CWB FINANCIAL GROUP

# NEWS RELEASE

**CWB reports very strong financial performance for fiscal 2018 and a positive 2019 outlook**
Strong execution of CWB's Balanced Growth strategy in 2018 with ongoing diversification
Fourth quarter adjusted cash earnings per common share of $0.78, up 5% from 2017
Fiscal 2018 adjusted cash earnings per common share of $3.01, up 14% from 2017

"CWB's strategic execution and financial performance in fiscal 2018 were both very strong," said Chris Fowler, President and CEO. "Our focus is on business owners, and we delivered a return to double-digit loan growth across our broader geographic footprint with increased industry diversification. This continued the significant progress we have made over the past several years to fundamentally transform CWB's geographic reach and expand our future growth opportunities. Alongside ongoing balanced growth and diversification of loans and funding, we have materially increased our capabilities to support full-service client relationships, made significant progress toward the upcoming transformation of our capital and risk management processes, and worked to ensure our ongoing technology investments and focused business transformation position us to meet the rapid pace of change within our industry. All of this has made CWB more resilient to regional challenges, and better equipped to create long-term value for stakeholders throughout the business cycle."

"Turning back to our very strong fiscal 2018 financial results, we started the year with a strategic and highly accretive acquisition of business lending assets. The acquired portfolio delivered exactly the performance we expected. Alongside accelerating market share gains within CWB's established lines of business, the acquisition contributed approximately one fifth of the 13% increase in outstanding loans. Strong growth enabled us to achieve record total revenues, record pre-tax, pre-provision income and positive operating leverage. Growth of adjusted cash earnings per common share was well ahead of our medium-term target, and we delivered a material improvement in return on common shareholders' equity. We also maintained strong credit quality, and increased our annual common share dividend for the 26th consecutive year."

"Looking ahead, CWB is well-positioned to continue to execute our Balanced Growth strategy in 2019, and I am confident in our ability to deliver strong financial performance consistent with our medium-term targets. We are carefully monitoring developments related to volatile energy commodity prices, including the potential economic impacts of very low prices for Alberta heavy oil and production curtailments. Coming out of the recent period of sustained low oil prices, CWB's total balance of non-syndicated loans to oil and gas producers is immaterial at less than 0.1% of our overall portfolio. Lending to producers exposed to Western Canadian Select comprises less than 0.05% of the total loan book. Our overall portfolio of Alberta-based loans now represents 32% of total loans, down from 41% in fiscal 2014. As always, lending exposures across our portfolio are well-secured and well-diversified, and we are confident in our conservative underwriting."

"As we close fiscal 2018, I want to thank our people for their passion and commitment to help both our clients and CWB achieve our collective strategic goals. Today, we have an incredible opportunity to create exceptional full-service client experiences for business owners across Canada. There is no doubt in my mind that CWB's future looks more exciting than ever before. Thanks to our tremendous teams, I am very confident in our ability to achieve our full potential together."

## Fourth Quarter Fiscal 2018 Highlights(1) (compared to the same period in the prior year)

- Very strong performance, with common shareholders' net income of $65 million, up 6% and pre-tax, pre-provision income of $111 million, up 7%.
- Diluted and adjusted cash earnings per common share of $0.72 and $0.78, up 6% and 5%, respectively.
- Adjusted for the impact of gains on sale related to the CWT strategic transactions in both periods, growth of adjusted cash earnings per common share was approximately 15%.
- Total revenue of $209 million, up 7%, with double-digit growth of net interest income partially offset by lower non-interest income.
- Strong credit quality, with a provision for credit losses as a percentage of average loans of 19 basis points, down from 20 basis points last year and 21 basis points last quarter.
- Very strong Basel III common equity Tier 1 (CET1) regulatory capital ratio of 9.2% under the *Standardized* approach for calculating risk-weighted assets.

# Selected Financial Highlights

## Full-year Fiscal 2018 Highlights[1] (compared to fiscal 2017)

- Very strong performance with common shareholders' net income of $249 million, up 16%, and pre-tax, pre-provision income of $436 million, up 12%.
- Diluted and adjusted cash earnings per common share of $2.79 and $3.01, up 15% and 14%, respectively. The business lending assets acquired on January 31, 2018, contributed approximately $0.10 of adjusted cash earnings per common share.
- Total revenue of $803 million, up 11%, with 13% growth of net interest income.
- Positive operating leverage of 1.9%, reflecting strong business growth and efficient execution of CWB's focused business transformation initiatives.
- Very strong loan growth of 13%, including 3% from the acquisition of business lending assets on January 31, 2018. Loan growth included expansion in every province, with the strategically targeted general commercial and equipment financing and leasing categories accounting for 68% of the increase from last year.
- Continued execution of CWB's Balanced Growth strategy for funding diversification, including record issuance of senior deposit notes in capital markets, growth of securitization, and continued growth of branch-raised deposits.
- Provision for credit losses as a percentage of average loans of 20 basis points, down from 23 basis points.
- Gross impaired loans represented 0.53% of total loans, down from 0.72% last year and unchanged from last quarter.
- Increased CWB's annual common share dividend for the 26th consecutive year.

## Execution of CWB Financial Group's Balanced Growth Strategy

| Balanced Growth objective | Strategic execution during fiscal 2018 |
|---|---|
| Full-service client growth with a focus on business owners, including further geographic and industry diversification | ➢ Very strong 13% annual loan growth, including 9% growth in both B.C. and Alberta, and 27% growth in Central and Eastern Canada.<br>➢ Increased the proportion of loan portfolio in Central and Eastern Canada to 26%.<br>➢ Increased business diversification with 18% overall growth of general commercial loans, and 23% growth of equipment loans and leases. |
| Growth and diversification of funding sources | ➢ Growth in debt capital markets funding with five successful senior deposit note issuances or re-openings totaling $1.1 billion over the past 12 months.<br>➢ Growth in securitization funding for both equipment loans and leases and residential mortgages.<br>➢ Growth of branch-raised deposits.<br>➢ Decrease in broker deposits as a proportion of total funding. |
| Optimized capital and risk management processes through transition to the *Advanced Internal Ratings Based* Approach (AIRB) | ➢ On track to apply in fiscal 2019 for transition to the AIRB approach. |

# Selected Financial Highlights

## Fiscal 2018 Financial Performance Compared to Medium-term (3-5 year) Target Ranges

CWB's performance target ranges for key financial metrics reflect the objectives embedded within CWB's Balanced Growth strategy and a time horizon consistent with the longer-term interests of CWB's shareholders. These targets 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. CWB's target ranges are presented in the following table:

| Key Metrics(1) | Medium-term Performance Target Ranges | Fiscal 2018 Performance |
|---|---|---|
| Adjusted cash earnings per common share growth | 7 - 12% | Delivered 14%. |
| Adjusted return on common shareholders' equity | 12 - 15% | Delivered 11.9%, up 90 basis points from fiscal 2017. |
| Operating leverage | Positive | Delivered positive 1.9%. |
| Common equity Tier 1 capital ratio under the Standardized approach | Strong | Maintained a very strong ratio of 9.2%. |
| Common share dividend payout ratio(2) | ~30% | Delivered 36%, with an 8% increase to the annual common share dividend, and a higher annual dividend for the 26th consecutive year. |

(1) Refer to definitions following the table of Selected Financial Highlights on page 4.
(2) Common share dividend payout ratio is calculated as common share dividends declared during the past twelve months divided by common shareholders' net income earned over the same period.

