

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference, as well as copies of the permanent information record, may be obtained on request, without charge, from the Corporate Secretary, Canadian Western Bank, Canadian Western Bank Place, Suite 2300, 10303 Jasper Avenue, Edmonton, Alberta T5J 3X6, telephone: (780) 423-8888 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") and, subject to certain exceptions, may not be offered or sold within the United States. See "Plan of Distribution".

## Short Form Prospectus

New Issue

February 19, 2009



### **\$65,000,000** **2,600,000 Preferred Units** **at a purchase price of \$25.00 per Preferred Unit**

Canadian Western Bank (the "**Bank**") is distributing (the "**Offering**") 2,600,000 preferred units (the "**Preferred Units**"), each Preferred Unit consisting of one non-cumulative 5-year rate reset preferred share, series 3 of the Bank ("**Series 3 Preferred Share**") with an issue price of \$25.00 per share to yield initially 7.25% per annum and 1.78 common share purchase warrants (each whole warrant, a "**Warrant**") for gross proceeds to the Bank of \$65,000,000. Each Warrant entitles the holder thereof to purchase one common share of the Bank (a "**Common Share**") at a price of \$14.00, at any time prior to 5:00 p.m. (Toronto time) on the date that is five years following the closing of the Offering (the "**Closing**"), subject to adjustment in certain events. Closing is conditional upon certain conditions, including the concurrent closing of the Private Placement (as defined herein), which is conditional upon the approval of the Federal Minister of Finance (Canada) (the "**Minister of Finance**").

The holders of Series 3 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of the Bank (the "**Board of Directors**"), for the initial period commencing on the Closing Date (as defined herein) and ending on and including April 30, 2014 (the "**Initial Fixed Rate Period**"), payable quarterly on the last day of January, April, July and October in each year or if such day is not a business day, on the next business day, at an annual rate equal to \$1.8125 per Series 3 Preferred Share. The initial dividend, if declared, will be payable on April 30, 2009 and will be \$0.292979 per Series 3 Preferred Share, based on the anticipated Closing Date of March 2, 2009. Thereafter, quarterly dividends will be at a rate of \$0.453125 per share during the Initial Fixed Rate Period. Reference is made to "*Details of the Offering*".

For each 5-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**"), the holders of Series 3 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of January, April, July and October in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Bank on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 5.00%. Reference is made to "*Details of the Offering*".

### Option to Convert Into Series 4 Preferred Shares

The holders of Series 3 Preferred Shares will have the right, at their option, to convert any or all of their Series 3 Preferred Shares into an equal number of non-cumulative floating rate preferred shares, series 4 of the Bank (the “**Series 4 Preferred Shares**”), subject to certain conditions, on April 30, 2014 and on April 30th every five years thereafter. The holders of Series 4 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of January, April, July and October in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a “**Quarterly Floating Rate Period**”), in the amount per Series 4 Preferred Share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 5.00% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. Reference is made to “*Details of the Offering*”.

Subject to the provisions of the *Bank Act* (Canada) (the “**Bank Act**”) and to the prior consent of the Superintendent of Financial Institutions Canada (the “**Superintendent**”) and to the provisions described below under “*Details of the Offering – Certain Provisions of the Series 3 Preferred Shares as a Series - Restrictions on Dividends and Retirement of Shares*”, on April 30, 2014 and on April 30th every five years thereafter, the Bank may redeem all or any part of the then outstanding Series 3 Preferred Shares, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption. Reference is made to “*Details of the Offering*”.

The Series 3 Preferred Shares and the Series 4 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 3 Preferred Shares or Series 4 Preferred Shares. Reference is made to “*Risk Factors*”.

**The Series 3 Preferred Shares, the Series 4 Preferred Shares, the Warrants and the Common Shares are not rated by any rating agency.**

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### Price: \$25.00 per Preferred Unit

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Genuity Capital Markets (“**Genuity**”), National Bank Financial Inc., Cormark Securities Inc., GMP Securities L.P. and Desjardins Securities Inc. (collectively, the “**Underwriters**”), as principals, conditionally offer the Preferred Units, subject to prior sale if, as and when issued by the Bank and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP and on behalf of the Underwriters by Cassels Brock & Blackwell LLP. The offering price was determined by negotiation between the Bank and the Underwriters.

	Price to the Public	Underwriting Fee	Net Proceeds to the Bank <sup>(1)(2)</sup>
Per Preferred Unit .....	\$25.00	\$0.75	\$24.25
Total.....	\$65,000,000	\$1,950,000	\$63,050,000

(1) Before deducting expenses of this Offering, estimated at \$600,000.

(2) The Bank has granted to the Underwriters an option (the “**Over-Allotment Option**”) to purchase up to an additional 390,000 Preferred Units, being a number equal to 15% of the number of Preferred Units sold under the Offering, at the Offering price hereunder, exercisable at any time up to 30 days following the Closing Date. If the Over-Allotment Option is exercised in full, the total “Price to Public”, “Underwriting Fee” and “Net Proceeds to the Bank”, before deducting expenses of this Offering, would be \$74,750,000, \$2,242,500 and \$72,507,500, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Series 3 Preferred Shares and Warrants issuable upon exercise of the Over-Allotment Option. Reference is made to “*Plan of Distribution*”

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to an additional 390,000 Preferred Units	30 days following the Closing Date	\$25.00

In connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 3 Preferred Shares and the Warrants. Such transactions, if commenced, may be discontinued at any time. The Underwriters may decrease the price at which the Preferred Units are distributed for cash from the initial offering price of \$25.00 per Preferred Unit. **Reference is made to “Plan of Distribution” for additional disclosure concerning a possible price decrease.**

Subscriptions for minimum increments of 100 Preferred Units will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing will take place on March 2, 2009 or at such later date as may be agreed upon, but in any event not later than March 12, 2009 (the “**Closing Date**”).

A “book-entry only” certificate representing the Series 3 Preferred Shares distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. (“**CDS**”), or its nominee, and will be deposited with CDS on the Closing Date, and registration will be made in the depository service of CDS. A purchaser of Series 3 Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant (“**CDS Participant**”) from or through whom the Series 3 Preferred Shares are purchased. Physical certificates representing the Series 3 Preferred Shares will be issued to purchasers in certain circumstances. Reference is made to “*Book-Entry Only Securities*”.

A certificate representing the aggregate of the Warrants distributed hereunder will be issued in registered form to Genuity, or its nominee, and will be deposited with CDS on the Closing Date. A purchaser of Warrants will receive only a customer confirmation from the CDS Participant from or through whom the Warrants are purchased.

The Toronto Stock Exchange (“**TSX**”) has conditionally approved the listing of the Series 3 Preferred Shares, the Series 4 Preferred Shares, the Warrants and the Common Shares issuable upon exercise of the Warrants. The listing of the Series 3 Preferred Shares, the Warrants and the Common Shares issuable upon exercise of the Warrants is subject to the Bank fulfilling all of the requirements of the TSX on or before March 26, 2009. The listing of the Series 4 Preferred Shares is subject to the Bank fulfilling all of the requirements of the TSX at the end of the Initial Fixed Rate Period (as defined herein). The Common Shares are listed and posted for trading on the TSX under the symbol “CWB”. On February 4, 2009, the last day of trading prior to the public announcement of the Offering, the closing price for the Common Shares on the TSX was \$11.22.

Valiant Trust Company (the “**Transfer Agent**”), at its offices in Calgary, Alberta and Toronto, Ontario, is the transfer agent and registrar for the Series 3 Preferred Shares and the Warrant agent for the Warrants. See “*Auditors, Transfer Agent and Registrar and Warrant Agent*”.

There are risks associated with an investment in securities of the Bank. See the risk factors set forth under “*Risk Factors*” for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Preferred Units.

