***A final short form prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in the provinces of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. A copy of the final short form prospectus, and any amendment, is required to be delivered with this document.***

***This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final short form prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.***

Pacific & Western Bank of Canada

**Amended and Restated Term Sheet dated October 22, 2014**

**NON-CUMULATIVE 5-YEAR RATE RESET PREFERRED SHARES, SERIES 1**

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| **ISSUER:** | Pacific & Western Bank of Canada (the "**Bank**"). |
| **ISSUE:** | Up to 2,500,000 Non-cumulative 5-year rate reset preferred shares, series 1 (the "**Series 1 Preferred Shares**") (the "**Offering**"). |
| **AMOUNT:** | A minimum of \$10,000,000 up to a maximum of \$25,000,000. |
| **ISSUE PRICE:** | \$10.00 per Series 1 Preferred Share. |
| **OVER-ALLOTMENT OPTION:** | The Agents shall have the option, exercisable in whole or in part for a period of 30 days after the Closing Date, to purchase up to an additional 375,000 Series 1 Preferred Shares (representing \$3,750,000) at the Issue Price on the same terms and conditions as set forth herein to cover over-allotments, if any, and for market stabilization. |
| **INITIAL DIVIDEND:** | 7.0% per annum, payable quarterly for the Initial Fixed Rate Period (as defined below). |
| **DIVIDENDS:** | Initial Fixed Rate Period<br>• During the initial five-year period ending on and including October 31, 2019 (the "**Initial Fixed Rate Period**"), the holders of the Series 1 Preferred Shares will be entitled to receive preferential, non-cumulative, cash dividends, as and when declared by the board of directors of the Bank (the "**Board**"), subject to the provisions of the Bank Act (Canada) (the "**Bank Act**"), payable quarterly on the last day of January, April, July and October in each year (the "**Dividend Payment Date**") at 7.0% per annum (the "**Initial Fixed Dividend** |

**Rate**"). Accordingly, the initial dividend, if declared, will be payable on January 31, 2015 and will be $0.176 per Series 1 Preferred Share, based on the anticipated Closing Date of October 30, 2014.

Subsequent Fixed Rate Periods

- During each five-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**"), the holders of the Series 1 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board, subject to the Bank Act, payable quarterly on each Dividend Payment Date in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by $10.00.
- For the purposes hereof, "**Annual Fixed Dividend Rate**" means, for any Subsequent Fixed Rate Period, the rate equal to the sum of the five-year Government of Canada Bond Yield ("**GCAN5YR**") on the Fixed Rate Calculation Date plus 5.43%, and "**Fixed Rate Calculation Date**" means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

General

- If the Board does not declare the dividends, or any part thereof, on the Series 1 Preferred Shares on or before the Dividend Payment Date for a particular period or quarter, then the entitlement of the holders of the Series 1 Preferred Shares to receive a dividend for such period or quarter will be forever extinguished.

**CONVERSION:**

Election to Convert

- On October 31, 2019 and on October 31 every five years thereafter (the "**Series 1 Conversion Date**"), the holders of Series 1 Preferred Shares will have the right to elect to convert (subject to the Automatic Conversion provision described below) any or all of their Series 1 Preferred Shares into an equal number of non-cumulative floating rate preferred shares, series 2 of the Bank (the "**Series 2 Preferred Shares**").

Election Notice

- Holders of Series 1 Preferred Shares who elect to convert their Series 1 Preferred Shares into Series 2 Preferred Shares on the Series 1 Conversion Date are required to provide the Bank with written notice (an "**Election Notice**") on a date not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 1 Conversion Date. Once received by the Bank, an Election Notice is irrevocable.

Automatic Conversion

- Holders of Series 1 Preferred Shares will not be entitled to convert their shares into Series 2 Preferred Shares if the Bank determines that there would remain outstanding on a Series 1 Conversion Date less than 200,000 Series 2 Preferred Shares, after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares.
- If the Bank determines that there would remain outstanding on a Series 1 Conversion Date less than 200,000 Series 1 Preferred Shares, after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, then, all, but not part, of the remaining outstanding Series 1 Preferred Shares will automatically be converted into Series 2 Preferred Shares on the basis of one Series 2 Preferred Share for each Series 1 Preferred Share on the applicable Series 1 Conversion Date.