# Selected Financial Highlights

| (unaudited) ($ thousands, except per share amounts) | For the three months ended October 31 2018 | July 31 2018 | October 31 2017 | Change from October 31 2017 | For the year ended October 31 2018 | October 31 2017 | Change from October 31 2017 |
|---|---|---|---|---|---|---|---|
| **Results from Operations** | | | | | | | |
| Net interest income | **$ 189,093** | $ 186,644 | $ 170,494 | 11 % | **$ 724,990** | $ 642,390 | 13 % |
| Non-interest income | **19,473** | 18,345 | 24,628 | (21) | **78,368** | 84,245 | (7) |
| Total revenue | **208,566** | 204,989 | 195,122 | 7 | **803,358** | 726,635 | 11 |
| Pre-tax, pre-provision income(1) | **111,182** | 110,695 | 103,902 | 7 | **436,188** | 388,729 | 12 |
| Common shareholders' net income | **64,501** | 62,362 | 60,833 | 6 | **249,256** | 214,277 | 16 |
| Earnings per common share | | | | | | | |
| Basic | **0.73** | 0.70 | 0.69 | 6 | **2.81** | 2.43 | 16 |
| Diluted | **0.72** | 0.70 | 0.68 | 6 | **2.79** | 2.42 | 15 |
| Adjusted cash(2) | **0.78** | 0.75 | 0.74 | 5 | **3.01** | 2.63 | 14 |
| Return on common shareholders' equity(3) | **11.1 %** | 10.8 % | 11.2 % | (10) bp(10) | **11.0 %** | 10.1 % | 90 bp(10) |
| Adjusted return on common shareholders' equity(4) | **11.9** | 11.7 | 12.0 | (10) | **11.9** | 11.0 | 90 |
| Return on assets(5) | **0.89** | 0.88 | 0.94 | (5) | **0.89** | 0.85 | 4 |
| Efficiency ratio(6) | **46.7** | 46.0 | 46.8 | (10) | **45.7** | 46.5 | (80) |
| Net interest margin(7) | **2.61** | 2.64 | 2.63 | (2) | **2.60** | 2.56 | 4 |
| Operating leverage(8) | **0.1** | (1.4) | 1.0 | (90) | **1.9** | 0.3 | 160 |
| Provision for credit losses as a percentage of average loans | **0.19** | 0.21 | 0.20 | (1) | **0.20** | 0.23 | (3) |
| Number of full-time equivalent staff | **2,178** | 2,173 | 2,058 | 6 % | **2,178** | 2,058 | 6 % |
| **Per Common Share** | | | | | | | |
| Cash dividends | **$ 0.26** | $ 0.25 | $ 0.24 | 8 % | **$ 1.00** | $ 0.93 | 8 % |
| Book value | **26.09** | 25.87 | 24.82 | 5 | **26.09** | 24.82 | 5 |
| Closing market value | **30.62** | 36.49 | 36.34 | (16) | **30.62** | 36.34 | (16) |
| Common shares outstanding (thousands) | **88,952** | 88,917 | 88,494 | 1 | **88,952** | 88,494 | 1 |
| **Balance Sheet and Off-Balance Sheet Summary** | | | | | | | |
| Assets | **$ 29,021,463** | $ 28,170,077 | $ 26,447,453 | 10 % | | | |
| Loans | **26,204,599** | 25,537,677 | 23,229,239 | 13 | | | |
| Deposits | **23,699,957** | 22,821,967 | 21,902,982 | 8 | | | |
| Debt | **2,007,854** | 2,060,974 | 1,476,336 | 36 | | | |
| Shareholders' equity | **2,585,752** | 2,565,192 | 2,461,045 | 5 | | | |
| Assets under administration | **8,368,716** | 8,315,137 | 10,408,012 | (20) | | | |
| Assets under management | **2,100,802** | 2,227,293 | 2,114,861 | (1) | | | |
| **Capital Adequacy(9)** | | | | | | | |
| Common equity Tier 1 ratio | **9.2 %** | 9.3 % | 9.5 % | (30) bp(10) | | | |
| Tier 1 ratio | **10.3** | 10.5 | 10.8 | (50) | | | |
| Total ratio | **11.9** | 12.1 | 12.5 | (60) | | | |

(1) Pre-tax, pre-provision income is calculated as total revenue less non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets.
(2) Adjusted cash earnings per common share is calculated as diluted earnings per common share excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax. Excluded items are not considered to be indicative of ongoing business performance.
(3) Return on common shareholders' equity is calculated as common shareholders' net income divided by average common shareholders' equity.
(4) Adjusted return on common shareholders' equity is calculated as common shareholders' net income excluding the amortization of acquisition-related intangible assets and contingent consideration fair value changes, net of tax, divided by average common shareholders' equity.
(5) Return on assets is calculated as common shareholders' net income divided by average total assets.
(6) Efficiency ratio is calculated as non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, divided by total revenue.
(7) Net interest margin is calculated as net interest income divided by average total assets.
(8) Operating leverage is calculated as the growth rate of total revenue less the growth rate of non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets.
(9) Capital adequacy is calculated in accordance with Basel III guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI).
(10) bp – basis point change.

### *Non-IFRS Measures*

CWB uses a number of financial measures to assess its performance. These measures provide readers with an enhanced understanding of how management views the results. Non-IFRS measures may also provide readers the ability to analyze trends and provide comparisons with our competitors. These non-IFRS measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other financial institutions.

Of note, commencing in the first quarter of 2018, CWB discontinued the use of the taxable equivalent basis (teb) non-IFRS measure as it is no longer of material significance to CWB's results. Previously, teb increased interest income and the provision for income taxes to what they would have been had certain tax-exempt securities been taxed at the statutory rate. Comparative figures have been restated to conform to the current period presentation.

# Financial Summary

***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 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, 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 this 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 an average of 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 CWB's annual MD&A.

