	238,946	-	238,946
Impaired	-	-	104,799	104,799
Total	20,663,361	851,304	104,799	21,619,464
Allowance for credit losses	(56,263)	(24,946)	(21,850)	(103,059)
Total, net of allowance for credit losses	$ 20,607,098	$ 826,358	$ 82,949	$ 21,516,405
Total loans	$ 25,188,290	$ 1,562,839	$ 136,439	$ 26,887,568
Allowance for credit losses	(57,803)	(26,209)	(22,939)	(106,951)
Total Loans, Net of Allowance for Credit Losses	**$ 25,130,487**	**$ 1,536,630**	**$ 113,500**	**$ 26,780,617**
Committed but Undrawn Credit Exposures and Letters of Credit				
Investment grade or low risk	$ 831,277	$ -	$ -	$ 831,277
Non-investment grade or medium risk	4,118,234	183,531	-	4,301,765
Watchlist or high risk	-	11,912	-	11,912
Impaired	-	-	-	-
Total	4,949,511	195,443	-	5,144,954
Allowance for Credit Losses	(2,385)	(3,533)	-	(5,918)
Total, Net of Allowance for Credit Losses	**$ 4,947,126**	**$ 191,910**	**$ -**	**$ 5,139,036**

Impaired and Past Due Loans

Outstanding gross loans and impaired loans, net of allowances for credit losses, by loan type, follow:

	As at January 31, 2019				As at October 31, 2018			
	Gross Amount	Gross Impaired Amount(1)(2)	Stage 3 Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount(2)	Specific Allowance	Net Impaired Loans
Personal	**$ 5,268,104**	**$ 31,640**	**$ 1,089**	**$ 30,551**	$ 5,247,160	$ 28,961	$ 647	$ 28,314
Business								
General commercial loans	**7,798,760**	**13,467**	**2,614**	**10,853**	7,458,010	21,815	5,484	16,331
Commercial mortgages(3)	**4,962,396**	**26,796**	**2,990**	**23,806**	4,865,183	29,376	3,290	26,086
Equipment financing and leasing	**4,815,129**	**44,886**	**14,246**	**30,640**	4,779,005	47,800	15,606	32,194
Real estate project loans	**3,907,943**	**19,650**	**2,000**	**17,650**	3,854,681	9,920	2,000	7,920
Oil and gas production loans	**135,236**	**-**	**-**	**-**	129,089	-	-	-
Total	**$ 26,887,568**	**$ 136,439**	**$ 22,939**	**$ 113,500**	$ 26,333,128	$ 137,872	$ 27,027	$ 110,845

	As at January 31, 2018			
	Gross Amount	Gross Impaired Amount(2)	Specific Allowance	Net Impaired Loans
Personal	$ 4,786,226	$ 22,675	$ 546	$ 22,129
Business				
General commercial loans	6,769,048	35,042	8,716	26,326
Commercial mortgages(3)	4,264,485	20,454	2,370	18,084
Equipment financing and leasing	4,533,746	46,781	8,464	38,317
Real estate project loans	3,939,378	12,242	1,620	10,622
Oil and gas production loans	100,015	-	-	-
Total	$ 24,392,898	$ 137,194	$ 21,716	$ 115,478

(1) Under IFRS 9, all loans that are over 90 days past due are considered impaired. Under IAS 39, residential mortgages guaranteed or insured for both principal and interest by the Canadian government, a province, or a Canadian government agency and loans that were fully secured and in the process of collection were not classified as impaired until payments were 365 or 180 days in arrears, respectively.
(2) Gross impaired loans include foreclosed assets with a carrying value of $5,099 (October 31, 2018 – $6,628; January 31, 2018 – $4,093) which are held for sale. CWB pursues timely realization on foreclosed assets and does not use the assets for its own operations.
(3) Multi-family residential mortgages are included in real estate loans.

Outstanding gross impaired loans, net of related allowances for credit losses by provincial location of security, follow:

	As at January 31, 2019			As at October 31, 2018		
	Gross Impaired Amount	**Stage 3 Allowance**	**Net Impaired Loans**	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	**$ 59,068**	**$ 10,260**	**$ 48,808**	$ 77,018	$ 12,627	$ 64,391
British Columbia	**26,157**	**2,446**	**23,711**	13,699	2,069	11,630
Ontario	**20,593**	**3,264**	**17,329**	16,829	3,016	13,813
Saskatchewan	**8,833**	**1,569**	**7,264**	8,957	1,330	7,627
Manitoba	**10,583**	**1,747**	**8,836**	9,873	4,006	5,867
Quebec	**5,364**	**2,366**	**2,998**	4,826	2,345	2,481
Other	**5,841**	**1,287**	**4,554**	6,670	1,634	5,036
Total	**$ 136,439**	**$ 22,939**	**$ 113,500**	$ 137,872	$ 27,027	$ 110,845

