

VERSABANK
(Formerly Pacific & Western Bank of Canada)

BY-LAW NO. 4

(Adopted by the Board of Directors with immediate effect on February 19, 2015)

INTRODUCTION

The purpose of this By-Law No. 4 (the “**By-Law**”) is to provide shareholders, directors and management of VersaBank (the “**Bank**”) with a clear framework for nominating directors. This By-Law fixes a deadline by which shareholders of the Bank must submit director nominations to the Bank prior to any annual or special meeting of shareholders, and sets forth the information to be provided and other procedures to be followed, in respect of such nomination.

It is the position of the Bank that this By-Law is beneficial to shareholders and other stakeholders and is in the best interests of the Bank. This By-Law will be subject to periodic review by the Bank and, subject to the *Bank Act* (Canada) (the “**Act**”), will be revised to reflect mandatory changes as required pursuant to applicable securities regulatory or stock exchange requirements and, at the discretion of the Board, amendments necessary to meet evolving industry standards.

ARTICLE 1
NOMINATION OF DIRECTORS

Section 1.1 Subject to the Act and applicable securities laws, only persons who are nominated in accordance with the procedures set out in this By-Law shall be eligible for election as directors to the Board of Directors (the “**Board**”) of the Bank. Nominations of persons for election to the Board may only be made at an annual meeting of shareholders, or at a special meeting of shareholders called for any purpose which includes the election of directors to the Board, as follows:

- (a) by or at the direction of the Board or an authorized officer of the Bank, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of shareholders made in accordance with the provisions of the Act; or
- (c) by any person entitled to vote at such meeting (a “**Nominating Shareholder**”), who: (A) is, at the close of business on the date of giving notice provided for in Section 1.3 below and on the record date for notice of such meeting, either entered in the securities register of the Bank as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Bank; and (B) has given timely notice in proper written form as set forth in this By-Law.

Section 1.2 For the avoidance of doubt, the foregoing Section 1.1 shall be the exclusive means for any person to bring nominations for election to the Board before any annual or special meeting of shareholders of the Bank.

Section 1.3 For a nomination made by a Nominating Shareholder to be timely notice (a “**Timely Notice**”), the Nominating Shareholder’s notice must be received by the corporate secretary of the Bank at the principal executive offices of the Bank:

- (a) in the case of an annual meeting of shareholders, not later than the close of business on the 40th day before the date of the meeting provided, however, if the first public announcement made by the Bank of the date of the annual meeting is less than 50 days prior to the meeting date (the “**Notice Date**”), not later than the close of business on the 10th day following the Notice Date;
- (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes the election of directors to the Board, not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting is made by the Bank.

Section 1.4 To be in proper written form, a Nominating Shareholder’s notice to the corporate secretary must comply with this Section 1.4 and:

- (a) disclose or include, as applicable, as to each person whom the Nominating Shareholder proposes to nominate for election as a director (a “**Proposed Nominee**”):
 - (i) their name, age, business and residential address, principal occupation or employment for the past five years, status as a “resident Canadian” (as such term is defined in the Act);
 - (ii) their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Bank;
 - (iii) any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or arrangements, between the Proposed Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Proposed Nominee and the Nominating Shareholder; and
 - (iv) any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or applicable securities law.
- (b) disclose or include, as applicable, as to each Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:
 - (i) their name, business and residential address and direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Bank, including the number or principal amount and the date(s) on which such securities were acquired;
 - (ii) their interests in, or rights or obligations associated with, an agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, the person’s economic interest in a security of the Bank or the person’s economic exposure to the Bank;
 - (iii) any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or arrangements, between the Nominating Shareholder or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Nominating Shareholder and any Proposed Nominee;

- (iv) any proxy, contract, arrangement, agreement or understanding pursuant to which such person, or any of its affiliates or associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Bank or the nomination of directors to the Board;
- (v) any direct or indirect interest of such person in any contract with the Bank or with any of the Bank's affiliates or principal competitors;
- (vi) a representation and sufficient evidence that the Nominating Shareholder is a holder of record of securities of the Bank, or a beneficial owner, entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to propose such nomination;
- (vii) a representation as to whether such person intends to deliver a proxy circular and/or form of proxy to any shareholder of the Bank in connection with such nomination or otherwise solicit proxies or votes from shareholders of the Bank in support of such nomination; and
- (viii) any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Act or as required by applicable securities law.

Section 1.5 All information to be provided in a Timely Notice pursuant to Section 1.3 shall be provided as of the record date for determining shareholders entitled to vote at the meeting (if such date shall then have been publicly announced) and as of the date of such notice. The Nominating Shareholder shall update such information forthwith so that it is true and correct in all material respects at all times prior to the date of the meeting, or any adjournment or postponement thereof.

Section 1.6 If requested by the Bank, a Proposed Nominee shall furnish any other information as may reasonably be required by the Bank to determine the eligibility of such Proposed Nominee to serve as a director of the Bank or a member of any committee of the Board, with respect to independence or any other relevant criteria for eligibility, or that could be material to a shareholder's understanding of the independence or eligibility, or lack thereof, of such Proposed Nominee, including but not limited to an affidavit confirming eligibility serve as a director under the Act.

Section 1.7 Notwithstanding any other provision in the by-laws of the Bank relating to the giving of notice, any notice, or other document or information required to be given to the corporate secretary pursuant to this By-Law may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the corporate secretary for purposes of this notice) and shall be deemed to have been given and made only at the time it is served by personal delivery to the corporate secretary at the address of the principal executive offices of the Bank, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

Section 1.8 Additional Matters

- (a) The chair of any meeting of shareholders of the Bank shall have the power to determine whether any proposed nomination is made in accordance with the provisions of this By-Law, and if any proposed nomination is not in compliance with such provisions, must declare that such defective nomination shall not be considered at any meeting of shareholders.
- (b) Despite any other provision of this By-Law, if the Nominating Shareholder (or a qualified representative of the Nominating Shareholder) does not appear at the meeting of shareholders of the Bank to present the nomination of the Proposed Nominee, such nomination shall be disregarded, notwithstanding that proxies in respect of such nomination may have been received by the Bank.
- (c) The Board may, in its sole discretion, waive any requirement of this By-Law.
- (d) For the purposes of this By-Law, “public announcement” means disclosure in a press release disseminated by the Bank through a national news service in Canada, or in a document filed by the Bank for public access under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com.
- (e) This By-Law is subject to, and should be read in conjunction with, the Act and the letters patent. If there is any conflict or inconsistency between any provision of the Act or the letters patent and any provision of this By-Law, the provision of the Act or the letters patent will govern.
- (f) Despite any other provision of this By-Law, this By-Law shall not apply to the annual and special meeting of shareholders of the Bank to be held on March 25, 2015 or any adjournment or postponement thereof.

ARTICLE 2 ANNUAL OR SPECIAL MEETINGS OF SHAREHOLDERS

Section 2.1 No business may be transacted at an annual or special meeting of shareholders other than business that is either (i) specified in the Bank’s notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board, or (iii) otherwise properly brought before the meeting by any shareholder of the Bank who complies with the proposal procedures set forth in Section 2.2 below.

Section 2.2 For business to be properly brought before a meeting by a shareholder of the Bank, such shareholder must submit a proposal to the Bank for inclusion in the Bank’s management proxy circular in accordance with the requirements of the Act; provided that any proposal that includes nominations for the election of directors shall also comply with the requirements of Article 1.