



Pacific & Western  
*Credit Corp.*

**ANNUAL INFORMATION FORM**  
**For the year ended October 31, 2011**

**JANUARY 25, 2012**

**PACIFIC & WESTERN CREDIT CORP. ANNUAL INFORMATION FORM**

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**Information**

Unless otherwise noted, all information is given as at October 31, 2011. Financial information is based on the audited consolidated financial statements of Pacific & Western Credit Corp. for the year ended October 31, 2011, and all monetary amounts are expressed in Canadian Dollars.

**Caution Regarding Forward-Looking Statements**

The Corporation occasionally makes forward-looking statements about its objectives, operations and targeted financial results. These statements may be written or verbal and may be included in such things as press releases, corporate presentations, Annual Reports and other disclosure documents and communications. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the Canadian economy in general and the strength of local economies within Canada in which we conduct operations; the effect of changes in interest rates; the effects of competition in the markets in which we operate; capital market fluctuations; and the impact of changes in laws and regulations. When relying on forward-looking statements to make decisions, investors and others should carefully consider these factors and other uncertainties or potential events. The Corporation makes no undertaking to update any forward-looking statement that is made from time to time by the Corporation.

## CORPORATE STRUCTURE

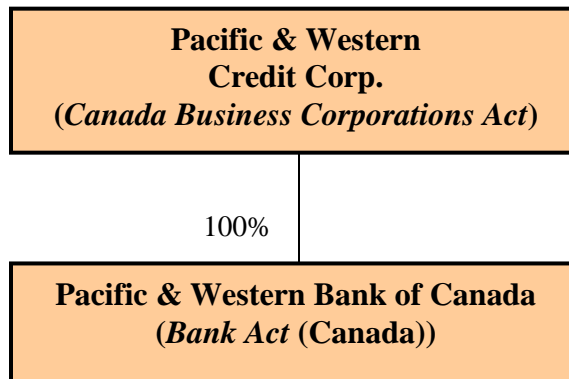
### Incorporation

Pacific & Western Credit Corp. (the “Corporation”) was originally incorporated on November 17, 1970 under the *Companies Act* (Alberta). The Corporation was continued under the *Canada Business Corporations Act* on March 16, 1987. The Corporation amalgamated with PacWest Ventures Ltd. on January 1, 2002 and retained the name Pacific & Western Credit Corp. On August 1, 2002 the Corporation’s wholly-owned principal subsidiary was continued as Pacific & Western Bank of Canada (the “Bank”), under the *Bank Act* (Canada). The *Bank Act* (Canada) is the charter of the Bank and governs its operations.

The head and registered office of the Corporation is Suite 2002–140 Fullarton Street, London, Ontario N6A 5P2. The fiscal year end of the Corporation is October 31.

### Inter-corporate Relationships

The following chart summarizes the primary corporate structure of the Corporation, the jurisdiction of incorporation of each corporate entity and percentage of votes attached to all securities beneficially owned or over which control is exercised by the Corporation.



## GENERAL DEVELOPMENT OF THE BUSINESS

**Pacific & Western Credit Corp.** The Corporation is a holding company. Its wholly-owned and principal subsidiary is the Bank, which provides lending services to selected niche markets and receives deposits through a diversified deposit broker network.

**Pacific & Western Bank of Canada** The Bank is the principal subsidiary of the Corporation. The Corporation owns 100% of the voting securities of the Bank and holds \$30.0 million of subordinated notes issued by the Bank.

The Bank receives deposits through a diversified network of deposit brokers and is a member institution of the Canada Deposit Insurance Corporation (“CDIC”). The Bank invests these funds in loans, leases, commercial mortgages, residential development mortgages, equity and debt of corporations, and government guaranteed securities, all of which are selected to provide lower returns on equity but with limited risk of default.

The Bank plans to achieve growth and increased profitability by continuing to lend in the low risk public sector and high quality corporate markets. Business development over the course of 2012 will be in the form of continued growth of the Bank’s bulk lease finance program, the launch of the Bank’s private label

credit card with Home Hardware Stores Limited, and the diversification and expansion of the Bank's deposit gathering system.

## **DESCRIPTION OF THE BUSINESS**

The Bank has two primary business activities, namely deposit services and lending services.

### **Deposit Services**

Deposit services are located in Saskatoon, Saskatchewan. Deposits, consisting of guaranteed investment certificates and daily interest savings accounts, eligible for CDIC insurance, are raised through a diversified network of deposit brokers across Canada. The Bank's branchless model and innovative software developed in-house enable it to efficiently process these deposits without a substantial investment in fixed assets or large number of employees. In fiscal 2012 the Bank intends to continue to diversify its deposit gathering system by focusing on a new market for deposits, being bankruptcy trustees. As at October 31, 2011 deposits totalled approximately \$1.27 billion.