Notice of Series 1 Conversion Date and next Annual Fixed Dividend Rate

- Notice of a Series 1 Conversion Date will be given by the Bank at least 30 days and not more than 60 days prior to the applicable Series 1 Conversion Date.
- Notice of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period will be provided by the Bank on the 30th day prior to each Series 1 Conversion Date.

Notice of Series 2 Preferred Shares Floating Quarterly Dividend Rate

- Notice of the Series 2 Preferred Shares Floating Quarterly Dividend Rate (as defined in the Prospectus (as defined below)) for the subsequent quarter will be provided by the Bank on the 30th day prior to such Series 1 Conversion Date

**REDEMPTION:**

The Series 1 Preferred Shares will not be redeemable prior to October 31, 2019. Subject to the provisions of applicable securities law, the rules of the Toronto Stock Exchange (the "**TSX**") and the Bank Act, as applicable, and to the prior consent of the Superintendent of Financial Institutions Canada (the "**Superintendent**") and to the provisions described in the Prospectus (as defined below), on October 31, 2019 and on October 31 every five years thereafter, on at least 30 days and not more than 60 days' notice, the Bank may redeem all or any part of the then outstanding Series 1 Preferred Shares, at the Bank's option, without the consent of the holder, by the payment of an amount in cash for each share so redeemed of $10.00 together with all declared and unpaid dividends to the date fixed for redemption.

**PURCHASE FOR CANCELLATION:**

Subject to the provisions of applicable securities law, the rules of the TSX and the Bank Act, as applicable, and to the prior consent of the Superintendent and to the provisions described in the Prospectus (as defined below), the Bank may purchase for cancellation at any time all, or from time to time any part, of the Series 1 Preferred Shares then outstanding by private contract or in the open market or by tender at the lowest price or prices at which in the opinion of the Board such shares are obtainable.

**CONTINGENT CONVERSION:**

Upon the occurrence of a Trigger Event (as defined below), each Series 1 Preferred Share will be automatically converted, without the consent of the holders thereof, into newly issued fully-paid common shares of the Bank ("**Common Shares**"), the number of which is to be determined by the Contingent Conversion Formula (as defined below); such conversion being referred to herein as the "**Contingent Conversion**". In any case where the aggregate number of Common Shares to be issued to a holder of Series 1 Preferred Shares pursuant to a Contingent Conversion includes a fraction of a Common Share, such number of Common Shares to be issued to such holder will be rounded down to the nearest whole number of Common Shares and no cash payment will be made in lieu of such fractional Common Share.

The "**Contingent Conversion Formula**" is (Multiplier x Preferred Share Conversion Value) ÷ Conversion Price = number of Common Shares into which each Series 1 Preferred Share will be converted.

The "**Multiplier**" is 1.0.

The "**Preferred Share Conversion Value**" of a Series 1 Preferred Share is $10.00 plus any declared but unpaid dividends in respect of such Series 1 Preferred Share.

In the event of a Contingent Conversion, the Series 1 Preferred Shares will cease to be outstanding, the holders of the Series 1 Preferred Shares will cease to be entitled to dividends on such shares, including any dividends declared but not paid prior to the Trigger Event, and any certificates representing the Series 1 Preferred Shares will represent only the right to receive upon surrender of such certificate the applicable number of Common Shares described above. A Contingent Conversion will be mandatory and binding upon both the Bank and all holders of the Series 1 Preferred Shares notwithstanding anything else including, without limitation: (i) any prior action to or in furtherance of redeeming, exchanging or converting the Series 1 Preferred Shares pursuant to the other terms and conditions of the Series 1 Preferred Shares; and (ii) any delay in or impediment to the issuance or delivery of the Common Shares to the holders of the Series 1 Preferred Shares.