	As at January 31, 2018		
	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
Alberta	$ 79,710	$ 11,258	$ 68,452
British Columbia	15,355	1,892	13,463
Ontario	14,813	2,726	12,087
Saskatchewan	7,218	1,172	6,046
Manitoba	6,519	1,307	5,212
Quebec	5,842	1,995	3,847
Other	7,737	1,366	6,371
Total	$ 137,194	$ 21,716	$ 115,478

Loans are considered past due when a customer has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due but not classified as impaired:

	As at January 31, 2019				
	1 – 30 days	**31 – 60 days**	**61 – 90 days**	**More than 90 days(1)**	**Total**
Personal	**$ 64,956**	**$ 4,760**	**$ 15,372**	**$ -**	**$ 85,088**
Business	**107,544**	**32,803**	**18,556**	**-**	**158,903**
Total	**$ 172,500**	**$ 37,563**	**$ 33,928**	**$ -**	**$ 243,991**
Total as at October 31, 2018	$ 169,739	$ 49,387	$ 9,779	$ 1,970	$ 230,875
Total as at January 31, 2018	$ 124,903	$ 25,361	$ 14,143	$ 1,157	$ 165,564

(1) Under IFRS 9, all loans that are over 90 days past due are considered impaired. Under IAS 39, residential mortgages guaranteed or insured for both principal and interest by the Canadian government, a province or a Canadian government agency and loans that were fully secured and in the process of collection were not classified as impaired until payments were 365 days and 180 days in arrears, respectively.

Allowances for Credit Losses

Under IFRS 9, allowances for credit losses related to performing loans are estimated using an ECL approach that incorporates a number of underlying assumptions which involve a high degree of management judgment and can have a significant impact on financial results. The allowance for credit losses is CWB's most significant accounting estimate.

Significant key drivers impacting the estimation of ECL, which are interrelated, include:

- Changes in internal risk ratings attributable to a borrower or instrument reflecting changes in credit quality;
- Thresholds used to determine when a borrower has experienced a SICR; and,
- Changes in forward-looking information, specifically related to variables to which the ECL models are calibrated.

The inputs and models used for estimating ECL may not always capture all emerging market conditions at the reporting date and as such, qualitative adjustments based on expert judgment that consider reasonable and supportable information may be incorporated.

Assessment of Significant Increases in Credit Risk

The determination of whether a loan has experienced a SICR has a significant impact on the estimation of allowances for credit losses as 12-month ECL is recorded for loans in Stage 1 and lifetime ECLs are recorded for loans that have migrated to Stage 2. Movement between Stages 1 and 2 is impacted by changes in borrower-specific risk characteristics as well as changes in applicable forward-looking information. The main factors considered in assessing whether a loan has experienced a SICR are relative changes in internal risk ratings since initial recognition, incorporating forward-looking information, and certain other criteria such as 30 days past due and migration to watchlist status.

Forecasting Forward-looking Information for Multiple Scenarios

Forward-looking information is incorporated into both the assessment of whether a loan has experienced a SICR since its initial recognition and the estimation of ECL. The models used to estimate ECL consider macroeconomic factors that are most closely correlated with credit risk in the relevant portfolios and are calibrated to consider CWB's geographic diversification.

To account for the non-linear nature of projected losses, CWB incorporates multiple probability-weighted macroeconomic scenarios into the estimation of ECL. Each scenario includes a projection of all relevant macroeconomic variables for a five-year period. While the base case scenario represents the best estimate of projected macroeconomic variables, additional scenarios represent more optimistic or pessimistic outcomes. To capture a wide range of possible outcomes, CWB simulates multiple macroeconomic scenarios that are above or below the base case based on historical and current trends and with consideration for the degree of uncertainty surrounding macroeconomic outlooks.

The primary macroeconomic variables impacting ECL for retail loan portfolios are unemployment rates and housing resale price growth. Business loan portfolios are impacted by unemployment rates, gross domestic product growth, housing resale price growth, the Canadian dollar/U.S. dollar exchange rate, residential mortgage rates, interest rates and oil price, to varying degrees. Increases in unemployment rates, residential mortgage rates and interest rates will generally correlate with higher ECL, while increases in oil price, gross domestic product growth, housing resale price growth, and the U.S. dollar/Canadian dollar exchange rate will generally result in lower ECL.

Stage 3 Allowances for Credit Losses

For impaired loans in Stage 3, allowances for credit losses are measured as the difference between the carrying value of the loan at the time it is classified as impaired and the present value of the cash flows CWB expects to receive, using the original effective interest rate of the loan. When the amounts and timing of future cash flows cannot be reliably estimated, either the fair value of the security underlying the loan, net of any expected realization costs, or the current market price for the loan may be used to measure the estimated realizable amount. Security can vary by type of loan and may include real property, working capital, guarantees, or other equipment.

