

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities law. Accordingly, the securities may not be offered, sold, exercised or transferred in the United States (as defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state laws or an exemption from such registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of VersaBank at Suite 2002-140 Fullarton Street, London, Ontario N6A 5P2, telephone (519) 675-4201, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM PROSPECTUS

New Issue

June 9, 2017



**\$15,000,000 (minimum) to \$30,000,000 (maximum)**

### **Up to 3,000,000 Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 5 (Non-Viability Contingent Capital (NVCC))**

This short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of up to 3,000,000 non-cumulative 5-year rate reset preferred shares, series 5 (Non-Viability Contingent Capital (NVCC)) (the "**Series 5 Preferred Shares**") of VersaBank (the "**Bank**") at a price of \$10.00 per Series 5 Preferred Share (the "**Offering Price**").

Holders of Series 5 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of the Bank (the "**Board of Directors**" or the "**Board**"), for the initial period commencing on the Closing Date (as defined herein) and ending on and including July 31, 2022 (the "**Initial Fixed Rate Period**"), payable quarterly on the last day of January, April, July and October in each year or if such day is not a business day, on the next business day, at an annual rate equal to \$ ● per Series 5 Preferred Share. The initial dividend, if declared, will be payable on October 31, 2017 and will be \$ ● per Series 5 Preferred Share, based on the anticipated Closing Date of June 29, 2017. Thereafter, quarterly dividends will be at a rate of \$ ● per Series 5 Preferred Share during the Initial Fixed Rate Period. See "*Description of Share Capital*".

For each 5-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**"), the holders of Series 5 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of January, April, July and October in each year, in the amount per Series 5 Preferred Share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$10.00. The Annual Fixed Dividend Rate for each succeeding Subsequent Fixed Rate Period will be determined by the Bank on the 30th day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus ● %. See "*Description of Share Capital*".

#### **Option to Convert Into Series 6 Preferred Shares**

The holders of Series 5 Preferred Shares will have the right, at their option, to convert any or all of their Series 5 Preferred Shares into an equal number of non-cumulative floating rate preferred shares, Series 6 (Non-Viability Contingent Capital (NVCC)) of the Bank (the "**Series 6 Preferred Shares**"), subject to certain conditions, on July 31, 2022 and on July 31 every five years thereafter. The holders of Series 6 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of January, April, July and October in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "**Quarterly Floating Rate Period**"), in the amount per Series 6 Preferred Share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$10.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus ● % (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. See "*Description of Share Capital*".

Effective January 1, 2013 in accordance with capital adequacy requirements adopted by the Office of the Superintendent of Financial Institutions Canada ("**OSFI**"), non-common capital instruments issued after January 1, 2013, including subordinated debt securities and preferred shares, must include terms providing for the full and permanent conversion of such securities into common shares upon the occurrence of certain trigger events relating to financial viability in order to qualify as regulatory capital. **The terms of the Series 5 Preferred Shares and the Series 6 Preferred Shares provide that such shares will be automatically converted (a "Contingent Conversion"), without the consent of the holders thereof, on a full and permanent basis, into a specified number of fully-paid common shares of the Bank ("Common Shares") upon the occurrence of a Trigger Event (as defined herein). Investors should therefore carefully consider the disclosure with respect to the Bank, the Series 5 Preferred Shares, the Series 6 Preferred Shares, the Common Shares and the consequences of a Trigger Event included and incorporated by reference in this Prospectus. See "Risks Related to the Offering — Automatic conversion to Common Shares upon a Trigger Event".**

Subject to the provisions of the *Bank Act* (Canada) (the "**Bank Act**") and to the prior consent of the Superintendent of Financial Institutions Canada (the "**Superintendent**") and to the provisions described below under "*Description of Share Capital — Certain Provisions of the Series 5 Preferred Shares as a Series — Restrictions on Dividends and Retirement of Shares*"; on July 31, 2022 and on July 31 every five years thereafter, the Bank may redeem all or any part of the then outstanding Series 5 Preferred Shares, at the Bank's option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$10.00 together with all declared and unpaid dividends to the date fixed for redemption. See "*Description of Share Capital*".

The Series 5 Preferred Shares and the Series 6 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of a holder of Series 5 Preferred Shares or Series 6 Preferred Shares, respectively. See "*Risk Factors*".

*(Continued on following page)*

(Continued from cover)

## **\$10.00 per Series 5 Preferred Share, to yield initially    ●    % per annum**

The Series 5 Preferred Shares will be sold pursuant to an agency agreement (the “Agency Agreement”) to be entered into between the Bank and a syndicate of agents led by RBC Dominion Securities Inc. (the “Lead Agent”), and including BMO Nesbitt Burns Inc., Industrial Alliance Securities Inc., GMP Securities L.P., Raymond James Ltd. and PI Financial Corp. (collectively with the Lead Agent, the “Agents”). See “Plan of Distribution”. The Offering Price has been determined by negotiation between the Bank and the Agents.

	Price to the Public <sup>(1)</sup>	Agents' Fee <sup>(2)</sup>	Net Proceeds to the Bank <sup>(3)</sup>
<b>Per Series 5 Preferred Share</b> . . . . .	\$10.00	\$0.60	\$9.40
<b>Minimum Offering<sup>(4)</sup></b> . . . . .	\$15,000,000	\$900,000	\$14,100,000
<b>Maximum Offering<sup>(5)</sup></b> . . . . .	\$30,000,000	\$1,800,000	\$28,200,000

Notes:

- (1) The minimum subscription is 100 Series 5 Preferred Shares or \$1,000 per purchaser.
- (2) The Bank has agreed to pay the Agents a fee representing 6% of the gross proceeds of the Offering (the “Agents' Fee”).
- (3) After deducting the Agents' Fee, but before deducting expenses of the Offering estimated at \$830,000, which will be paid by the Bank from the proceeds of the Offering.
- (4) There will be no closing unless a minimum of 1,500,000 Series 5 Preferred Shares are sold. If subscriptions for such minimum have not been received within 90 days after a final receipt for this Prospectus is issued, the Offering may not continue and subscription proceeds will be returned to purchasers, without interest or deduction, unless an amendment to this Prospectus is filed.
- (5) The Bank has granted to the Agents an option (the “Over-Allotment Option”), exercisable, in whole or in part, within 30 days following the Closing Date (as defined herein), at the sole discretion of the Agents, to sell, as agent, such number of Series 5 Preferred Shares equal to 15% of the number of Series 5 Preferred Shares sold pursuant to the Offering on the same terms as set out above solely to cover the Agents' over allocation position, if any, and for market stabilization purposes. If the Offering is fully subscribed and the Over-Allotment Option is exercised in full, the total price to the public, Agents' Fee and net proceeds to the Bank, before deducting expenses of the Offering, will be \$34,500,000, \$2,070,000 and \$32,430,000, respectively. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Series 5 Preferred Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Series 5 Preferred Shares forming part of the Agents' over-allocation position acquires those Series 5 Preferred Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases (up to an aggregate maximum for all such purchases of the number of Series 5 Preferred Shares actually issued upon the exercise of the Over-Allotment Option). See “Plan of Distribution”.