"**Trigger Event**" has the meaning set out in the Office of the Superintendent of

Financial Institutions Canada ("**OSFI**") Guideline for Capital Adequacy Requirements (CAR), Chapter 2 – Definition of Capital, effective January 2013, as such term may be amended or superseded by OSFI from time to time, which term currently provides that each of the following constitutes a Trigger Event:

- the Superintendent publicly announces that the Bank has been advised, in writing, that the Superintendent is of the opinion that the Bank has ceased, or is about to cease, to be viable and that, after the conversion of the Series 1 Preferred Shares, the Series 2 Preferred Shares and all other contingent instruments issued by the Bank and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained; or
- a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any provincial government or political subdivision or agent or agency thereof without which the Bank would have been determined by the Superintendent to be non-viable.

**CONVERSION PRICE:**

The "**Conversion Price**" shall be the greater of (i) the Floor Price and (ii) the Current Market Price of the Common Shares.

"**Current Market Price**" of the Common Shares means the volume-weighted average trading price of the Common Shares on the TSX or, if not then listed on that exchange, on another exchange or market chosen by the Board on which the Common Shares are then traded, for the ten (10) consecutive trading days ending on the day immediately prior to the date of the Contingent Conversion, or, if no such trading prices are available, "Current Market Price" will be the Floor Price.

"**Floor Price**" means $0.75, subject to adjustment in the event of: (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend; (ii) the subdivision, re-division or change of the Common Shares into a greater number of Common Shares; or (iii) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares.

**PROHIBITED OWNERS**

The terms and conditions of the Series 1 Preferred Shares will include mechanics to permit holders of such shares that are prohibited pursuant to certain restrictions set out therein or pursuant to the Bank Act from taking delivery of Common Shares issued upon a Trigger Event and to allow the Bank to attempt to facilitate a sale of such Common Shares on behalf of such persons. The net proceeds received from the Bank from the sale of any such

Common Shares will be divided among the applicable persons in proportion to the number of Common Shares that would otherwise have been delivered to them upon the Contingent Conversion after deducting the costs of sale and any applicable withholding taxes.

**CONTINGENT CONVERSION RISK FACTOR:** The number and value of the Common Shares to be received on a Contingent Conversion is variable and the value of the Common Shares received could be significantly less than the par amount of the Series 1 Preferred Shares.

**PRIORITY:** The Series 1 Preferred Shares rank on a parity with every other series of non-voting preferred shares of the Bank (the "**Preferred Shares**") with respect to dividends and return of capital. The Preferred Shares are entitled to a preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, where a Contingent Conversion has not occurred.

If a Contingent Conversion occurs, the priority of the Series 1 Preferred Shares will not be relevant since all Series 1 Preferred Shares will be converted into Common Shares which will rank on a parity with all other Common Shares of the Bank.

**RIGHTS ON LIQUIDATION:** In the event of the liquidation, dissolution or winding-up of the Bank, provided that a Contingent Conversion has not occurred, the holders of the Series 1 Preferred Shares will be entitled to receive $10.00 per Series 1 Preferred Share held by them, plus any dividends declared and unpaid to the date of distribution.

If a Contingent Conversion has occurred, all Series 1 Preferred Shares will have been converted into Common Shares which will rank on a parity with all other Common Shares.

**VOTING RIGHTS:** Subject to applicable law, holders of Series 1 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of shareholders of the Bank unless and until the first time at which the Board has not declared the dividend in full on the Series 1 Preferred Shares in any quarter. In that event, the holders of the Series 1 Preferred Shares will be entitled to receive notice of and to attend only a meeting of shareholders at which directors are to be elected and will have one vote for each Series 1 Preferred Share held. Such voting rights will cease on payment in full by the Bank of the first dividend on the Series 1 Preferred Shares to which the holders are entitled subsequent to the time the voting rights first arose until such time as the Bank may again fail to declare the dividend in full on the Series 1 Preferred Shares in any quarter, in which event the voting rights will become effective again and so on from time to time.