## TABLE OF CONTENTS

GENERAL MATTERS .....	1
CAUTION REGARDING FORWARD-LOOKING STATEMENTS .....	1
DOCUMENTS INCORPORATED BY REFERENCE .....	1
ELIGIBILITY FOR INVESTMENT .....	2
THE BANK .....	3
BUSINESS OF THE BANK .....	3
RECENT DEVELOPMENTS .....	3
USE OF PROCEEDS .....	4
PRIVATE PLACEMENT .....	4
CHANGES IN CONSOLIDATED CAPITALIZATION IN THE BANK .....	4
BANK ACT RESTRICTIONS AND RESTRICTIONS ON PAYMENT .....	4
DETAILS OF THE OFFERING .....	5
EARNINGS COVERAGE .....	16
PLAN OF DISTRIBUTION .....	16
RISK FACTORS .....	17
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....	19
TRADING PRICE AND VOLUME OF THE BANK'S SECURITIES .....	22
LEGAL MATTERS .....	22
AUDITORS, TRANSFER AGENT AND REGISTRAR AND WARRANT AGENT .....	22
PURCHASERS' STATUTORY RIGHTS .....	23
APPENDIX A .....	A-1
CERTIFICATE OF THE BANK .....	C-1
CERTIFICATE OF THE UNDERWRITERS .....	C-2

## GENERAL MATTERS

In this prospectus, “the Bank”, “we”, “us” and “our” refer collectively to the Bank and its affiliates, unless the context otherwise requires. All references in this prospectus to “dollars” or “\$” are to Canadian dollars unless otherwise noted. The Bank’s financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the Preferred Units only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Preferred Units.

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus, including those relating to the Bank’s strategies and other statements are forward-looking statements within the meaning of securities laws. Forward-looking statements include, but are not limited to, statements about the Bank’s objectives and strategies, targeted and expected financial results and the outlook for the Bank’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” 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. A variety of factors, many of which are beyond the Bank’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 lack of liquidity in financial markets, fluctuations in interest rates and currency values, changes in monetary policy, changes in economic and political conditions, regulatory and legal developments, the level of competition in the Bank’s markets, the occurrence of weather-related and other natural catastrophes, changes in accounting standards and policies, the accuracy of and completeness of information the Bank 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 the Bank’s 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. Reference is made to “*Risk Factors*”. It is important to note that the preceding list is not exhaustive of possible factors. 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 the Bank’s actual results to differ materially from the expectations expressed in such forward-looking statements. Unless required by securities law, the Bank 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.

### DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this prospectus from documents filed with the securities regulatory authorities in each province and territory of Canada. Copies of the documents incorporated herein by reference may be obtained upon request, without charge, from the Corporate Secretary, Canadian Western Bank, Canadian Western Bank Place, Suite 2300, 10303 Jasper Avenue, Edmonton, Alberta, T5J 3X6, telephone: (780) 423-8888 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents have been filed with the securities regulatory authorities in each province and territory of Canada and are specifically incorporated by reference into, and form an integral part of, this prospectus:

- (a) the Bank’s Annual Information Form dated December 10, 2008;
- (b) the Bank’s consolidated financial statements for the years ended October 31, 2008 and 2007, together with the auditors’ reports thereon;

- (c) the Bank's Management's Discussion and Analysis as contained in the Bank's Annual Report for the year ended October 31, 2008;
- (d) the Bank's Management Proxy Circular attached to the Notice of Meeting dated January 9, 2009; and
- (e) the material change report of the Bank dated February 10, 2009 in connection with the Private Placement (as defined herein) and the Offering.

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) or business acquisition reports, all as filed by the Bank with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation after the date of this prospectus and prior to the completion or withdrawal of any offering hereunder, are deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel for the Bank, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, the Series 3 Preferred Shares, the Series 4 Preferred Shares issuable upon conversion of the Series 3 Preferred Shares, the Warrants and the Common Shares issuable on exercise of the Warrants, if issued on the date of this prospectus, would be, at that time, qualified investments under the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, provided that the Series 3 Preferred Shares, the Series 4 Preferred Shares issuable upon conversion of the Series 3 Preferred Shares, the Warrants and the Common Shares issuable on exercise of the Warrants are listed on the TSX or another designated stock exchange.

## **THE BANK**

Canadian Western Bank, a Schedule I chartered bank subject to the provisions of Bank Act, was formed effective November 1, 1987 through the amalgamation of Bank of Alberta (incorporated on March 22, 1984) and Western & Pacific Bank of Canada (incorporated on March 25, 1982). The Bank has also amalgamated with two other financial institutions since 1987: B.C. Bancorp (effective November 1, 1996) and North West Trust Company (effective December 31, 1994). The Bank's head office is located at Canadian Western Bank Place, Suite 2300, 10303 Jasper Avenue, Edmonton, Alberta, T5J 3X6.

## **BUSINESS OF THE BANK**

The Bank is the largest publicly traded Schedule I chartered bank headquartered in and regionally focused on Western Canada. Supported by its commitment to customer service, CWB today serves thousands of small to medium-sized businesses and individuals across the four western provinces. The Bank, along with its subsidiaries, Canadian Western Trust Company ("CWT"), Valiant Trust Company ("Valiant"), Canadian Western Financial Ltd. ("CWF"), Adroit Investment Management Ltd. ("Adroit") and Canadian Direct Insurance Incorporated ("CDI"), currently operates in all four pillars of the financial services industry. The Bank remains primarily focused on its core mid-market commercial and retail banking business in Western Canada. Third party mutual funds are offered to clients through CWF, the Bank's mutual fund dealer subsidiary. Adroit specializes in wealth management for individuals, corporations and institutional clients. CWT provides trust services, including self-directed RRSPs and RRIFs, as well as corporate and group trust services to independent financial advisors, corporations and individuals. Valiant's operations include stock transfer and trustee services to public companies and income trusts. CDI provides personal auto and home insurance to customers in British Columbia and Alberta. At October 31, 2008 there were 36 branches of the Bank located in the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba, and two insurance call centres, one in each of British Columbia and Alberta. Valiant had four trust offices and CWT had three trust offices located in the provinces of British Columbia, Alberta and Ontario. Adroit, which was acquired on December 1, 2008, has one office in Alberta. In total, the Bank and its subsidiaries employed 1,402 employees as at October 31, 2008.

The Bank's mission is to be known and respected as Canada's western bank, providing western Canadians and other select markets with a preferred source of individual and commercial financial services, delivered in its signature Think Western<sup>®</sup> style. The fundamental objectives are to provide shareholders with a sound and profitable return, clients with value, service and stability, and employees with a positive and rewarding work environment, while contributing to the communities in which the Bank operates.

## **RECENT DEVELOPMENTS**

On February 5, 2009, the Bank announced that given preliminary indications at the time, management of the Bank expects financial performance for the first quarter ended January 31, 2009 will be generally consistent with the Bank's fiscal 2009 performance target ranges published in the Bank's Management's Discussion and Analysis as contained in the Bank's Annual Report for the year ended October 31, 2008. The Bank also announced that management of the Bank expects to be in line with analysts' consensus earnings estimate for the first quarter of \$0.39 per diluted Common Share. The Bank also indicated that revenue growth continues to be constrained by a significantly lower net interest margin resulting from consecutive reductions in the prime lending interest rate and elevated deposit costs related to ongoing market disruptions. Furthermore, the Bank indicated that gross impaired loans at January 31, 2009 were within the historic range of acceptable levels at 1.2% of total loans, or approximately \$110 million, compared to 1.1%, or approximately \$92 million at October 31, 2008. Finally, the Bank stated that while the economic environment presents challenges, overall credit quality through the first quarter continued to support management's target provisions for credit losses in the published range of 15 to 18 basis points of average loans.

## USE OF PROCEEDS

The net proceeds to the Bank from the Offering, without exercise of the Over-Allotment Option, are estimated to be approximately \$62,450,000, after deducting the expenses of the Offering of approximately \$600,000 and the underwriting fee of \$1,950,000. Such proceeds will be added to the Bank's capital base and will be used for general corporate purposes.

