

VERSABANK

VERSABANK / PWC CAPITAL MERGER: INVESTOR Q&A

THE VERSABANK MANAGEMENT INFORMATION CIRCULAR (THE “VERSABANK CIRCULAR”) AND JOINT DISCLOSURE BOOKLET, BOTH DATED NOVEMBER 22, 2016, ARE AVAILABLE ON VERSABANK’S PROFILE ON WWW.SEDAR.COM AND ARE ALSO AVAILABLE AT WWW.VERSABANK.COM

The following are some questions that you, as a VersaBank Shareholder, may have regarding the Amalgamation, and brief answers to those questions. You are urged to carefully read the VersaBank Circular, including its appendices, the Joint Disclosure Booklet and the other documents incorporated by reference and referred to in the VersaBank Circular and the Joint Disclosure Booklet in their entirety because this Q&A may not provide all of the information that is important to you with respect to the Amalgamation. Additional important information is contained in the addenda to, and the documents incorporated by reference into, the VersaBank Circular and the Joint Disclosure Booklet. Certain capitalized terms used in this “VersaBank / PWC Capital Merger: Investor Q&A” section are defined in the “Glossary of Terms” which is attached as Appendix A to the VersaBank Circular.

The information contained in these Q&A, the VersaBank Circular and the Joint Disclosure Booklet is given as at November 18, 2106, except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein.

Q. What is the proposed Amalgamation?

- A. At the VersaBank Meeting, VersaBank Shareholders will be asked to consider and, if deemed advisable, to pass a special resolution (the “**Amalgamation Resolution**”) approving the amalgamation (the “**Amalgamation**”) of VersaBank with PWC Capital Inc. (“**PWC**”) pursuant to Section 228 of the *Bank Act* (Canada) pursuant to which:
- (a) VersaBank Common Shares and the issued and outstanding common shares of PWC will become common shares of the amalgamated entity, “VersaBank” (following the Amalgamation, the “**Bank**”); and
 - (b) the VersaBank Series 1 Preferred Share and VersaBank Series 3 Preferred Share will become series 1 preferred shares and series 3 preferred shares of the Bank, respectively.

The Amalgamation is the result of a strategic review process conducted by VersaBank under the supervision of the VersaBank Independent Committee and the VersaBank Board which received advice from experienced financial and legal advisors throughout the course of the process. After review of the other strategic opportunities reasonably available to VersaBank, including the results of VersaBank having sought expressions of interest for its sale to a third party, as described in the VersaBank Circular under “Particulars of the Amalgamation – Background to the Amalgamation”, in each case taking into account the potential benefits, risks and uncertainties associated with those other opportunities, the VersaBank Independent Committee and the VersaBank Board believes that the Amalgamation represents the best available alternative for VersaBank.

Q. How does the board of directors of VersaBank recommend that I vote?

- A. The VersaBank Board unanimously recommends that VersaBank Shareholders vote **FOR** the Amalgamation Resolution. After careful consideration and taking into account, among other things, the RBC Fairness Opinion (as defined in the VersaBank Circular and described below), and the recommendation of the VersaBank Independent Committee, the VersaBank Board, after receiving legal and financial advice, has unanimously determined that the Amalgamation is in the best interests of VersaBank and fair to VersaBank Shareholders.

Q. What are the anticipated benefits of the Amalgamation?

- A. In the course of the evaluation of the Amalgamation by the VersaBank Independent Committee and the VersaBank Board, the VersaBank Independent Committee and the VersaBank Board consulted with its senior management, its financial advisor, RBC, and considered a number of factors, including, among others, the following:

- (a) *Simplified Corporate and Capital Structure.* PWC is a holding company that currently owns approximately 62.8% of the outstanding VersaBank Common Shares. The proposed Amalgamation will result in a simplified corporate and capital structure for the combined enterprise which is expected to enable the Bank to further unlock value for its shareholders.
- (b) *Improved Liquidity.* VersaBank Common Shareholders, other than PWC, currently represent only approximately 37.2% of the outstanding VersaBank Common Shares. It is therefore anticipated that the liquidity of the Bank Common Shares will be improved after giving effect to the Amalgamation, including the conversion of PWC Common Shares to Bank Common Shares and the cancellation of VersaBank Common Shares currently owned by PWC upon completion of the Amalgamation.
- (c) *Improved Access to Capital Markets.* The Bank is expected to have better access to third-party investors who will be more attracted to the Bank's simplified corporate and capital structure and improved liquidity as compared to VersaBank prior to the Amalgamation.
- (d) *Business of the Bank.* Except as otherwise described in this VB Circular, following the completion of the Amalgamation, the business, operations (including management) or assets of the Bank will be substantially the same as those of VersaBank prior to the Amalgamation.
- (e) *Incremental Net Assets of PWC.* The Amalgamation should permit the Bank to avail itself of certain net assets of PWC following the completion of the Amalgamation (the "**Incremental Net Assets**", with such net assets being the assets and liabilities of PWC giving effect to completion of the Amalgamation, other than the VersaBank Common Shares owned directly or indirectly by PWC) which will be of assistance in achieving the Bank's future business plans and growth initiatives. These include certain tax loss carry forwards of PWC that are currently of limited use to PWC, a holding company that does not have any taxable income, but should be available to the Bank following the Amalgamation. In addition, the Amalgamation will result in the Bank having ownership of the proprietary banking business and administrative software owned by PWC that is currently used by VersaBank in its operations.

- (f) *Fairness Opinion.* The VersaBank Board and the VersaBank Independent Committee received the RBC Fairness Opinion, which states that, as of September 12, 2016 and subject to the assumptions, limitations and qualifications set forth in the RBC Fairness Opinion, the Effective Consideration (as defined in the RBC Fairness Opinion) to be paid for the Incremental Net Assets under the Amalgamation is fair, from a financial point of view, to VersaBank. See the section titled “Particulars of the Amalgamation – RBC Fairness Opinion” in the VersaBank Circular.
- (g) *Strategic Review Process.* The Amalgamation is the result of a strategic review process conducted by VersaBank under the supervision of the VersaBank Independent Committee and the VersaBank Board which received advice from experienced financial and legal advisors throughout the course of the process. After review of the other strategic opportunities reasonably available to VersaBank, including the results of VersaBank having sought expressions of interest for its sale to a third party, as described in the VersaBank Circular under “Particulars of the Amalgamation – Background to the Amalgamation”, in each case taking into account the potential benefits, risks and uncertainties associated with those other opportunities, the VersaBank Independent Committee and the VersaBank Board believes that the Amalgamation represents the best available alternative for VersaBank.
- (h) *Required Securityholder and Regulatory Approvals.* The VersaBank Board considered the following rights and approvals which protect VersaBank Shareholders:
- the Amalgamation Resolution must be approved by not less than $66\frac{2}{3}\%$ of the votes cast at the VersaBank Meeting by VersaBank Shareholders, voting as a single class; and
 - the Amalgamation Agreement has received the approval of the Superintendent under section 225 of the *Bank Act* (Canada) and the Amalgamation must be approved by the Minister under section 228 of the *Bank Act* (Canada).
- (i) *The Terms of the Pre-Amalgamation Agreement.* Under the Pre-Amalgamation Agreement, the VersaBank Board remains able to respond, in accordance with its fiduciary duties, to unsolicited Acquisition Proposals that constitute or could reasonably be expected to constitute or lead to a Superior Proposal. In addition, no termination fee is payable by VersaBank in connection with the termination of the Pre-Amalgamation Agreement or the Amalgamation Agreement.
- (j) *Effect of Amalgamation on VersaBank Shareholders.* Pursuant to the Amalgamation, the VersaBank Shareholders will continue to hold shares with identical rights and privileges following the Amalgamation and no VersaBank Shareholder’s interests are terminated or amended as a result of the Amalgamation.

The foregoing is intended to be a summary of certain of the reasons **the VersaBank Board, after consultation with its financial and legal advisors, and on the unanimous recommendation of the VersaBank Independent Committee, has determined that the Amalgamation is in the best interests of VersaBank and fair to VersaBank Shareholders, and unanimously recommends that holders of VersaBank Shares vote FOR their respective resolutions in connection with the Amalgamation.** See also “Particulars of the Amalgamation – Recommendation of the VersaBank Independent Committee”, “– Recommendation of the VersaBank Board”, “– Reasons for the Amalgamation”, “– RBC

Fairness Opinion” and the full text of the RBC Fairness Opinion attached as Appendix C to the VersaBank Circular, “Forward-Looking Information” and “Risk Factors” among the other provisions of the VersaBank Circular.