### **Lending Services**

The Bank's lending business is comprised of three core lending segments, being real estate lending, public sector lending and commercial lending. The Bank's real estate lending portfolio is organized into four categories, being land and construction loans, residential term mortgages, commercial term mortgages, and insured mortgages. The public sector segment has two primary components, being loans, including directly financing government entity construction projects, and leases, including vendor financing. In fiscal 2012 the Bank plans to expand its lending activities through its private label credit card program with Home Hardware Stores Limited. All of these lending segments are supported by the Bank's lending team on a regional basis, through representatives in the Vancouver, Toronto and Ottawa regions, and out of offices in London, Ontario; Waterloo, Ontario; Saskatoon, Saskatchewan; and, Calgary, Alberta. This allows the lending team to leverage local and regional business knowledge and established lending relationships when sourcing and structuring lending transactions.

### **Real Estate Lending**

The Bank provides land and construction loans, residential term mortgages, commercial term mortgages, and insured mortgages.

The land and construction loans are short term loans to experienced developers operating in Ontario, as well as in specific regional markets in eastern and western Canada, for the purpose of financing residential development including, high rise apartments/condominiums, condominium town homes, and retirement homes. These loans serve as an effective conduit for the Bank's residential term mortgage business. The Bank's real estate lending team sources the majority of these transactions directly with developers, as well as through syndication partnerships with other major Canadian financial institutions.

The Bank's residential term mortgages are primarily long term mortgages for apartment buildings and town homes. These lending assets are typically low maintenance, generate stable, long term cash flows, and provide favourable returns on equity. The Bank typically provides this type of financing in urban centres in Ontario, however, it will consider providing financing of this nature outside of Ontario as well. The Bank is the originator of these loans but will also source opportunities through brokers with whom the Bank has an established relationship.

Commercial term mortgages are typically longer term and are for a variety of commercial enterprises including office buildings and commercial retail sales outlets. These assets are typically low maintenance, generate stable, long term cash flows, and provide favourable returns on equity. The Bank typically provides this type of financing to established borrowers on properties that have an anchor tenant that is either a public sector entity or a high quality national retail chain. Again, the Bank typically

provides this type of financing in urban centres in Ontario, however, it will consider providing financing of this nature outside of Ontario as well. The Bank sources these opportunities directly as well as through brokers with whom the Bank has an established relationship. The Bank is also a provider of CMHC insured mortgages to multi-residential properties and nursing homes.

The Bank expects to achieve modest growth in its real estate lending segment in 2012.

Assets in this portfolio as at October 31, 2011 were \$214.3 million or 15% of total assets, and gross revenue contributed by this category was \$10.6 million or 19% of total gross revenue. At October 31, 2010 assets in this portfolio were \$222.6 million or 17% of total assets and gross revenue contributed by this category was \$9.1 million or 17% of total gross revenue.

### **Public Sector Lending**

The Bank provides financing directly and indirectly to public sector entities and also participates in private public partnership financing arrangements. This lending segment has a national scope, and has two primary components, being loans and leases. The Bank provides loan and lease products to a spectrum of public sector entities including, municipalities, hospitals, school boards, universities, Aboriginal groups, and federal and provincial government agencies. In addition to financing for office equipment, utility and emergency vehicles, and medical equipment, the Bank also provides short term bridge financing. These transactions are sourced directly or through a national network of small brokers, leasing companies and vendor partners, as well as through syndications with other financial institutions and public tenders.

The Bank expects to achieve moderate growth in its public sector lending segment in 2012.

As at October 31, 2011, assets in this portfolio totalled \$201.2 million or 14% of total assets and gross revenue contributed by this category was \$7.7 million or 14% of total gross revenue. At October 31, 2010 assets in this portfolio totalled \$223.9 million or 17% of total assets and gross revenue contributed by this category was \$7.8 million or 15% of total gross revenue. Total gross revenue is a combination of interest income and fee income.

### **Corporate Loans and Corporates Leases**

The Bank provides term loans and leases to high quality corporates and mid-market commercial companies, and it participates in structured transactions which are aligned with the Bank's risk appetite. The Bank provides financing services to approved partners whereby the Bank purchases eligible contracts from approved partners under its bulk lease finance program. This lending segment has a national scope. High quality loans and leases are typically purchased by the Bank through assignments from non-institutional lenders, but can also be direct with the borrower.

With respect to the government mandated infrastructure programs, the Bank provides funds to well established general contractors for use in financing the construction of public recreational facilities, municipal buildings, educational buildings, low income housing, and energy infrastructure. These short term construction loans are paid out by the sponsoring government entity upon completion of the project, though the Bank provides loan term financing where the financing continues to be backed by the government entity. Also, the Bank continues to increase its participation in bank loan syndication transactions, where its level of participation is typically between \$5 million and \$20 million. The Bank has become a reliable funding partner to Canada's major banks, and also sources syndication opportunities directly from borrowers, where it leverages its established relationships to gain access to syndication opportunities.

The Bank expects to achieve most of its growth in lending assets in its commercial lending segment in 2012, specifically in leases to corporate entities.

