

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name VersaBank		2 Issuer's employer identification number (EIN) None	
3 Name of contact for additional information Investor Relations	4 Telephone No. of contact 1-800-244-1509	5 Email address of contact wadem@versabank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 140 Fullarton Street, Suite 2002		7 City, town, or post office, state, and Zip code of contact London, Ontario, Canada N6A 5P2	
8 Date of action January 31, 2017		9 Classification and description Common Shares; Preferred shares	
10 CUSIP number 92512J106	11 Serial number(s) N/A	12 Ticker symbol TSE: VB	13 Account number(s) N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On January 31, 2017, VersaBank ("Versa") and PWC Capital Inc. ("PWC") amalgamated to form a new corporation also named VersaBank ("Amalco") (the "Amalgamation"). Versa shareholders exchanged each of their Versa common shares or Versa preferred shares for one Amalco common share or one Amalco preferred share, as applicable, in the Amalgamation. PWC shareholders exchanged each of their PWC common shares for Amalco common shares on the basis of 54.508758 PWC shares for one Amalco common share in the Amalgamation.

The Amalgamation is described in full in the Versa Management Information Circular dated November 22, 2016, which is available at www.sec.gov.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ Amalco believes that the Amalgamation should qualify as a tax-deferred transaction under Code Section 368(a).

However, certain Versa and PWC shareholders may recognize gain under Code Section 367. Shareholders that recognized a gain should have a tax basis in the Amalco shares received equal to their fair market value at the time of the Amalgamation. Shareholders that did not recognize a gain should have a tax basis in the Amalco shares received equal to its aggregate tax basis in the Versa or PWC shares exchanged therefor.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ In the event that a shareholder recognizes gain, for purposes of calculating fair market value, the fair market value of Amalco shares on January 31, 2017 is estimated at US \$3.81, which was the opening price for Amalco shares on the Toronto stock exchange on February 1, 2017 (the first day of trading of Amalco shares after closing of the Amalgamation).

Shareholders should consult with their own tax advisors to determine whether they are required to recognize any gain and what measure of fair market value is appropriate.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Amalco believes that the Amalgamation should qualify as a tax-deferred transaction under Code Section 368(a). Consequently, the U.S. federal income tax consequences to Versa and PWC shareholders should be determined under Code Sections 351, 354, 358, 367, 1001, and 1221.

If Versa or PWC was classified as a passive foreign investment company as defined under Code Section 1297 (a "PFIC"), then Code Sections 1291-98 would be applicable to the shareholders of such corporation. Shareholders should consult their own tax advisors regarding the application of the PFIC rules.

18 Can any resulting loss be recognized? ▶ Since the Amalgamation should qualify as a tax-deferred transaction under Code Section 368(a), each Versa and PWC shareholder who received Amalco shares in the Amalgamation should not recognize any loss.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, any gain recognized should be reported by shareholders for the taxable year which includes January 31, 2017 (e.g., a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2017 calendar year).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

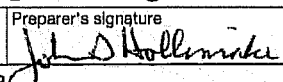
Signature ▶ 

Date ▶ 16 MAR 2017

Print your name ▶ SHAWN CLARKE

Title ▶ CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
John Hollinrake		8 Mar 2017		PO1568530
Firm's name ▶ Dorsey & Whitney LLP	Firm's EIN ▶ 41-0223337		Phone no. 206-903-8812	
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