Q. What will holders of VersaBank Common Shares, VersaBank Series 1 Preferred Shares and VersaBank Series 3 Preferred Shares receive in the Amalgamation?

A. Your shares will remain effectively unchanged. All VersaBank Common Shares, VersaBank Series 1 Preferred Shares and VersaBank Series 3 Preferred Shares will automatically become Bank Common Shares, Bank Series 1 Preferred Shares and Bank Series 3 Preferred Shares, respectively, on a one-for-one basis and without any further action required on your part.

Q. What is required for the Amalgamation to become effective?

A. The Amalgamation is subject to a number of conditions, including the following (among others):

- (a) the Amalgamation Resolution must be approved by not less than 66²/₃% of the votes cast at the VersaBank Meeting by VersaBank Shareholders entitled to vote thereat;
- (b) the PWC Securityholder Approvals must be obtained at the applicable PWC Meetings; and
- (c) the Amalgamation must be approved by the Minister under section 228 of the *Bank Act* (Canada).

Q. When do you expect the Amalgamation to be completed?

A. If the necessary approvals, including the approval of the VersaBank Shareholders at the VersaBank Meeting, the approval of the PWC Securityholders at the PWC Meetings, and the Required Regulatory Approvals, are obtained, it is currently anticipated that the Amalgamation will be completed in the first quarter of calendar 2017.

Q. Am I entitled to vote?

A. Only VersaBank Shareholders who are holders of record as at November 23, 2016 (the “Record Date”) are entitled to receive notice of and vote at the VersaBank Meeting either in person or by proxy.

Q. What is the quorum for the Special Meeting?

A. Quorum for the VersaBank Meeting shall be present if VersaBank Shareholders representing at least 50% of the VersaBank Shares who are entitled to vote at the VersaBank Meeting are present in person or represented by proxyholders.

Q. How can I vote?

A. Registered VersaBank Shareholders as at the Record Date may attend the VersaBank Meeting to vote in person. If you are a Registered VersaBank Shareholder and do not plan to attend the VersaBank Meeting, you may vote by submitting a proxy form. You may

receive more than one set of voting materials and multiple proxy forms if you hold multiple types of VersaBank Shares. If you receive multiple proxy forms, please complete, sign, date and return each proxy form that you receive or otherwise follow the voting instructions set forth in the VersaBank Circular to ensure that you vote every VersaBank Share that you hold. You should complete and return the proxy form accompanying the VersaBank Circular and the Joint Disclosure Booklet as instructed and by no later than 11:30 a.m. (Toronto time) on December 28, 2016 (or no later than 48 hours, excluding Saturday, Sundays and holidays, before any reconvened meeting if the VersaBank Meeting is adjourned or postponed).

Registered VersaBank Shareholders may vote via any of the following ways:

- in person at the VersaBank Meeting;
- online at www.investorvote.com and entering the 15-digit control number found on the form of proxy you received;
- telephone by calling Computershare Investor Services Inc. at 1-866-732-8683; or
- mail your completed, signed form of proxy to:

Computershare Investor Services Inc.
Attention: Proxy Department
8th Floor, 100 University Avenue,
Toronto, ON M5J 2Y1

If you are a Beneficial VersaBank Securityholder, you will have received the VersaBank Circular and the Joint Disclosure Booklet from your Intermediary along with a voting instruction form. You may receive more than one set of voting materials and multiple proxy forms or voting instruction forms if you hold multiple types of VersaBank Shares. You are required to reach out to your intermediary to provide instructions as to how to vote your VersaBank Shares. If you receive multiple proxy forms or voting instruction forms, please complete, sign, date and return each proxy form or voting instruction form that you receive to ensure that you vote every VersaBank Share that you hold.

Beneficial VersaBank Shareholders may vote via any of the following ways:

- online at www.proxyvote.com and entering the 16-digit control number found on the voting instruction form you received;
- mail in your completed, signed voting instruction form, using the postage paid envelope included in your package; or
- telephone by calling your intermediary and providing your voting instructions.