## PRIVATE PLACEMENT

On February 5, 2009, the Bank entered into subscription agreements with three Canadian investors (each a "**Private Placement Subscriber**") and collectively, the "**Private Placement Subscribers**") providing, in the aggregate, for the purchase of 5,400,000 preferred units ("**Private Placement Units**") on a private placement basis (the "**Private Placement**") for aggregate gross proceeds to the Bank of approximately \$135,000,000. Genuity, the lead underwriter, acted as agent under the Private Placement and will be paid an agency fee of 1.00% of the gross proceeds of the Private Placement. Pursuant to the terms of the agency agreement between Genuity and the Bank, Genuity has retained the other Underwriters as sub-agents in respect of the Private Placement and will pay those other Underwriters a portion of the agency fee to be paid to Genuity by the Bank. Units will be issued by the Bank to the Private Placement Subscribers for a price of \$25.00, which is equal to the Offering Price. The Private Placement Units will consist of one Series 3 Preferred Share with an issue price of \$25.00 per share to yield initially 7.25% per annum and 1.7857 Warrants. The Warrants will have the same terms at those issued under the Offering. The closing of the Private Placement is conditional upon certain conditions, including the concurrent Closing of the Offering and receipt of approval from the Minister of Finance pursuant to the *Bank Act* as certain of the Private Placement Subscribers are subscribing for Private Placement Units that would result in a Private Placement Subscriber owning more than 10% of the outstanding Series 3 Preferred Shares immediately after the Closing Date. The Closing of the Offering is also conditional upon closing conditions, including the concurrent closing of the Private Placement. The Series 3 Preferred Shares and Warrants that make up the Private Placement Units and any Common Shares issuable upon exercise of such Warrants will be subject to resale restrictions for a four-month period from the closing of the Private Placement in accordance with applicable Canadian securities laws.

Purchasers of Preferred Units under this prospectus should not rely on the fact that the Private Placement Subscribers have decided to participate in the Private Placement and make an investment in the Private Placement Units.

## CHANGES IN CONSOLIDATED CAPITALIZATION IN THE BANK

Upon the completion of the Offering and the Private Placement, the Bank will issue 8,390,000 Series 3 Preferred Shares and 14,964,980 Warrants if the Over-Allotment Option is exercised in full, or 8,000,000 Series 3 Preferred Shares and 14,270,780 Warrants if the Over-Allotment Option is not exercised.

## BANK ACT RESTRICTIONS AND RESTRICTIONS ON PAYMENT

The Bank Act contains restrictions on the issue, transfer, acquisition and beneficial ownership of all shares of a chartered bank. The following is a summary of such restrictions. Any person wishing to obtain, or increase, a significant interest in a bank must make an application to the Minister of Finance. Ownership, directly or indirectly, of more than 10% of any class of shares of a bank constitutes a significant interest. A bank with equity of \$8 billion or more (a "**Large Bank**") may not have a shareholder which owns, directly or indirectly, more than 20% of its outstanding voting shares of any class or more than 30% of its outstanding non-voting shares of any class. Although the Bank does not meet this equity threshold, the Bank was grandfathered and deemed to be a Large Bank under this section of the Bank Act. The Minister of Finance has the power to change the Bank's status if it is demonstrated that the change in status is in the public interest and it will foster opportunities for the Bank to grow and better serve its customers. If the Minister of Finance were to change the status of the Bank, the Minister of Finance could approve the acquisition of all the Bank's Common Shares by a single entity.

As noted above, certain of the Private Placement Subscribers are subscribing for Private Placement Units that would result in a Private Placement Subscriber owning more than 10% of the outstanding Series 3 Preferred Shares

immediately after the closing of the Private Placement and therefore, the Private Placement is conditional upon the approval of the Minister of Finance.

The Bank monitors the above constraints on shareholdings through various means including completion of Declaration of Ownership Forms for shareholder certificate transfer requests.

The Bank Act also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

Under the Bank Act, the Bank cannot redeem or purchase any of its shares, including the Series 3 Preferred Shares and the Series 4 Preferred Shares, or its subordinated debt, unless the consent of the Superintendent has been obtained. In addition, the Bank Act prohibits the Bank from purchasing or redeeming any shares or paying any dividends if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the Bank Act requirement to maintain, in relation to the Bank's operations, adequate capital and appropriate forms of liquidity and to comply with any regulations or directions of the Superintendent in relation thereto.

The Bank has covenanted that, if a distribution is not paid when due on any outstanding Canadian Western Bank Trust Securities (also known as "**CWB WesTS**") issued by Canadian Western Bank Capital Trust, the Bank will not pay dividends on its "Dividend Restricted Shares", which would include the Preferred Shares (as defined herein), until the twelfth month following the failure to pay the required distribution in full, unless the required distribution is paid to the holders of CWB WesTS.

The issue, transfer and acquisition of beneficial ownership of the Series 3 Preferred Shares and the Series 4 Preferred Shares, as well as the Warrants and the Common Shares issued upon exercise of the Warrants, will be subject to the limitations contained in the Bank Act.

## **DETAILS OF THE OFFERING**

### **Description of Preferred Shares as a Class**

The Series 3 Preferred Shares and the Series 4 Preferred Shares will each be issued either in registered form or "book-entry only" form as a series of preferred shares (the "**Preferred Shares**") of the Bank.

#### ***Issuable in Series***

The authorized Preferred Share capital of the Bank consists of 25,000,000 non-cumulative first preferred shares without nominal or par value. The directors of the Bank may divide any unissued Preferred Shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof.

#### ***Priority***

The Preferred Shares of each series will rank on a parity with Preferred Shares of every other series and are entitled to preference over the Common Shares and over any other shares of the Bank ranking junior to the Preferred Shares with respect to the payment of dividends and upon any distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

#### ***Restrictions***

The Bank may not create, without the approval of the holders of Preferred Shares, any other class of shares ranking prior to or on a parity with the Preferred Shares, increase the authorized number of Preferred Shares or amend the provisions attaching to the Preferred Shares.

### *Shareholder Approval*

Any approval to be given by the holders of the Preferred Shares as a class may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of Preferred Shares at which holders of at least 33⅓% of the outstanding Preferred Shares are represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

### **Certain Provisions of the Series 3 Preferred Shares as a Series**

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Series 3 Preferred Shares as a series.

#### *Definition of Terms*

The following definitions are relevant to the Series 3 Preferred Shares.

**“Annual Fixed Dividend Rate”** means, for any Subsequent Fixed Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 5.00%.

**“Bloomberg Screen GCAN5YR Page”** means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Bond yields.

**“Fixed Rate Calculation Date”** means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

**“Government of Canada Yield”** on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Bank as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

**“Initial Fixed Rate Period”** means the period commencing on the Closing Date and ending on and including April 30, 2014.

**“Subsequent Fixed Rate Period”** means for the initial Subsequent Fixed Rate Period, the period commencing May 1, 2014 and ending on and including April 30, 2019 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including April 30 in the fifth year thereafter.

#### *Issue Price*

The Series 3 Preferred Shares will have an issue price of \$25.00 per Series 3 Preferred Share.

#### *Dividends*

During the Initial Fixed Rate Period, the holders of the Series 3 Preferred Shares will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, on the last day of January, April, July and October in each year, at a rate equal to \$0.453125

per Series 3 Preferred Share. The initial dividend, if declared, will be payable on April 30, 2009 and will be \$0.292979 Series 3 Preferred Share, based on the anticipated Closing Date of March 2, 2009.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Series 3 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the last day of January, April, July and October 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 \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Bank on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Series 3 Preferred Shares. The Bank will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 3 Preferred Shares.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series 3 Preferred Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series 3 Preferred Shares to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

### ***Redemption***

The Series 3 Preferred Shares will not be redeemable prior to April 30, 2014. Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, on April 30, 2014 and on April 30 every five years thereafter, the Bank may redeem all or any part of the then outstanding Series 3 Preferred Shares, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series 3 Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions or in any other manner that the Board of Directors may determine.