# Financial Summary

This financial summary, dated December 5, 2018, should be read in conjunction with Canadian Western Bank's (CWB) unaudited interim consolidated financial statements for the period ended October 31, 2018 and the audited consolidated financial statements and Management's Discussion and Analysis (MD&A) for the year ended October 31, 2017, available on SEDAR at www.sedar.com and the CWB's website at www.cwb.com. The 2018 Annual Report, including MD&A and audited consolidated financial statements, for the year ended October 31, 2018 is expected to be available on both SEDAR and CWB's website on December 6, 2018. The 2018 Annual Report will be distributed to shareholders in February 2019.

## Strategic Transactions

On October 30, 2017, CWB entered into a definitive asset purchase agreement to acquire for cash approximately $900 million of equipment loans and leases, and general commercial lending assets. The transaction closed on January 31, 2018, and totaled approximately $850 million (referred to as the acquired "business lending assets"). The business lending assets acquired are fully aligned with CWB's Balanced Growth strategy, including strategic objectives for industry and geographic diversification. The portfolio is 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. As expected, the transaction was immediately accretive, contributing approximately $0.10 of adjusted cash earnings per common share in fiscal 2018, with positive impacts to return on common shareholders' equity, net interest margin and operating leverage, and a negative impact within the provision for credit losses as a percentage of average loans. CWB's common equity Tier 1 capital (CET1) ratio remained in a very strong position, with approximately 25 basis points of existing CET1 capital deployed as part of the purchase. Management funded the portfolio primarily through its securitization facilities. In view of the portfolio's relatively short weighted average duration, some degree of run-off was expected. The balance of acquired assets as at October 31, 2018, including associated renewals and new lending, was approximately $684 million.

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"). As a result of this process, CWB realized pre-tax gains on sale of approximately $4 million, or $0.04 of adjusted cash earnings per common share in fiscal 2018, and approximately $6 million, or $0.06 of adjusted cash earnings per common share, in fiscal 2017. CWB's annual revenue associated with the transferred accounts was less than $1 million in fiscal 2018, compared to approximately $3 million in fiscal 2017. Approximately $30 million of CWT branch-raised deposits (2017 – $71 million) and $2.0 billion (2017 – $1.3 billion) of assets under administration have transferred to the successor trustees this year. The CWT strategic transactions are now complete. No further transfers of deposits or assets under administration to successor trustees will occur under the agreements.

## Overview of Financial Performance

*Q4 2018 vs. Q4 2017*

Common shareholders' net income of $65 million and pre-tax, pre-provision income of $111 million were up 6% and 7%, respectively. Earnings growth was primarily driven by record quarterly revenues of $209 million, up 7% from the same period last year. Net interest income of $189 million was up 11%, as the positive impact of very strong 13% loan growth was partially offset by a two basis point decrease in net interest margin to 2.61%. Within net interest margin, higher asset yields and favourable changes in asset mix were more than offset by increased funding costs and changes in funding mix, including an ongoing shift in depositor preference toward longer duration fixed term deposits within the rising interest rate environment. The provision for credit losses as a percentage of average loans of 19 basis points improved from 20 basis points. These factors were partially offset by 6% higher non-interest expenses to support business growth, lower non-interest income, higher income taxes and increased acquisition-related fair value changes. Non-interest income of $19 million was 21% lower, and CWB's income tax provision was 13% higher, primarily due to the gain on sale, and the associated tax treatment, related to the CWT strategic transactions in the fourth quarter last year. Diluted earnings per common share of $0.72 and adjusted cash earnings per common share of $0.78 increased 6% and 5%, respectively, reflecting the factors noted above. The CWT-related gain on sale contributed nil (2017 - $0.06) to adjusted cash earnings per common share.

# Financial Summary

*Q4 2018 vs. Q3 2018*

Sequential growth of common shareholders’ net income was strong at 3%, and pre-tax, pre-provision income was slightly higher. Total revenue growth was 2%, reflecting 1% higher net interest income and a 6% increase in non-interest income. Higher net interest income reflects the positive impact of 3% loan growth, partially offset by a three basis point decrease in net interest margin as increased funding costs and changes in funding mix similar to those described above more than offset higher asset yields. The increase in non-interest income mainly reflects higher credit related fee income and increased ‘other’ non-interest income. ‘Other’ non-interest income this quarter includes $1 million of gains on sale related to the CWT strategic transactions. The provision for credit losses was 19 basis points of average loans, compared to 21 basis points last quarter. Non-interest expenses to support business growth were 3% higher. Diluted earnings per common share was up 3% and adjusted cash earnings per common share increased 4%.

*2018 vs. 2017*

Common shareholders’ net income of $249 million and pre-tax, pre-provision income of $436 million increased 16% and 12%, respectively. Very strong earnings growth resulted from an 11% increase in total revenue, strong credit quality and disciplined expense control. Net interest income of $725 million was up 13%, reflecting the combined positive impact of 13% loan growth and a 4 basis point increase in net interest margin to 2.60%. As expected at the start of fiscal 2018, the combined positive impact of successful execution of CWB’s Balanced Growth strategy and the higher interest rate environment supported incrementally higher net interest margin compared to last year. CWB delivered very strong, targeted growth in higher-yielding loan portfolios, including the contributions of business lending assets acquired at the end of the first quarter, along with increased funding diversification. Acceleration of loan growth was supported through planned growth of CWB’s debt capital markets and securitization funding channels, as well as continued growth of branch-raised deposits and broker deposits. A further increase in full-year net interest margin was constrained as competitive pressure on loan yields remained apparent, and deposit costs moved incrementally higher, reflecting intense competition for branch-raised deposits, the impact of Bank of Canada rate increases and increased depositor preference for longer-duration term deposits in the rising rate environment.

Non-interest income of $78 million decreased 7%, as growth in wealth management income was more than offset by lower revenues from trust services following the CWT strategic transactions, as well as lower credit-related fee income and decreases in other categories. The provision for credit losses was 20 basis points of average loans, down from 23 basis points in the prior year. Non-interest expenses were up 8%, and acquisition-related fair value changes were 10% higher. Diluted earnings per common share of $2.79 and adjusted cash earnings per common share of $3.01 were up 15% and 14%, respectively. The CWT-related gain on sale contributed $0.04 (2017 - $0.06) of adjusted cash earnings per common share.

***Higher Adjusted ROE and ROA***

Fourth quarter adjusted return on common shareholders’ equity (ROE) of 11.9% was relatively consistent with the same period last year.

Adjusted ROE was up 20 basis points compared to the prior quarter. This was primarily driven by very strong growth in common shareholders’ net income, reflecting effective execution of CWB’s Balanced Growth strategy and strong financial performance across CWB Financial Group.

Full-year adjusted ROE of 11.9% increased 90 basis points to a level relatively consistent with CWB’s medium-term performance target range of 12 – 15%. Meaningful improvement in ROE was primarily driven by very strong growth in common shareholders’ net income, reflecting strong performance across CWB Financial Group.

