FOURTH QUARTER 2017

EARNINGS RELEASE

VERSABANK REPORTS FOURTH QUARTER 2017 RESULTS WITH A 46% INCREASE IN CORE CASH EARNINGS OVER THE SAME QUARTER LAST YEAR(1)(2)

All amounts are unaudited and in Canadian dollars unless otherwise noted. VersaBank's 2017 Annual Financial Statements and Management's Discussion and Analysis will be made available on December 15, 2017 at www.versabank.com/investor-relations and at www.sedar.com. Supplementary Financial Information will also available on our website at that time at www.versabank.com/investor-relations.

LONDON, ONTARIO, November 29, 2017 – VersaBank, ("VB" or the "Bank"), (TSX:VB), today reported net income of $2.8 million for the quarter, up 49% over the same period last year. The Bank's core cash earnings was $4.7 million for the quarter, up 46% over the same quarter last year.

Fiscal 2017 has been transformative for VB with the completion of the amalgamation of the Bank and PWC Capital Inc. as well as the Bank's efforts to optimize its balance sheet mix and focus its product offerings.

These accomplishments introduced measurable volatility to the Bank's income statement resulting in core cash earnings emerging as a more meaningful indicator of the Bank's operational performance over the course of the year. Core cash earnings is indicative of the Bank's earnings capacity and is defined as Income before taxes adjusted for non-core operational income and expenses (see core cash earnings reconciliation below) (2).

Mr. David Taylor, President & CEO commented, "Our Bank's model of using advanced technologies to serve niche markets is demonstrating its tremendous power. Our Bank's core cash earnings have shown an impressive four year compound annual growth rate ("CAGR") of 50%. Core cash earnings in 2017 increased from the prior year by 41% to $18.2 million. Despite turbulent deposit markets, our Bank was able to again lower its cost of funds and increase its net interest margin ("NIM") to an industry leading 2.57% (2.68% for the current quarter) all the while adhering to its highly disciplined approach to credit risk management which, as in previous years, is demonstrated by its exceptionally low provision for credit losses".

Net income of $2.8 million for the three months ended October 31, 2017 was up $140,000 and $926,000 from last quarter and a year ago respectively. The increase from a year ago resulted primarily from an increase in net interest income that was partially offset by an increase in non-interest expenses that resulted primarily from the Bank expensing $447,000 associated with the preparation of a public offering of preferred shares. Due to market conditions, the preliminary prospectus associated with this offering was withdrawn and management has decided not to revive the offering in the immediate future.

Net income for the twelve months ended October 31, 2017 was $19.5 million, up $11.0 million compared to the same period a year ago. Net income included the recognition of $8.8 million in deferred income tax assets derived from the tax loss carry-forwards recognized subsequent to the amalgamation of the Bank with PWC Capital Inc. and from total revenue increasing 10.5% or $4.2 million year over year. However, net income was reduced by restructuring charges totaling approximately $2.0 million as well as expenses in the amount of $945,000 associated with a study conducted by the Bank to assess the feasibility of converting to the Advanced Internal Rating Based ("AIRB") approach to capital management and expenses in the amount of $447,000 associated with the preparation of a public offering of preferred shares as noted above.

Q4 2017 compared to Q4 2016(1)

- Core cash earnings(2) of $4.7 million (up 46% from $3.2 million)
- Core cash earnings per share of $0.22 (up $0.06 from $0.16)
- Net income of $2.8 million (up 49% from $1.9 million)
- Income before restructuring charges and income taxes of $3.9 million (up 23% from $3.2 million)
- NIM of 2.68% (up 32 bps from 2.36%)
- Basic and diluted earnings per share (EPS) of $0.11 (up $0.04 from $0.07)
- Common share book value of $8.48 (up 9% from $7.79)
- ROCE of 5.06% (up 163 bps from 3.43%)
- CET1 ratio of 10.76% (up from 10.52%)
- Leverage ratio of 10.06% (up from 9.82%)