### ***Conversion of Series 3 Preferred Shares into Series 4 Preferred Shares***

Holders of Series 3 Preferred Shares will have the right, at their option, on April 30, 2014 and on April 30<sup>th</sup> every five years thereafter (a “**Series 3 Conversion Date**”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Series 3 Preferred Shares registered in their name into Series 4 Preferred Shares on the basis of one Series 4 Preferred Share for each Series 3 Preferred Share. The conversion of Series 3 Preferred Shares may be effected upon notice in writing (“**Election Notice**”) given not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series 3 Conversion Date. Once received by the Bank or its nominee, an Election Notice is irrevocable.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 3 Conversion Date, give notice in writing to the then registered holders of the Series 3 Preferred Shares of the above-mentioned conversion right. On the 30<sup>th</sup> day prior to each Series 3 Conversion Date, the Bank will give notice in writing to the then registered holders of the Series 3 Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Series 3 Preferred Shares will not be entitled to convert their shares into Series 4 Preferred Shares if the Bank determines that there would remain outstanding on a Series 3 Conversion Date less than 500,000 Series 4 Preferred Shares, after having taken into account all Series 3 Preferred Shares tendered for conversion into Series 4 Preferred Shares and all Series 4 Preferred Shares tendered for conversion into Series 3 Preferred Shares. The Bank will give notice in writing thereof to all registered holders of Series 3 Preferred Shares at least seven days prior to the applicable Series 3 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 3 Conversion Date less than 500,000 Series 3 Preferred Shares, after having taken into account all Series 3 Preferred

Shares tendered for conversion into Series 4 Preferred Shares and all Series 4 Preferred Shares tendered for conversion into Series 3 Preferred Shares, then, all, but not part, of the remaining outstanding Series 3 Preferred Shares will automatically be converted into Series 4 Preferred Shares on the basis of one Series 4 Preferred Share for each Series 3 Preferred Share on the applicable Series 3 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Series 3 Preferred Shares at least seven days prior to the Series 3 Conversion Date.

Upon exercise by the holder of this right to convert Series 3 Preferred Shares into Series 4 Preferred Shares, the Bank reserves the right not to issue Series 4 Preferred Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of the United States, its territories or possessions or other jurisdiction (other than Canada) the laws of which would require the Bank to comply with the registration, prospectus, filing or other similar requirements under the applicable securities laws of such jurisdiction.

If the Bank gives notice to the registered holders of the Series 3 Preferred Shares of the redemption of all the Series 3 Preferred Shares, the Bank will not be required to give notice as provided hereunder to the registered holders of the Series 3 Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series 3 Preferred Shares and the right of any holder of Series 3 Preferred Shares to convert such Series 3 Preferred Shares will cease and terminate in that event.

#### ***Purchase for Cancellation***

Subject to the provisions of applicable securities law, the rules of the TSX, the Bank Act, the prior consent of the Superintendent, and the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, the Bank may at any time purchase for cancellation any Series 3 Preferred Share in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Series 3 Preferred Shares are outstanding, the Bank will not, without the approval of the holders of outstanding Series 3 Preferred Shares given as specified below:

- (a) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 3 Preferred Shares (other than share dividends payable in the form of shares ranking junior to the Series 3 Preferred Shares and dividends payable on the class A shares in the capital of the Bank (“**Class A Shares**”));
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series 3 Preferred Shares (but not Class A Shares and except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 3 Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all the Series 3 Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on a parity with the Series 3 Preferred Shares;

unless, in each case, all dividends on the Series 3 Preferred Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of the holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or on a parity with the Series 3 Preferred Shares, have been declared and paid or set apart for payment.

#### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of preferred shares ranking on a parity with the Series 3 Preferred Shares without the authorization of the holders of the Series 3 Preferred Shares.

### ***Amendments to Series 3 Preferred Shares***

The Bank will not, without the approval of the holders of the Series 3 Preferred Shares given as specified below under “*Shareholder Approvals*”, delete or vary any rights, privileges, restrictions and conditions attaching to the Series 3 Preferred Shares. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Series 3 Preferred Shares from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.

### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Series 3 Preferred Shares may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Series 3 Preferred Shares at which holders of at least 33 $\frac{1}{3}$ % of the outstanding Series 3 Preferred Shares are represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of assets of the Bank for the purpose of winding up its affairs, the holders of the Series 3 Preferred Shares will be entitled to receive \$25.00 for each Series 3 Preferred Share held by them, plus any dividends declared and unpaid to the date of distribution, before any amounts are paid or any assets of the Bank distributed to the holders of the Common Shares or any shares ranking junior to the Series 3 Preferred Shares (but not the Class A shares of the Bank). After payment of those amounts, the holders of Series 3 Preferred Shares will not be entitled to share in any further distribution of the property or assets of the Bank.

### ***Voting Rights***

Subject to applicable law, holders of Series 3 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 of Directors has not declared the dividend in full on the Series 3 Preferred Shares in any quarter. In that event, the holders 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 3 Preferred Share held. The voting rights of the holders of the Series 3 Preferred Shares will cease on payment by the Bank of the first dividend on the Series 3 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 3 Preferred Shares in any quarter, in which event the voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of Series 3 Preferred Shares voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

### ***Tax Election***

The Bank will elect, in the manner and within the time provided under Part VI.1 of the *Tax Act*, to pay tax at a rate such that holders of Series 3 Preferred Shares will not be required to pay tax under Part IV.1 of such Act on dividends received on the Series 3 Preferred Shares.

### ***Business Days***

If any action is required to be taken by the Bank on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

## **Certain Provisions of the Series 4 Preferred Shares as a Series**

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Series 4 Preferred Shares as a series.

### ***Definition of Terms***

The following definitions are relevant to the Series 4 Preferred Shares.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 5.00% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the first day of each of February, May, August and November in each year.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on May 1, 2014 and ending on and including July 31, 2014, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date, as posted on the Reuters page BOC BILL.

### ***Issue Price***

The Series 4 Preferred Shares will have an issue price of \$25.00 per Series 4 Preferred Share.

### ***Dividends***

The holders of the Series 4 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the last day of January, April, July and October in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Bank on the 30<sup>th</sup> day prior to the first day of each Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Series 4 Preferred Shares. The Bank will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding Series 4 Preferred Shares.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series 4 Preferred Shares on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Series 4 Preferred Shares to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

### ***Redemption***

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Series 4 Preferred Shares, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of: (i) \$25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on April 30, 2019 and on April 30 every five years thereafter; or (ii) \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date on or after April 30, 2014.

Notice of any redemption will be given by the Bank to the holders at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series 4 Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions or in any other manner that the Board of Directors may determine.

### ***Conversion of Series 4 Preferred Shares into Series 3 Preferred Shares***

Holders of Series 4 Preferred Shares will have the right, at their option, on April 30, 2019 and on April 30<sup>th</sup> every five years thereafter (a “**Series 4 Conversion Date**”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Series 4 Preferred Shares registered in their name into Series 3 Preferred Shares on the basis of one Series 3 Preferred Share for each Series 4 Preferred Share. The conversion of Series 4 Preferred Shares may be effected upon Election Notice given not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series 4 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 4 Conversion Date, give notice in writing to the then registered holders of the Series 4 Preferred Shares of the above-mentioned conversion right. On the 30<sup>th</sup> day prior to each Series 4 Conversion Date, the Bank will give notice in writing to the then registered holders of Series 4 Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Series 4 Preferred Shares will not be entitled to convert their shares into Series 3 Preferred Shares if the Bank determines that there would remain outstanding on a Series 4 Conversion Date less than 500,000 Series 3 Preferred Shares, after having taken into account all Series 4 Preferred Shares tendered for conversion into Series 3 Preferred Shares and all Series 3 Preferred Shares tendered for conversion into Series 4 Preferred Shares. The Bank will give notice in writing thereof to all registered holders of the Series 4 Preferred Shares at least seven days prior to the applicable Series 4 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 4 Conversion Date less than 500,000 Series 4 Preferred Shares, after having taken into account all Series 4 Preferred Shares tendered for conversion into Series 3 Preferred Shares and all Series 3 Preferred Shares tendered for conversion into Series 4 Preferred Shares, then, all, but not part, of the remaining outstanding Series 4 Preferred Shares will automatically be converted into Series 3 Preferred Shares on the basis of one Series 3 Preferred Share for each Series 4 Preferred Share on the applicable Series 4 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Series 4 Preferred Shares at least seven days prior to the Series 4 Conversion Date.