The following table sets out information relating to the Over-Allotment Option:

Agents' Position	Maximum Number of Series 5 Preferred Shares Available	Exercise Period	Exercise Price per Series 5 Preferred Share
Over-Allotment Option . . . . .	450,000	30 days from the date of closing of the Offering	\$10.00

**An investment in the Series 5 Preferred Shares should be considered speculative as the securities are subject to certain risk factors including those set out under the heading “Risk Factors”, and should only be made by persons who can afford the total loss of their investment.**

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

The Common Shares, the Bank's non-cumulative 5-year rate reset preferred shares, series 1 (the “Series 1 Preferred Shares”) and the Bank's non-cumulative 6-year rate reset preferred shares, series 3 (the “Series 3 Preferred Shares”) are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbols “VB”, “VB.PR.A” and “VB.PR.B”, respectively.

The Agents conditionally offer the Series 5 Preferred Shares on a reasonable best efforts basis, subject to prior sale, if, as and when issued and sold by the Bank and accepted by the Agents, in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Bank by Stikeman Elliott LLP, and on behalf of the Agents by Miller Thomson LLP. In connection with the Offering, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Series 5 Preferred Shares at levels other than those that may otherwise exist in the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

Subscriptions for the Series 5 Preferred Shares offered hereunder will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. The distribution under this Prospectus must cease within 90 days after the date of the receipt for this Prospectus (the “Offering Period”). Closing of the Offering is expected to take place on or about June 29, 2017 or such other date as by the Bank and the Agents may agree (the “Closing Date”). Closing of the Offering is conditional upon receipt of subscriptions for the minimum number of Series 5 Preferred Shares set forth herein. The Agents will hold funds received from purchasers and if closing of the Offering has not occurred at or prior to the end of the Offering Period, the Offering will be withdrawn and the subscription price will be refunded to the purchasers without interest or deduction.

One or more book-entry only certificates representing the aggregate number of Series 5 Preferred Shares issued pursuant to the Offering will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on the Closing Date. Alternatively, the Series 5 Preferred Shares may be issued through the non-certificated inventory system of CDS. In either such case, a purchaser of Series 5 Preferred Shares will receive only a client confirmation from the registered dealer from or through whom Series 5 Preferred Shares are purchased and who is a CDS depository-service participant. CDS will record the CDS participants who hold Series 5 Preferred Shares on behalf of owners who have purchased them in accordance with the book-based system. See “Plan of Distribution”.

Computershare Investor Services Inc., at its offices in Toronto, Ontario, is the transfer agent and registrar for the Series 5 Preferred Shares. See “Auditor and Transfer Agent”.

**Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.**

Investors should rely only on the information contained in or incorporated by reference in this Prospectus. The Bank has not authorized anyone to provide investors with different information. The Bank is not offering the Series 5 Preferred Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date of this Prospectus.

Certain directors of the Company reside outside of Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See “Enforcement of Judgments Against Foreign Persons”.

The Bank's head office and registered address is located at Suite 2002-140 Fullarton Street, London, Ontario N6A 5P2. See “Summary Description of the Business”.

Unless otherwise indicated, all dollar amounts expressed in this Prospectus are to Canadian dollars and references herein to “\$” or “dollar” are to Canadian dollars.

## TABLE OF CONTENTS

	<u>Page</u>
CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION .....	1
ELIGIBILITY FOR INVESTMENT .....	2
DOCUMENTS INCORPORATED BY REFERENCE .....	2
MARKETING MATERIALS .....	4
SUMMARY DESCRIPTION OF THE BUSINESS .....	4
REGULATORY ENVIRONMENT .....	5
USE OF PROCEEDS .....	6
CONSOLIDATED CAPITALIZATION .....	6
DESCRIPTION OF SHARE CAPITAL .....	6
PRIOR SALES .....	20
TRADING PRICE AND VOLUME .....	20
EARNINGS COVERAGE .....	21
PLAN OF DISTRIBUTION .....	22
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....	23
RISK FACTORS .....	25
INTERESTS OF EXPERTS .....	32
AUDITOR AND TRANSFER AGENT .....	32
ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS .....	32
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION .....	32
CERTIFICATE OF THE BANK .....	C-1
CERTIFICATE OF THE AGENTS .....	C-2

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Prospectus and the documents incorporated by reference herein contain “forward-looking information” within the meaning of applicable Canadian securities legislation. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, forecasts, projections, objectives, assumptions or future events or performance (often but not always accompanied by phrases such as “expects”, “is expected”, “anticipates”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes”, “aims”, “endeavours”, “projects”, “continue”, “predicts”, “potential”, “intends”, “proposes”, or the negative of these terms or variations of such words and phrases or stating that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “should”, be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information and are intended to identify forward-looking information. Forward-looking information in this Prospectus includes, but is not limited to, statements with respect to the use of proceeds of the Offering; the completion of the Offering; the exercise of the Over-Allotment Option; the expected Closing Date of the Offering; the Bank’s capital plan; the Bank’s future capital actions, including the payment of dividends; laws and regulations applicable to the Bank and the Bank’s compliance with such requirements in the future; the Bank’s goals, objectives, strategies and future actions; the introduction of new products and services and the enhancement of existing products and services; sources and sustainability of earnings; targeted and expected financial results; and the outlook for the Bank’s business, the Bank’s industry, and the Canadian and global economy.

Such forward-looking information is based on the beliefs of the Bank’s management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. Forward-looking information in certain documents incorporated by reference herein is based on the key assumptions described in such documents. There can be no assurance that forward-looking information will prove to be accurate. Such assumptions include, without limitation, the expectations and beliefs of management; the successful completion of the Offering; the exercise of the Over-Allotment Option, if applicable; the Bank being able to access financing on reasonable terms; adequate supply and demand for the Bank’s products and services; the availability of deposits and the Bank’s ability to access same on reasonable terms; the Bank maintaining its commercial relationships; that management’s experience enabling it to estimate supply and demand for the Bank’s products and services, allowing management to properly manage risks, react appropriately to changes in the industry and operate the Bank’s business effectively; no significant event occurring outside of the Bank’s normal course of business; the political environment within Canada being favourable to the industry in which the Bank operates; as to the strength of the Canadian economy in general and the strength of local economies within Canada in which the Bank operates; as to the effects of changes in interest rates; as to capital market fluctuations; and as to the impact of changes in laws and regulations.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors, many of which are beyond the Bank’s control, that may cause the actual results, level of activity, performance, expectations, or achievements of the Bank to be materially different from those expressed or implied by such forward-looking information, including, but not limited to: general business, market and economic conditions in Canada and globally; the strength of the Canadian and global economy in general and the strength of the local economies within Canada in which the Bank conducts operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; the level of competition in the Bank’s markets; changes in economic and political conditions; critical accounting estimates, changes in accounting standards and policies, and the effects thereof; the ability to attract and retain key personnel; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and saving habits; the ability of the Bank to execute its business plan; various risks, including but not limited to credit, market, liquidity, strategic, operational, reputational, legal, portfolio and regulatory; legislative or regulatory developments in the jurisdictions where the Bank operates; changes in supervisory expectations or requirements, including, without limitation, amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; the occurrence of a Trigger Event; technological changes; the timely development and introduction of new products and services in receptive markets; the occurrence of weather-related and other natural catastrophes; war and terrorism; the accuracy of and completeness of information the Bank receives about customers and counterparties; events affecting the Bank’s borrowers or other transaction parties with which the Bank is involved, or the industry or geographic location of such borrowers or other transaction parties;

risks associated with management's ability to anticipate and manage the risks associated with these factors; and other risks, uncertainties and other factors, including, but not limited to, those described under the heading "Risk Factors" in this Prospectus and those described in the Annual Information Form (as defined herein) and the MD&A (as defined herein). This list is not exhaustive of the risks, uncertainties and other factors that may affect any of the Bank's forward-looking information or that could cause actual results to differ materially from those contained in such forward-looking information.