2017 Fiscal year compared to 2016 Fiscal year(1)

- Core cash earnings(2) of $18.2 million (up 41% from $12.9 million)
- Core cash earnings per share of $0.87 (up $0.22 from $0.65)
- Net income of $19.5 million (up 130% from $8.5 million(3))
- Income before restructuring charges and income taxes of $16.8 million (up 31% from $12.9 million)
- NIM of 2.57% (up 26 bps from 2.31%)
- Basic and diluted EPS of $0.83 (up $0.51 from $0.32(3))
- Common share book value of $8.48 (up 9% from $7.79)
- ROCE of 10.29% (up 614 bps from 4.15%)
- CET1 ratio of 10.76% (up from 10.52%)
- Leverage ratio of 10.06% (up from 9.82%)

(1) Certain highlights include non-GAAP measures. See definition under 'Basis of Presentation' in the Annual 2016 Management's Discussion and Analysis.

(2) Core cash earnings is calculated as:

	for the three months ended		for the year ended	
	October 31 2017	October 31 2016	October 31 2017	October 31 2016
Net income	$ 2,822	$ 1,896	$ 19,472	$ 8,470
Adjusted for:				
Income taxes	1,083	740	(4,740)	3,288
Restructuring charges	-	549	2,045	1,092
Other non-core general and administrative expense items	745	-	1,391	-
Core cash earnings	$ 4,650	$ 3,185	$ 18,168	$ 12,850

(3) The year-to-date earnings include the recognition of $8.8 million in deferred income tax assets derived from the tax loss carry-forwards recognized subsequent to the amalgamation of the Bank and PWC Capital Inc. on January 31, 2017.

Q4 2017 Business Operations

VersaBank is a technologically proficient Canadian Schedule I chartered bank that operates using an electronic branchless model. The Bank sources its funding through a well-established and widely diversified nationwide network of deposit brokers as well as from holdback balances retained from vendor partners, and from insolvency industry professionals through a customized banking software solution. The Bank purchases loan and lease receivables from non-bank financial companies and also originates and services real estate development and commercial loans that are sourced through direct contact with its clients as well as through mortgage brokers and syndication partners.

Commercial Banking – Loans are originated through direct contact with the Bank's clients and through mortgage brokers and syndication partners. Loans are conservatively secured by real estate primarily in

Ontario and occasionally other areas of Canada. Assets at October 31, 2017 totalled $692 million, down 2.90% and 5.61% from the last quarter and a year ago respectively. VB is exercising caution in this market, while it assesses the recent moves by various governments to dampen real estate prices. NIM at October 31, 2017 remained strong at 3.24% for the quarter, up 14 bps and 35 bps from last quarter and a year ago respectively.

eCommerce – Small loan and lease receivables are electronically purchased from VB's vendor partners who originate point of sale loans and leases in various markets throughout Canada. Assets at October 31, 2017 totalled $811 million, up 1.0% and 2.9% from last quarter and year ago respectively. VB sold approximately $50 million of lower priced receivables in the second quarter, which dampened y/y portfolio growth. VB will continue to place emphasis on the development of this business and growth of this portfolio. NIM at October 31, 2017 was 2.68% for the quarter, up 27 bps and 33 bps from last quarter and a year ago respectively.

Funding - VB has established three key funding channels. The first channel was pioneered by VB in the early 1990's and involves gathering term and demand deposits, without the need for branches, from a well-established and widely diversified nationwide network of brokers. The second channel is derived from the holdback balances retained from VB's vendor partners and the third channel involves funds received from insolvency industry professionals. The latter channel resulted from VB's software and deposits teams developing a custom banking solution for the Canadian insolvency industry that enables VB to provide custom web based current accounts to individual Trustees in bankruptcy. This channel provides VB with a stable low cost source of funds. VB's cost of funds for the quarter was 1.54%, down 8 bps from last quarter and down 19 bps from a year ago. VB's low cost of funds enables it to earn industry leading NIM without taking on increased credit risk typically necessary to achieve higher yields.

Capital – As at October 31, 2017, VB's CET1 ratio was 10.76%, down 24 bps from last quarter. VB, like most small banks, uses the Standardized Approach to calculate its risk weighted assets and because VB focuses on commercial and consumer loans with lower than average risk (as demonstrated by its long history of low provision for credit losses), it believes the Standardized Approach does not properly reflect the intrinsic risk in its lending assets. As a consequence, VB's leverage ratio is conservative, being more than twice the average leverage ratio of the big banks, which use the AIRB approach to calculate their risk weighted assets.

