

VERSABANK
(formerly Pacific & Western Bank of Canada)

BY-LAW NO. 2

SHARE CAPITAL

1. Definitions

In this By-Law No. 2:

“Act” means the *Bank Act*, and any successor legislation thereto, as enacted and as amended, from time to time, by the Parliament of Canada;

“Board” means the board of directors of the Bank;

“Bank” means VersaBank; and

“Director” means a director of the Bank.

2. Authorized Capital

The authorized capital of the Bank shall consist of:

- (a) an unlimited number of common shares without par value (the “Common Shares”); and
- (b) an unlimited number of non-voting, preferred shares without par value, (the “Preferred Shares”).

3. Common Share Attributes

The Common Shares of the Bank shall be non-redeemable and the rights of the holders thereof shall be equal in all respects and shall be as follows:

- (a) the right to vote at all meetings of shareholders except where only holders of a specified class of shares are entitled to vote;
- (b) the right to receive dividends declared on those shares; and
- (c) the right to receive the remaining property of the Bank on dissolution.

4. Preferred Share Attributes

The Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(a) **Directors' Right to Issue in One or More Series**

The Preferred Shares may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the board of directors of the Bank shall fix the number of shares that will form such series, if any, and shall, subject to any limitations set out in the by-laws of the Bank or in the Act, determine the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, the whole subject to the filing with the Office of the Superintendent of Financial Institutions (Canada) of the particulars of such series, including the rights, privileges, restrictions and conditions determined by the board of directors of the Bank.

(b) **Ranking of Preferred Shares**

Each series of Preferred Shares shall rank on a parity with every other series of Preferred Shares with respect to dividends and return of capital. The Preferred Shares shall be entitled to a preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of the assets of the Bank among its shareholders for the specific purpose of winding up its affairs. If any cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on return of capital are not paid in full in respect of any series of Preferred Shares, the Preferred Shares of all series shall participate rateably in respect of such dividends in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of such return of capital in accordance with the sums that would be payable on such return of capital if all sums so payable were paid in full; provided, however, that if there are insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preferred Shares with respect to return of capital shall be paid and satisfied first and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions and conditions attached to the Preferred Shares as a class over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

(c) **Voting Rights**

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Preferred Shares, the holders of the Preferred Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Bank.

(d) **Amendment With Approval of Holders of Preferred Shares**

The rights, privileges, restrictions and conditions attached to the Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Preferred Shares given as hereinafter specified.

(e) **Approval of Holders of Preferred Shares**

The approval of the holders of the Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Preferred Shares as a class or in respect of any other matter requiring the consent of the holders of the Preferred Shares may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of the Preferred Shares or passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Preferred Shares duly called for that purpose. Notwithstanding anything else in this Section 4, the approval of the holders of the Preferred Shares, voting separately as a class or series, is not required on a proposal to amend the by-laws of the Bank to:

- (i) increase or decrease the maximum number of authorized Preferred Shares, or increase the maximum number of authorized shares of a class of shares having rights or privileges equal or superior to the Preferred Shares;
- (ii) effect the exchange, reclassification or cancellation of all or any part of the Preferred Shares; or
- (iii) create a new class of shares equal to or superior to the Preferred Shares.

The formalities to be observed with respect to the giving of notice of any such meeting or any continuation of an adjourned meeting, the quorum required therefor and the conduct thereof shall be those from time to time required by the Act as in force at the time of the meeting and those, if any, prescribed by the by-laws or the administrative resolutions of the Bank with respect to meetings of shareholders. On every poll taken at every meeting of the holders of the Preferred Shares as a class, or at any joint meeting of the holders of two or more series of Preferred Shares, each holder of Preferred Shares entitled to vote thereat shall have one vote in respect of each Preferred Share held.

(f) **Notice to Holders of Preferred Shares**

Any notice, cheque, notice of redemption or other communication from the Bank herein provided for shall be sent to the holders of the Preferred Shares by first class mail, postage prepaid at their respective addresses appearing on the securities register of the Bank or, in the event of the address of any such holder not so appearing, then at the last address of such holder known to the Bank; or by any standard form of telecommunication including, without limitation, facsimile and electronic mail. Accidental failure to give any such notice, notice of redemption or other communication to one or more holders of Preferred Shares shall not affect the validity thereof, but, upon such failure being discovered, a copy of the notice, notice of redemption or other communication, as the case may be, shall be sent or delivered forthwith to such holder or

holders. Unless otherwise provided herein, any notice, request, certificate or other communication from a holder of Preferred Shares herein provided for shall be either sent to the Bank by first class mail, postage prepaid, or delivered by hand to the Bank at its registered office.