Return on assets (ROA) was 0.89% in the fourth quarter, compared to 0.94% in the same period last year and 0.88% last quarter. ROA for the year was 0.89%, up four basis points from 2017.

***Efficient Operations and Positive Operating Leverage***

The fourth quarter efficiency ratio of 46.7%, which measures non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, divided by total revenues, was relatively unchanged from 46.8% in the same period last year, and up 70 basis points from last quarter. Year-over-year stability reflects the combined positive impact of higher revenues from very strong growth of net interest income and higher non-interest income, as well as effective management of discretionary expense growth. The increase in CWB’s efficiency ratio from the prior quarter primarily reflects the customary seasonal increase of non-interest expenses across most categories in the final quarter of the fiscal year.

# Financial Summary

The full-year efficiency ratio of 45.7% improved from 46.5% in 2017, reflecting the same factors noted in the comparison of the fourth quarter efficiency ratios above, as well as the positive impact of higher net interest margin.

Operating leverage, which is calculated as the growth rate of total revenue less the growth rate of non-interest expenses, excluding the pre-tax amortization of acquisition-related intangible assets, over the past 12 months, was positive 1.9%, compared to 0.3% last year.

***Profitable Loan Growth***

Total loans, excluding the allowance for credit losses, of $26.3 billion increased 13% ($3.0 billion) from last year and 3% ($668 million) from the prior quarter.

| (unaudited)<br>($ millions) | **October 31<br>2018** | % of total as at October 31 2018 | July 31<br>2018 | October 31<br>2017 | % change from October 31 2017 |
|---|---|---|---|---|---|
| General commercial loans | **$ 7,458** | 28 % | $ 7,110 | $ 6,307 | 18 % |
| Personal loans and mortgages | **5,247** | 20 | 5,141 | 4,726 | 11 |
| Commercial mortgages | **4,865** | 19 | 4,602 | 4,267 | 14 |
| Equipment financing and leasing | **4,779** | 18 | 4,704 | 3,892 | 23 |
| Real estate project loans | **3,855** | 15 | 3,988 | 4,030 | (4) |
| Oil and gas production loans | **129** | - | 120 | 124 | 4 |
| Total loans | **$ 26,333** | 100 % | $ 25,665 | $ 23,346 | 13 % |

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

Year-over-year growth by lending sector was consistent with CWB's Balanced Growth strategy. In dollar terms, growth was led by the strategically targeted general commercial category ($1.2 billion), including $160 million from the acquisition of business lending assets at the end of the first quarter. In percentage terms, annual growth within general commercial lending was 18% overall, including growth of 28% in Ontario, 16% in Alberta and 14% in British Columbia, respectively. Growth of equipment financing and leasing was also very strong at 23% ($887 million), with $524 million contributed from the acquisition of business lending assets. Commercial mortgages increased 14% ($598 million), and personal loans and mortgages were up 11% ($521 million), including 10% growth within CWB Optimum Mortgage ($267 million). Real estate project loans contracted 4% ($175 million), consistent with management's expectations, reflecting the successful completion of development projects along with reduced new activity within Alberta.

On a sequential basis, loan growth exceeded $500 million for the sixth consecutive quarter, with Alberta accounting for 43% of the increase. Performance within general commercial loans was very strong, with the balance of outstanding loans in this category up 5% ($348 million). Commercial mortgages increased 6% ($263 million) in the fourth quarter, and personal loans and mortgages were up 2% ($106 million). Equipment finance and leasing was up 2% ($75 million), with strong organic growth more than offsetting $74 million of paydowns and payouts within the acquired portfolio. Real estate project loans contracted 3% ($133 million).

| (unaudited)<br>($ millions) | **October 31<br>2018** | % of total as at October 31 2018 | July 31<br>2018 | October 31<br>2017 | % change from October 31 2017 |
|---|---|---|---|---|---|
| British Columbia | **$ 8,894** | 34 % | $ 8,710 | $ 8,145 | 9 % |
| Alberta | **8,395** | 32 | 8,109 | 7,728 | 9 |
| Ontario | **5,622** | 21 | 5,517 | 4,397 | 28 |
| Saskatchewan | **1,404** | 5 | 1,378 | 1,343 | 5 |
| Manitoba | **773** | 3 | 754 | 737 | 5 |
| Quebec | **680** | 3 | 654 | 557 | 22 |
| Other | **565** | 2 | 543 | 439 | 29 |
| Total loans | **$ 26,333** | 100 % | $ 25,665 | $ 23,346 | 13 % |

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

Ontario continued to lead year-over-year loan growth by province in dollar terms with a significant increase of approximately $1.2 billion (28%). Growth in both British Columbia and Alberta was also strong at 9% in percentage terms, or $749 million, and $667 million, respectively. Outstanding loans in Quebec and the Atlantic provinces increased by $249 million (25%). 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 National Leasing, and CWB Franchise Finance, and further supported by the acquisition of business lending assets at the end of the first quarter. Saskatchewan and Manitoba both grew 5% from last year, or $61 million and $36 million, respectively.

Compared to the prior quarter, Alberta and British Columbia delivered the strongest growth, followed by Ontario.

***Strong Credit Quality***

Overall credit quality is consistent with expectations and continues to reflect CWB's secured lending business model, disciplined underwriting practices and proactive loan management.

| (unaudited)<br>($ thousands) | For the three months ended<br>October 31<br>2018 | July 31<br>2018 | October 31<br>2017 | Change from<br>October 31<br>2017 |
|---|---|---|---|---|
| Gross impaired loans, beginning of period | **$ 135,430** | $ 122,954 | $ 168,684 | (20) % |
| New formations | **31,977** | 31,807 | 54,214 | (41) |
| Reductions, impaired accounts paid down or returned to performing status | **(15,724)** | (6,466) | (37,132) | (58) |
| Write-offs | **(13,811)** | (12,865) | (17,505) | (21) |
| **Total**[1] | **$ 137,872** | $ 135,430 | $ 168,261 | (18) % |
| Balance of the ten largest impaired accounts | **$ 56,748** | $ 55,308 | $ 70,935 | (20) % |
| Total number of accounts classified as impaired[3] | **214** | 229 | 237 | (10) |
| Gross impaired loans as a percentage of total loans | **0.53 %** | 0.53 % | 0.72 % | (19) bp[2] |

(1) Gross impaired loans include foreclosed assets held for sale with a carrying value of $6,628 (July 31, 2018 – $6,709 and October 31, 2017 – $1,983).
(2) bp – basis point change.
(3) Total number of accounts excludes CWB National Leasing.