Reconciliation

A reconciliation of changes in allowances for credit losses related to loans, committed but undrawn credit exposures and letters of credit under IFRS 9 follows:

	IFRS 9			
	For the three months ended January 31, 2019			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Personal				
Balance at beginning of period	$ 1,461	$ 1,181	$ 647	$ 3,289
Transfers to (from)				
Stage 1[(1)]	18	(18)	-	-
Stage 2[(1)]	(176)	176	-	-
Stage 3[(1)]	(3)	(32)	35	-
Net remeasurement[(2)]	(248)	47	589	388
New originations	561	-	-	561
Derecognitions and maturities	(67)	(87)	(9)	(163)
Provision for (reversal of) credit losses[(3)]	85	86	615	786
Write-offs	-	-	(177)	(177)
Recoveries	-	-	4	4
Balance at end of period	1,546	1,267	1,089	3,902
Business				
Balance at beginning of period	59,325	26,570	26,380	112,275
Transfers to (from)				
Stage 1[(1)]	2,117	(2,117)	-	-
Stage 2[(1)]	(2,642)	2,975	(333)	-
Stage 3[(1)]	(34)	(377)	411	-
Net remeasurement[(2)]	(8,335)	2,703	14,402	8,770
New originations	13,255	-	-	13,255
Derecognitions and maturities	(5,044)	(1,279)	(242)	(6,565)
Provision for (reversal of) credit losses[(3)]	(683)	1,905	14,238	15,460
Write-offs	-	-	(19,536)	(19,536)
Recoveries	-	-	768	768
Balance at end of period	58,642	28,475	21,850	108,967
Total Allowance for Credit Losses[(4)]	**$ 60,188**	**$ 29,742**	**$ 22,939**	**$ 112,869**
Represented by:				
Loans	$ 57,803	$ 26,209	$ 22,939	$ 106,951
Committed but undrawn credit exposures and letters of credit[(5)]	2,385	3,533	-	5,918
Total Allowance for Credit Losses[(4)]	**$ 60,188**	**$ 29,742**	**$ 22,939**	**$ 112,869**

(1) Represents stage movements prior to remeasurement of allowances for credit losses.
(2) Represents credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions, including changes in forward-looking macroeconomic forecasts and qualitative adjustments, and changes due to partial repayment and additional draws on existing facilities.
(3) Included in the provision for credit losses in the consolidated statements of income.
(4) Allowances for credit losses related to debt securities measured at FVOCI, cash resources and other financial assets classified at amortized cost were excluded from the table above. See Note 5 for details related to allowances for credit losses on debt securities measured at FVOCI. Cash resources and other financial assets classified at amortized cost are presented in the consolidated balance sheets, net of allowances for credit losses.
(5) Included in other liabilities in the consolidated balance sheets.

The following table presents the allowance for credit losses under IAS 39 as at October 31, 2018 and January 31, 2018.

	IAS 39					
	For the three months ended October 31, 2018			For the three months ended January 31, 2018		
	Specific Allowance	Collective Allowance for Credit Losses	Total	Specific Allowance	Collective Allowance for Credit Losses	Total
Balance at beginning of period	$ 27,664	$ 119,528	$ 147,192	$ 16,617	$ 119,298	$ 135,915
Provision for credit losses	12,194	238	12,432	9,576	985	10,561
Write-offs	(13,811)	-	(13,811)	(6,946)	-	(6,946)
Recoveries	980	-	980	2,469	-	2,469
Balance at End of Period	$ 27,027	$ 119,766	$ 146,793	$ 21,716	$ 120,283	$ 141,999
Represented by:						
Loans	$ 27,027	$ 101,502	$ 128,529	$ 21,716	$ 102,316	$ 124,032
Committed but undrawn credit exposures and letters of credit	-	18,264	18,264	-	17,967	17,967
Total Allowance for Credit Losses	$ 27,027	$ 119,766	$ 146,793	$ 21,716	$ 120,283	$ 141,999

7. Deposits

	As at January 31, 2019			As at October 31, 2018		
	Individuals	**Business and Government**	**Total**	Individuals	Business and Government	Total
Payable on demand	**$ 34,592**	**$ 683,362**	**$ 717,954**	$ 35,889	$ 716,156	$ 752,045
Payable after notice	**3,767,933**	**2,937,966**	**6,705,899**	3,684,259	3,157,875	6,842,134
Payable on a fixed date	**11,339,905**	**5,146,485**	**16,486,390**	10,763,538	5,342,240	16,105,778
Total	**$ 15,142,430**	**$ 8,767,813**	**$ 23,910,243**	$ 14,483,686	$ 9,216,271	$ 23,699,957

	As at January 31, 2018		
	Individuals	Business and Government	Total
Payable on demand	$ 39,998	$ 745,793	$ 785,791
Payable after notice	3,691,000	3,102,343	6,793,343
Payable on a fixed date	9,991,244	5,242,057	15,233,301
Total	$ 13,722,242	$ 9,090,193	$ 22,812,435

8. Financial Assets Transferred But Not Derecognized

Securitization of leases and loans

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

During the three months ended January 31, 2019, CWB sold securitized equipment financing leases and loans of $211,977 to third parties (2018 – $743,020) for cash proceeds of $190,536 (2018 – $675,127).