The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose. Although the Bank believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that these expectations will prove to be correct, and such forward-looking information included in this Prospectus or in any document incorporated by reference herein should not be unduly relied upon. These statements speak only as of the date of this Prospectus, or in the case of documents incorporated by reference herein, as of the date of each such document. Except as may be required by law, the Bank does not intend, and does not assume any obligation, to update any forward-looking information, whether as a result of new information, future events or otherwise.

**The forward-looking information contained in this Prospectus and the documents incorporated by reference herein is expressly qualified in its entirety by these cautionary statements.**

### ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Bank, and Miller Thomson LLP, counsel to the Agents, the Series 5 Preferred Shares and the Series 6 Preferred Shares or Common Shares issuable on conversion of the Series 5 Preferred Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan, registered education savings plan ("RESP"), registered disability savings plan ("RDSP") or a tax-free savings account ("TFSA").

Notwithstanding that the Series 5 Preferred Shares and the Series 6 Preferred Shares or Common Shares issuable on conversion of the Series 5 Preferred Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, a share will be a "prohibited investment" (within the meaning of prohibited investment rules in the Tax Act) for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, does not deal at arm's length (for the purposes of the Tax Act) with the Bank or has a "significant interest" (within the meaning of the prohibited investment rules in the Tax Act) in the Bank, unless such shares are "excluded property" (as defined in the Tax Act) for trusts governed by a TFSA, RRSP or RRIF.

Based on certain Tax Proposals (as defined herein) announced on March 22, 2017, it is proposed that the prohibited investment rules described above will be extended to cover RDSPs and RESPs. Prospective purchasers who intend to hold Series 5 Preferred Shares in a TFSA, RRSP, RDSP, RESP or RRIF should consult their own tax advisors with respect to whether Series 5 Preferred Shares would be prohibited investments, including with respect to whether the Series 5 Preferred Shares would be "excluded property" as defined in the Tax Act.

### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar authorities in certain of the provinces of Canada (collectively, the "Commissions").** Copies of documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Bank at Suite 2002 – 140 Fullarton Street, London, Ontario N6A 5P2, telephone (519) 675-4201. Copies of the documents are also available on the Bank's website at [www.versabank.com](http://www.versabank.com) or on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) under the Bank's name, which can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents, or portions of documents, filed with the Commissions are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) The annual information form of the Bank dated January 23, 2017 for the year ended October 31, 2016 (the “**Annual Information Form**”);
- (b) The consolidated audited financial statements of the Bank for the years ended October 31, 2016 and October 31, 2015, together with the notes thereto and the auditor’s report thereon;
- (c) Management’s discussion and analysis of the Bank for the year ended October 31, 2016 (the “**MD&A**”);
- (d) The consolidated unaudited financial statements of the Bank for the three and six months ended April 30, 2017;
- (e) Management’s discussion and analysis of the Bank for the three and six months ended April 30, 2017;
- (f) The material change report of the Bank dated November 24, 2016 in respect of the setting of a record date and meeting date for a meeting to approve its previously announced amalgamation and related transactions in relation to the amendment of the exchange ratios for certain securities under the amalgamation;
- (g) The material change report of the Bank dated January 31, 2017 in respect of the completion of its previously announced merger and related transactions;
- (h) The management information circular of the Bank dated March 2, 2017 prepared in connection with the annual and special meeting of shareholders of the Bank held on April 26, 2017;
- (i) The annual information form of PWC Capital Inc. (“**PWC**”) dated January 24, 2017 for the year ended October 31, 2016;
- (j) The consolidated audited financial statements of PWC for the years ended October 31, 2016 and October 31, 2015, together with the notes thereto and the auditor’s report thereon;
- (k) Management’s discussion and analysis of PWC for the year ended October 31, 2016;
- (l) The material change report of PWC dated November 24, 2016 in respect of the setting of a record date and meeting date for a meeting to approve its previously announced amalgamation and related transactions and in relation to its amendment of the exchange ratios for certain securities under the amalgamation; and
- (m) The material change report of PWC dated January 31, 2017 in respect of the completion of its previously announced merger and related transactions.

Any documents of the type described in Item 11 of Form 44-101F1 of National Instrument 44-101 — *Short Form Prospectus Distributions* (“**NI 44-101**”) which are filed by the Bank with the Commissions subsequent to the date of this Prospectus and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference in this Prospectus.

**Any statement contained in this Prospectus or a document incorporated or deemed to be incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute a part of this Prospectus.**

Pursuant to Section 8.2 of NI 44-101, and as evidenced by the receipt of this Prospectus issued by the relevant securities regulatory authorities, the Bank has been granted an exemption from the requirement under Item 11.1(1)7 of Form 44-101F1 under NI 44-101 to incorporate by reference into this Prospectus (a) the management information circular of the Bank dated November 22, 2016 (the “**Bank Merger Circular**”) prepared in connection with the special meeting of holders of Common Shares, Series 1 Preferred Shares and Series 3 Preferred Shares of the Bank held on December 30, 2016 in connection with the amalgamation of VersaBank and PWC (the “**Merger**”), (b) the management information circular of PWC dated November 22, 2016 (the “**PWC Merger Circular**”) prepared in connection with the special meetings of holders of PWC’s common shares, class B preferred shares and series C notes held on December 30, 2016 in connection with the Merger, (c) the Joint Disclosure Booklet of the Bank and PWC dated November 22, 2016 (the “**Joint Disclosure Booklet**”) in connection with the Merger due to the fact that the Bank Merger Circular, PWC Merger Circular and the Joint Disclosure Booklet above are either (i) modified or superseded by information contained in this Prospectus or the documents incorporated by reference herein or (ii) prepared in anticipation of the Merger and are no longer relevant due to the completion of the Merger.

## MARKETING MATERIALS

Any “template version” of “marketing materials” (as such terms are defined in National Instrument 41-101 — *General Prospectus Requirements*) will be incorporated by reference in the final short form prospectus. However, such “template version” of “marketing materials” will not form part of the final short form prospectus to the extent that the contents of the “template version” of “marketing materials” are modified or superseded by a statement contained in the final short form prospectus. Any “template version” of “marketing materials” filed on SEDAR after the date of the Prospectus and before the termination of the distribution under the Offering will be deemed to be incorporated into the Prospectus.

## SUMMARY DESCRIPTION OF THE BUSINESS

### Name, Address and Incorporation

The Bank was originally incorporated in June, 1979 under *The Business Corporations Act* (Saskatchewan). On August 1, 2002, the Bank was granted a Schedule I bank license and continued under the Bank Act. On January 31, 2017 letters patent of amalgamation were issued and the Bank continued following the Merger. The Bank Act is the charter of the Bank and governs its operations.

The registered office of the Bank is located at Suite 2002 — 140 Fullarton Street, London, Ontario N6A 5P2. Its head office and principal address is located at Suite 2002 — 140 Fullarton Street, London, Ontario N6A 5P2, Telephone: (519) 675-4201; Facsimile: (519) 675-4241, email: cameronm@versabank.com.

