

**VERSABANK**  
**(formerly Pacific & Western Bank of Canada)**

**BY-LAW NO. 1, as amended**

**A by-law relating generally to the  
transaction of the business  
and affairs of the Bank**

**ARTICLE 1.**  
**INTERPRETATION**

**1.1. Definitions** - In this by-law and all other by-laws and resolutions of the Bank, unless the context otherwise requires:

- (a) the following terms shall have the meanings specified:
  - (i) “Act” means the *Bank Act* and any act that may be substituted therefor, as amended from time to time, and any regulations from time to time in force thereunder;
  - (ii) “Bank” means VersaBank;
  - (iii) “Board” means the board of directors of the Bank;
  - (iv) “Director” means a member of the Board;
  - (v) “Meeting of Shareholders” includes an annual meeting or a special meeting of Shareholders or a meeting of any class or series of any class of Shareholders;
  - (vi) “Officer” means any individual designated an officer of the Bank by by-law or by resolution of the Board, or by the chief executive officer acting together with any other Officer in accordance with any by-law of the Bank or resolution of the Board; and
  - (vii) “Shareholder” means a shareholder of the Bank;
- (b) subject to Section 1.1(a), words and expressions that are defined in the Act have the same meaning when used in this by-law;
- (c) words importing the singular include the plural and vice versa; words importing any gender include any other gender; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations; and

- (d) this by-law and each of its provisions are subject to the Act, but if any provision of this by-law is in contravention of the Act, the contravention shall not invalidate any other provision of this by-law.

## **ARTICLE 2. NAME OF BANK**

- 2.1. Name of Bank** - The name of the Bank shall be “VersaBank” in both English and French form.

## **ARTICLE 3. MEETINGS OF SHAREHOLDERS**

**3.1. Annual and Special Meetings** - The Board shall call an annual Meeting of Shareholders to be held not later than six (6) months after the end of the financial year of the Bank for the purpose of electing Directors, considering the financial statements of the Bank, the report of the auditors of the Bank and transacting such other business as may be required by the Act or as may properly be brought before the meeting. The Board may at any time call a special Meeting of Shareholders.

**3.2. Records** - The Board shall appoint an Officer to prepare and maintain the minutes of meetings and resolutions of the Shareholders.

**3.3. Resolution in Lieu of Meeting** - Subject to the provisions of the Act, a resolution in writing signed by all the Shareholders entitled to vote on that resolution at a Meeting of Shareholders is as valid as if it had been passed at a Meeting of Shareholders.

**3.4. Quorum** - a quorum of shareholders is present at a meeting of shareholders if the holders of at least twenty-five percent (25%) of the shares who are entitled to vote at the meeting are present in person or represented by proxyholders.

## **ARTICLE 4. DIRECTORS**

**4.1. Number** - Where applicable law requires cumulative voting or otherwise requires that the number of Directors be fixed, the number of Directors shall be fixed at ten (10). However, in circumstances where applicable law does not require that the number of Directors be fixed, the number of Directors shall be a minimum of seven (7) and a maximum of twenty-one (21) and the number of Directors to be elected at any annual Meeting of Shareholders shall be such number as is fixed by the Board prior to such meeting.

**4.2. Term** - Each Director elected at a Meeting of Shareholders or appointed by the Directors to fill any vacancy shall hold office until the close of the annual Meeting of Shareholders next following his election or appointment.

**4.3. Filling Vacancy** - Subject to the provisions of the Act, a quorum of Directors may fill a vacancy among the Directors created by resignation, removal or increase in the number of Directors.

**4.4. Meetings** - Meetings of the Board may be held at any place within or outside Canada. Meetings of the Board shall be held quarterly or as nearly so as may be. The chairman of the Board, the vice chairman of the Board or the chief executive officer may call a meeting of the Board by giving notice of the place, date and time of such meeting by mail or other means of transmitted or recorded communication or by telephone at least twelve hours before the date of the meeting to each Director at his address last recorded with the Bank. Notice of meetings of Directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. Each newly elected Board may without notice hold its first meeting for the purpose of organization and the election and appointment of officers immediately following the election of the Board by the Shareholders.