Securitization of residential mortgages

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

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

During the three months ended January 31, 2019, CWB sold securitized residential mortgages of $31,419 to the CHT (2018 – $59,798) for cash proceeds of $31,360 (2018 – $58,930).

Securities sold under repurchase agreements

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

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

	As at January 31, 2019		As at October 31, 2018	
	Carrying value	**Fair Value**	Carrying value	Fair Value
Transferred Assets that do not Qualify for Derecognition				
Securitized leases and loans	**$ 1,630,886**	**$ 1,622,872**	$ 1,621,943	$ 1,690,933
Securitized residential mortgages	**300,058**	**294,366**	277,942	271,492
Securities sold under repurchase agreements	**48,856**	**48,856**	95,126	95,126
	1,979,800	**1,966,094**	1,995,011	2,057,551
Associated Liabilities[(1)]	**1,835,922**	**1,857,158**	1,852,980	1,786,645
Net Position	**$ 143,878**	**$ 108,936**	$ 142,031	$ 270,906

	As at January 31, 2018	
	Carrying value	Fair Value
Transferred Assets that do not Qualify for Derecognition		
Securitized leases and loans	$ 1,816,381	$ 1,900,215
Securitized residential mortgages	173,954	169,534
	1,990,335	2,069,749
Associated Liabilities[(1)]	1,833,444	1,760,515
Net Position	$ 156,891	$ 309,234

(1) Associated liabilities consist of $1,485,857 related to securitized leases and loans (October 31, 2018 – $1,479,133; January 31, 2018 – $1,658,576), $301,209 related to residential mortgages securitized through the NHA MBS program (October 31, 2018 – $278,721; January 31, 2018 – $174,868) and $48,856 related to securities sold under repurchase agreements (October 31, 2018 – $95,126; January 31, 2018 – nil).

Additionally, CWB has securitized residential mortgages through the NHA MBS program totaling $316,902 with a fair value of $310,880 (October 31, 2018 – $330,599 with a fair value of $322,926; January 31, 2018 – $285,561 with a fair value of $278,306) that were not transferred to third parties.

9. Capital Stock

Share Capital

		For the three months ended			
		January 31, 2019		January 31, 2018	
		Number of Shares	**Amount**	Number of Shares	Amount
Preferred Shares – Series 5					
Outstanding at beginning and end of period		**5,000,000**	**$ 125,000**	5,000,000	$ 125,000
Preferred Shares – Series 7					
Outstanding at beginning and end of period		**5,600,000**	**140,000**	5,600,000	140,000
Preferred Shares – Series 9					
Outstanding at beginning of period		**-**	**-**	-	-
Issued		**5,000,000**	**125,000**	-	-
Outstanding at end of period		**5,000,000**	**125,000**	-	-
		15,600,000	**390,000**	10,600,000	265,000
Common Shares					
Outstanding at beginning of period		**88,952,099**	**744,701**	88,494,353	731,885
Purchased for cancellation		**(1,767,000)**	**(14,798)**	-	-
Issued on exercise or exchange of options[(1)]	(Note 10)	**-**	**-**	97,036	1,684
Issued under dividend reinvestment plan		**25,059**	**647**	20,767	814
Issued on acquisition-related contingent consideration instalment payment	(Note 12)	**-**	**-**	160,293	5,750
Outstanding at end of period		**87,210,158**	**730,550**	88,772,449	740,133
Share Capital			**$ 1,120,550**		$ 1,005,133

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

Common Shares

On September 27, 2018, CWB announced the approval of OSFI and the Toronto Stock Exchange to repurchase for cancellation up to 1,767,000 common shares, representing 2% of the issued and outstanding common shares, under a normal course issuer bid (NCIB) during the 12 month period expiring September 30, 2019. During the three months ended January 31, 2019, CWB fully utilized the NCIB and purchased all 1,767,000 common shares available for cancellation at an average price of $27.05 for gross cost of $47,799.