### Summary Description of the Business of the Bank

The Bank is a highly focused, digital commercial bank that concentrates on niche markets. However, like most banks, the Bank has two primary business activities: the acquisition of deposits and the granting or acquisition of loans.

The Bank operates using an “electronic branchless model” and sources deposits, consumer loans, and commercial loan and lease receivables electronically. The Bank also provides commercial loans and mortgages it obtains through a well-established network of brokers and direct contact with clients via its commercial lending staff.

The Bank’s branchless model and innovative in-house developed software enable it to efficiently process deposit transactions without a substantial investment in fixed assets or employees. The Bank raises deposits through a diversified network of financial advisors and deposit brokers located throughout Canada as well as through its Trustee Integrated Banking Program, which is a custom online commercial banking platform designed to integrate with the insolvency industry’s most popular administrative software.

The Bank’s lending portfolio is administered by two divisions, namely commercial banking and e-commerce. The Bank’s commercial banking division specializes in making commercial loans and mortgages primarily in Ontario and occasionally in other attractive markets throughout Canada. This division is staffed by

commercial lending specialists with many years of experience. Commercial loan and mortgage opportunities are obtained through a well-established network of brokers and through direct contact with this division's lending officers.

The Bank's e-commerce division operates its Receivable Purchase Program (formerly referred to as the Bulk Purchase Program). This program involves purchasing loan and lease receivables from an increasing number of non-bank and fintech financiers who operate throughout Canada in a variety of industries. Many of these financiers take advantage of new technologies to reach their customers. The Bank facilitates this type of financing and indirectly provides much needed financing for small businesses and greater choice for consumers across Canada. The Bank has developed sophisticated, high capacity systems that allow it to process large numbers of small ticket loan and lease receivables. Credit risk is reduced to acceptable levels by substantial cash deposits made by the vendors of the loan and lease receivables to offset potential credit losses.

In addition, the Bank has developed a key relationship with a major Schedule I bank to provide cheque clearing, settlement and electronic funds transfer capabilities to the Bank's customers and partners. Management believes that these capabilities will assist the Bank in growing its Trustee Integrated Banking Program and introducing and distributing additional lending products, respectively.

For liquidity requirements the Bank invests in cash, government securities, term deposits and debt of other financial institutions.

### **Additional Information**

**Additional information about the Bank can be found in the Annual Information Form and the other documents incorporated by reference into this Prospectus. See "Documents Incorporated by Reference".**

## **REGULATORY ENVIRONMENT**

### **Supervision and Regulation**

The Bank's activities are governed by the Bank Act. In accordance with the Bank Act, banks may engage in and carry on the business of banking and such business generally as pertains to the business of banking. The Superintendent is responsible to the Minister of Finance (Canada) for the administration of the Bank Act. The Superintendent provides guidelines regarding disclosure of a bank's financial information and is also required to make an annual examination of each bank to ensure compliance with the Bank Act and to ensure that each bank is in sound financial condition.

Banks have broad powers to invest in the securities of other corporations and entities, but the Bank Act imposes limits upon substantial investments. Under the Bank Act, generally a bank has a substantial investment in a body corporate when (i) the voting shares beneficially owned by the bank and by entities controlled by the bank exceed 10% of the outstanding voting shares of the body corporate or (ii) the total of the shares of the body corporate that are beneficially owned by the bank and entities controlled by the bank represent more than 25% of the total shareholders' equity of the body corporate. A Canadian chartered bank is permitted to have a substantial investment in entities whose activities are consistent with those of certain prescribed permitted substantial investments. In general, a bank will be permitted to invest in an entity that carries on any financial service activity whether that entity is regulated or not. Further, a bank may invest in entities that carry on commercial activities that are related to the promotion, sale, delivery or distribution of a financial product or service, or that relate to certain information services. A bank may also invest in entities that invest in real property, act as mutual funds or mutual fund distributors or that service financial institutions, and a bank may have downstream holding companies to hold these investments. In certain cases, the approval of the Minister of Finance (Canada) or the Superintendent is required prior to making the investment and the bank may be required to control the entity. Banks may, by way of temporary investment, acquire control of, or acquire or increase a substantial investment in, an entity for a two year period. This time period may be extended upon application to the Superintendent. Other than for authorized types of insurance, chartered banks may offer insurance products only through their subsidiaries and not through their branch systems. Banks are prohibited from engaging in automobile leasing.

## **Restrictions on Ownership of Securities**

The Bank Act contains restrictions on the issue, transfer, acquisition and beneficial ownership of all shares of a chartered bank. For example, if the bank has equity of \$12 billion or more, no person shall be a major shareholder of a bank, which includes a shareholder which owns, directly or indirectly, more than 20% of its outstanding voting shares of any class or more than 30% of its outstanding non-voting shares of any class. The Bank does not meet this equity threshold and thus this restriction does not currently apply to the Bank.

Further, no person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). Ownership, directly or indirectly, of more than 10% of any class of shares of a bank constitutes a significant interest. No person, other than 340268 Ontario Limited, has a significant interest in any class of shares of the Bank.

The Bank monitors the above constraints on shareholdings through various means including through the completion of Declaration of Ownership Forms for shareholder certificate transfer requests. If any person contravenes the above constraints on shareholdings, neither such person, nor any entity controlled by the particular person, may exercise any voting rights until the shares to which the constraint relates are disposed of.

The Bank Act also prohibits the registration of a transfer or issue of any shares of the Bank to, and the exercise, in person or by proxy, of any voting rights attached to any share of the Bank that is beneficially owned by, Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

## **Restrictions on Payments**

Under the Bank Act, the Bank cannot redeem or purchase any of its shares, including the Series 5 Preferred Shares, or its subordinated debt, unless the consent of the Superintendent has been obtained. In addition, the Bank Act prohibits the Bank from purchasing or redeeming any shares or paying any dividends if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the Bank Act requirement to maintain, in relation to the Bank's operations, adequate capital and appropriate forms of liquidity and to comply with any regulations or directions of the Superintendent in relation thereto.

## **USE OF PROCEEDS**

The net proceeds to the Bank from the sale of the Series 5 Preferred Shares, without giving effect to the Over-Allotment Option, will be \$14,100,000 after deducting the Agents' Fee of \$900,000, assuming the minimum Offering, and \$28,200,000 after deducting the Agents Fee of \$1,800,000, assuming the maximum Offering, but in each case before deducting the estimated expenses of the Offering of \$830,000. In the event the Agents exercise the Over-Allotment Option, the Bank will receive additional net proceeds of \$4,230,000 after deducting the Agents' Fee of \$270,000. Such net proceeds will be added to the Bank's capital base (to provide additional regulatory capital) and approximately \$10,000,000 will be used for the repayment of certain subordinated indebtedness, subject to regulatory approvals. It is expected that the balance of the proceeds will be used for general corporate purposes, including funding the cash necessary for operating activities of the Bank in future periods. See "*Risk Factors — Liquidity and Liquidity Management*".

## **CONSOLIDATED CAPITALIZATION**

Upon completion of the Offering, assuming the maximum Offering and full exercise of the Over-Allotment Option, there will be an aggregate of 3,450,000 Series 5 Preferred Shares issued and outstanding.