As at October 31, 2011, assets in the corporate loans portfolio totalled \$585.6 million or 40% of total assets and gross revenue contributed by this category was \$23.3 million or 42% of total gross revenue. At October 31, 2010 assets in this portfolio totalled \$441.8 million or 33% of total assets and gross revenue contributed by this category was \$18.9 million or 36% of total gross revenue. Total gross revenue is a combination of interest income and fee income.

As at October 31, 2011, assets in the corporate leases portfolio totaled \$84.1 million or 6% of total assets and gross revenue contributed by this category was \$5.3 million or 10% of gross revenue. At October 31, 2010, assets in this portfolio totaled \$68.9 million or 5% of total assets and gross revenue contributed by this category was \$3.3 million or 6% of gross revenue.

### **Treasury Assets**

The Bank holds treasury assets primarily for liquidity management purposes. Treasury assets are in the form of cash, short term government securities, and short term liquid securities. In addition to these liquid securities, the Bank has a modest investment portfolio which the Bank maintains for the purpose of earning a moderate rate of return.

At October 31, 2011 assets in the treasury portfolio totalled \$330.0 million or 23% of total assets and gross revenue contributed by this category was \$8.1 million or 15% of total gross revenue. At October 31, 2010 assets in this category were \$331.7 million or 25% of total assets and gross revenue contributed was \$13.5 million or 26% of total gross revenue.

### **Specialized Skills and Knowledge / Competitive Conditions**

The Canadian financial services industry is highly developed and competitive. While Canada's five major banks and other large financial institutions carry on a full service type business, offering many different deposit and credit products, and lending in many different markets, the Bank operates according to a different business model. As described above, the Bank focuses on raising deposits without branches and reinvests these funds in loans and leases in the Bank's target niche markets.

The Bank faces competition in attracting deposits from virtually all other large and small institutions that raise deposits. The Bank has strong long term relationships with its deposit broker network, and has developed its own software and systems to enable it to efficiently process deposit instruments through this broker network. As a result the Bank can handle a large volume of deposits with a minimal number of employees.

In lending, the Bank also competes with other financial institutions, both large and small. The Bank reduces the prospect of direct competition by focusing on lending within markets that present lower than average credit risk and have low administration requirements, and that the Bank considers to be under-served and/or where the Bank's employees have particular skill and experience. The Bank has a comprehensive set of investment and lending policies and procedures that govern this aspect of the Bank's business.

The Bank holds certain competitive advantages over other financial institutions as it develops specific operating processes to suit its size and business model in order to maximize efficiencies. It seeks to forge strong customer relationships and to do fewer loans with those customers rather than focus on large volumes of transactions with lesser known customers. In this regard, the Bank considers itself to be a covenant lender rather than an asset lender.

Another advantage that the Bank has over its competitors is that it does not have a significant investment in fixed assets. By raising deposits through an agent network, such as through the bank-owned brokerage firms and financial advisors, the Bank does not need the physical locations it would otherwise need to sell its products.

## **Supervision and Regulation**

The Bank's activities are governed by the *Bank Act* (Canada). In accordance with the *Bank Act*, banks may engage in and carry on the business of banking and such business generally as pertains to the business of banking. Banks have broad powers to invest in the securities of other corporations and entities, but the *Bank Act* imposes limits upon substantial investments. Under the *Bank Act*, generally a bank has a substantial investment in a body corporate when (i) the voting shares beneficially owned by the bank and by entities controlled by the bank exceed 10% of the outstanding voting shares of the body corporate or (ii) the total of the shares of the body corporate that are beneficially owned by the bank and entities controlled by the bank represent more than 25% of the total shareholders' equity of the body corporate. A Canadian chartered bank is permitted to have a substantial investment in entities whose activities are consistent with those of certain prescribed permitted substantial investments. In general, a bank will be permitted to invest in an entity that carries on any financial service activity whether that entity is regulated or not. Further, a bank may invest in entities that carry on commercial activities that are related to the promotion, sale, delivery or distribution of a financial product or service, or that relate to certain information services. A bank may also invest in entities that invest in real property, act as mutual funds or mutual fund distributors or that service financial institutions, and a bank may have downstream holding companies to hold these investments. In certain cases, the approval of the Minister of Finance or the Superintendent of Financial Institutions (Canada) (the "Superintendent") is required prior to making the investment and/or the bank is required to control the entity. Banks may, by way of temporary investment, acquire control of, or acquire or increase a substantial investment in, an entity for a two year period. This time period may be extended upon application to the Superintendent. Other than for authorized types of insurance, chartered banks may offer insurance products only through their subsidiaries and not through their branch systems. Banks are prohibited from engaging in automobile leasing.

The Superintendent is responsible to the Minister of Finance for the administration of the *Bank Act*. The Superintendent provides guidelines regarding disclosure of a bank's financial information. The Superintendent is also required to make an annual examination of each bank to ensure compliance with the *Bank Act* and to ensure that each bank is in sound financial condition.

## **Employees and Principal Properties**

At October 31, 2011 the Corporation had 64 full time employees operating out of leased offices located in London, Ontario; Waterloo, Ontario; Saskatoon, Saskatchewan; and, Calgary, Alberta. Since the Corporation does not carry on a retail operation, all of these locations are offices for executives and administrative staff working for all segments of the Corporation's business.