Preferred Shares

On January 29, 2019, CWB issued 5,000,000 non-cumulative, five year rate reset Non-Viability Contingent Capital (NVCC) First Preferred Shares Series 9 (Series 9 Preferred Shares) at $25.00 per share, for gross proceeds of $125,000. Holders of Series 9 Preferred Shares are entitled to receive a non-cumulative fixed dividend in the amount of $0.3832 on April 30, 2019 and thereafter, dividends will be at an annual rate of $1.50 per share, payable quarterly, when declared by the Board of Directors of CWB, for the initial period ending April 30, 2024. The quarterly dividend represents an annual yield of 6.00% based on the stated issue price per share. Thereafter, the dividend rate will reset every five years at a level of 404 basis points over the then five year Government of Canada Bond Yield.

CWB maintains the right to redeem, subject to the approval of OSFI, up to all of the then outstanding Series 9 Preferred Shares on April 30, 2024, and on April 30 every five years thereafter at a price of $25.00 per share. Should CWB choose not to exercise its right to redeem the Series 9 Preferred Shares, holders of these shares will have the right to convert their shares into an equal number of non-cumulative, floating rate First Preferred Shares Series 10 (Series 10 Preferred Shares), subject to certain conditions, on April 30, 2024, and on April 30 every five years thereafter. Holders of the Series 10 Preferred Shares will be entitled to receive quarterly floating dividends, as and when declared by the Board of Directors of CWB, equal to the 90-day Government of Canada Treasury Bill rate plus 404 basis points.

Upon the occurrence of a trigger event (as defined by OSFI), each Series 9 or 10 Preferred Share will be automatically converted, without the consent of the holders, into CWB common shares. Conversion to common shares will be determined by dividing the preferred share conversion value ($25.00 per preferred share plus any declared but unpaid dividends) by the common share value (the greater of (i) the floor price of $5.00 and (ii) the current market price calculated as the volume-weighted average trading price for the ten consecutive trading days ending on the day immediately prior to the date of the conversion).

10. Share-based Payments

Stock Options

	For the three months ended					
	January 31, 2019			January 31, 2018		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options						
Balance at beginning of period	**2,833,461**	**$**	**31.90**	3,390,759	$	31.02
Exercised or exchanged	**-**		**-**	(429,174)		30.07
Expired	**(437,947)**		**37.50**	(2,672)		28.09
Forfeited	**-**		**-**	-		-
Balance at End of Period	**2,395,514**	**$**	**30.88**	2,958,913	$	31.16

All exercised options are settled via cashless settlement, which provides the option holder the number of shares equivalent to the excess of the market value of the shares under option, determined at the exercise date, over the exercise price. During the three months ended January 31, 2019, option holders did not exchange the rights to any options (2018 – 429,174) and no shares (2018 – 97,036) were returned by way of cashless settlement.

For the three months ended January 31, 2019, salary expense of $414 (2018 – $524) was recognized related to the estimated fair value of options granted. No stock options were granted during the three months ended January 31, 2019 or January 31, 2018.

Further details relating to stock options outstanding and exercisable as at January 31, 2019 follow:

	Options Outstanding				Options Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Range of Exercise Prices							
$23.70 to $26.13	1,125,615	2.7	$	24.83	522,671	$	26.13
$29.99 to $30.85	339,630	5.1		30.84	-		-
$35.15 to $39.42	930,269	2.0		38.21	667,706		39.42
Total	2,395,514	2.8	$	30.88	1,190,377	$	33.59

11. Contingent Liabilities and Commitments

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

12. Fair Value of Financial Instruments

Financial Assets and Liabilities by Measurement Basis

The table below provides the carrying amount of financial instruments by category as defined in IFRS 9 and by balance sheet heading. The table does not include assets and liabilities that are not considered financial instruments. The table also excludes assets and liabilities which are considered financial instruments, but are not recorded at fair value and for which the carrying amount approximates fair value.

	IFRS 9						
As at January 31, 2019	**Derivatives**	**Amortized Cost**	**FVOCI**	**FVTPL**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
Financial Assets							
Cash resources	$ -	$ 27,725	$ 223,476	$ -	$ 251,201	$ 251,201	$ -
Securities[1]	-	-	1,785,436	-	1,785,436	1,785,436	-
Loans[2]	-	26,896,326	-	-	26,896,326	26,845,978	(50,348)
Derivative related	23,589	-	-	-	23,589	23,589	-
Total	$ 23,589	$ 26,924,051	$ 2,008,912	$ -	$ 28,956,552	$ 28,906,204	$ (50,348)
Financial Liabilities							
Deposits[2]	$ -	$ 23,946,051	$ -	$ -	$ 23,946,051	$ 23,892,107	$ (53,944)
Securities sold under repurchase agreements	-	48,856	-	-	48,856	48,856	-
Debt	-	2,037,066	-	-	2,037,066	2,058,339	21,273
Derivative related	27,140	-	-	-	27,140	27,140	-
Contingent consideration	-	-	-	6,452	6,452	6,452	-
Total	$ 27,140	$ 26,031,973	$ -	$ 6,452	$ 26,065,565	$ 26,032,894	$ (32,671)