Upon exercise by the holder of this right to convert Series 4 Preferred Shares into Series 3 Preferred Shares, the Bank reserves the right not to issue Series 3 Preferred Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of the United States, its territories or possessions or other jurisdiction (other than Canada) the laws of which would require the Bank to comply with the registration, prospectus, filing or other similar requirements under the applicable securities laws of such jurisdiction

If the Bank gives notice to the registered holders of the Series 4 Preferred Shares of the redemption on a Series 4 Conversion Date of all the Series 4 Preferred Shares, the Bank will not be required to give notice as provided hereunder to the registered holders of the Series 4 Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series 4 Preferred Shares and the right of any holder of Series 4 Preferred Shares to convert such Series 4 Preferred Shares will cease and terminate in that event.

### ***Purchase for Cancellation***

Subject to the provisions of applicable securities law, the rules of the TSX, the Bank Act, the prior consent of the Superintendent and the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, the Bank may at any time purchase for cancellation any of the Series 4 Preferred Shares in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

### ***Restrictions on Dividends and Retirement of Shares***

As long as any of the Series 4 Preferred Shares are outstanding, the Bank will not, without the approval of the holders of outstanding Series 4 Preferred Shares given as specified below:

- (e) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 4 Preferred Shares (other than share dividends payable in the form of shares ranking junior to the Series 4 Preferred Shares and dividends payable on the Class A Shares);
- (f) redeem, purchase or otherwise retire any of the Common Shares or any other shares ranking junior to the Series 4 Preferred Shares (but not Class A Shares and except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 4 Preferred Shares);
- (g) redeem, purchase or otherwise retire less than all the Series 4 Preferred Shares; or
- (h) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on a parity with the Series 4 Preferred Shares;

unless, in each case, all dividends on the Series 4 Preferred Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of the holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or on a parity with the Series 4 Preferred Shares, have been declared and paid or set apart for payment.

### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of preferred shares ranking on a parity with the Series 4 Preferred Shares without the authorization of the holders of the Series 4 Preferred Shares.

### ***Amendments to Series 4 Preferred Shares***

The Bank will not, without the approval of the holders of the Series 4 Preferred Shares given as specified below under “*Shareholder Approvals*”, delete or vary any rights, privileges, restrictions and conditions attaching to the Series 4 Preferred Shares. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Series 4 Preferred Shares from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.

### ***Shareholder Approvals***

The approval of any amendments to the Series 3 Preferred Shares and Warrants, privileges, restrictions and conditions attaching to the Series 4 Preferred Shares may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Series 4 Preferred Shares at which holders of at least 33 $\frac{1}{3}$ % of the outstanding Preferred Shares 4 are represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of assets of the Bank for the purpose of winding up its affairs, the holders of the Series 4 Preferred Shares will be entitled to receive \$25.00 for each Series 4 Preferred Share held by them, plus any dividends declared and unpaid to the date of distribution, before any amounts are paid or any assets of the Bank distributed to the holders of the Common Shares or any shares ranking junior to the Series 4 Preferred Shares (but not the Class A shares of the Bank). After payment of those amounts, the holders of Series 4 Preferred Shares will not be entitled to share in any further distribution of the property or assets of the Bank.

### ***Voting Rights***

Subject to applicable law, holders of Series 4 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 of Directors has not declared the dividend in full on the Series 4 Preferred Shares in any Quarterly Floating Rate Period. In that event, the holders 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 4 Preferred Share held. The voting rights of the Series 4 Preferred Shares will cease on payment by the Bank of the first dividend on the Series 4 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 4 Preferred Shares in any Quarterly Floating Rate Period, in which event the voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of Series 4 Preferred Shares voting as a series or as part of the class, each such Series 4 Preferred Share will entitle the holder thereof to one vote.

### ***Tax Election***

The Bank will elect, in the manner and within the time provided under Part VI.1 of the *Tax Act*, to pay tax at a rate such that holders of Series 4 Preferred Shares will not be required to pay tax under Part IV.1 of such Act on dividends received on the Series 4 Preferred Shares.

### ***Business Days***

If any action is required to be taken by the Bank on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

### **Book-Entry Only Securities**

#### ***CDS Clearing***

Except as otherwise provided below, the Series 3 Preferred Shares and the Series 4 Preferred Shares will be issued in “book-entry only” form and must be purchased, transferred or redeemed through CDS Participants in the depository service of CDS, as described below. Each of the Underwriters is a CDS Participant. On the Closing Date, the Bank will cause a global certificate or certificates representing the Series 3 Preferred Shares to be delivered to, and registered in the name of, CDS. Except as described below, no purchaser of Series 3 Preferred Shares or Series 4 Preferred Shares will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a CDS Participant acting on behalf of such purchaser. Each purchaser of Series 3 Preferred Shares or Series 4 Preferred Shares, as applicable, will receive a customer confirmation of purchase from the registered dealer from which the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. Reference in this prospectus to a holder of Series 3 Preferred Shares or Series 4 Preferred Shares, as applicable, means, unless the context otherwise requires, the owner of the beneficial interest in the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable.

CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants having interests in the Series 3 Preferred Shares or the Series 4 Preferred Shares. If: (i) the “book-entry only” system ceases to exist; (ii) the Bank determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series 3 Preferred Shares or the Series 4 Preferred Shares and the Bank is unable to locate a qualified successor; or (iii) the Bank at its option elects, or is required by applicable law or the rules of any securities exchange, to withdraw the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, from the “book-entry only” system, then physical certificates representing the Series 3 Preferred Shares or the Series 4 Preferred Shares will be issued to holders thereof or their nominees.

#### ***Transfer, Conversion and Redemption of Securities***

Transfers of ownership, conversions or redemptions of Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, will be effected only through records maintained by CDS for such Series 3 Preferred Shares or Series 4 Preferred Shares with respect to interests of CDS Participants and on the records of CDS Participants with respect to interests of persons other than CDS Participants. Holders of Series 3 Preferred Shares or Series 4 Preferred Shares who are not CDS Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Series 3 Preferred Shares or the Series 4 Preferred Shares, may do so only through CDS Participants. The ability of a holder to pledge Series 3 Preferred Shares or Series 4 Preferred Shares or otherwise take action with respect to such holder’s interest in the securities (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

#### ***Payments and Deliveries***

The Bank will make, or cause to be made, payments of principal, redemption price, if any, and dividends, as applicable, on Series 3 Preferred Shares or Series 4 Preferred Shares to CDS as the registered holder of the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, and the Bank understands that the payment will be forwarded by CDS to CDS Participants in accordance with the customary practices and procedures of CDS. As long as CDS is the registered owner of the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, CDS will be considered the sole owner of the Series 3 Preferred Shares or the Series 4 Preferred Shares for the purposes of receiving notices or payments on the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable. As long as the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, are held in the CDS “book-entry only” system, the responsibility and liability of the Bank in respect of the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable, is limited to making payments of principal, redemption price, if any, and dividends, as applicable, on the Series 3 Preferred Shares or the Series 4 Preferred Shares to CDS, as registered holder of the Series 3 Preferred Shares or the Series 4 Preferred Shares, as applicable. The Bank expects that CDS, upon receipt of any payment in respect of Series 3 Preferred Shares or Series 4 Preferred Shares, as applicable, will credit the respective CDS Participants’ accounts in amounts proportionate to their respective interests in the principal amount of such Series 3 Preferred Shares or Series 4 Preferred Shares as shown on the records of CDS in accordance with the customary practices and procedures of CDS. The Bank also expects that payments by CDS Participants to the owners of beneficial interests in Series 3 Preferred Shares or Series 4 Preferred Shares, as applicable, held through such CDS Participants will be governed by standing instructions and customary practices, and will be the responsibility of such CDS Participants. The rules governing CDS provide that CDS acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS, and persons other than CDS Participants having an interest in Series 3 Preferred Shares or Series 4 Preferred Shares, as applicable, must look solely to CDS Participants, for payments or deliveries made by or on behalf of the Bank to CDS in respect of such Series 3 Preferred Shares or Series 4 Preferred Shares.