## **Risk Factors**

The risks faced by the Corporation are described on pages 31 to 35 of the Management's Discussion and Analysis for the year ended October 31, 2011, which pages are incorporated herein by reference.

## **DIVIDENDS**

There is no restriction in the Corporation's Articles prohibiting the declaration of dividends on the common shares. While the Corporation does not currently pay dividends on its common shares, it may consider doing so in the future.

The holders of the Class "A" Preferred Shares ("Pref A Shares") of the Corporation are entitled to receive, as and when declared by the Board of Directors, fixed preferential cumulative cash dividends at the rate of 7% of the issue price per share. At December 31, 2011, the Corporation paid dividends to the holders of its Pref A Shares at the rate of \$0.21 per share. It has paid such dividends since December 31,

2002, and it is intended that dividends at the rate of \$0.21 per Pref A Share will also be paid at December 31, 2012.

The holders of the Class "B" Preferred Shares ("Pref B Shares") of the Corporation are entitled to receive, as and when declared by the Board of Directors, fixed subordinated cumulative dividends at the rate of \$2.25 per share per annum. Such dividends are paid quarterly on the last day of March, June, September and December in each year. Out of the total dividend of \$2.25 per annum, per Pref B Share, \$0.84 is paid by the Corporation in cash with the remaining dividend paid by the Corporation in cash or common shares of the Corporation, at the Corporation's sole discretion.

At March 31, 2011, June 30, 2011, September 30, 2011 and December 31, 2011, the Corporation paid dividends to the holders of its Pref B Shares at the rate of \$2.25 per Pref B Share per annum. Of the total dividend, \$0.84 per Pref B Share per annum was paid in cash, with the remainder paid in common shares of the Corporation.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Common Shares**

The Corporation is authorized to issue an unlimited number of common shares. There were 26,237,594 common shares outstanding at October 31, 2011.

Holders of the Corporation's common shares are entitled to vote at all meetings of the shareholders except for meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series.

In the event of the dissolution, liquidation or winding-up of the Corporation, subject to the prior rights of the holders of Pref A Shares, and the holders of Pref B Shares, the holders of common shares shall be entitled to receive the remaining property and assets of the Corporation.

### **Class "A" Preferred Shares**

The Corporation is authorized to issue an unlimited number of Pref A Shares. These shares are non-voting, non-participating and redeemable in certain circumstances at the option of the Corporation at the issue price, and are convertible by the holder into common shares on the basis of 4.608 Pref A Shares converting to 1 common share. There were 314,572 Pref A Shares outstanding at October 31, 2011.

The Pref A Shares are entitled to preference over the common shares, and are entitled to preference over the Pref B 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 Corporation.

The holders of Pref A Shares are entitled to receive, as and when declared by the Board of Directors, fixed preferential cumulative cash dividends at an annual rate of \$0.21 per share.

Any approval to be given by the holders of Pref A Shares may be given by a resolution carried by the affirmative vote of not less than two-thirds of the votes cast at a meeting of holders of Pref A Shares at which a majority of the outstanding Pref A Shares is represented or, if no quorum is present, by two-thirds of votes cast at any adjourned meeting.

The Corporation may redeem all, at any time, and part, from time to time, of the then outstanding Pref A Shares on payment for each share to be redeemed of \$3.00, together with accrued and unpaid cumulative preferential dividends.

While any Pref A Shares are outstanding, the Corporation will not, without the approval of the holders of Pref A Shares:

- (i) declare, set aside for payment or pay any dividends on or make distributions on or in respect of the common shares; or
- (ii) call for redemption, redeem, purchase, retire or acquire for value or distribute in respect of any common shares, or
- (iii) reserve, set aside, allot or issue any shares ranking as to capital or dividends prior to or on parity with the Pref A Shares or any securities convertible into or exchangeable for such shares,

unless, in each such case, all dividends then payable on the Pref A Shares then outstanding or accrued up to and including the dividends payable on the immediately preceding respective date for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Subject to the above and on certain conditions, the Corporation may at any time and from time to time purchase for cancellation all or any part of the then outstanding Pref A Shares in the open market or by invitation for tenders addressed to all holders of Pref A Shares then outstanding.

### **Class "B" Preferred Shares**

The Corporation is authorized to issue an unlimited number of Pref B Shares. These shares are non-voting, non-participating and redeemable by the Corporation, at its discretion, on or after June 30, 2014, but must be redeemed by the Corporation by no later than June 30, 2019, in each case for \$25.00 in cash per Pref B Share, and are convertible by the holder into common shares on the basis of five common shares for each Pref B Share. There were 1,909,458 Pref B Shares outstanding at October 31, 2011.

The Pref B Shares are subordinate to the Pref A Shares with respect to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of the Corporation, but are entitled to preference over the common 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 Corporation.