	IAS 39					
	Derivatives	**Loans and Receivables, and Non-trading Liabilities**	**Available-for-sale**	**Total Carrying Amount**	**Fair Value**	**Fair Value Over (Under) Carrying Amount**
As at October 31, 2018						
Total Financial Assets	$ 2,496	$ 26,390,375	$ 2,237,973	$ 28,630,844	$ 28,791,615	$ 160,771
Total Financial Liabilities	$ 69,581	$ 25,781,286	$ 95,126	$ 25,945,993	$ 25,639,193	$ (306,800)
As at January 31, 2018						
Total Financial Assets	$ 15,464	$ 24,406,861	$ 3,061,771	$ 27,484,096	$ 27,755,025	$ 270,929
Total Financial Liabilities	$ 54,745	$ 24,916,865	$ -	$ 24,971,610	$ 24,832,476	$ (139,134)

(1) Securities is comprised of $1,729,142 measured at FVOCI and $56,294 designated at FVOCI.
(2) Loans and deposits exclude deferred premiums, deferred revenue, allowances for credit losses and fair value hedge adjustments, which are not financial instruments.

Fair values are based on management's best estimates based on market conditions and pricing policies at a certain point in time. Methods used to estimate the fair values of financial instruments remain unchanged from the audited consolidated financial statements for the year ended October 31, 2018 with the exception of floating rate loans and deposits with no stated maturity. Beginning in Q1 2019, the fair value of floating rate loans and deposits with no stated maturities, previously assumed to be equal to book value, are now estimated by discounting the expected future cash flows at current market rates for loans and deposits with similar terms and conditions.

The fair value estimates are subjective and involve particular assumptions and matters of judgment and, as such, may not be reflective of future fair values. Further information on how the fair value of financial instruments is determined is included in Note 26 of the October 31, 2018 consolidated audited financial statements (see page 108 of the 2018 Annual Report).

Fair Value Hierarchy

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

The following table presents CWB's financial assets and liabilities that are either carried at fair value on the balance sheet or for which fair value is disclosed, categorized by level under the fair value hierarchy:

		Valuation Technique		
As at January 31, 2019	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash resources	**$ 251,201**	**$ 46,762**	**$ 204,439**	**$ -**
Securities	**1,785,436**	**182,955**	**1,602,481**	**-**
Loans	**26,845,978**	**-**	**-**	**26,845,978**
Derivative related	**23,589**	**-**	**23,589**	**-**
Total	**$ 28,906,204**	**$ 229,717**	**$ 1,830,509**	**$ 26,845,978**
Financial Liabilities				
Deposits	**$ 23,892,107**	**$ -**	**$ 23,892,107**	**$ -**
Securities sold under repurchase agreements	**48,856**	**-**	**48,856**	**-**
Debt	**2,058,339**	**-**	**2,058,339**	**-**
Derivative related	**27,140**	**-**	**27,140**	**-**
Contingent consideration	**6,452**	**-**	**-**	**6,452**
Total	**$ 26,032,894**	**$ -**	**$ 26,026,442**	**$ 6,452**
As at October 31, 2018				
Financial Assets	$ 28,791,615	$ 363,589	$ 1,876,880	$ 26,551,146
Financial Liabilities	$ 25,639,193	$ -	$ 25,609,379	$ 29,814
As at January 31, 2018				
Financial Assets	$ 27,755,025	$ 399,984	$ 2,677,251	$ 24,677,790
Financial Liabilities	$ 24,832,476	$ -	$ 24,817,603	$ 14,873

Financial instruments that are not carried on the balance sheet at fair value, but for which fair value is disclosed above, include loans, deposits and debt.

Level 3 Financial Instruments

The level 3 financial liabilities measured at fair value on the consolidated balance sheets are comprised of contingent consideration on business acquisitions and divestitures. The following table shows a reconciliation of the fair value measurements related to the Level 3 valued instruments:

	For the three months ended January 31	
	2019	2018
Acquisitions		
Balance at beginning of period	**$ 29,514**	$ 32,420
Acquisition-related fair value changes	**4,938**	4,953
Contingent consideration instalment payment[(1)]	**(28,000)**	(23,000)
	6,452	14,373
Divestitures		
Balance at beginning of period	**300**	500
Divestiture-related fair value changes	**(300)**	-
	-	500
Balance at End of Period	**$ 6,452**	$ 14,873

(1) Under the terms of the March 2016 purchase agreement relating to the acquisition of CWB Maxium Financial, contingent payment instalments will be made annually with determination of the total amount payable based on CWB Maxium Financial's cumulative business performance over a 36-month period. Up to 50% of each contingent consideration payment may be settled with CWB common shares at the vendor's option, provided the average share price over the preceding 20 days exceeds $30.00, with the remainder to be paid in cash. CWB completed the third contingent instalment payment in the first quarter of 2019 in cash. The 2018 instalment was paid with cash totaling $17,250 and the issuance of 160,293 CWB common shares with a fair value of $5,750. The final payment will be completed by April 30, 2019.

