

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 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, PWC Capital Inc. ("PWC") exchanged each \$1,000 principal amount of Series C Notes (each a "Note") for 7,468,211 PWC common shares (the "Exchange"). PWC subsequently amalgamated with VersaBank to form a new corporation also named VersaBank.

The Exchange is described in full in the Management Information Circular dated November 22, 2016, which is available at www.sedar.com.

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 ▶ Although not free from doubt, Holders of Notes that are treated as a "security" for U.S. federal income tax purposes generally should not recognize income, gain or loss for U.S. federal income tax purposes on the Exchange under Section 368.

Holders of Notes that are not treated as a "security" for U.S. federal income tax purposes will recognize gain or loss measured by the difference between the amount realized and the tax basis of their Notes.

Holders of Notes should discuss with their own tax advisors whether they are required to recognize ordinary income under the market discount, original issue discount and other tax rules generally applicable to debt instruments.

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 ▶ Holders of Notes that are treated as a "security" should obtain a tax basis in the common shares received equal to the tax basis of the Notes exchanged.

Holders of Notes that are not treated as a "security" should obtain a tax basis in the common shares received equal to the fair market value of such common shares at the time of the Exchange.

The fair market value of a PWC common share is estimated at U.S. \$0.0699 for purposes of this Form 8937.

Holders of Notes should consult with their own tax advisors to determine whether they are required to recognize any income, gain or loss and what measure of fair market value is appropriate.

Part II Organizational Action (continued)

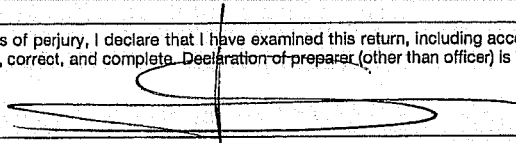
17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
 Sections 368 and 354 should apply to holders of Notes that are treated as a "security" for U.S. federal income tax purposes.
 Sections 1001 and 1012 apply to holders of Notes that are not treated as a "security" for U.S. federal income tax purposes.

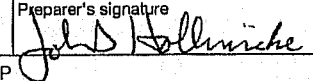
If PWC was classified as a passive foreign investment company as defined under Code Section 1297 (a "PFIC"), then Code Sections 1291-98 would be applicable to the shareholders of such corporation. Shareholders should consult their own tax advisors regarding the application of the PFIC rules.

18 Can any resulting loss be recognized? ▶
 As noted above in Box 15, a holder of Notes which are not treated as a "security" may recognize a loss for U.S. federal income tax purposes.

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		15 Mar 2017		PO1568530
	Firm's name ▶ Dorsey & Whitney LLP	Firm's EIN ▶	41-0223337	Phone no.	206-903-8812
	Firm's address ▶ Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104				