The dollar level of gross impaired loans at October 31, 2018 totaled $138 million, down from $168 million last year and relatively consistent with the prior quarter. The dollar level of gross impaired loans represented 0.53% of total loans at quarter end, compared to 0.72% last year and unchanged from 0.53% at July 31, 2018. Gross impaired loans within Alberta of $77 million accounted for 56% of total impairments at year end, compared to 63% last year and 48% in the prior quarter. The relative concentration of impaired loans in Alberta continues to reflect the lagging impacts of the 2015 – 2016 regional recession and is consistent with management's expectations. Gross impairments outside of Alberta represented 0.34% of total non-Alberta loans, compared to 0.40% last year.

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.

As at October 31, 2018, the total allowance for credit losses (collective and specific) was $147 million, compared to $136 million a year ago and unchanged from $147 million last quarter.

The total allowance for credit losses represented 106% of gross impaired loans at quarter end, compared to 81% last year and 109% in the prior quarter. The collective allowance for credit losses was relatively unchanged over the past twelve months and compared to the prior quarter.

***Lower Provision for Credit Losses***

The fourth quarter provision for credit losses of 19 basis points of average loans compares to 20 basis points in the same quarter last year and 21 basis points in the prior quarter.

The annual provision for credit losses as a percentage of average loans in fiscal 2018 was 20 basis points, down from 23 basis points last year and consistent with CWB's traditional range of 18 – 23 basis points.

***Growth and Diversification of Funding Sources***

CWB delivered strong execution against its Balanced Growth strategy for funding diversification. Total deposits were up 8% over the past year ($1.8 billion) and 4% ($878 million) from the prior quarter. Total deposits by type and source are summarized below:

| (unaudited)<br>($ millions) | As at<br>October 31<br>2018 | July 31<br>2018 | October 31<br>2017 | Change from<br>October 31<br>2017 |
|---|---|---|---|---|
| **Deposits by type** | | | | |
| CWB Financial Group branch-raised | | | | |
| Demand and notice | **$ 7,594** | $ 6,997 | $ 7,641 | (1) % |
| Term | **4,732** | 4,535 | 4,175 | 13 |
| | **12,326** | 11,532 | 11,816 | 4 |
| Broker term | **8,368** | 8,275 | 7,923 | 6 |
| Capital markets | **3,006** | 3,015 | 2,164 | 39 |
| **Total Deposits** | **$ 23,700** | $ 22,822 | $ 21,903 | 8 % |

Branch-raised deposits are primarily comprised of deposits generated through CWB's full-service banking branches, certain deposits raised via CWT, and CWB's internet banking division, Motive Financial. Branch-raised funding increased 4% from last year, and 7% from the prior quarter. Very strong sequential growth of branch-raised deposits was led by CWB's banking branches, and also included strong contributions from CWT's notice account line of business, which is mainly comprised of cash balances held in self-directed registered accounts. Total branch-raised deposits, including CWT deposits, accounted for 52% of total deposits at October 31, 2018, compared to 54% last year and 51% in the prior quarter. Demand and notice deposits comprise 32% of total deposits, compared to 35% last year and 31% last quarter.

Further success against CWB's Balanced Growth strategy for funding diversification included a new record for issuances or re-openings of senior deposit notes in capital markets, with $1.1 billion raised across five successful transactions, as well as growth of securitization funding. Total funding raised through the debt capital markets of $3.0 billion represented 13% of total deposits at October 31, 2018, up from 10% last year and consistent with last quarter. Of note, the acquisition of business lending assets at the end of the first quarter was funded primarily through CWB's existing securitization channels.

Personal deposits, including deposits raised through the broker network, represented 61% of total deposits at October 31, 2018, unchanged from last year and 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 actively 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 35% of total funding at quarter end, down from 36% both last year and in the prior quarter.

*Securitization*

Securitized leases, loans and mortgages are reported on-balance sheet with total loans. The gross amount of securitized leases at October 31, 2018 was $1.6 billion, compared to $1.2 billion last year and $1.7 billion last quarter. Gross participation in the National Housing Act Mortgage Backed Securities (NHA MBS) program was $608 million (October 31, 2017 - $381 million; July 31, 2018 - $573 million).

Fiscal 2018 funding from the securitization of leases, loans and mortgages was $1.2 billion (2017 - $739 million).

***Prudent Capital Management***

With a very strong CET1 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 our 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. A normal course issuer bid (NCIB) authorizing CWB to purchase for cancellation prior to September 30, 2019, up to 1,767,000 common shares, representing approximately 2% of the issued and outstanding common shares, has been approved by OSFI and the Toronto Stock Exchange. No shares were purchased through the NCIB which expired on September 30, 2018, and no shares have been purchased through the current NCIB as at October 31, 2018. Management may choose to activate the NCIB in fiscal 2019 should appropriate circumstances become apparent.

At October 31, 2018, CWB's capital ratios were 9.2% CET1, 10.3% Tier 1 and 11.9% total capital. Further details regarding CWB's regulatory capital and capital adequacy ratios are included in the following table:

| (unaudited)<br>($ millions) | As at<br>October 31<br>2018 | As at<br>July 31<br>2018 | As at<br>October 31<br>2017 |
|---|---|---|---|
| **Regulatory capital** | | | |
| CET1 capital before deductions | **$ 2,369** | $ 2,333 | $ 2,216 |
| Net CET1 deductions | **(216)** | (213) | (206) |
| **CET1 capital** | **2,153** | 2,120 | 2,010 |
| **Tier 1 capital**(1) | **2,418** | 2,385 | 2,275 |
| **Total capital**(1) | **2,788** | 2,755 | 2,644 |
| **Risk-weighted assets** | **$ 23,486** | $ 22,807 | $ 21,082 |
| **Capital adequacy ratios** | | | |
| CET1 | **9.2 %** | 9.3 % | 9.5 % |
| Tier 1 | **10.3** | 10.5 | 10.8 |
| Total | **11.9** | 12.1 | 12.5 |

(1) The 2018 inclusion of non-common equity instruments that do not include NVCC clauses is capped at 40% of the January 1, 2013 outstanding balances (2017 - 50%). For all periods, there was no exclusion from regulatory capital related to NVCC instruments.

CWB's CET1 capital ratio decreased 30 basis points from last year, mainly reflecting the acquisition of business lending assets at the end of the first quarter. The Tier 1 and Total capital ratios declined 50 basis points and 60 basis points, respectively, also mainly reflecting the acquisition. At 8.0% (8.3% as at October 31, 2017), the Basel III leverage ratio remains very conservative.

### *Dividends*

On December 5, 2018, CWB's Board of Directors declared a cash dividend of $0.26 per common share, payable on January 3, 2019 to shareholders of record on December 14, 2018. This quarterly dividend is consistent with the prior quarter and 8% higher than the dividend declared one year ago. The Board of Directors also declared a cash dividend of $0.275 per Series 5 Preferred Share, and a cash dividend of $0.390625 per Series 7 Preferred Share, both payable on January 31, 2019 to shareholders of record on January 22, 2019.

