

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 N6A 5P2, Canada	
8 Date of action January 31, 2017		9 Classification and description 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, PWC Capital Inc. ("PWC") exchanged each Class B Preferred Share for 152.266 PWC Common Shares (the "Exchange"). PWC subsequently amalgamated with VersaBank to form a new corporation also called VersaBank.**

The Exchange is described in full in the 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 ▶ **VersaBank believes that the Exchange should qualify as a tax-deferred recapitalization under Code Section 368(a). There are no dividend in arrears with respect to the PWC Class B Preferred Shares.**

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 ▶

Shareholders should have a tax basis in the PWC common shares received equal to its aggregate tax basis in the PWC Class B Preferred Shares exchanged therefor.

Part II Organizational Action (continued)

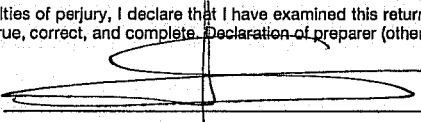
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ VersaBank believes that the Exchange should qualify as a tax-deferred recapitalization under Code Section 368(a). Consequently, the U.S. federal income tax consequences to PWC Class B Preferred shareholders should be determined under Code Sections 368, 354, 358, and 367.

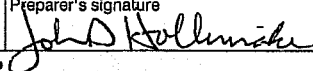
If PWC was classified as a passive foreign investment company as defined under Code Section 1297 (a "PFIC"), then Code Sections 1291-98 would be applicable to the shareholders of such corporation. Shareholders should consult their own tax advisors regarding the application of the PFIC rules.

18 Can any resulting loss be recognized? ▶ Since the Exchange should qualify as a tax-deferred recapitalization under Code Section 368(a), each PWC Class B Preferred shareholder who received common shares in the Exchange should not recognize any loss.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, the recapitalization should be reported by PWC Class B Preferred 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
	<u>John Hollinrake</u>		<u>15 Mar 2017</u>		<u>PO1568530</u>
	Firm's name ▶ <u>Dorsey & Whitney LLP</u>			Firm's EIN ▶	<u>41-0223337</u>
	Firm's address ▶ <u>Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104</u>			Phone no.	<u>206-903-8812</u>