**4.5. Electronic Meeting** - Meetings of the Board or of a committee of Directors may be held by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate adequately with each other during the meeting. Each Director so participating shall be deemed to be present at such meeting and such meeting shall be deemed to be held at the place specified in the notice calling such meeting and, in the absence of any such specification, in London, Ontario, Canada.

**4.6. Quorum** - the number of Directors constituting a quorum at any meeting of the Board shall be a majority of the number of Directors comprising the Board.

**4.7. Voting** - At all meetings of the Board, every matter shall be decided by a resolution passed by a majority of Directors who voted in respect of the resolution. In case of an equality of votes, the chairman of the meeting shall be entitled to a second or casting vote.

**4.8. Records** - The Board shall appoint an Officer to prepare and maintain the minutes of meetings and resolutions of the Board and its Committees. The minutes of each meeting of the Board shall be made available for review by the Directors prior to the meeting of the Board or Committee that follows the meeting to which such minutes relate and shall be approved by the Board or Committee. The minutes of a meeting of the Board or Committee shall be signed by the chairman and the secretary of the meeting.

## **ARTICLE 5. COMMITTEES**

**5.1. Audit Committee** - The Board shall appoint from its number an audit committee of not fewer than three (3) Directors, a majority of whom shall be persons who are not affiliated with the Bank, as determined under the Act, and none of whom shall be an officer or employee of the Bank or of a subsidiary of the Bank. The audit committee shall have the duties provided in the Act and may exercise such other duties and perform such other functions as may be determined from time to time by the Board.

**5.2. Conduct Review Committee** - The Board shall appoint from its number a conduct review committee of not fewer than three (3) Directors, a majority of whom shall be persons who are not affiliated with the Bank, as determined under the Act, and none of whom shall be an officer or employee of the Bank or of a subsidiary of the Bank. The conduct review committee shall have

the duties provided in the Act and may exercise such other duties and perform such other functions as maybe determined from time to time by the Board.

**5.3. Other Committees** - The Board may from time to time appoint from its number such other committees as it deems necessary and, subject to the provisions of the Act, delegate to those committees such powers of the Board, and assign to those committees such duties, as the Board considers appropriate.

**5.4. Quorum** - The number of Directors constituting a quorum at any meeting of a committee of Directors shall be a majority of the number of Directors comprising the committee of Directors.

**5.5. Procedure** - Subject to any restrictions imposed by the Board or the Act, each committee of the Board shall have the power to elect its chairman and to regulate its procedure.

**5.6. Voting** - At all meetings of a committee of the Board, every matter shall be decided by a resolution passed by a majority of the Directors on the committee who voted in respect of the resolution. In case of an equality of votes, the chairman of the meeting shall be entitled to a second or casting vote.

## **ARTICLE 6. OFFICES and OFFICERS**

**6.1. Designation of Offices and Appointment of Officers of the Bank** - The following are designated as offices of the Bank: chief executive officer and president, and members of senior management.

The Board may from time to time designate such other offices as may be desirable, may specify the duties of such offices and may appoint persons to hold such offices. Such persons shall, together with the chief executive officer and president, and members of senior management, be Officers.

**6.2. Chief Executive Officer** - The Board shall appoint from its number a chief executive officer. Subject to the limitations set out in the Act, and as otherwise expressly limited by the Board by resolution or by-law, the Board hereby delegates to the chief executive officer all of the powers of the Board, including all powers to manage or supervise the management of the business and affairs of the Bank. The chief executive officer shall preside at each meeting of the Board and of the Shareholders at which the chairman of the Board is absent.

**6.3. Members of Senior Management** - The Board may appoint individuals to the office of member of senior management who shall have such responsibilities as may be assigned to them from time to time by the Board and the chief executive officer. The chief executive officer may appoint individuals to the office of member of senior management if such individuals are members of senior management elsewhere in the VersaBank organization. The seniority of the members of senior management shall be as determined by the chief executive officer or, in the absence of such determination, by the Board. The members of senior management, in order of seniority as determined by the Board, may perform and exercise the powers of the chief executive officer during the absence or inability to act of the chief executive officer.