## **DESCRIPTION OF SHARE CAPITAL**

The Bank is authorized to issue an unlimited number of Common Shares and an unlimited number of non-voting preferred shares of the Bank, issuable in series ("**Preferred Shares**"). As of the date hereof, there are 21,123,559 Common Shares issued and outstanding, 1,461,460 Series 1 Preferred Shares issued and outstanding and 1,681,320 Series 3 Preferred Shares issued and outstanding. The non-cumulative floating rate preferred shares, series 2 and non-cumulative floating rate preferred shares, series 4 are both part of the Bank's authorized share capital, but no shares in either series have been issued.

The holders of the Common Shares are entitled to vote at all meetings of shareholders of the Bank, except meetings at which only holders of a specified class of shares are entitled to vote; are entitled to receive, subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Bank, any dividends declared by the Bank; and shall participate, without any further preference or distinction but subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Bank, in the remaining property of the Bank upon the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary.

The Preferred Shares may be issued at any time or from time to time in one or more series. Before any Preferred Shares of a series are issued, the Board is required to fix the number of shares that will form such series, if any, and, subject to any limitations set out in the by-laws of the Bank or in the Bank Act, determine the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, all of which is subject to the filing with OSFI of the particulars of such series, including the rights, privileges, restrictions and conditions determined by the Board. Except with respect to amendments to the rights, privileges, restrictions or conditions of the Preferred Shares, 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.

Each series of Preferred Shares ranks on a parity with every other series of Preferred Shares with respect to dividends and return of capital. The Preferred Shares are 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. 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 by the Board in the case of such series of Preferred Shares.

The Board has authorized the issuance of an unlimited number of Series 5 Preferred Shares and an unlimited number of Series 6 Preferred Shares. The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Series 5 Preferred Shares as a series and the Series 6 Preferred Shares as a series and are in addition to those rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class. See also “*Regulatory Environment*” for a description of the restrictions on ownership of the Bank’s securities, including the Series 5 Preferred Shares and the Series 6 Preferred Shares.

### ***Definition of Terms***

The following definitions are relevant to both the Series 5 Preferred Shares and the Series 6 Preferred Shares:

“**Business Day**” means a day other than a Saturday, a Sunday or any other day which is a statutory or civic holiday in London, Ontario.

“**Capital Guidelines**” means the Canadian bank regulatory guidelines issued by the Superintendent or other governmental authority in Canada concerning the maintenance of adequate capital reserves by Canadian chartered banks, including the Bank, from time to time.

“**Contingent Conversion Formula**” means:

$(\text{Multiplier} \times \text{Preferred Share Conversion Value}) \div \text{Conversion Price} = \text{number of Common Shares into which each Series 5 Preferred Share or Series 6 Preferred Share, as applicable, will be converted.}$

“**Conversion Price**” means the greater of (i) the Floor Price and (ii) the Current Market Price of the Common Shares.

“**Current Market Price**” of the Common Shares means the volume-weighted average trading price of the Common Shares on the TSX or, if not then listed on that exchange, on another exchange or market chosen by the Board of Directors on which the Common Shares are then traded, for the ten

(10) consecutive Trading Days ending on the day immediately prior to the date of the Contingent Conversion, or, if no such trading prices are available, “**Current Market Price**” will be the Floor Price.

“**Dividend Payment Date**” means the last day of each of the months of January, April, July and October in each year.

“**Floor Price**” means \$0.75, as such value may be adjusted as described under “— *Certain Provisions of the Series 5 Preferred Shares as a Series — Conversion of Series 5 Preferred Shares into Common Shares upon a Trigger Event*” and “— *Certain Provisions of the Series 6 Preferred Shares as a Series — Conversion of Series 6 Preferred Shares into Common Shares upon a Trigger Event*”.

“**Ineligible Government Holder**” means any person who is the federal or a provincial government in Canada or agent or agency thereof, or the government of a foreign country or any political subdivision of a foreign country, or any agent or agency of a foreign government, in each case to the extent that the recording in the Bank’s securities register of a transfer or issue of any share of the Bank to such person would cause the Bank to contravene the Bank Act.

“**Ineligible Person**” means any person whose address is in, or whom the Bank or the Transfer Agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that the issuance or delivery by the Bank to such person of Series 5 Preferred Shares, Series 6 Preferred Shares or Common Shares, as the case may be, upon the exercise of rights of conversion or upon a Contingent Conversion (i) would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction or (ii) would give rise to a liability for withholding tax in connection with such issuance or delivery.

“**Multiplier**” means 1.0.

“**Preferred Share Conversion Value**” means (i) the amount of \$10.00 per Series 5 Preferred Share and (ii) the amount of \$10.00 per Series 6 Preferred Share, as the case may be, plus any declared but unpaid dividends in respect of such Series 5 Preferred Share or Series 6 Preferred Share, as the case may be.

“**Significant Shareholder**” means any person who beneficially owns, directly or indirectly, through entities controlled by such person or persons associated with or acting jointly or in concert with such person (as determined in accordance with the Bank Act), shares of any class of the Bank in excess of such percentage of the total number of outstanding shares of that class permitted by the Bank Act.

“**Trading Day**” means, with respect to any stock exchange or market, a day on which shares may be traded through the facilities of that stock exchange or market.

“**Transfer Agent**” means Computershare Investor Services Inc., or such other person as from time to time may be the registrar and transfer agent for the Series 5 Preferred Shares or the Series 6 Preferred Shares, as the case may be.

“**Trigger Event**” has the meaning set out in the OSFI Guideline for Capital Adequacy Requirements (CAR), Chapter 2 — Definition of Capital, effective January 2013, as such term may be amended or superseded by OSFI from time to time, which term currently provides that each of the following constitutes a Trigger Event:

- (a) the Superintendent publicly announces that the Bank has been advised, in writing, that the Superintendent is of the opinion that the Bank has ceased, or is about to cease, to be viable and that, after the conversion of the Series 5 Preferred Shares, the Series 6 Preferred Shares and all other contingent instruments issued by the Bank and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained; or
- (b) a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any provincial government or political subdivision or agent or agency thereof without which the Bank would have been determined by the Superintendent to be non-viable.

## Certain Provisions of the Series 5 Preferred Shares as a Series

### *Definition of Terms*

The following definitions are relevant to the Series 5 Preferred Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the Fixed Rate Calculation Date plus ● %.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR<INDEX> page on that service) for purposes of displaying Government of Canada Yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Bank as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Dividend Rate**” means ● % per annum.

### *Issue Price*

The Series 5 Preferred Shares will have an issue price of \$10.00 per Series 5 Preferred Share.

### *Dividends*

During the Initial Fixed Rate Period, the holders of the Series 5 Preferred Shares will be entitled to receive preferential, non-cumulative, cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on each Dividend Payment Date at the Initial Fixed Dividend Rate. Accordingly, the first of such dividends, if declared, will be payable on October 31, 2017 and will be \$ ● per Series 5 Preferred Share, based on the anticipated Closing Date of June 29, 2017.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, holders of the Series 5 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on each Dividend Payment Date in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$10.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Bank on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Series 5 Preferred Shares. The Bank will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for each succeeding Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 5 Preferred Shares.

If the Board of Directors does not declare the dividends, or any part thereof, on the Series 5 Preferred Shares on or before the Dividend Payment Date for a particular period or quarter, then the entitlement of the holders of the Series 5 Preferred Shares to receive a dividend, for such period or quarter will be forever extinguished.