Management evaluates common share dividend increases every quarter against capital requirements under the *Standardized* approach and opportunities to create value for shareholders through various forms of capital deployment, including support for ongoing strong and balanced asset growth. The dividend payout ratio this quarter was approximately 36% of common shareholders' income, against our medium-term dividend payout ratio target of approximately 30%.

*Dividend Reinvestment Plan*

CWB common shares (TSX: CWB) and preferred shares (TSX: CWB.PR.B and CWB.PR.C) are deemed 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. Further details for the Plan are available on CWB's website. CWB has elected to issue common shares for the Plan from treasury at the average market price (as defined in the Plan).

## Financial Summary

### Fiscal 2018 Fourth Quarter and Annual Results Conference Call

CWB's fourth quarter and annual results conference call is scheduled for Thursday, December 6, 2018, 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 and institutional investors.

The conference call may be accessed on a listen-only basis by dialing (416) 764-8688 or toll-free (888) 390-0546. 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 December 13, 2018, by dialing (888) 390-0541 (toll-free) and entering passcode 9992083.

### 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 the 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 McLean & Partners Wealth Management 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) and "CWB.PR.C" (Series 7 Preferred Shares). Learn more at www.cwb.com.

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# Non-IFRS Measures

**Adjusted Financial Measures**

| (unaudited) ($ thousands) | For the three months ended October 31 2018 | July 31 2018 | October 31 2017 | Change from October 31 2017 | For the year ended October 31 2018 | October 31 2017 | Change from October 31 2017 |
|---|---|---|---|---|---|---|---|
| Non-interest expenses | **$ 98,751** | $ 95,695 | $ 93,129 | 6 % | **$ 373,483** | $ 345,466 | 8 % |
| Adjustments (before tax): | | | | | | | |
| Amortization of acquisition-related intangible assets | **(1,367)** | (1,401) | (1,909) | (28) | **(6,313)** | (7,560) | (16) |
| Adjusted non-interest expenses | **$ 97,384** | $ 94,294 | $ 91,220 | 7 % | **$ 367,170** | $ 337,906 | 9 % |
| Common shareholders' net income | **$ 64,501** | $ 62,362 | $ 60,833 | 6 % | **$ 249,256** | $ 214,277 | 16 % |
| Adjustments (after-tax): | | | | | | | |
| Acquisition-related fair value changes | **3,705** | 3,675 | 3,462 | 7 | **14,769** | 13,402 | 10 |
| Amortization of acquisition-related intangible assets | **1,005** | 1,031 | 1,408 | (29) | **4,695** | 5,572 | (16) |
| Adjusted common shareholders' net income | **$ 69,211** | $ 67,068 | $ 65,703 | 5 % | **$ 268,720** | $ 233,251 | 15 % |

**Pre-tax, Pre-provision Income**

| (unaudited) ($ thousands) | For the three months ended October 31 2018 | July 31 2018 | October 31 2017 | Change from October 31 2017 | For the year ended October 31 2018 | October 31 2017 | Change from October 31 2017 |
|---|---|---|---|---|---|---|---|
| Total revenue | **$ 208,566** | $ 204,989 | $ 195,122 | 7 % | **$ 803,358** | $ 726,635 | 11 % |
| Less: | | | | | | | |
| Adjusted non-interest expenses | **97,384** | 94,294 | 91,220 | 7 | **367,170** | 337,906 | 9 |
| Pre-tax, pre-provision income | **$ 111,182** | $ 110,695 | $ 103,902 | 7 % | **$ 436,188** | $ 388,729 | 12 % |

# Consolidated Balance Sheets

| (unaudited)<br>($ thousands) | As at October 31 2018 | As at July 31 2018 | As at October 31 2017 | Change from October 31 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Cash Resources** | | | | |
| Cash and non-interest bearing deposits with financial institutions | **$ 73,822** | $ 90,847 | $ 17,491 | 322 % |
| Interest bearing deposits with regulated financial institutions | **26,825** | 48,534 | 503,895 | (95) |
| Cheques and other items in transit | **52,574** | - | 410 | nm |
| | **153,221** | 139,381 | 521,796 | (71) |
| **Securities** | | | | |
| Issued or guaranteed by Canada | **1,325,816** | 1,256,841 | 1,307,298 | 1 |
| Issued or guaranteed by a province or municipality | **521,825** | 425,397 | 438,858 | 19 |
| Other debt securities | **143,536** | 164,213 | 308,421 | (53) |
| Preferred shares | **93,575** | 100,334 | 132,410 | (29) |
| | **2,084,752** | 1,946,785 | 2,186,987 | (5) |
| **Loans** | | | | |
| Personal | **5,247,160** | 5,141,440 | 4,725,715 | 11 |
| Business | **21,085,968** | 20,523,645 | 18,619,853 | 13 |
| | **26,333,128** | 25,665,085 | 23,345,568 | 13 |
| Allowance for credit losses | **(128,529)** | (127,408) | (116,329) | 10 |
| | **26,204,599** | 25,537,677 | 23,229,239 | 13 |
| **Other** | | | | |
| Property and equipment | **59,098** | 57,765 | 56,115 | 5 |
| Goodwill | **85,168** | 85,168 | 85,669 | (1) |
| Intangible assets | **160,790** | 155,809 | 149,730 | 7 |
| Derivative related | **2,496** | 6,251 | 12,393 | (80) |
| Other assets | **271,339** | 241,241 | 205,524 | 32 |
| | **578,891** | 546,234 | 509,431 | 14 |
| **Total Assets** | **$ 29,021,463** | $ 28,170,077 | $ 26,447,453 | 10 % |
| **Liabilities and Equity** | | | | |
| **Deposits** | | | | |
| Personal | **$ 14,483,686** | $ 13,957,503 | $ 13,394,562 | 8 % |
| Business and government | **9,216,271** | 8,864,464 | 8,508,420 | 8 |
| | **23,699,957** | 22,821,967 | 21,902,982 | 8 |
| **Other** | | | | |
| Cheques and other items in transit | **28,489** | 42,390 | 55,545 | (49) |
| Securities sold under repurchase agreements | **95,126** | 147,929 | 58,358 | 63 |
| Derivative related | **69,581** | 49,992 | 35,381 | 97 |
| Other liabilities | **531,953** | 478,997 | 455,009 | 17 |
| | **725,149** | 719,308 | 604,293 | 20 |
| **Debt** | | | | |
| Debt securities | **1,757,854** | 1,810,974 | 1,226,336 | 43 |
| Subordinated debentures | **250,000** | 250,000 | 250,000 | - |
| | **2,007,854** | 2,060,974 | 1,476,336 | 36 |
| **Equity** | | | | |
| Preferred shares | **265,000** | 265,000 | 265,000 | - |
| Common shares | **744,701** | 743,788 | 731,885 | 2 |
| Retained earnings | **1,649,196** | 1,607,816 | 1,488,634 | 11 |
| Share-based payment reserve | **23,937** | 23,642 | 24,979 | (4) |
| Other reserves | **(97,082)** | (75,054) | (49,453) | 96 |
| **Total Shareholders' Equity** | **2,585,752** | 2,565,192 | 2,461,045 | 5 |
| Non-controlling interests | **2,751** | 2,636 | 2,797 | (2) |
| **Total Equity** | **2,588,503** | 2,567,828 | 2,463,842 | 5 |
| **Total Liabilities and Equity** | **$ 29,021,463** | $ 28,170,077 | $ 26,447,453 | 10 % |