Q. Who votes my securities and how will they be voted if I return a form of proxy?

- A. The VersaBank Shares represented by proxies will be voted in favour or voted against the Amalgamation Resolution by the persons designated in the proxies in accordance with the direction of the VersaBank Shareholders appointing them. In the event that no specification is made in the proxies given in favour of management nominees, the VersaBank Shares

represented by such proxies will be voted by the proxy nominees **FOR** the Amalgamation Resolution.

Q. Can I appoint someone other than the individuals named in the enclosed form of proxy to vote my securities?

A. Yes, you have the right to appoint the person of your choice, who does not need to be a VersaBank Shareholder, to attend and act on your behalf at the VersaBank Meeting. If you wish to appoint a person other than the names that appear, then strike out those printed names appearing on the form of proxy and insert the name of your chosen proxyholder in the space provided or submit another appropriate form of proxy permitted by law, and in either case, send or deliver the completed proxy to the offices of Computershare Investor Services Inc. before the above-mentioned deadline. **IF YOU APPOINT A NON-MANAGEMENT PROXYHOLDER PLEASE MAKE THEM AWARE AND ENSURE THEY WILL ATTEND THE MEETING FOR THE VOTE TO COUNT.**

Q. Can I revoke a proxy or voting instruction?

A. A VersaBank Shareholder may revoke a proxy:

(a) by an instrument in writing executed by the VersaBank Shareholder or by an attorney in writing or, if the VersaBank Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited:

(i) at the registered office of VersaBank at any time up to and including the last business day preceding the date of the VersaBank Meeting or any postponement or adjournment thereof; or

(ii) with the chair of the VersaBank Meeting on December 30, 2016 or any postponement or adjournment of the VersaBank Meeting; or

(b) in any other manner permitted by law.

Q. What do I need to do now?

A. Carefully read and consider the information contained, and incorporated by reference into, the VersaBank Circular and the Joint Disclosure Booklet. You are required to make an important decision. If you have any questions about deciding how to vote, you should contact your own legal, tax, financial or other professional advisor. Your vote is important and you are encouraged to vote promptly.

Q. What if I have other questions?

A. VersaBank Shareholders that have questions regarding the Amalgamation or require further assistance are encouraged to contact the proxy solicitation and information agent, Kingsdale Shareholder Services, by: (i) telephone, toll-free in North America at 1-877-659-1819 or at 1-416-867-2272 outside of North America; or (ii) e-mail to contactus@kingsdaleshareholder.com.

DISCLAIMERS

Information in this Q&A, the VersaBank Circular and the Joint Disclosure Booklet

The information contained in this Q&A, the VersaBank Circular and the Joint Disclosure Booklet is given as at November 18, 2016, except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein. No person has been authorized to give any information or to make any representation in connection with the Amalgamation and other matters described herein other than those contained in the VersaBank Circular and the Joint Disclosure Booklet and, if given or made, any such information or representation should be considered not to have been authorized by VersaBank or PWC.

This Q&A, the VersaBank Circular and the Joint Disclosure Booklet does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Q&A, the VersaBank Circular and the Joint Disclosure Booklet should not be construed as legal, tax or financial advice and VersaBank Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in the VersaBank Circular and the Joint Disclosure Booklet of the terms of the Pre-Amalgamation Agreement, the Amalgamation Agreement, and the RBC Fairness Opinion are summaries of the terms of those documents. VersaBank Shareholders should refer to the full text of each of these documents. The Amalgamation Agreement and the Pre-Amalgamation Agreement can be found under VersaBank's profile on SEDAR. The RBC Fairness Opinion is appended to the VersaBank Circular as Appendix C. You are urged to carefully read the full text of these documents.

Information Pertaining to PWC

Certain information in this Q&A, the VersaBank Circular and the Joint Disclosure Booklet pertaining to PWC, including, but not limited to, information pertaining to PWC under "Information Concerning PWC", which is attached as Schedule A in the Joint Disclosure Booklet has been furnished by PWC, or is derived from PWC's publicly available documents or records on file with securities regulatory authorities and other public sources at the time of the VersaBank Circular. Although VersaBank does not have any knowledge that would indicate that such information is untrue or incomplete, neither VersaBank nor any of its directors or officers assume any responsibility for the accuracy or completeness of such information, or for the failure by PWC to disclose events or information that may affect the completeness or accuracy of such information.

For further information regarding PWC, please refer to its filings with securities authorities which may be obtained through the SEDAR website at www.sedar.com.