**6.4. Term of Office** - Every Officer shall hold office at the pleasure of the Board.

**ARTICLE 7.  
INDEMNIFICATION OF DIRECTORS AND OFFICERS**

**7.1. Indemnification** - Except in respect of an action by or on behalf of the Bank to procure a judgment in its favour, the Bank shall indemnify:

- (a) a Director or an Officer,
- (b) a former Director or Officer, or
- (c) any person who acts or acted at the Bank's request as a director or an officer of an entity of which the Bank is or was a shareholder or creditor,

against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment reasonably incurred by the person in respect of any civil, criminal or administrative action or proceeding to which the person is made a party by reason of being or having been a person referred to in any of paragraphs (a) to (c) above, if

- (d) the Director, Officer or person acted honestly and in good faith with a view to the best interests of the Bank, and
- (e) in the case of a criminal or administrative action or proceeding enforced by a monetary penalty, the Director, Officer or person had reasonable grounds for believing that the impugned conduct was lawful.

**7.2. Indemnification in Derivative Action** - The Bank shall, with the approval of a court, indemnify a person referred to in Section 7.1, in respect of an action by or on behalf of the Bank or entity to procure a judgment in its favour to which the person is made a party by reason of being or having been a director or an officer of the Bank or entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the person in connection with that action if the person fulfills the conditions set out in Sections 7.1(d) and 7.1(e).

**7.3. Right to Indemnity** - Notwithstanding anything in Sections 7.1 to 7.4, a person referred to in Section 7.1 is entitled to indemnity from the Bank in respect of all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the person in connection with the defence of any civil, criminal or administrative action or proceeding to which the person is made a party by reason of being or having been a director or an officer of the Bank or an entity, if the person seeking indemnity:

- (a) was substantially successful on the merits in the defence of the action or proceedings; and
- (b) fulfils the conditions set out in Sections 7.1(d) and 7.1(e).

**7.4. Heirs** - The Bank shall, to the extent referred to in Sections 7.1 to 7.3 in respect of the person, indemnify the heirs or personal representatives of any person the Bank may indemnify pursuant to Sections 7.1 to 7.3.

**7.5. Directors' and Officers' Insurance** - The Bank shall, subject to the terms of this section, purchase and maintain insurance for the benefit of any person referred to in Sections 7.1 to 7.3 against any liability incurred by the person

- (a) in the capacity of a Director or an Officer, except where the liability relates to a failure to act honestly and in good faith with a view to the best interests of the Bank; or
- (b) in the capacity of a director or an officer of another entity where the person acts or acted in that capacity at the Bank's request, except where the liability relates to a failure to act honestly and in good faith with a view to the best interests of the entity.

The Bank shall not be required to purchase and maintain such insurance if the chairman of the Board and the chief executive officer determine that such insurance is not available on terms acceptable to the Bank.

**7.6. Limitation of Liability** - No Director or Officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer or any employee or for any liability or expense sustained or incurred by the Bank in the execution of the duties of his office, provided that nothing herein contained shall relieve any Director or Officer from the duty to act in accordance with the Act or from any liability for any breach thereof, or of any other applicable law.

## **ARTICLE 8. SECURITIES**

**8.1. Certificates** - Every holder of a security issued by the Bank as evidence of a share or other interest in the capital stock of the Bank shall be entitled at his option to a security certificate that complies with the Act or a non-transferable written acknowledgment of his right to obtain a security certificate from the Bank in respect thereof and such certificate or acknowledgment shall be in such form as is approved by the Board from time to time and shall contain such information as may be required by the Act.

**8.2. Central Securities Register** - The Bank shall maintain a central securities register in accordance with the Act.

**8.3. Transfer Agent and Registrar** - The Board may appoint or remove a transfer agent or a registrar and one or more branch transfer agents or registrars for the shares of the Bank.