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| **TAX ON SERIES 1 PREFERRED SHARES:** | The Bank will elect to pay tax under Part VI.1 of the Income Tax Act (Canada) at such a rate that no tax under Part IV.1 of such Act will be payable by holders of the Series 1 Preferred Shares. |
| **BANK ACT RESTRICTIONS:** | Pursuant to the Bank Act, no person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). Ownership, directly or indirectly, of more than 10% of any class of shares of a bank constitutes a significant interest. |
| **MINIMUM SUBSCRIPTION:** | The minimum subscription is 100 Series 1 Preferred Shares or $1,000 per purchaser. |
| **SIZE OF THE OFFERING:** | Subject to the over-allotment option, a minimum of $10,000,000 up to $25,000,000 in Series 1 Preferred Shares. |
| **OFFERING JURISDICTIONS:** | The Offering will be conducted in the Provinces of Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia by way of a final short form prospectus of the Bank dated October 22, 2014 (the "**Prospectus**"). |
| **USE OF PROCEEDS:** | The net proceeds of this Offering will be added to the Bank's capital base and used for general corporate purposes. |
| **ELIGIBILITY:** | Eligible for investments for RRSPs, RESPs, RRIFs, DPSPs, RDSPs and TFSAs. |
| **CLOSING:** | Anticipated to be October 30, 2014 (the "**Closing Date**"). |
| **LISTING:** | The Offering shall be conditional upon the Series 1 Preferred Shares being listed on the TSX. |
| **COMMISSION:** | 6% in cash commission based on the aggregate number of Series 1 Preferred Shares sold pursuant to the Offering. |

**NON-CUMULATIVE 5-YEAR RATE RESET PREFERRED SHARES, SERIES 2**

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| **ISSUER:** | Pacific & Western Bank of Canada (the "**Bank**"). |
| **ISSUE:** | Non-cumulative floating rate preferred shares, series 2 (the "**Series 2 Preferred Shares**"). |

**DIVIDENDS:**

Quarterly Dividend Payments

- Preferential, non-cumulative, cash dividends, as and when declared by the board of directors (the "**Board**"), subject to the provisions of the Bank Act (Canada) (the "**Bank Act**"), payable quarterly on the last day of January, April, July and October in each year (the "**Dividend Payment Date**") (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "**Quarterly Floating Rate Period**") at the Floating Quarterly Dividend Rate (as defined below).
- Accordingly, on each Dividend Payment Date, the dividend payable on the Series 2 Preferred Shares, if declared, will be in the amount per share determined by multiplying (i) the product obtained by multiplying $10.00 by the Floating Quarterly Dividend Rate applicable to the Quarterly Floating Rate Period (as defined below) immediately preceding such Dividend Payment Date, by (ii) a fraction, the numerator of which is the actual number of days elapsed in such Quarterly Floating Rate Period and the denominator of which is 365.
- "**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period (as define below), the rate equal to the sum of the three-month Government of Canada Treasury Bill rate plus 5.43% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365)

General

- If the Board does not declare the dividends, or any part thereof, on the Series 2 Preferred Shares on or before the Dividend Payment Date for a particular period or quarter, then the entitlement of the holders of the Series 2 Preferred Shares to receive a dividend for such period or quarter will be forever extinguished.

**CONVERSION:**

Election to Convert

- On October 31, 2024 and on October 31 every five years thereafter (the "**Series 2 Conversion Date**"), the holders of Series 2 Preferred Shares will have the right to elect to convert (subject to the Automatic Conversion provision described below) any or all of their Series 2

Preferred Shares into an equal number of non-cumulative 5-year reset preferred shares, series 1 of the Bank (the "**Series 1 Preferred Shares**").

Election Notice

- Holders of Series 2 Preferred Shares who elect to convert their Series 2 Preferred Shares into Series 1 Preferred Shares on the Series 2 Conversion Date are required to provide the Bank with written notice (an "**Election Notice**") on a date not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series 2 Conversion Date. Once received by the Bank, an Election Notice is irrevocable.

Automatic Conversion

- Holders of Series 2 Preferred Shares will not be entitled to convert their shares into Series 1 Preferred Shares if the Bank determines that there would remain outstanding on a Series 2 Conversion Date less than 200,000 Series 1 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares.
- If the Bank determines that there would remain outstanding on a Series 2 Conversion Date less than 200,000 Series 2 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then, all, but not part, of the remaining outstanding Series 1 Preferred Shares will automatically be converted into Series 1 Preferred Shares on the basis of one Series 1 Preferred Share for each Series 2 Preferred Share on the applicable Series 2 Conversion Date.