Forward-Looking Information

This Q&A, the VersaBank Circular, the Joint Disclosure Booklet, and the documents incorporated by reference in the VersaBank Circular or the Joint Disclosure Booklet, contain forward-looking information within the meaning of the applicable securities legislation that are based on expectations, estimates and projections as at the date of the VersaBank Circular and the Joint Disclosure Booklet or the dates of the documents incorporated by reference in the VersaBank Circular and the Joint Disclosure Booklet, as applicable. This forward-looking information includes but is not limited to statements and information concerning: the proposed Amalgamation of VersaBank and PWC; the covenants of VersaBank and PWC; the timing for the implementation of the Amalgamation and the potential risks and benefits of the Amalgamation; the likelihood of the Amalgamation being completed; receipt of the VersaBank Shareholder Approval, the PWC Securityholder Approval and

the Required Regulatory Approvals; future growth and potential achievement of the Bank; waiver of conditions to the Amalgamation; trading price of securities of the Bank; board and management team of the Bank following the completion of the Amalgamation; statements made in, and based upon, the RBC Fairness Opinion; statements relating to the business, future activities of, and developments related to VersaBank and PWC after the date of the VersaBank Circular and the Joint Disclosure Booklet and prior to the Effective Time; statements relating to the business, future activities of, and developments related to the Bank after the Effective Date; market position, and future financial or operating performance of the Bank; liquidity of the Bank's securities; access to capital markets by the Bank; pro forma consolidated financial statements of the Bank and statements based on such financial statements; and other events or conditions that may occur in the future.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always are accompanied by phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes", "aims", "endeavours", "projects", "continue", "predicts", "potential", "intends", or the negative of these terms or variations of such words and phrases or stating that certain actions, events or results "may", "could", "would", "might", "will", "should", be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information and are intended to identify forward-looking information.

This forward-looking information is based on the beliefs of VersaBank's and PWC's management, as the case may be, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, there can be no assurance that the forward-looking information will prove to be accurate. Such assumptions and factors include, among other things, the satisfaction of the terms, covenants and conditions of the Pre-Amalgamation Agreement and the Amalgamation Agreement, including the approval of the Amalgamation by the Minister, and the receipt of the VersaBank Shareholder Approval, the PWC Securityholder Approvals and the Required Regulatory Approvals.

By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of VersaBank, PWC, or the Bank to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Forward-looking information is subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by forward-looking information, including, without limitation: the Pre-Amalgamation Agreement and the Amalgamation Agreement may be terminated in certain circumstances; the terms of the Pre-Amalgamation Agreement and the Amalgamation Agreement in respect of restricting third parties from making an Acquisition Proposal; the certainty that all conditions precedent to the Pre-Amalgamation Agreement and the Amalgamation Agreement will be If you have any questions or need assistance completing your form of proxy or voting instruction form, please call Kingsdale Shareholder Services at 1-877-659-1819, or 1-416-867-2272, or email at contactus@kingsdaleshareholder.com satisfied, or, if not satisfied, waived (or not waived) by either VersaBank or PWC, notably in respect of any conditions relating to the valid exercise of Dissent Rights; general business, economic, competitive, political, regulatory and social uncertainties; risks related to factors beyond the control of VersaBank or PWC; risks that VersaBank or PWC may not realize the benefits currently anticipated by the Amalgamation and other related transactions; the fact that VersaBank or PWC will incur costs even if the Amalgamation is not completed; risks related to the business of VersaBank or PWC before the Amalgamation; risks related to political developments and policy shifts; risks related to amendments to laws; risks related to the market value of VersaBank Shares and Bank Shares; or delays in obtaining the Required Regulatory Approvals. Additional risks and uncertainties regarding VersaBank are described in its

management's discussion and analysis of operations and financial condition for the year ended October 31, 2015 which is available on SEDAR at www.sedar.com.

Some of the important risks and uncertainties that could affect forward-looking information are described further in the VersaBank Circular, Joint Disclosure Booklet, and in other documents incorporated by reference in the VersaBank Circular or the Joint Disclosure Booklet. Although VersaBank has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. This forward-looking information, including any in the Q&A, is made as of the date of the VersaBank Circular and the Joint Disclosure Booklet, and other than as required by applicable Securities Laws, VersaBank assumes no obligation to update or revise them to reflect new events or circumstances.