**8.4. Dividends** - The mailing or other transmission to any Shareholder at his address as recorded in the Bank's securities register of a cheque payable to him or his order for the amount of any dividend payable in cash shall discharge the Bank's liability for the dividend to the extent of the amount of the cheque plus the amount of any tax which the Bank has properly withheld,

unless the cheque is not paid on due presentation. If a Shareholder does not receive any cheque for a dividend payable in cash, the Bank shall issue to the Shareholder a replacement cheque for the same amount on such reasonable terms as to indemnity and evidence of non-receipt as the Board or any Officer or agent designated by the Board may impose. Any dividend unclaimed for a period of six (6) years from the date on which it was payable shall be forfeited and shall revert to the Bank.

## **ARTICLE 9. BY-LAWS**

**9.1. By-Laws** - Unless otherwise required by the Act, the Board may by resolution make, amend or repeal any by-law that regulates the business or affairs of the Bank.

**9.2. Shareholder Approval** - The Board shall submit a by-law, or an amendment to or a repeal of a by-law, that is made under Section 9.1 to the Shareholders at the next Meeting of Shareholders, and the Shareholders may, by resolution, confirm or amend the by-law, amendment or repeal.

**9.3. Effective Date** - Unless otherwise required by the Act, a by-law, or an amendment to or a repeal of a by-law, is effective from the date of the resolution of the Board under Section 9.1 until it is confirmed, confirmed as amended or rejected by the Shareholders under Section 9.2 or until it ceases to be effective under Section 9.4 and, where the by-law is confirmed, or confirmed as amended, it continues in effect in the form in which it was so confirmed.

**9.4. Effect Where No Shareholder Approval** - If a by-law, or an amendment to or a repeal of a by-law, is rejected by the Shareholders, or is not submitted to the Shareholders by the Board as required under Section 9.2, the by-law, amendment or repeal ceases to be effective from the date of its rejection or the date of the next Meeting of Shareholders, as the case may be, and no subsequent resolution of the Board to make, amend or repeal a by-law having substantially the same purpose or effect is effective until it is confirmed, or confirmed as amended, by the Shareholders.

**9.5. Shareholder Proposal of By-Law** - A Shareholder entitled to vote at an annual Meeting of Shareholders may, in accordance with the Act, make a proposal to make, amend or repeal a by-law.

**9.6. Remuneration of Directors** - Remuneration paid by the Bank to its Directors in respect of a financial year shall not exceed, in aggregate, one million five hundred thousand dollars (\$1,500,000), which amount may be apportioned among the Directors on such basis as the Directors may determine, together with such further amounts as may be necessary to reimburse the Directors for their reasonable expenses properly incurred in respect of their services to the Bank in their capacity as Directors.

**9.7. Fundamental Matters** - The Board may make, amend or repeal any by-laws of the Bank with respect to the matters set out in Section 217 of the Act, in the manner set out in Sections 9.8 to 9.10 hereof and the Act.

**9.8. Shareholder Approval** - The Board shall submit a by-law, or an amendment to or a repeal of a by-law, that is made under Section 9.7, to the Shareholders, and the Shareholders may, by special resolution, confirm, amend or reject the by-law, amendment or repeal.

**9.9. Effective Date** - A by-law, or an amendment to or a repeal of a by-law, made under Section 9.7 is not effective until it is confirmed or confirmed as amended by the Shareholders under Section 9.8 and, in the case of by-laws referred to in any of paragraphs (a) to (h) under Section 217(1) of the Act, approved in writing by the Superintendent of Financial Institutions.

**9.10. Revoking Resolution** - Where a special resolution referred to in Section 9.7 so states, the Board may, without further approval of the Shareholders, revoke the special resolution.

## **ARTICLE 10. GENERAL**

**10.1. Corporate Seal** - The Bank shall have a seal and the Board shall determine the custody and use of the seal or any facsimile thereof. The seal shall bear the name of the Bank and shall bear such insignia as may be approved from time to time by the Board.