The holders of Pref B Shares of the Corporation are entitled to receive, as and when declared by the Board of Directors, fixed subordinated cumulative dividends at the rate of \$2.25 per share per annum (for more detail refer to "Dividends" above).

Any approval to be given by the holders of Pref B Shares may be given by a resolution carried by the affirmative vote of not less than two-thirds of the votes cast at a meeting of the holders of Pref B Shares, at which the holders of at least 1% of the outstanding Pref B Shares are represented or, if no quorum is present, by two-thirds of votes cast at any adjourned meeting.

While any Pref B Shares are outstanding, the Corporation will not, without the approval of the holders of Pref B Shares:

- (iv) declare, set aside for payment or pay any dividends on or make distributions on or in respect of the common shares; or
- (v) call for redemption, redeem, purchase, retire or acquire for value or distribute in respect of any common shares, or
- (vi) reserve, set aside, allot or issue any shares ranking as to capital or dividends prior to or on parity with the Pref B Shares or any securities convertible into or exchangeable for such shares,

unless, in each such case, all dividends then payable on the Pref B Shares then outstanding or accrued up to and including the dividends payable on the immediately preceding respective date for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Subject to the above and on certain conditions, the Corporation may at any time and from time to time purchase for cancellation all or any part of the then outstanding Pref B Shares in the open market or by invitation for tenders addressed to all holders of Pref B Shares then outstanding.

## Warrants

The Corporation has 5,398,700 warrants outstanding, resulting from a public offering and a private placement during 2011, each of which if exercised would result in one common share for \$2.80. As well, 747,600 broker warrants are outstanding which if exercised would result in one common share and one-half warrant being issued for \$2.25 each, and 56,070 broker warrants are outstanding which if exercised would result in one warrant being issued for \$0.22 each. The warrants expire on November 26, 2012.

## **MARKET FOR SECURITIES**

The Corporation's securities are listed and posted for trading on the Toronto Stock Exchange. The trading symbols are as follows:

Common Shares	-	PWC
Class "A" Preferred Shares	-	PWC.PR.A
Class "B" Preferred Shares	-	PWC.PR.B
Series C Promissory Notes	-	PWC.NT.C
Warrants	-	PWC.WT

Month	COMMON SHARES			CLASS "A" PREFERRED			CLASS "B" PREFERRED		
	High	Low	Trading Volume	High	Low	Trading Volume	High	Low	Trading Volume
Oct 2011	\$1.65	\$1.31	153,399	\$2.25	\$2.25	1,000	\$19.80	\$18.65	22,956
Sep 2011	\$1.86	\$1.40	512,655	\$2.25	\$1.90	700	\$21.99	\$19.50	20,807
Aug 2011	\$2.05	\$1.74	1,185,424	-	-	-	\$23.40	\$20.51	25,946
Jul 2011	\$2.13	\$1.90	215,412	-	-	-	\$23.37	\$22.78	9,426
Jun 2011	\$2.15	\$1.75	1,495,794	\$2.10	\$2.06	2,000	\$23.25	\$22.75	252,333
May 2011	\$2.52	\$1.86	1,349,528				\$24.50	\$22.82	167,351
Apr 2011	\$3.14	\$2.41	185,513	\$2.89	\$2.88	2,700	\$24.95	\$23.90	100,382
Mar 2011	\$3.49	\$3.10	55,403	\$2.89	\$2.88	1,200	\$25.01	\$23.05	39,000
Feb 2011	\$3.70	\$3.05	105,455	\$2.93	\$2.88	12,600	\$25.02	\$23.77	94,820
Jan 2011	\$3.64	\$3.20	326,983				\$25.37	\$23.41	64,760
Dec 2010	\$3.49	\$2.86	283,214	\$2.97	\$2.97	100	\$24.37	\$23.80	16,820
Nov 2010	\$3.05	\$2.95	142,314	\$2.92	\$2.85	3,055	\$24.48	\$23.70	24,144

Month	SERIES C PROMISSORY NOTES			WARRANTS		
	High	Low	Trading Volume	High	Low	Trading Volume
Oct 2011	\$100.00	\$95.00	1,970	\$0.05	\$0.05	43,635
Sep 2011	\$100.00	\$90.05	2,130	\$0.12	\$0.05	192,750
Aug 2011	\$101.50	\$97.00	2,860	\$0.18	\$0.10	272,500
Jul 2011	\$102.49	97.00	1,440	\$0.24	\$0.18	100,500
Jun 2011	\$106.00	\$100.00	2,410	\$0.24	\$0.15	148,180
May 2011	\$104.50	\$101.00	6,890	\$0.30	\$0.15	419,500
Apr 2011	\$104.50	\$102.30	715			
Mar 2011	\$103.00	\$102.25	810			
Feb 2011	\$102.10	\$102.10	70			
Jan 2011	\$103.00	\$102.00	1,730			
Dec 2010	\$102.05	\$102.00	370			
Nov 2010	\$111.95	\$101.75	1,970			

## DIRECTORS

The names, municipalities of residence, positions held with the Corporation and the Bank, and principal occupations of its directors, as of January 25, 2012, are as follows:

Name	Office Held and Time as Director	Principal Occupation
C. Scott Ritchie, Q.C. <sup>(1)</sup> London, Ontario	Chairman of Pacific & Western Bank of Canada Chairman of Pacific & Western Credit Corp.  Director since January 1, 2002	Partner, Siskind, Cromarty, Ivey & Dowler LLP, Barristers and Solicitors
David R. Taylor Ilderton, Ontario	President and Chief Executive Officer  Director since January 18, 1993	President and Chief Executive Officer of the Corporation and the Bank
Robbert-Jan Brabander <sup>(2)(3)</sup> Richmond Hill, Ontario	Director of the Bank only, since November 4, 2009	Former Chief Financial Officer & Treasurer, General Motors of Canada Limited
David A. Bratton <sup>(2)(4)(5)</sup> London, Ontario	Director of the Bank since September 23, 1993 and of the Corporation since July 25, 2000	President, Bratton Consulting Inc.
Arnold E. Hillier <sup>(1)(4)(6)</sup> Saskatoon, Saskatchewan	Director since January 18, 1993	Retired, former Chairman, Chief Executive Officer and Chief Financial Officer, Claude Resources Inc.
Colin E. Litton <sup>(1)(2)(4)</sup> Oakville, Ontario	Director since June 1, 2010	Retired, former senior partner of KPMG LLP
Susan T. McGovern <sup>(3)(5)</sup> Gormley, Ontario	Director of the Bank only, since May 6, 2011	Assistant Executive Director, Ontario Sewer and Watermain Construction Association and Greater Toronto Sewer and Watermain Contractors Association
William T. Mitchell <sup>(2)(3)(6)</sup> Etobicoke, Ontario	Director since April 2, 2004	Retired, former senior partner of PricewaterhouseCoopers LLP
Paul G. Oliver <sup>(2)(5)(6)</sup> Markham, Ontario	Director since June 2, 2005	Retired, former senior partner of PricewaterhouseCoopers LLP

- (1) Member of the Risk Oversight Committee of the Bank.
- (2) Member of the Enterprise Risk Development Committee of the Bank
- (3) Member of the New Initiatives Committee of the Bank
- (4) Member of the Human Resources & Corporate Governance Committees of the Corporation and the Bank.
- (5) Member of the Conduct Review Committee of the Bank.
- (6) Member of the Audit Committees of the Corporation and the Bank.

## OFFICERS

The names, municipalities of residence, positions held with the Corporation, and principal occupations of its officers are as follows:

Name	Office Held	Principal Occupation
David R. Taylor Ilderton, Ontario	President and Chief Executive Officer	President and Chief Executive Officer of the Corporation and the Bank
Barry D. Walter Saskatoon, Saskatchewan	Senior Vice-President and Chief Financial Officer	Senior Vice-President and Chief Financial Officer of the Bank
Neil A. Beaton London, Ontario	Senior Vice President, Strategic Initiatives	Senior Vice-President of the Bank
Ross P. Duggan London, Ontario	Senior Vice-President, Lending	Senior Vice-President of the Bank
Nick Kristo London, Ontario	Senior Vice-President, Credit & Administration	Senior Vice-President of the Bank
Jonathan F.P. Taylor Saskatoon, Saskatchewan	Senior Vice-President, Operations & Human Resources	Senior Vice-President of the Bank
R. Shawn Clarke <sup>(1)</sup> Ilderton, Ontario	Vice-President, Chief Risk Officer & Chief Information Officer	Chief Risk Officer of the Bank
Brian A. Conley Calgary, Alberta	Vice-President, Western Canada Lending	Vice-President of the Bank
Maurice A. Danis <sup>(2)</sup> Waterloo, Ontario	Vice-President, Lease Finance	Vice-President of the Bank
Tel Matrondola Toronto, Ontario	Vice-President, Public & Corporate Affairs	Vice-President of the Bank
Scott A. Mizzen London, Ontario	Vice-President	Vice-President of the Bank
Richard M.D. Vanlerberghe London, Ontario	Vice-President, General Counsel and Corporate Secretary	Corporate Secretary of the Bank

- (1) Mr. Clarke has held senior management positions with an aviation focused investment company and Canadian air service providers.
- (2) Mr. Danis has held senior management positions with Canadian financial institutions.

At January 25, 2012, there were 26,824,737 issued and outstanding common shares of the Corporation. The directors and senior officers of the Corporation as a group beneficially own, directly or indirectly, or have control or direction over, 2,001,304 common shares of the Corporation (representing approximately 7.46% of the total number of common shares outstanding).

#### **TRANSFER AGENT**

The Corporation's registrar and transfer agent is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario M5J 2Y1.

#### **TRUSTEE**

The Corporation's Trustee is Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario M5J 2Y1.

## **EXPERTS**

The Corporation's auditors are KPMG LLP Suite 600, 128 4<sup>th</sup> Avenue South, Saskatoon, Saskatchewan S7K 1M8.