### *Redemption*

The Series 5 Preferred Shares will not be redeemable prior to July 31, 2022. Subject to the provisions of applicable securities law, the rules of the TSX and the Bank Act, as applicable, and to the prior consent of the Superintendent and to the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, on July 31, 2022 and on July 31 every five years thereafter, the Bank may redeem all or any part of the then outstanding Series 5 Preferred Shares, at the Bank’s option, without the consent of the holder, by the payment of an amount in cash for each share so redeemed of \$10.00 together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all of the outstanding Series 5 Preferred Shares are at any time to be redeemed, the shares will be redeemed *pro rata*, disregarding fractions, or in any other manner that the Board of Directors in its sole discretion may determine, subject to approval of the Superintendent.

### *Conversion of Series 5 Preferred Shares into Series 6 Preferred Shares*

Holders of Series 5 Preferred Shares will have the right, at their option, on July 31, 2022 and on July 31 every five years thereafter (the “**Series 5 Conversion Date**”), to convert, subject to the restrictions on conversion described below and to the provisions of the Bank Act, any or all of their Series 5 Preferred Shares registered in their name into Series 6 Preferred Shares on the basis of one Series 6 Preferred Share for each Series 5 Preferred Share. The conversion of Series 5 Preferred Shares may be effected upon notice in writing (“**Election Notice**”) given not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series 5 Conversion Date during usual business hours at any office of the Transfer Agent. Once received by the Bank, an Election Notice is irrevocable. If the Bank does not receive an Election Notice from a holder of Series 5 Preferred Shares during the time fixed therefor, then the Series 5 Preferred Shares will be deemed not to have been converted (except in the case of an automatic conversion, described below).

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 5 Conversion Date, give notice in writing to the then registered holders of the Series 5 Preferred Shares of the above-mentioned conversion right. On the 30<sup>th</sup> day prior to each Series 5 Conversion Date, the Bank will give notice in writing to the then registered holders of the Series 5 Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined herein) applicable to the Series 6 Preferred Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series 5 Preferred Shares will not be entitled to convert their shares into Series 6 Preferred Shares if the Bank determines that there would remain outstanding on a Series 5 Conversion Date less than 200,000 Series 6 Preferred Shares, after having taken into account all Series 5 Preferred Shares tendered for conversion into Series 6 Preferred Shares and all Series 6 Preferred Shares tendered for conversion into Series 5 Preferred Shares. The Bank will give notice in writing thereof to all registered holders of Series 5 Preferred Shares at least seven days prior to the applicable Series 5 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 5 Conversion Date less than 200,000 Series 5 Preferred Shares, after having taken into account all Series 5 Preferred Shares tendered for conversion into Series 6 Preferred Shares and all Series 6 Preferred Shares tendered for conversion into Series 5 Preferred Shares, then, all, but not part, of the remaining outstanding Series 5 Preferred Shares will automatically be converted into Series 6 Preferred Shares on the basis of one Series 6 Preferred Share for each Series 5 Preferred Share on the applicable Series 5 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Series 5 Preferred Shares at least seven days prior to the Series 5 Conversion Date.

Upon exercise by the holder of this right to convert Series 5 Preferred Shares into Series 6 Preferred Shares, the Bank reserves the right not to issue Series 6 Preferred Shares to any person whose address is in, or whom the Bank or the Transfer Agent has reason to believe is a resident of the United States, its territories or possessions or other jurisdiction (other than Canada) the laws of which would require the Bank to comply with the registration, prospectus, filing or other similar requirements under the applicable securities laws of such jurisdiction.

Upon exercise by the holder of this right to convert Series 5 Preferred Shares into Series 6 Preferred Shares, the Bank reserves the right not to (i) deliver Series 6 Preferred Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Person or any person who, by virtue of that conversion, would become a Significant Shareholder, or (ii) record in its securities register a transfer or issue of Series 6 Preferred Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Government Holder based on a declaration submitted to the Bank or the Transfer Agent by or on behalf of such person. In such circumstances, the Bank or its agent will hold, as agent of any such person, all or the relevant number of Series 6 Preferred Shares otherwise to be delivered to such Ineligible Persons or persons who would become Significant Shareholders or registered to such Ineligible Government Holders, as the case may be, and the Bank or its agent will deliver such shares to a broker retained by the Bank for the purpose of selling such Series 6 Preferred Shares to parties other than the Bank and its affiliates on behalf of any such person. Such sales (if any) will be made at such times and at such prices, as the Bank (or its agent as directed by the Bank), in its sole discretion may determine. Neither the Bank nor its agent will be subject to any liability for failure to sell any such Series 6 Preferred Shares on behalf of any such person or at any particular price on any particular day. The net proceeds received by the Bank or its agent from the sale of any such Series 6 Preferred Shares will be delivered to any such person, after deducting the costs of sale and any applicable withholding taxes, in accordance with the procedures of CDS or otherwise.

If the Bank gives notice to the registered holders of the Series 5 Preferred Shares of the redemption on a Series 5 Conversion Date of all the Series 5 Preferred Shares, the Bank will not be required to give notice as provided hereunder to the registered holders of the Series 5 Preferred Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate applicable to the Series 6 Preferred Shares, or of the conversion right of holders of Series 5 Preferred Shares and the right of any holder of Series 5 Preferred Shares to convert such Series 5 Preferred Shares will cease and terminate in that event.

#### *Conversion of Series 5 Preferred Shares into Common Shares upon a Trigger Event*

For the purposes of this section, capitalized terms used herein but not defined shall have the meanings set out under the heading “Description of Share Capital — Definition of Terms” above.

Upon the occurrence of a Trigger Event, each Series 5 Preferred Share will be, and will be deemed, for all purposes, to be automatically converted, without the consent of the holders thereof, for newly issued fully-paid Common Shares, the number of which is to be determined by the Contingent Conversion Formula. In any case where the aggregate number of Common Shares to be issued to a holder of Series 5 Preferred Shares pursuant to a Contingent Conversion includes a fraction of a Common Share, such number of Common Shares to be issued to such holder will be rounded down to the nearest whole number of Common Shares and no cash payment will be made in lieu of such fractional Common Share.

As promptly as practicable after the occurrence of a Trigger Event, the Bank will announce the Contingent Conversion by way of a press release and will give notice of the Contingent Conversion to the then registered holders of the Series 5 Preferred Shares. From and after the Trigger Event, the Series 5 Preferred Shares will cease to be outstanding, the holders of the Series 5 Preferred Shares will cease to be entitled to dividends on such shares, including any dividends declared but not paid prior to the Trigger Event, and any certificates representing the Series 5 Preferred Shares will represent only the right to receive upon surrender of such certificate the applicable number of Common Shares described above. A Contingent Conversion will be mandatory and binding upon both the Bank and all holders of the Series 5 Preferred Shares notwithstanding anything else including, without limitation: (i) any prior action to or in furtherance of redeeming, exchanging or converting the Series 5 Preferred Shares pursuant to the other terms and conditions of the Series 5 Preferred Shares; and (ii) any delay in or impediment to the issuance or delivery of the Common Shares to the holders of the Series 5 Preferred Shares.

The number and value of the Common Shares to be received on a Contingent Conversion is variable and the value of the Common Shares received could be significantly less than the par amount of the Series 5 Preferred Shares.