Each beneficial owner must rely on the procedures of CDS and, if such beneficial owner is not a CDS Participant, on the procedures of the CDS Participant through which such beneficial owner owns its interest, to exercise any rights with respect to the Series 3 Preferred Shares or the Series 4 Preferred Shares. The Bank understands that under existing policies of CDS and industry practices, if the Bank requests any action of a beneficial owner or if a beneficial owner desires to give any notice or take any action which a registered holder is entitled to give or take with respect to the Series 3 Preferred Shares or the Series 4 Preferred Shares, CDS would authorize the CDS Participant acting on behalf of the beneficial owner to give such notice or to take such action, in accordance with the procedures established by CDS or agreed to from time to time by the Bank, any trustee and CDS. Any beneficial owner that is not a CDS Participant must rely on the contractual arrangement it has directly, or indirectly through its financial intermediary, with its CDS Participant to give such notice or take such action.

None of the Bank or the Underwriters will assume liability or responsibility for: (i) any aspect of the records relating to the beneficial ownership of the Series 3 Preferred Shares or the Series 4 Preferred Shares held by CDS or the payments or deliveries relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Series 3 Preferred Shares or the Series 4 Preferred Shares; or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of CDS Participants.

### **Description of the Warrants**

The Warrants will be issued in registered form and will be governed by an indenture to be dated as of the Closing Date (the “**Warrant Indenture**”) between the Bank and Valiant Trust Company, as Warrant agent thereunder. The Bank has appointed Valiant Trust Company at its offices in Calgary, Alberta and Toronto, Ontario as locations at which Warrants may be surrendered for exercise or transfer.

The following is a summary of the material attributes and characteristics of the Warrants offered hereby and is qualified in its entirety by the provisions of the Warrant Indenture to be filed by the Bank on SEDAR at [www.sedar.com](http://www.sedar.com), as well as the restrictions imposed by the Bank Act. Reference is made to “*Bank Act Restrictions and Restrictions on Payment*”.

Each Preferred Unit will separate immediately upon Closing into one Series 3 Preferred Shares and 1.78 Warrants. No fractional Warrants will be issued. Each whole Warrant will entitle its holder to purchase one Common Share at a price of \$14.00, subject to adjustment as summarized below. Warrants will be exercisable at the holder’s option at any time prior to 5:00 p.m. (Toronto time) on the date that is five years following the Closing Date, after which the Warrants will expire and become null and void.

The Warrants may only be offered, sold, pledged or otherwise transferred in a transaction outside the United States in accordance with Regulation S under the 1933 Act. The Warrants may not be exercised by persons in the United States or by, or for the account or benefit of U.S. Persons except pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws, after providing a legal opinion satisfactory to the Bank to the effect that such an exemption is available.

The Warrant Indenture will provide that the Bank may not issue Common Shares upon exercise of any Warrant to any person who would as a result of such delivery become a person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, Common Shares in excess of 10% of the total number of issued and outstanding Common Shares (a “**Significant Shareholder**”), unless such person delivers to the Bank evidence that it has obtained the necessary consent from the Minister of Finance under the Bank Act. Without such evidence, the Warrant agent will hold all Common Shares that would otherwise be delivered to any Significant Shareholder, as agent for Significant Shareholders, and the Warrant agent will attempt to sell such Common Shares (to parties other than the Bank and its affiliates) on behalf of such Significant Shareholders. Such sales, if any, may be made at any time and any price. Neither the Bank nor the Warrant agent will be subject to any liability for failing to sell Common Shares on behalf of any such Significant Shareholders at any particular price on any particular day. The net proceeds received by the Warrant agent from the sale of any Common Shares will be delivered to the applicable Significant Shareholders, after deducting the costs of sale and any applicable withholding taxes.

The Warrant Indenture will also provide that the Bank may require any holder of Warrants to provide a declaration, in form and substance satisfactory to the Bank, confirming compliance with applicable regulatory requirements, including the Bank Act, and to establish that such holder is not, and does not represent, a person whose address is in, or whom the Bank or the Warrant agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that the issuance or delivery by the Bank to that person upon exercise of the Warrants, would require the Bank to take any action to comply with securities, banking or analogous laws of that jurisdiction or a person that is Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them and that no such persons would, by virtue of the exercise of the Warrants or the issue or delivery of Common Shares in connection therewith, become a Significant Shareholder.

The Warrant Indenture will provide for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share in the event of: (a) 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 or other distribution (other than a “dividend paid in the ordinary course”, as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants or pursuant to the exercise of directors’, officers’ or employee stock options granted under the Bank’s stock option plan); (b) the subdivision, redivision or change of the Common Shares into a greater number of shares; (c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares; and (d) the issuance or distribution to all or substantially all of the holders of the Common Shares or shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares at 95% or less of the current market price, or other assets of the Bank, or evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of: (a) reclassifications of the Common Shares; (b) consolidations, amalgamations, plans of arrangement or mergers of the Bank with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Common Shares or a change of the Common Shares into other shares); or (c) the transfer of the undertaking or assets of the Bank as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment of the exercise price will be made if the amount of such adjustment will be less than 1% of the exercise price in effect immediately prior to the event giving rise to the adjustment, provided, however, that in such case any adjustment that would otherwise be required then to be made will be carried forward and will be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, will amount to at least 1% of the exercise price.

No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

The Bank will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give public notice of certain stated events at least 14 days prior to the effective date of such event.

The rights of the holders of Warrants will be subject to modification by extraordinary resolution, which will be defined in the Warrant Indenture as a resolution either passed at a meeting of Warrant holders by holders of not less than 66⅔% of the Warrants represented at the meeting or adopted by instruments in writing signed by the holders of not less than 66⅔% of all Warrants then outstanding. An extraordinary resolution will be subject to the prior approval of the TSX.

### **EARNINGS COVERAGE**

The Bank currently has no outstanding Preferred Shares. After giving effect to the issue of the Series 3 Preferred Shares (assuming the Over-Allotment Option is exercised), the Bank’s dividend requirements, adjusted to a before tax equivalent using an effective tax rate of 30.1% for the twelve months ended October 31, 2008, amounted to \$21.8 million. The Bank’s interest requirements for subordinated debentures, capital instrument liabilities, those instruments that were reclassified as deposits from capital instrument liabilities in accordance with the pronouncements issued by the Canadian Institute of Chartered Accountants for the twelve months ended October 31, 2008 and adjusted for a full year’s interest expense for the Bank’s 5.95% subordinated debentures due June 27, 2018, which were issued June 2008 and 5.66% and 5.96% subordinated debentures, which were redeemed in July 2008 and October 2008, respectively, amounted to \$27.5 million for the twelve months ended October 31, 2008.

The Bank’s earnings before interest, expense and income tax for the twelve months ended October 31, 2008 were \$174.8 million, which was 3.6 times the Bank’s aggregate dividend and interest requirements, for that period after adjustment for the Bank’s subordinated debentures noted above and after giving effect to the issue of the Series 3 Preferred Shares (assuming the Over-Allotment Option is exercised in full).

### **PLAN OF DISTRIBUTION**

Pursuant to an agreement (the “**Underwriting Agreement**”) dated February 11, 2009 between the Bank and the Underwriters, the Bank has agreed to sell and the Underwriters have severally agreed to purchase on March 2, 2009, or

on such later date as may be agreed upon, but in any case, not later than March 12, 2009, subject to the terms and conditions contained therein, all but not less than all of the 2,600,000 Preferred Units at a price of \$25.00 per Preferred Unit payable in cash to the Bank against delivery of such Preferred Units. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee equal to \$0.75 with respect to each Preferred Unit. The underwriting fee will be \$1,950,000. The offering price was determined by negotiation between the Bank and the Underwriters.

The Bank has granted to the Underwriters an Over-Allotment Option to purchase up to an additional 390,000 Preferred Units, being a number equal to 15% of the number of Preferred Units sold under the Offering, at the Offering price hereunder, exercisable at any time up to 30 days following the Closing Date. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Series 3 Preferred Shares and Warrants issuable upon exercise of the Over-Allotment Option. The Underwriters will be paid an underwriting fee equal to \$0.75 with respect to each Preferred Unit issued upon exercise of the Over-Allotment Option.

Closing is conditional upon certain conditions, including the concurrent closing of the Private Placement, which is conditional upon the approval of the Minister of Finance.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series 3 Preferred Shares and Warrants comprising the Preferred Units.