13. Interest Rate Sensitivity

CWB's exposure to interest rate risk as a result of a difference or gap between the maturity or repricing behavior of interest sensitive assets and liabilities, including derivative financial instruments, is discussed in Note 25 of the audited consolidated financial statements for the year ended October 31, 2018 (see page 107 of the 2018 Annual Report). The following table shows the gap position for selected time intervals.

Asset Liability Gap Positions

($ millions)	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Non-interest Sensitive	Total
January 31, 2019								
Assets								
Cash resources and securities	**$ 251**	**$ 39**	**$ 449**	**$ 739**	**$ 1,278**	**$ -**	**$ 19**	**$ 2,036**
Loans[1]	**12,239**	**1,130**	**4,365**	**17,734**	**8,957**	**210**	**(120)**	**26,781**
Other assets[2]	**-**	**-**	**-**	**-**	**-**	**-**	**531**	**531**
Derivative financial instruments[3]	**-**	**125**	**1,285**	**1,410**	**4,217**	**-**	**270**	**5,897**
Total	**12,490**	**1,294**	**6,099**	**19,883**	**14,452**	**210**	**700**	**35,245**
Liabilities and Equity								
Deposits[1]	**7,089**	**1,189**	**4,547**	**12,825**	**11,117**	**-**	**(32)**	**23,910**
Securities sold under repurchase agreements	**49**	**-**	**-**	**49**	**-**	**-**	**-**	**49**
Other liabilities[2]	**-**	**-**	**-**	**-**	**-**	**-**	**571**	**571**
Debt	**60**	**105**	**689**	**854**	**1,183**	**-**	**-**	**2,037**
Equity	**-**	**125**	**-**	**125**	**140**	**125**	**2,391**	**2,781**
Derivative financial instruments[3]	**5,627**	**-**	**-**	**5,627**	**-**	**-**	**270**	**5,897**
Total	**12,825**	**1,419**	**5,236**	**19,480**	**12,440**	**125**	**3,200**	**35,245**
Interest Rate Sensitive Gap	**$ (335)**	**$ (125)**	**$ 863**	**$ 403**	**$ 2,012**	**$ 85**	**$ (2,500)**	**$ -**
Cumulative Gap	**$ (335)**	**$ (460)**	**$ 403**	**$ 403**	**$ 2,415**	**$ 2,500**	**$ -**	**$ -**
Cumulative Gap as a Percentage of Total Assets	**(1.0)%**	**(1.3)%**	**1.1 %**	**1.1 %**	**6.9 %**	**7.1 %**	**- %**	**- %**
October 31, 2018								
Cumulative Gap	$ (619)	$ (318)	$ 287	$ 287	$ 2,326	$ 2,526	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	(1.8) %	(0.9) %	0.8 %	0.8 %	6.8 %	7.4 %	- %	- %
January 31, 2018								
Cumulative Gap	$ (293)	$ (330)	$ 367	$ 367	$ 1,864	$ 2,299	$ -	$ -
Cumulative Gap as a Percentage of Total Assets	(0.9) %	(1.0)%	1.1 %	1.1 %	5.8 %	7.2 %	- %	- %

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

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

January 31, 2019	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	More than 5 Years	Total
Total Assets	**4.7 %**	**4.1 %**	**4.0 %**	**4.4 %**	**3.7 %**	**5.9 %**	**4.1 %**
Total Liabilities	**1.9**	**2.4**	**2.3**	**2.1**	**2.6**	**-**	**2.0**
Interest Rate Sensitive Gap	**2.8 %**	**1.7 %**	**1.7 %**	**2.3 %**	**1.1 %**	**5.9 %**	**2.1 %**
October 31, 2018							
Total Assets	4.4 %	3.5 %	4.1 %	4.3 %	3.6 %	6.0 %	4.0 %
Total Liabilities	1.7	2.3	2.2	1.9	2.5	-	2.1
Interest Rate Sensitive Gap	2.7 %	1.2 %	1.9 %	2.4 %	1.1 %	6.0 %	1.9 %
January 31, 2018							
Total Assets	3.9 %	3.2 %	3.5 %	3.7 %	3.5 %	5.2 %	3.7 %
Total Liabilities	1.4	1.9	1.9	1.6	2.2	-	2.2
Interest Rate Sensitive Gap	2.5 %	1.3 %	1.6 %	2.1 %	1.3 %	5.2 %	1.5 %

Based on the current interest rate gap position, it is estimated that a one-percentage point increase in all interest rates would increase net interest income by approximately $5,369 (October 31, 2018 – $6,234; January 31, 2018 – $1,427) and decrease OCI by $107,951 (October 31, 2018 – $104,554; January 31, 2018 – $89,735) net of tax, respectively over the following twelve months. A one-percentage point decrease in all interest rates would decrease net interest income by approximately $9,818 (October 31, 2018 – $7,467; January 31, 2018 – $6,115) and increase OCI by $109,919 (October 31, 2018 – $107,162; January 31, 2018 – $88,099) net of tax.