nm – not meaningful

# Consolidated Statements of Income

| (unaudited)<br>($ thousands, except per share amounts) | For the three months ended<br>October 31<br>2018 | July 31<br>2018 | October 31<br>2017 | Change from<br>October 31<br>2017 | For the year ended<br>October 31<br>2018 | October 31<br>2017 | Change from<br>October 31<br>2017 |
|---|---|---|---|---|---|---|---|
| **Interest Income** | | | | | | | |
| Loans | **$ 319,310** | $ 305,348 | $ 264,575 | 21 % | **$ 1,185,530** | $ 993,950 | 19 % |
| Securities | **8,075** | 8,654 | 7,326 | 10 | **35,529** | 25,136 | 41 |
| Deposits with regulated financial institutions | **1,095** | 378 | 1,614 | (32) | **4,236** | 8,198 | (48) |
| | **328,480** | 314,380 | 273,515 | 20 | **1,225,295** | 1,027,284 | 19 |
| **Interest Expense** | | | | | | | |
| Deposits | **125,779** | 114,520 | 95,630 | 32 | **452,526** | 355,521 | 27 |
| Debt | **13,608** | 13,216 | 7,391 | 84 | **47,779** | 29,373 | 63 |
| | **139,387** | 127,736 | 103,021 | 35 | **500,305** | 384,894 | 30 |
| **Net Interest Income** | **189,093** | 186,644 | 170,494 | 11 | **724,990** | 642,390 | 13 |
| **Non-interest Income** | | | | | | | |
| Credit related | **8,456** | 8,042 | 8,381 | 1 | **32,165** | 34,012 | (5) |
| Wealth management services | **5,119** | 5,164 | 4,427 | 16 | **20,371** | 19,073 | 7 |
| Retail services | **2,588** | 2,511 | 2,754 | (6) | **10,334** | 10,758 | (4) |
| Trust services | **1,919** | 1,777 | 2,521 | (24) | **7,784** | 11,305 | (31) |
| Gains (losses) on securities, net | **1** | (242) | 9 | (89) | **(217)** | 664 | nm |
| Other | **1,390** | 1,093 | 6,536 | (79) | **7,931** | 8,433 | (6) |
| | **19,473** | 18,345 | 24,628 | (21) | **78,368** | 84,245 | (7) |
| **Total Revenue** | **208,566** | 204,989 | 195,122 | 7 | **803,358** | 726,635 | 11 |
| **Provision for Credit Losses** | **12,432** | 13,318 | 11,411 | 9 | **48,257** | 50,986 | (5) |
| **Acquisition-related Fair Value Changes** | **5,041** | 5,000 | 4,710 | 7 | **20,094** | 18,295 | 10 |
| **Non-interest Expenses** | | | | | | | |
| Salaries and employee benefits | **59,549** | 61,231 | 57,761 | 3 | **237,228** | 220,416 | 8 |
| Premises and equipment | **16,474** | 15,575 | 16,634 | (1) | **62,754** | 60,348 | 4 |
| Other expenses | **22,728** | 18,889 | 18,734 | 21 | **73,501** | 64,702 | 14 |
| | **98,751** | 95,695 | 93,129 | 6 | **373,483** | 345,466 | 8 |
| **Net Income before Income Taxes** | **92,342** | 90,976 | 85,872 | 8 | **361,524** | 311,888 | 16 |
| **Income Taxes** | **23,919** | 24,804 | 21,227 | 13 | **96,877** | 82,233 | 18 |
| **Net Income** | **68,423** | 66,172 | 64,645 | 6 | **264,647** | 229,655 | 15 |
| Net income attributable to non-controlling interests | **360** | 247 | 250 | 44 | **1,141** | 1,128 | 1 |
| **Shareholders' Net Income** | **68,063** | 65,925 | 64,395 | 6 | **263,506** | 228,527 | 15 |
| Preferred share dividends | **3,562** | 3,563 | 3,562 | - | **14,250** | 14,250 | - |
| **Common Shareholders' Net Income** | **$ 64,501** | $ 62,362 | $ 60,833 | 6 % | **$ 249,256** | $ 214,277 | 16 % |
| Average number of common shares (in thousands) | **88,933** | 88,869 | 88,409 | 1 % | **88,806** | 88,297 | 1 % |
| Average number of diluted common shares (in thousands) | **89,267** | 89,265 | 88,783 | 1 | **89,285** | 88,592 | 1 |
| **Earnings Per Common Share** | | | | | | | |
| Basic | **$ 0.73** | $ 0.70 | $ 0.69 | 6 % | **$ 2.81** | $ 2.43 | 16 % |
| Diluted | **0.72** | 0.70 | 0.68 | 6 | **2.79** | 2.42 | 15 |

nm – not meaningful

# Consolidated Statements of Comprehensive Income

| (unaudited) ($ thousands) | For the three months ended October 31 2018 | October 31 2017 | For the year ended October 31 2018 | October 31 2017 |
|---|---|---|---|---|
| **Net Income** | **$ 68,423** | $ 64,645 | **$ 264,647** | $ 229,655 |
| **Other Comprehensive Income (Loss), net of tax** | | | | |
| Available-for-sale securities: | | | | |
| (Losses) gains from change in fair value[(1)] | **(7,095)** | 7,017 | **(19,945)** | 4,021 |
| Reclassification to net income[(2)] | **(1)** | (6) | **158** | (485) |
| | **(7,096)** | 7,011 | **(19,787)** | 3,536 |
| Derivatives designated as cash flow hedges: | | | | |
| Gains (losses) from change in fair value[(3)] | **(16,204)** | 3,594 | **(26,848)** | (22,089) |
| Reclassification to net income[(4)] | **1,272** | (2,575) | **(994)** | (3,321) |
| | **(14,932)** | 1,019 | **(27,842)** | (25,410) |
| | **(22,028)** | 8,030 | **(47,629)** | (21,874) |
| **Comprehensive Income for the Period** | **$ 46,395** | $ 72,675 | **$ 217,018** | $ 207,781 |
| Comprehensive income for the period attributable to: | | | | |
| Shareholders of CWB | **$ 46,035** | $ 72,425 | **$ 215,877** | $ 206,653 |
| Non-controlling interests | **360** | 250 | **1,141** | 1,128 |
| **Comprehensive Income for the Period** | **$ 46,395** | $ 72,675 | **$ 217,018** | $ 207,781 |