The TSX has conditionally approved the listing of the Series 3 Preferred Shares, the Series 4 Preferred Shares, the Warrants and the Common Shares issuable upon exercise of the Warrants. The listing of the Series 3 Preferred Shares, the Warrants and the Common Shares issuable upon exercise of the Warrants is subject to the Bank fulfilling all of the requirements of the TSX on or before March 26, 2009. The listing of the Series 4 Preferred Shares is subject to the Bank fulfilling all of the requirements of the TSX at the end of the Initial Fixed Rate Period.

After the Underwriters have made a reasonable effort to sell all of the Preferred Units at \$25.00 per unit, the price of the Preferred Units may be decreased, and further changed from time to time by the Underwriters, to an amount not greater than \$25.00 per unit and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Preferred Units is less than the gross proceeds paid by the Underwriters to the Bank.

The Offering is being made concurrently in all provinces and territories of Canada, and the Underwriters will only sell Preferred Units to the public in increments of 100 Preferred Units. Neither the Series 3 Preferred Shares, the Warrants, the Series 4 Preferred Shares or the Common Shares issuable upon exercise of the Warrants have been or will be registered under the 1933 Act or any state securities laws and may not be offered or sold, directly or indirectly, within the United States, its territories or possessions, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase any Series 3 Preferred Shares or Warrants. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. Subject to the foregoing, in connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 3 Preferred Shares or the Warrants at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

## **RISK FACTORS**

An investment in Series 3 Preferred Shares and Warrants is subject to certain risks.

Investors should carefully consider the risks described below before deciding whether to invest in Preferred Units. Investors should also carefully consider any risks that may be described in other filings the Bank makes with securities regulators including, without limitation, the section entitled “*Risk Management*” contained in the Bank’s Management’s Discussion and Analysis for the year ended October 31, 2008, which is incorporated by reference in this prospectus. That analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank’s business, financial condition or results of operations. Additional risks and uncertainties not presently known to the Bank may also impair its business operations. If the Bank does not successfully address any of the risks described below or in other filings, there could be a material adverse effect on its business, financial condition or results of operations. As a result, the Bank cannot assure an investor that it will successfully address these risks.

The Bank has covenanted that, if a distribution is not paid when due on any outstanding CWB WesTS issued by Canadian Western Bank Capital Trust, the Bank will not pay dividends on its “Dividend Restricted Shares”, which would include the Series 3 Preferred Shares and the Series 4 Preferred Shares, until the 12<sup>th</sup> month following the failure to pay the required distribution in full, unless the required distribution is paid to the holders of CWB WesTS.

The value of Series 3 Preferred Shares, Series 4 Preferred Shares, Warrants and Common Shares, respectively, will be affected by the general creditworthiness of the Bank.

The dividends on the Series 3 Preferred Shares and the Series 4 Preferred Shares are non-cumulative and are payable at the discretion of the Board of Directors.

The Series 3 Preferred Shares rank, and the Series 4 Preferred Shares will, if issued, rank, equally with other preferred shares of the Bank in the event of an insolvency or winding-up of the Bank. If the Bank becomes insolvent or is wound-up, the Bank’s assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on the Series 3 Preferred Shares or the Series 4 Preferred Shares.

Prevailing yields on similar securities will affect the market value of Series 3 Preferred Shares and the Series 4 Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series 3 Preferred Shares and the Series 4 Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series 3 Preferred Shares and the Series 4 Preferred Shares in an analogous manner.

The redemption or purchase by the Bank of the Series 3 Preferred Shares and the Series 4 Preferred Shares is subject to the consent of the Superintendent and other restrictions contained in the Bank Act.

Neither the Series 3 Preferred Shares nor the Series 4 Preferred Shares have a fixed maturity date and are not redeemable at the option of the holders of Series 3 Preferred Shares or Series 4 Preferred Shares, as applicable. The ability of a holder to liquidate its holdings of Series 3 Preferred Shares or Series 4 Preferred Shares, the Warrants or the Common Shares issuable upon exercise of the Warrants, as applicable, may be limited.

The dividend rate in respect of the Series 3 Preferred Shares will reset on April 30, 2014 and on April 30th every five years thereafter. The dividend rate in respect of the Series 4 Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

An investment in the Series 3 Preferred Shares, or in the Series 4 Preferred Shares, as the case may be, may become an investment in Series 4 Preferred Shares or the Series 3 Preferred Shares respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “*Conversion of Series 3 Preferred Shares into Series 4 Preferred Shares*” and “*Conversion of Series 4 Preferred Shares into Series 3 Preferred Shares*” above. Upon the automatic conversion of the Series 3 Preferred Shares into Series 4 Preferred Shares, the dividend rate on the Series 4 Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate, which may vary from time to time, while, upon the automatic conversion of the Series 4 Preferred Shares into Series 3 Preferred Shares, the dividend rate on the Series 3 Preferred Shares will be, for each Subsequent Fixed Rate Period, the amount per share per

annum determined by multiplying the Annual fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

Although the TSX has conditionally approved the listing of the Series 3 Preferred Shares, the Series 4 Preferred Shares and the Warrants, the Bank cannot provide any assurance that an active or any trading market will develop or that Series 3 Preferred Shares, Series 4 Preferred Shares and Warrants can be sold on the TSX at any time.

The trading price of the securities of the Bank have been and may continue to be subject to significant fluctuations, which may be based on factors unrelated to its financial performance or prospects. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries.

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series 3 Preferred Shares, Series 4 Preferred Shares, Warrants and Common Shares issuable upon exercise of the Warrants for reasons unrelated to the Bank's performance. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect the Bank and the market price of its securities. Additionally, the value of the securities of the Bank is subject to market value fluctuations based on factors which influence the Bank's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

The Common Shares are listed and posted for trading on the TSX and the TSX has conditionally approved the listing of the Series 3 Preferred Shares, the Series 4 Preferred Shares, the Warrants and the Common Shares issuable upon exercise of the Warrants. The price of the Common Shares Series 3 Preferred Shares, Series 4 Preferred Shares and the Warrants may be significantly affected by short-term changes in the Bank's financial condition or results of operations as reflected in its quarterly earnings reports. At the time of expiry of the Warrants, the price of the Common Shares may be less than the exercise price of the Warrants, such that the Warrants may have no value at such time.

During the life of the Bank's outstanding Warrants, as well as options and other rights granted or assumed by the Bank, the holders are given an opportunity to profit from a rise in the market price of the Common Shares with a resulting dilution in the interest of the other shareholders. The Bank's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the Warrants, option or other rights may have an adverse effect on the price of the Common Shares. The holders of Warrants, options and other rights of the Bank may exercise such securities at a time when the Bank would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding Warrants, options and rights. The increase in the number of Common Shares in the market and the possibility of sales of such securities may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares, the voting power of the Bank's existing shareholders will be diluted.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel for the Bank, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Preferred Units pursuant to this prospectus who, within the meaning of the *Tax Act* and at all relevant times, is resident in Canada or deemed to be a resident of Canada, deals at arm's length with the Bank, is not affiliated with the Bank, holds the Series 3 Preferred Shares and the Warrants, and will hold the Series 4 Preferred Shares issuable upon conversion of the Series 3 Preferred Shares and the Common Shares issuable on exercise of the Warrants, as capital property and is not exempt from tax under Part I of the *Tax Act*.

Generally, the Series 3 Preferred Shares, the Series 4 Preferred Shares, the Warrants and the Common Shares will be capital property to a purchaser provided that the purchaser does not use or hold such securities in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of a trade. Certain purchasers who might not otherwise be considered to hold the Series 3 Preferred Shares, the Series 4 Preferred Shares or the Common Shares as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the *Tax Act*, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the *Tax Act*. This election does not apply to the Warrants.