Credit Quality – For the quarter ended October 31, 2017 the Bank recorded a net provision for credit losses in the amount of $116,000 compared to $38,000 last quarter and $422,000 a year ago.

As at October 31, 2017, total gross impaired loans were approximately 0.04% of total lending assets. VB's business strategy involves taking lower credit risk, but achieving greater NIM by lending in niche markets that are not well served by the larger financial institutions.

FINANCIAL HIGHLIGHTS

(unaudited)	for the three months ended		for the year ended	
	October 31	October 31	October 31	October 31
($CDN thousands except per share amounts)	2017	2016	2017	2016
Results of operations				
Net interest income	$ 11,508	$ 10,066	$ 43,983	$ 38,404
Non-interest income (loss)	13	320	(141)	1,273
Total revenue	11,521	10,386	43,842	39,677
Provision (recovery) for credit losses	116	422	(125)	871
Non-interest expenses	7,500	6,779	27,190	25,956
Income before restructuring charges and income taxes*	3,905	3,185	16,777	12,850
Restructuring charges	-	549	2,045	1,092
Core cash earnings*	4,650	3,185	18,168	12,850
Net income	**2,822**	**1,896**	**19,472**	**8,470**
Income per common share:				
Basic	$ 0.11	$ 0.07	$ 0.83	$ 0.32
Diluted	$ 0.11	$ 0.07	$ 0.83	$ 0.32
Yield*	4.22%	4.09%	4.19%	4.18%
Cost of funds*	1.54%	1.73%	1.62%	1.87%
Net interest margin*	2.68%	2.36%	2.57%	2.31%
Return on average common equity*	5.06%	3.43%	10.29%	4.15%
Book value per common share*	$ 8.48	$ 7.79	$ 8.48	$ 7.79
Gross impaired loans to total loans	0.04%	0.00%	0.04%	0.00%
Provision (recovery) for credit losses as a % of average loans	0.01%	0.03%	(0.01%)	0.06%
		as at		
Balance Sheet Summary				
Cash and securities	$ 160,171	$ 103,922	$ 160,171	$ 103,922
Loans, net of allowance for credit loss	1,520,857	1,563,612	1,520,857	1,563,612
Average loans*	1,527,875	1,531,309	1,542,235	1,505,636
Total assets	1,725,049	1,704,400	1,725,049	1,704,400
Average assets*	1,704,786	1,694,847	1,714,725	1,665,103
Deposits	1,376,006	1,369,647	1,376,006	1,369,647
Subordinated notes payable	9,786	14,067	9,786	14,067
Shareholders' equity	208,541	185,884	208,541	185,884
Capital ratios*				
Risk-weighted assets	$ 1,420,276	$ 1,425,171	$ 1,420,276	$ 1,425,171
Total capital	188,127	189,122	188,127	189,122
Common Equity Tier 1 (CET1) ratio	10.76%	10.52%	10.76%	10.52%
Tier 1 capital ratio	12.82%	12.58%	12.82%	12.58%
Total capital ratio	13.25%	13.27%	13.25%	13.27%
Leverage ratio	10.06%	9.82%	10.06%	9.82%

* This is a non-GAAP measure. See definition under ‘Basis of Presentation’ in the 2016 Annual Management’s Discussion and Analysis.

Forward-Looking Statements

The statements in this press release that relate to the future are forward-looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are out of our control. Risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements as 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 the local economies within Canada in which we conduct operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; global commodity prices, the effects of competition in the markets in which we operate; inflation; capital market fluctuations; the timely development and introduction of new products in receptive markets; the impact of changes in the laws and regulations regulating financial services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and savings habits; and our anticipation of and success in managing the risks implicated by the foregoing. For a detailed discussion of certain key factors that may affect our future results, please see our annual MD&A for the year ended October 31, 2016.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The forward-looking information contained in the management's discussion and analysis is presented to assist our shareholders in understanding our financial position and may not be appropriate for any other purposes. Except as required by securities law, we do not undertake to update any forward-looking statement that is contained in this management's discussion and analysis or made from time to time by the Bank or on its behalf.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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