Upon a Contingent Conversion, the Bank reserves the right not to (i) deliver Common Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Person or any person who, by virtue

of the Contingent Conversion, would become a Significant Shareholder, or (ii) record in its securities register a transfer or issue of Common Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Government Holder based on a declaration submitted to the Bank or the Transfer Agent by or on behalf of such person. In such circumstances, the Bank or its agent will hold, as agent of any such person, all or the relevant number of Common Shares otherwise to be delivered to such Ineligible Persons or persons who would become Significant Shareholders or registered to such Ineligible Government Holders, as the case may be, and the Bank or its agent will deliver such shares to a broker retained by the Bank for the purpose of selling such Common Shares to parties other than the Bank and its affiliates on behalf of any such person. Such sales (if any) will be made at such times and at such prices, as the Bank (or its agent as directed by the Bank), in its sole discretion, may determine. Neither the Bank nor its agent will be subject to any liability for failure to sell any such Common Shares on behalf of any such person or at any particular price on any particular day. The net proceeds received by the Bank or its agent from the sale of any such Common Shares will be delivered to any such person, after deducting the costs of sale and any applicable withholding taxes, in accordance with the procedures of CDS or otherwise.

Notwithstanding any other provision of the Series 5 Preferred Shares, the conversion of the Series 5 Preferred Shares into Common Shares upon the occurrence of a Trigger Event shall not be an event of default and the only consequence of a Trigger Event will be the conversion of such shares into Common Shares as set out herein.

The Floor Price is subject to adjustment in the event of:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend;
- (b) the subdivision, re-division or change of the Common Shares into a greater number of Common Shares; or
- (c) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares,

any of such events in clauses (a) to (c) being called a “**Common Share Reorganization**”.

Upon a Common Share Reorganization, the Floor Price will be adjusted so that it will equal the price determined by multiplying the Floor Price in effect immediately prior to such effective date or record date by a fraction:

- (a) the numerator of which will be the total number of Common Shares outstanding on such effective date or record date before giving effect to such Common Share Reorganization; and
- (b) the denominator of which will be the total number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number, without duplication, of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date).

No adjustment of the Floor Price will be made if the amount of such adjustment will be less than 1% of the Floor Price in effect immediately prior to the event giving rise to the adjustment, provided, however, that in such case any adjustment that would otherwise be required then to be made will be carried forward and will be made at the time of and together with the next subsequent adjustment which, together with any adjustments so carried forward, will amount to at least 1% of the Floor Price.

In the event of a capital reorganization, consolidation, merger or amalgamation of the Bank or comparable transaction affecting the Common Shares, the Bank will take all necessary action to ensure that the holders of Series 5 Preferred Shares receive, pursuant to a Contingent Conversion, after such event, the number of shares or other securities that the holders of Series 5 Preferred Shares would have received if the Contingent Conversion occurred immediately prior to the record date for such event.

### ***Purchase for Cancellation***

Subject to the provisions of applicable securities law, the rules of the TSX and the Bank Act, as applicable, and to the prior consent of the Superintendent and to the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, the Bank may purchase for cancellation at any time all, or from time to time any part, of the Series 5 Preferred Shares then outstanding by private contract or in the open market or by tender at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

### ***Restrictions on Dividends and Retirement of Shares***

So long as any Series 5 Preferred Shares are outstanding, the Bank will not, without the approval of the holders of the Series 5 Preferred Shares given in accordance with the requirements under the heading “*Shareholder Approvals*”:

- (a) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 5 Preferred Shares (other than share dividends payable in the form of shares ranking junior to the Series 5 Preferred Shares);
- (b) redeem, purchase or otherwise retire any of the Common Shares or any other shares ranking junior to the Series 5 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 5 Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all the Series 5 Preferred Shares; or
- (d) except pursuant to any purchase obligation, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on parity with the Series 5 Preferred Shares;

unless, in each case, all dividends on the Series 5 Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking prior to or on a parity with the Series 5 Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of Preferred Shares ranking on a parity with the Series 5 Preferred Shares without the authorization of the holders of the Series 5 Preferred Shares, if at the date of issuance all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends will be payable have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends have been paid or set apart for payment in respect of each series of non-cumulative Preferred Shares then issued and outstanding.

### ***Amendments to Series 5 Preferred Shares***

The Bank will not, without the approval of the holders of the Series 5 Preferred Shares given as specified below under the heading “*Shareholder Approvals*”, delete, amend or vary any rights, privileges, restrictions and conditions attaching to the Series 5 Preferred Shares. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Series 5 Preferred Shares from time to time for capital adequacy purposes pursuant to the Bank Act or the Capital Guidelines.

### ***Shareholder Approvals***

Any approval given by the holders of Series 5 Preferred Shares will be deemed to have been given by a resolution passed at a meeting of the holders of Series 5 Preferred Shares duly called and held on not less than

21 days' notice at which the holders of at least one-third of the outstanding Series 5 Preferred Shares are present or represented by proxy and carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at the meeting. If at the meeting the holders of at least one-third of the outstanding Series 5 Preferred Shares are not present or represented by proxy within 30 minutes after the time appointed for the meeting, the meeting will be adjourned to such date, not less than 21 days afterwards, and to such time and place as the chairman of the meeting may designate, and not less than 15 days written notice will be given of the adjourned meeting.

#### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of assets of the Bank for the purpose of winding up its affairs, provided that a Contingent Conversion has not occurred, the holders of the Series 5 Preferred Shares will be entitled to receive \$10.00 per Series 5 Preferred Share held by them, plus any dividends declared and unpaid to the date of distribution, before any amounts are paid or any assets of the Bank are distributed to the holders of the Common Shares or shares ranking junior to the Series 5 Preferred Shares (other than the Common Shares). After payment of those amounts, the holders of Series 5 Preferred Shares will not be entitled to share in any further distribution of the property or assets of the Bank. If a Contingent Conversion has occurred, all Series 5 Preferred Shares will have been converted into Common Shares which will rank on a parity with all other Common Shares.

#### ***Voting Rights***

Subject to applicable law, holders of Series 5 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the dividend in full on the Series 5 Preferred Shares in any quarter. In that event, the holders of the Series 5 Preferred Shares will be entitled to receive notice of and to attend only a meeting of shareholders at which directors are to be elected and will have one vote for each Series 5 Preferred Share held (the "**Series 5 Voting Rights**"). The Series 5 Voting Rights will cease on payment by the Bank of the first dividend on the Series 5 Preferred Shares to which the holders are entitled subsequent to the time Series 5 Voting Rights first arose until such time as the Bank may again fail to declare the dividend in full on the Series 5 Preferred Shares in any quarter, in which event Series 5 Voting Rights will become effective again and so on from time to time.

In connection with any action taken by the Bank which requires the approval of the holders of Series 5 Preferred Shares voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

#### ***Tax Election***

The Bank will elect and take all other necessary action under the Tax Act, to pay tax under Part VI.1 of the Tax Act at a rate such that holders of the Series 5 Preferred Shares will not be required to pay tax on dividends received (or deemed to be received) on the Series 5 Preferred Shares under section 187.2 of the Tax Act or any successor or replacement provision of similar effect.

#### ***Business Days***

If any action is required to be taken by the Bank on a day that is not a Business Day, then such action will be taken on the next succeeding day that is a Business Day.

### **Certain Provisions of the Series 6 Preferred Shares as a Series**

#### ***Definition of Terms***

The following definitions are relevant to the Series 6 Preferred Shares.