This summary is not applicable to a purchaser that is a “financial institution” for the purposes of the “mark-to-market rules”, to a purchaser, an interest in which would be a “tax shelter investment”, or a purchaser to whom the “functional currency” reporting rules apply, each as defined in the *Tax Act*. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a “specified financial institution”, as defined in the *Tax Act*, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm’s length, in the aggregate dividends in respect of more than 10% of the Series 3 Preferred Shares, the Series 4 Preferred Shares or the Common Shares as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series 3 Preferred Shares, Series 4 Preferred Shares and Common Shares are listed on the TSX or another designated stock exchange in Canada (as defined in the *Tax Act*) at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is based upon the current provisions of the *Tax Act*, the regulations thereunder, all specific proposals to amend the *Tax Act* and the regulations publicly announced by the Minister of Finance prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the “**CRA**”) prior to the date hereof. This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. The summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

#### **Acquisition of Preferred Unit**

The total purchase price of a Preferred Unit to a holder must be allocated on a reasonable basis between the Series 3 Preferred Share and the Warrant to determine the cost of each for the purposes of the *Tax Act*. For its purposes, the Bank intends to allocate \$25.00 of the issue price of each Preferred Unit as the consideration for the issue of each Series 3 Preferred Share and nil as the consideration for the issue of each Warrant. Although the Bank believes that its allocation is reasonable, it is not binding on the CRA or the holder.

#### **Dividends on Bank Shares**

Dividends (including deemed dividends) received on the Series 3 Preferred Shares, the Series 4 Preferred Shares or the Common Shares (collectively, the “**Bank Shares**”) by an individual (other than certain trusts) will be included in the individual’s income, will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Bank as “eligible dividends” in accordance with the *Tax Act* and may give rise to a liability for alternative minimum tax.

Dividends (including deemed dividends) on the Bank Shares received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

A private corporation, as defined in the *Tax Act*, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33⅓% refundable tax under Part IV of the *Tax Act* on dividends received (or deemed to be received) on the Bank Shares to the extent such dividends are deductible in computing its taxable income.

The Series 3 Preferred Shares and the Series 4 Preferred Shares will be “taxable preferred shares” as defined in the *Tax Act*. The terms of the Series 3 Preferred Shares and the Series 4 Preferred Shares require the Bank to make the necessary election under Part VI.1 of the *Tax Act* so that corporate shareholders will not be subject to tax under Part IV.1 of the *Tax Act*.

Act on dividends paid (or deemed to be paid) by the Bank on the Series 3 Preferred Shares and the Series 4 Preferred Shares.

### **Disposition of Bank Shares**

A holder who disposes of or is deemed to dispose of the Bank Shares (either on redemption of the shares or other acquisition by the Bank but not including a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption or acquisition by the Bank of the Bank Shares will generally not be included in computing the proceeds of disposition of a holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “*Redemption or Acquisition of Bank Shares*” below. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances described in the *Tax Act*. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. For the tax treatment of capital gains and capital losses, see “*Capital Gains and Capital Losses*” below.

### **Redemption or Acquisition of Bank Shares**

If the Bank redeems for cash or otherwise acquires the Bank Shares, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank, in excess of the paid-up capital of such shares at such time as computed for purposes of the *Tax Act*. See “*Dividends on Bank Shares*” above. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “*Disposition of Bank Shares*” above. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### **Conversion of Bank Shares**

The conversion of a Series 3 Preferred Share into a Series 4 Preferred Share and of a Series 4 Preferred Shares into a Series 3 Preferred Shares will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of a Series 4 Preferred Share or Series 3 Preferred Share, as the case may be, received on the conversion will be deemed to be equal to the holder’s adjusted cost base of the Series 3 Preferred Share or Series 4 Preferred Share, as the case may be, immediately before the conversion.

### **Exercise of Warrants**

No gain or loss will be realized by a holder upon the exercise of a Warrant to acquire a Common Share. When a Warrant is exercised, the holder’s cost of the Common Share acquired thereby will be the aggregate of the holder’s adjusted cost base of such Warrant and the exercise price paid for the Common Share. The holder’s adjusted cost base of the Common Share so acquired will be determined by averaging such cost with the adjusted cost base to the holder of all Common Shares owned by the holder immediately prior to such acquisition.

### **Disposition and Expiry of Warrants**

A disposition or deemed disposition by a holder of a Warrant (other than upon the exercise or expiry thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such holder’s adjusted cost base of the Warrants. In the event of the expiry of an unexercised Warrant, the holder will realize a capital loss equal to the holder’s adjusted cost base of such Warrant. For the tax treatment of capital gains and capital losses, see “*Capital Gains and Capital Losses*” below.

## Capital Gains and Capital Losses

Generally, one-half of any capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the *Tax Act*. Any such capital gain realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a Canadian-controlled private corporation (as defined in the *Tax Act*) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

## TRADING PRICE AND VOLUME OF THE BANK'S SECURITIES

The Common Shares are traded on the TSX under the symbol "CWB". The following table shows the price ranges and volume traded for the Common Shares for each of the previous twelve months (February 2008 through January 2009) plus such information for the current month to the last trading day before the date of this prospectus.

Period	Common Shares	
	Price	Volume
February 2008	\$27.33 - 30.85	2,406,306
March 2008	\$20.89 - 28.00	6,856,656
April 2008	\$23.35 - 26.04	5,856,812
May 2008	\$24.50 - 27.79	2,631,135
June 2008	\$24.05 - \$26.50	3,016,056
July 2008	\$21.13 - \$25.12	4,201,450
August 2008	\$22.50 - \$26.48	2,812,922
September 2008	\$19.12 - \$24.13	7,251,026
October 2008	\$14.67 - \$20.26	6,817,521
November 2008	\$12.19 - \$20.15	4,859,762
December 2008	\$10.50 - \$16.39	5,060,746
January 2009	\$11.03 - \$13.89	5,020,289
February 1 to February 18, 2009	\$10.12 - \$12.10	2,634,905

## LEGAL MATTERS

Legal matters in connection with the issue and sale of the Series 3 Preferred Shares and Warrants will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Cassels Brock & Blackwell LLP. The partners, associates and counsel of each of McCarthy Tétrault LLP and Cassels Brock & Blackwell LLP beneficially own, directly or indirectly, less than 1% of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

## AUDITORS, TRANSFER AGENT AND REGISTRAR AND WARRANT AGENT

KPMG LLP is the Bank's Auditor.

Valiant Trust Company, a wholly-owned subsidiary of the Bank, will act as transfer agent, registrar and Warrant agent at its principal offices in Calgary, Alberta and Toronto, Ontario.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

## APPENDIX A

### AUDITORS' CONSENT

We have read the short form prospectus dated February 19, 2009 relating to the sale and issue of preferred units, each preferred unit consisting of one non-cumulative 5-year rate reset preferred share, series 3 and 1.78 common share purchase warrants of the Bank (collectively, the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Prospectus of our report to the shareholders of the Bank on the consolidated balance sheet of the Bank as at October 31, 2008 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended October 31, 2008. Our report is dated November 24, 2008.

*KPMG LLP* (signed)  
Chartered Accountants  
Edmonton, Canada  
February 19, 2009

### AUDITORS' CONSENT

We have read the short form prospectus of Canadian Western Bank (the "**Bank**") dated February 19, 2009 relating to the distribution of \$65,000,000 preferred units, each preferred unit consisting of one non-cumulative 5-year rate reset preferred share, series 3 and 1.78 common share purchase warrants of the Bank (collectively, the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the shareholders of the Bank on the Consolidated Balance Sheet of the Bank as at October 31, 2007, and the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flow for the year then ended. Our report is dated November 30, 2007.

*Deloitte & Touche LLP* (signed)  
Chartered Accountants  
Edmonton, Alberta  
February 19, 2009

**CERTIFICATE OF THE BANK**

Dated: February 19, 2009

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and securities legislation of each of the provinces and territories of Canada.

(SIGNED) LARRY M. POLLOCK  
President and Chief Executive Officer

(SIGNED) TRACEY C. BALL, FCA  
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors of the Bank

(SIGNED) CHARLES R. ALLARD  
Director

(SIGNED) ROBERT A. MANNING  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: February 19, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of each of the provinces and territories of Canada.

GENUITY CAPITAL MARKETS

BY: (SIGNED) DANIEL DAVIAU

NATIONAL BANK FINANCIAL INC.

BY: (SIGNED) MAUDE LEBLOND

CORMARK SECURITIES INC.

BY: (SIGNED) MICHAEL MCCLOSKEY

GMP SECURITIES L.P.

BY: (SIGNED) NEIL SELFE

DESJARDINS SECURITIES INC.

BY: (SIGNED) THOMAS L. JARMAI