Notice of Series 2 Conversion Date and next Annual Fixed Dividend Rate

- Notice of a Series 2 Conversion Date will be given by the Bank at least 30 days and not more than 60 days prior to the applicable Series 2 Conversion Date.
- Notice of the annual fixed dividend rate applicable to the Series 1 Preferred Shares (the "**Annual Fixed Dividend Rate")** for the next succeeding five-year period, after the initial period ending on October 31, 2019 (a "**Subsequent Fixed Rate Period**") will be provided by the Bank on the 30th day prior to each Series 2 Conversion Date.

**REDEMPTION:** The Series 2 Preferred Shares will not be redeemable prior to October 31, 2019. Subject to the provisions of applicable securities law, the rules of the Toronto Stock Exchange (the "**TSX**") and the Bank Act, as applicable, and to the prior consent of the Superintendent of Financial Institutions Canada (the "**Superintendent**") and to the provisions described in the final short form prospectus of the Bank, dated October 22, 2014 (the Prospectus), on October 31, 2019 or any date after October 31, 2019, other than an Excluded Redemption Date (defined below), the Bank may, at its option, redeem all or any part of the then outstanding Series 2 Preferred Shares, without the consent of the holders of Series 2 Preferred Shares, upon payment in cash for each Series 2 Preferred Share so redeemed of an amount equal to $10.20 per Series 2 Preferred Share together with all declared and unpaid dividends to the date fixed for redemption.

On October 31, 2024 and on October 31 every five years thereafter (each such date, an "**Excluded Redemption Date**"), the Bank may, at its option, redeem all or any part of the then outstanding Series 2 Preferred Shares, without the consent of the holders of Series 2 Preferred Shares, upon payment in cash for each Series 2 Preferred Share so redeemed of an amount equal to $10.00 per Series 2 Preferred Share, together with all declared and unpaid dividends to the date fixed for redemption.

**PURCHASE FOR CANCELLATION:**

Subject to the provisions of applicable securities law, the rules of the TSX and the Bank Act, as applicable, and to the prior consent of the Superintendent and to the provisions described in the Prospectus, the Bank may purchase for cancellation at any time all, or from time to time any part, of the Series 2 Preferred Shares then outstanding by private contract or in the open market or by tender at the lowest price or prices at which in the opinion of the Board such shares are obtainable.

**CONTINGENT CONVERSION:**

Upon the occurrence of a Trigger Event (as defined below), each Series 2 Preferred Share will be automatically converted, without the consent of the holders thereof, into newly issued fully-paid common shares of the Bank ("**Common Shares**"), the number of which is to be determined by the Contingent Conversion Formula (as defined below); such conversion being referred to herein as the "**Contingent Conversion**". In any case where the aggregate number of Common Shares to be issued to a holder of Series 2 Preferred Shares pursuant to a Contingent Conversion includes a fraction of a Common Share, such number of Common Shares to be issued to such holder will be rounded down to the nearest whole number of Common Shares and no cash payment will be made in lieu of such fractional Common Share.

The "**Contingent Conversion Formula**" is (Multiplier x Preferred Share Conversion Value) ÷ Conversion Price = number of Common Shares into which each Series 2 Preferred Share will be converted.

The "**Multiplier**" is 1.0.

The "**Preferred Share Conversion Value**" of a Series 2 Preferred Share is $10.00 plus any declared but unpaid dividends in respect of such Series 2 Preferred Share.

In the event of a Contingent Conversion, the Series 2 Preferred Shares will cease to be outstanding, the holders of the Series 2 Preferred Shares will cease to be entitled to dividends on such shares, including any dividends declared but not paid prior to the Trigger Event, and any certificates representing the Series 2 Preferred Shares will represent only the right to receive upon surrender of such certificate the applicable number of Common Shares described above. A Contingent Conversion will be mandatory and binding upon both the Bank and all holders of the Series 2 Preferred Shares notwithstanding anything else including, without limitation: (i) any prior action to or in furtherance of redeeming, exchanging or converting the Series 2 Preferred Shares pursuant to the other terms and conditions of the Series 2 Preferred Shares; and (ii) any delay in or impediment to the issuance or delivery of the Common Shares to the holders of the Series 2 Preferred Shares.