## **AUDIT COMMITTEE INFORMATION**

The Mandate of the Audit Committee of the Corporation and the Bank is attached to this AIF as Exhibit A.

The members of the Audit Committee are: William T. Mitchell (Chair), Arnold E. Hillier and Paul G. Oliver. Each member of the Audit Committee is both independent and financially literate, as such terms are defined in Canadian securities legislation.

Mr. Mitchell is a retired senior partner of PricewaterhouseCoopers LLP. While with PricewaterhouseCoopers LLP, Mr. Mitchell held various senior positions including that of lead banking partner, partner in charge of the Audit Group in Toronto, Chairman of the Financial Services Industry Practice in Canada, and Chairman of the Financial Services Practice globally. Mr. Mitchell also served as lead engagement partner for PricewaterhouseCoopers LLP for Schedule I and II Canadian banks, as well as other public corporations in various industries. He is past Chairman of the OSFI Advisory Committee. Mr. Mitchell was admitted to the Institute of Chartered Accountants in England and Wales in 1959. He was awarded Fellowship in the Institute of Chartered Accountants of Ontario in 1976, after having been admitted to membership in 1964.

Mr. Hillier is retired from his position as Chairman, Chief Executive Officer and Chief Financial Officer of Claude Resources Inc., a natural resource mining and oil and gas company with its head office in Saskatoon, Saskatchewan. Mr. Hillier previously held senior executive positions with companies in both the mining and the insurance industry. Mr. Hillier has a Bachelor of Commerce Degree from the University of Saskatchewan and is a member of the Institute of Chartered Accountants of Saskatchewan.

Mr. Oliver is a retired senior partner of PricewaterhouseCoopers LLP in the Financial Services Industry Practice. His practice focused on Assurance, Financial Reporting and Business Advisory services, covering a broad range of organizations, with a focus in the regulated financial services industry. Mr. Oliver was admitted to the Institute of Chartered Accountants in England and Wales in 1968. He became a Fellow of the Institute of Chartered Accountants of Ontario in 2003, after having been admitted to membership in 1971. Mr. Oliver is a Certified Director of the Institute of Corporate Directors.

The Corporation's Board of Directors has approved an Audit Services Policy which provides that the Audit Committee shall pre-approve non-audit services and audit and non-audit related fees to be provided by the external auditor on a case-by-case basis.

### **Audit Fees**

Audit fees paid to KPMG LLP during the year ended October 31, 2011 for both the Corporation and the Bank were \$342,305 and during the year ended October 31, 2010 were \$248,000.

### **Audit-Related Fees**

Audit-related fees paid to KPMG LLP during the year ended October 31, 2011 for both the Corporation and the Bank were \$377,360 and during the year ended October 31, 2010 were \$280,500.

### **Tax Fees**

Fees paid to KPMG LLP for tax related services during the year ended October 31, 2011 for both the Corporation and the Bank were \$22,000 and during the year ended October 31, 2010 were \$37,750.

No other fees were paid to KPMG LLP during the years ended October 31, 2011 or October 31, 2010.

**ADDITIONAL INFORMATION**

Additional information regarding the Corporation may be found on SEDAR at <http://www.sedar.com> or at <http://www.pwcorp.com>.

Information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under equity compensation plans is contained in the Management Proxy Circular for the Annual Meeting of Shareholders being held on March 22, 2012. Additional financial information is provided in the Corporation's comparative financial statements and MD&A for the year ended October 31, 2011.

**EXHIBIT A**

**MANDATE OF THE AUDIT COMMITTEES  
OF PWC AND THE BANK**

1. The Audit Committees shall each consist of not less than three directors, each of whom must be independent.<sup>1 3</sup>
2. Each member of the Audit Committees must be financially literate.<sup>2 3</sup>
3. The Audit Committees shall meet at least once a quarter, and otherwise as required.
4. The members of the Audit Committees are charged with the following duties, to:
  - a) review such returns as needed to comply with regulatory requirements, and report to the Board of Directors where approval of the returns by the Board is required;
  - b) require management to implement and maintain appropriate internal control procedures;
  - c) review, evaluate and approve the internal control procedures;
  - d) review such investments and transactions that could adversely affect the well-being of Pacific & Western as the auditor or auditors or any officer may bring to the attention of the Committees;
  - e) review all arrangements involving an outsourcing of significant operations;

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<sup>1</sup> Independence means having no direct or indirect material relationship with PWC. A material relationship means a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the member's independent judgment. Notwithstanding the above, an individual is considered to have a material relationship with PWC in a number of situations enumerated in NI 52-110, including if the individual accepts directly or indirectly any consulting, advisory or other compensatory fee from PWC or any subsidiary entity of PWC other than as remuneration for acting in his or her capacity as a member of the Board or any Committee or as a part-time Chair or Vice-Chair of the Board or any Committee.

<sup>2</sup> Financially literate means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that can reasonably be expected to be raised by the financial statements.