14. Interest Income

The composition of CWB's interest income follows:

	For the three months ended January 31 2019
Loans measured at amortized cost(1)	$ 336,249
Securities	
Debt securities measured at FVOCI(1)	6,960
Equity securities designated at FVOCI	869
Securities purchased under resale agreements measured at amortized cost(1)	149
Deposits with regulated financial institutions measured at FVOCI(1)	1,765
Total	**$ 345,992**

(1) Interest income is calculated using the effective interest method.

15. Capital Management

Capital for Canadian financial institutions is managed and reported in accordance with a capital management framework specified by OSFI commonly called Basel III using the *Standardized* approach for calculating risk-weighted assets. Additional information about CWB's capital management practices is provided in Note 29 of the audited consolidated financial statements for the year ended October 31, 2018 (see page 112 of the 2018 Annual Report) and in the Capital Management section in the first quarter of 2019 Management's Discussion and Analysis.

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

Significant Changes

CWB adopted IFRS 9 on November 1, 2018 and recorded an increase to shareholders' equity of $22,734 upon transition, primarily related to the implementation of the new impairment guidelines. This resulted in an increase to the CET1 and Tier 1 capital ratios of approximately 10 basis points and a nominal impact to the Total ratio. For further details, refer to Notes 2 and 3.

During the three months ended January 31, 2019, CWB purchased for cancellation 1,767,000 common shares at an average of $27.05 per share for gross proceeds of $47,799. This resulted in a decrease to the capital ratios of approximately 20 basis points. For further details, refer to Note 9.

On January 29, 2019, CWB issued 5,000,000 non-cumulative, 5-year rate reset NVCC First Preferred Shares Series 9 at $25.00 per share, for gross proceeds of $125,000. This resulted in an increase in the Tier 1 and Total capital ratios of approximately 55 basis points. For further details, refer to Note 9.

Basel III rules, effective January 1, 2013, provide for transitional adjustments with certain aspects of the rules phased in between 2013 and 2019. The only available transition allowance in the Basel III capital standards, permitted by OSFI for Canadian banks relates to the multi-year phase out of non-qualifying capital instruments. The 2019 inclusion of non-qualifying capital instruments in regulatory capital under Basel III is capped at 30% (2018 – 40%) of the balance of non-common equity instruments outstanding at January 1, 2013. At January 31, 2019 $47,500 (October 31, 2018– nil; January 31, 2018 – nil) was excluded from Total regulatory capital related to outstanding non-NVCC subordinated debentures. This resulted in a decrease to the Total capital ratio of approximately 20 basis points.

Capital Structure and Regulatory Ratios

	As at January 31 2019	As at October 31 2018	As at January 31 2018
Regulatory Capital, net of Deductions			
Common equity Tier 1	**$ 2,177,363**	$ 2,153,019	$ 2,043,260
Tier 1	**2,567,638**	2,418,231	2,308,450
Total	**2,860,134**	2,788,048	2,678,778
Capital Ratios			
Common equity Tier 1	**9.1 %**	9.2 %	9.4 %
Tier 1	**10.7**	10.3	10.6
Total	**12.0**	11.9	12.3
Leverage Ratio	**8.5**	8.0	8.0

During the three months ended January 31, 2019, CWB complied with all internal and external capital requirements.

Shareholder Information

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CWB McLean & Partners Wealth Management Ltd.
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cwbmcleanpartners.com

Stock Exchange Listings

The Toronto Stock Exchange
Common Shares: CWB
Series 5 Preferred Shares: CWB.PR.B
Series 7 Preferred Shares: CWB.PR.C
Series 9 Preferred Shares: CWB.PR.D

Transfer Agent and Registrar

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Eligible Dividends Designation

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

Dividend Reinvestment Plan

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

Investor Relations

CWB Financial Group
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Online Investor Information

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

Quarterly Conference Call and Webcast

CWB's quarterly conference call and live audio webcast will take place on March 7, 2019 at 11:00 a.m. ET. The webcast will be archived on CWB's website at cwb.com for sixty days. A replay of the conference call will be available until March 14, 2019, by dialing (888) 390-0541 and entering passcode 381190#.