"**Trigger Event**" has the meaning set out in the Office of the Superintendent of Financial Institutions Canada ("**OSFI**") Guideline for Capital Adequacy Requirements (CAR), Chapter 2 – Definition of Capital, effective January 2013, as such term may be amended or superseded by OSFI from time to time, which term currently provides that each of the following constitutes a Trigger Event:

- the Superintendent publicly announces that the Bank has been advised, in writing, that the Superintendent is of the opinion that the Bank has ceased, or is about to cease, to be viable and that, after the conversion of the Series 1 Preferred Shares, the Series 2 Preferred Shares and all other contingent instruments issued by the Bank and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained; or
- a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any provincial government or political subdivision or agent or agency thereof without which the Bank would have been determined by the Superintendent to be non-viable.

**CONVERSION PRICE:**

The "**Conversion Price**" shall be the greater of (i) the Floor Price and (ii) the Current Market Price of the Common Shares.

"**Current Market Price**" of the Common Shares means the volume-weighted average trading price of the Common Shares on the TSX or, if not then listed on that exchange, on another exchange or market chosen by the Board on which the Common Shares are then traded, for the ten (10) consecutive trading days ending on the day immediately prior to the date of the Contingent Conversion, or, if no such trading prices are available, "Current Market Price" will be the Floor Price.

"**Floor Price**" means $0.75, subject to adjustment in the event of: (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend; (ii) the subdivision, re-division or change of the Common Shares into a greater number of Common Shares; or (iii) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares.

**PROHIBITED OWNERS**

The terms and conditions of the Series 2 Preferred Shares will include mechanics to permit holders of such shares that are prohibited pursuant to certain restrictions set out therein or pursuant to the Bank Act from taking delivery of Common Shares issued upon a Trigger Event and to allow the Bank to attempt to facilitate a sale of such Common Shares on behalf of such persons. The net proceeds received from the Bank from the sale of any such Common Shares will be divided among the applicable persons in proportion to the number of Common Shares that would otherwise have been delivered to them upon the Contingent Conversion after deducting the costs of sale and any applicable withholding taxes.

**CONTINGENT CONVERSION RISK FACTOR:**

The number and value of the Common Shares to be received on a Contingent Conversion is variable and the value of the Common Shares received could be significantly less than the par amount of the Series 2 Preferred Shares.

**PRIORITY:**

The Series 2 Preferred Shares rank on a parity with every other series of non-voting preferred shares of the Bank (the "**Preferred Shares**") with respect to dividends and return of capital. The Preferred Shares are entitled to a preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, where a Contingent Conversion has not occurred.

If a Contingent Conversion occurs, the priority of the Series 2 Preferred Shares will not be relevant since all Series 2 Preferred Shares will be converted into Common Shares which will rank on a parity with all other Common Shares of the Bank.

**RIGHTS ON LIQUIDATION:**

In the event of the liquidation, dissolution or winding-up of the Bank, provided that a Contingent Conversion has not occurred, the holders of the Series 2 Preferred Shares will be entitled to receive $10.00 per Series 2 Preferred Share held by them, plus any dividends declared and unpaid to the date of distribution.

If a Contingent Conversion has occurred, all Series 2 Preferred Shares will have been converted into Common Shares which will rank on a parity with all other Common Shares.

**VOTING RIGHTS:** Subject to applicable law, holders of Series 2 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of shareholders of the Bank unless and until the first time at which the Board has not declared the dividend in full on the Series 2 Preferred Shares in any quarter. In that event, the holders of the Series 2 Preferred Shares will be entitled to receive notice of and to attend only a meeting of shareholders at which directors are to be elected and will have one vote for each Series 2 Preferred Share held. Such voting rights will cease on payment in full by the Bank of the first dividend on the Series 2 Preferred Shares to which the holders are entitled subsequent to the time the voting rights first arose until such time as the Bank may again fail to declare the dividend in full on the Series 2 Preferred Shares in any quarter, in which event the voting rights will become effective again and so on from time to time.

**BANK ACT RESTRICTIONS:** Pursuant to the Bank Act, no person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). Ownership, directly or indirectly, of more than 10% of any class of shares of a bank constitutes a significant interest.

**ELIGIBILITY:** Eligible for investments for RRSPs, RESPs, RRIFs, DPSPs, RDSPs and TFSAs.