(1) Net of income tax of $2,577 and $7,351 for the quarter and year ended October 31, 2018, respectively (2017 - $2,570 and $1,463).
(2) Net of income tax of nil and $59 for the quarter and year ended October 31, 2018, respectively (2017 - $3 and $179).
(3) Net of income tax of $5,993 and $9,930 for the quarter and year ended October 31, 2018, respectively (2017 - $1,322 and $8,128).
(4) Net of income tax of $471 and $367 for the quarter and year ended October 31, 2018, respectively (2017 - $947 and $1,222).

# Consolidated Statements of Changes in Equity

| (unaudited) ($ thousands) | For the year ended October 31 2018 | October 31 2017 |
|---|---|---|
| **Retained Earnings** | | |
| Balance at beginning of year | **$ 1,488,634** | $ 1,354,966 |
| Shareholders' net income | **263,506** | 228,527 |
| Dividends – Preferred shares | **(14,250)** | (14,250) |
| – Common shares | **(88,819)** | (82,107) |
| Increase in equity attributable to non-controlling interests ownership change | **125** | 1,498 |
| Balance at end of year | **1,649,196** | 1,488,634 |
| **Other Reserves** | | |
| Balance at beginning of year | **(49,453)** | (27,579) |
| Changes in available-for-sale securities | **(19,787)** | 3,536 |
| Changes in derivatives designated as cash flow hedges | **(27,842)** | (25,410) |
| Balance at end of year | **(97,082)** | (49,453) |
| **Preferred Shares** | | |
| Balance at beginning and end of year | **265,000** | 265,000 |
| **Common Shares** | | |
| Balance at beginning of year | **731,885** | 718,377 |
| Issued on acquisition-related contingent consideration instalment payment | **5,750** | - |
| Issued under dividend reinvestment plan | **4,248** | 5,280 |
| Transferred from share-based payment reserve on the exercise or exchange of options | **2,818** | 8,228 |
| Balance at end of year | **744,701** | 731,885 |
| **Share-based Payment Reserve** | | |
| Balance at beginning of year | **24,979** | 31,276 |
| Amortization of fair value of options | **1,776** | 1,931 |
| Transferred to common shares on the exercise or exchange of options | **(2,818)** | (8,228) |
| Balance at end of year | **23,937** | 24,979 |
| **Total Shareholders' Equity** | **2,585,752** | 2,461,045 |
| **Non-Controlling Interests** | | |
| Balance at beginning of year | **2,797** | 773 |
| Net income attributable to non-controlling interests | **1,141** | 1,128 |
| Dividends to non-controlling interests | **(1,431)** | (670) |
| Partial ownership (decrease) increase | **244** | (117) |
| Increase in equity attributable to non-controlling interests | **-** | 1,683 |
| Balance at end of year | **2,751** | 2,797 |
| **Total Equity** | **$ 2,588,503** | $ 2,463,842 |

# Consolidated Statements of Cash Flows

| (unaudited)<br>($ thousands) | For the year ended<br>**October 31 2018** | October 31 2017 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net income | **$ 264,647** | $ 229,655 |
| Adjustments to determine net cash flows: | | |
| Provision for credit losses | **48,257** | 50,986 |
| Depreciation and amortization | **29,708** | 30,692 |
| Current income taxes receivable and payable, net | **(3,456)** | 12,134 |
| Amortization of fair value of employee stock options | **1,776** | 1,931 |
| Accrued interest receivable and payable, net | **28,415** | (19,061) |
| Deferred income taxes, net | **(7,677)** | (10,638) |
| Net gain on CWT strategic transactions | **(4,030)** | (5,726) |
| Losses (gains) on securities, net | **217** | (664) |
| Fair value change in contingent consideration | **20,094** | 18,295 |
| Change in operating assets and liabilities: | | |
| Deposits, net | **1,796,975** | 708,429 |
| Loans, net | **(3,024,939)** | (1,322,714) |
| Securities sold under resale agreements, net | **36,768** | 58,358 |
| Securities purchased under resale agreements, net | **-** | 163,318 |
| Other items, net | **17,436** | 46,543 |
| | **(795,809)** | (38,462) |
| **Cash Flows from Financing Activities** | | |
| Debt securities issued | **1,245,427** | 739,177 |
| Debt securities repaid | **(713,909)** | (456,039) |
| Dividends | **(98,821)** | (91,077) |
| Contributions by non-controlling interest | **1,316** | 3,401 |
| Dividends to non-controlling interests | **(1,431)** | (670) |
| Debentures redeemed | **-** | (75,000) |
| | **432,582** | 119,792 |
| **Cash Flows from Investing Activities** | | |
| Interest bearing deposits with regulated financial institutions, net | **477,070** | 386,621 |
| Securities, purchased | **(2,892,129)** | (5,843,898) |
| Securities, sale proceeds | **1,266,827** | 4,338,132 |
| Securities, matured | **1,704,328** | 1,031,966 |
| Proceeds from CWT strategic transactions | **4,135** | 7,164 |
| Partial ownership increase | **-** | (1,838) |
| Property, equipment and intangible assets | **(44,203)** | (28,846) |
| Acquisition-related contingent consideration instalment payment | **(17,250)** | (10,132) |
| | **498,778** | (120,831) |
| **Change in Cash and Cash Equivalents** | **135,551** | (39,501) |
| **Cash and Cash Equivalents at Beginning of Year** | **(37,644)** | 1,857 |
| **Cash and Cash Equivalents at End of Year *** | **$ 97,907** | $ (37,644) |
| * Represented by: | | |
| Cash and non-interest bearing deposits with financial institutions | **$ 73,822** | $ 17,491 |
| Cheques and other items in transit (included in Cash Resources) | **52,574** | 410 |
| Cheques and other items in transit (included in Other Liabilities) | **(28,489)** | (55,545) |
| **Cash and Cash Equivalents at End of Year** | **$ 97,907** | $ (37,644) |
| | | |
| Supplemental Disclosure of Cash Flow Information | | |
| Interest and dividends received | **$ 1,237,809** | $ 1,031,937 |
| Interest paid | **462,691** | 392,413 |
| Income taxes paid | **88,116** | 66,009 |