**10.2. Execution of Instruments** - All contracts, deeds, transfers, assignments, discharges, quit claims, releases, security agreements, obligations, certificates and any other instrument or document to be executed by the Bank, either under its corporate seal or otherwise, may be signed on behalf of the Bank by (i) any two Officers or (ii) by one or more persons authorized to sign on behalf of the Bank and designated for that purpose by the Board or by the chief executive officer acting together with any other Officer designated as a member of senior management. Any of the foregoing persons authorized to sign on behalf of the Bank shall have authority to affix the corporate seal of the Bank to any instrument, document or contract requiring the same.

In addition to the foregoing, the persons described in (i) and (ii) above are authorized, directed and fully empowered for and on behalf and in the name of the Bank, in the province of Quebec and in any other province or territory of Canada, (1) to buy, sell or otherwise acquire or dispose of any property, whether movable or immovable, upon such terms and conditions as the persons described in (i) or (ii), as the case may be, in their discretion, may consider necessary or desirable, (2) to receive all sums of money due to the Bank, whether they be capital or interest or derived from a hypothecary claim or otherwise, and, upon such receipt, to grant discharge, (3) to give, with or without consideration, main-levée, priority of hypothec rights and privileges and, without limiting the generality of the foregoing, priority of rights and privileges resulting from a giving in payment clause or from a resolatory clause or from any other similar clause, (4) to cede or transfer any hypothecary or privileged claim due to the Bank, and (5) to sign, execute and deliver any and all deeds, agreements, documents, instruments and writings and perform and do all such acts and things as the persons described in (i) or (ii), as the case may be, in their discretion, may consider to be necessary, desirable or useful for the purpose of giving effect to this Section 10.2, including, without limiting the generality of the foregoing, the appointment by power of attorney under their signatures of one or more persons to act in their stead for the purpose of giving effect to this Section 10.2, and any Officer designated as a member of senior management is authorized and directed, when certifying and delivering any copy of this by-law or an extract thereof, to certify and attest to the name of each of the persons described in (i) or (ii), as the case may be.

**10.3. Agents and Attorneys** - Subject to any limitations imposed by the Board, the chief executive officer acting together with any other Officer designated as a member of senior management, or any two (2) Officers designated as members of senior management acting together, shall have the power to appoint from time to time agents or attorneys for the Bank inside or outside of Canada with such duties and powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

**10.4. Financial Year** - The financial year of the Bank shall end on the expiration of the thirty-first day of October in each year.

**10.5. Notice.**

(a) **Method of Giving Notice** - Any notice, including any communication or document, to be given to any Shareholder, Director, Officer, auditor or member of a committee of the Directors, shall be sufficiently given if given personally to the person to whom it is to be given or if delivered to his address recorded with the Bank or if mailed to him at such recorded address by prepaid ordinary mail or by air mail where such recorded address is outside of Canada or by any standard form of telecommunication including, without limitation, facsimile and electronic mail. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given three (3) business days after its mailing; and a notice so sent by any means of telecommunication shall be deemed to have been given on the business day next following the date of transmission. The Officer performing the function of secretary of the Bank may change or cause to be changed the recorded address of any Shareholder, Director, Officer, auditor or member of a committee of the Directors in accordance with any information believed by him to be reliable. The foregoing provisions shall be without prejudice to any provisions of the Act requiring the giving of notice by publication in a newspaper or some other specific manner.

(b) **Computation of Time** - In computing the date when notice must be given for any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be included and the date of the meeting or other event shall be excluded.

(c) **Errors and Omission** - The accidental omission to give any notice to any Shareholder, Director, Officer, auditor or member of a committee of the Directors or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

(d) **Waiver of Notice** - Any person entitled to attend a Meeting of Shareholders or a meeting of Directors or a committee of the Directors may at any time waive any notice required to be given in respect thereof, whether under the provisions of the Act or the by-laws of the Bank or otherwise, and any such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving of such notice.

**10.6. Secrecy** - Each Director, and every person in the employ of the Bank shall maintain secrecy as to everything that takes place in the Bank, and shall not, subject to applicable law, give any information relative to any customer, account or transaction at or in the books of the Bank.

**10.7. Head Office** - The head office of the Bank shall be located in London, Ontario, Canada.