<sup>3</sup> If the death, disability or resignation of a member has resulted in a vacancy on the Committee that the Board is required to fill, a Committee member appointed to fill such vacancy is exempt from the requirement for a period ending on the later of the next annual meeting and the date that is six months from the day the vacancy was created, so long as the Board has determined that a reliance on this exemption will not materially adversely affect the ability of the Committee to act independently and to satisfy its other requirements.

- f) concur with the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services before recommending them to the Board of Directors;
- g) meet with the external auditor to review the Audit Planning Memorandum;
- h) concur with the compensation of the external auditor before recommending it to the Board of Directors for approval;
- i) pre-approve services and expenditures to the external auditor, in accordance with the Audit Services Policy;
- j) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- k) meet with the external auditor or auditors to discuss the annual financial statements and the returns and transactions referred to in this Mandate;
- l) annually review all amounts paid to the external auditor and other accounting firms in the previous year;
- m) identify, evaluate and, where appropriate, recommend to the shareholder(s), replacement of the external auditor;
- n) concur with hiring policies regarding partners, employees and former partners and employees of the present and former external auditor before recommending them to the Board of Directors for approval;
- o) concur with the hiring of a partner, employee or former partner or employee of the present or former external auditor before recommending it to the Board of Directors for approval;
- p) review the Corporate Disclosure Policy and all amendments thereto before recommending it to the Board of Directors for approval;
- q) review the Disclosure Controls and Procedures;
- r) review and concur in the appointment, replacement or dismissal of the Internal Auditor;
- s) concur with the Mandate of the Internal Auditor before recommending it to the Board of Directors for approval;

- t) annually approve a comprehensive risk-based audit plan as submitted by the Internal Auditor;
  - u) ensure there are no unjustified restrictions or limitations on the Internal Audit function;
  - v) review all internal audit reports as submitted by the Internal Auditor;
  - w) receive updates from the Internal Auditor on the status of management's implementation of the recommendations within the internal audit reports;
  - x) meet with the Internal Auditor and with management to discuss the effectiveness of the internal control procedures established;
  - y) review new accounting policies and amendments to existing accounting policies before recommending them to the Board of Directors for approval;
  - z) establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters;
  - aa) establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
  - bb) review annually the Information Technology Executive Summary and receive regular updates on the status of IT projects;
  - cc) review annually Pacific & Western's disaster/contingency plans;
  - dd) institute and overseeing special investigations, as needed;
  - ee) perform other activities related to the Mandate as requested by the Board of Directors; and
  - ff) confirm annually that all responsibilities outlined in the Mandate have been carried out.
5. In addition to the duties listed in Section 4, the members of the Audit Committee of PWC are charged with the following duties, to:
- a) approve the interim quarterly financial statements and MD&A of PWC;
  - b) concur with the annual financial statements and the annual MD&A before recommending them to the Board of Directors for approval;
  - c) concur with the Mandate of the Disclosure Committee before recommending it to the Board of Directors for approval;

- d) review the interim and annual earnings press releases before public disclosure; and
  - e) review the Annual Information Form before recommending it to the Board of Directors for approval.
6. In addition to the duties listed in section 4, the members of the Audit Committee of the Bank are charged with the following duties, to:
- a) review the interim quarterly financial statements of the Bank;
  - b) concur with the annual financial statements of the Bank before recommending them to the Board of Directors for approval;
  - c) review the Monthly Reporting Package (including the non-consolidated financial statements of PWC) for the most recent quarter for which interim quarterly financial statements for PWC are being issued;
  - d) review the Bank's anti-money laundering and anti-terrorist financing ("AML/ATF") policy, and all changes to the policy, and recommend same to the Board of Directors for approval;
  - e) receive information from the Bank's Chief Anti-money Laundering Officer ("CAMLO") on the inherent money laundering ("ML") and terrorist-financing ("TF") risks associated with the Bank's activities;
  - f) receive information from the CAMLO on self-assessments of the ML and TF risk controls implemented by the Bank;
  - g) receive an annual report from the CAMLO on compliance with the Bank's AML/ATF policy;
  - h) receive reports from the CAMLO as to transactions reported to FINTRAC or submitted to any law enforcement agency;
  - i) receive information from the CAMLO on significant changes to AML/ATF legislative requirements;
  - j) receive results of the Internal Auditor's independent effectiveness testing of the Bank's AMML/ATF program at least once every two years;
  - k) report to the Board of Directors on information and reports received from the CAMLO and the Internal Auditor;
  - l) review, at least annually, the Bank's policies and procedures with respect to capital management, anti-money laundering and internal control, and receive management reports regarding adherence to same; and

- m) report to the Board of Directors on an annual basis regarding the results of the policy review.

7. The Audit Committees have the authority to:

- a) communicate directly with the internal and external auditors;
- b) engage independent counsel and other advisors as determined necessary; and
- c) set and pay the compensation for any advisors employed by the Audit Committee, provided such compensation does not exceed \$10,000 in any fiscal year. Should the compensation of outside counsel or other advisor exceed \$10,000 in any fiscal year, the prior approval of the full Board of Directors will be required.