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date

plus ● % (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the 1<sup>st</sup> day of each of February, May, August and November in each year.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

### ***Dividends***

The holders of the Series 6 Preferred Shares will be entitled to receive preferential, non-cumulative, cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on each Dividend Payment Date at the Floating Quarterly Dividend Rate, as calculated from time to time. Accordingly, on each Dividend Payment Date, the dividend payable on the Series 6 Preferred Shares, if declared, will be in the amount per share determined by multiplying:

- (a) the product obtained by multiplying \$10.00 by the Quarterly Floating Dividend Rate applicable to the Quarterly Floating Rate Period immediately preceding such Dividend Payment Date; by
- (b) a fraction, the numerator of which is the actual number of days elapsed in such Quarterly Floating Rate Period and the denominator of which is 365.

The Floating Quarterly Dividend Rate, in respect of each Quarterly Floating Rate Period, will be calculated by the Bank on each Floating Rate Calculation Date for such Quarterly Floating Rate Period. Such determination of the Floating Quarterly Dividend Rate by the Bank will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Series 6 Preferred Shares. The Bank will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for each succeeding Quarterly Floating Rate Period to all registered holders of the then outstanding Series 6 Preferred Shares.

If the Board of Directors does not declare the dividends, or any part thereof, on the Series 6 Preferred Shares on or before the Dividend Payment Date for a Quarterly Floating Rate Period, then the entitlement of the holders of the Series 6 Preferred Shares to receive such dividends, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

### ***Redemption***

Subject to the provisions of applicable securities law, the rules of the TSX and the Bank Act, as applicable, and to the prior consent of the Superintendent and to the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, on July 31, 2022 or any date after July 31, 2022, other than an Excluded Redemption Date (defined herein), the Bank may, at its option, redeem all or any part of the then outstanding Series 6 Preferred Shares, without the consent of the holders of Series 6 Preferred Shares, upon payment in cash for each Series 6 Preferred Share so redeemed of an amount equal to \$10.20 per Series 6 Preferred Share together with all declared and unpaid dividends to the date fixed for redemption.

On July 31, 2027 and on July 31 every five years thereafter (each such date, an “**Excluded Redemption Date**”), the Bank may, at its option, redeem all or any part of the then outstanding Series 6 Preferred Shares, without the consent of the holders of Series 6 Preferred Shares, upon payment in cash for each Series 6 Preferred Share so redeemed of an amount equal to \$10.00 per Series 6 Preferred Share, together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all of the outstanding Series 6 Preferred Shares are at any time to be redeemed, the shares will be redeemed *pro rata*, disregarding fractions, or in any other manner that the Board of Directors in its sole discretion may determine, subject to approval of the Superintendent.

### *Conversion of Series 6 Preferred Shares into Series 5 Preferred Shares*

Holders of Series 6 Preferred Shares will have the right, at their option, on July 31, 2027 and on July 31 every five years thereafter (the “**Series 6 Conversion Date**”), to convert, subject to the restrictions on conversion described below and to the provisions of the Bank Act, any or all of their Series 6 Preferred Shares registered in their name into Series 5 Preferred Shares on the basis of one Series 5 Preferred Share for each Series 6 Preferred Share. The conversion of Series 6 Preferred Shares may be effected upon an Election Notice given not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 6 Conversion Date. Once received by the Bank, an Election Notice is irrevocable. If the Bank does not receive an Election Notice from a holder of Series 6 Preferred Shares during the time fixed therefor, then the Series 6 Preferred Shares will be deemed not to have been converted (except in the case of an automatic conversion, described below).

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 6 Conversion Date, give notice in writing to the then registered holders of the Series 6 Preferred Shares of the above-mentioned conversion right. On the 30<sup>th</sup> day prior to each Series 6 Conversion Date, the Bank will give notice in writing to the then registered holders of Series 6 Preferred Shares of the Annual Fixed Dividend Rate applicable to the Series 5 Preferred Shares for the succeeding Subsequent Fixed Rate Period.

Holders of Series 6 Preferred Shares will not be entitled to convert their shares into Series 5 Preferred Shares if the Bank determines that there would remain outstanding on a Series 6 Conversion Date less than 200,000 Series 5 Preferred Shares, after having taken into account all Series 6 Preferred Shares tendered for conversion into Series 5 Preferred Shares and all Series 5 Preferred Shares tendered for conversion into Series 6 Preferred Shares. The Bank will give notice in writing thereof to all registered holders of the Series 6 Preferred Shares at least seven days prior to the applicable Series 6 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 6 Conversion Date less than 200,000 Series 6 Preferred Shares, after having taken into account all Series 6 Preferred Shares tendered for conversion into Series 5 Preferred Shares and all Series 5 Preferred Shares tendered for conversion into Series 6 Preferred Shares, then, all, but not part, of the remaining outstanding Series 6 Preferred Shares will automatically be converted into Series 5 Preferred Shares on the basis of one Series 5 Preferred Share for each Series 6 Preferred Share on the applicable Series 6 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Series 6 Preferred Shares at least seven days prior to the Series 6 Conversion Date.

Upon exercise by the holder of this right to convert Series 6 Preferred Shares into Series 5 Preferred Shares, the Bank reserves the right not to issue Series 5 Preferred Shares to any person whose address is in, or whom the Bank or the Transfer Agent has reason to believe is a resident of the United States, its territories or possessions or other jurisdiction (other than Canada) the laws of which would require the Bank to comply with the registration, prospectus, filing or other similar requirements under the applicable securities laws of such jurisdiction.

Upon exercise by the holder of this right to convert Series 6 Preferred Shares into Series 5 Preferred Shares, the Bank reserves the right not to (i) deliver Series 5 Preferred Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Person or any person who, by virtue of that conversion, would become a Significant Shareholder, or (ii) record in its securities register a transfer or issue of Series 5 Preferred Shares to any person whom the Bank or the Transfer Agent have reason to believe is an Ineligible Government Holder based on a declaration submitted to the Bank or the Transfer Agent by or on behalf of such person. In such circumstances, the Bank or its agent will hold, as agent of any such person, all or the relevant number of Series 5 Preferred Shares otherwise to be delivered to such Ineligible Persons or persons who would become Significant Shareholders or registered to such Ineligible Government Holders, as the case may be, and the Bank or its agent will deliver such shares to a broker retained by the Bank for the purpose of selling such Series 5 Preferred Shares to parties other than the Bank and its affiliates on behalf of any such person. Such sales (if any) will be made at such times and at such prices, as the Bank (or its agent as directed by the Bank), in its sole discretion, may determine. Neither the Bank nor its agent will be subject to any liability for failure to sell any such Series 5 Preferred Shares on behalf of any such person or at any particular price on any particular day. The net proceeds received by the Bank or its agent from the sale of any such Series 5 Preferred Shares will be

delivered to any such person, after deducting the costs of sale and any applicable withholding taxes, in accordance with the procedures of CDS or otherwise.

If the Bank gives notice to the registered holders of the Series 6 Preferred Shares of the redemption on a Series 6 Conversion Date of all the Series 6 Preferred Shares, the Bank will not be required to give notice as provided hereunder to the registered holders of the Series 6 Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series 6 Preferred Shares and the right of any holder of Series 6 Preferred Shares to convert such Series 6 Preferred Shares will cease and terminate in that event.

#### *Conversion of Series 6 Preferred Shares into Common Shares upon a Trigger Event*

For the purposes of this section, capitalized terms used herein but not defined shall have the meanings set out under the heading “Description of Share Capital — Definition of Terms” above.

Upon the occurrence of a Trigger Event, each Series 6 Preferred Share will be, and will be deemed, for all purposes, to be automatically converted, without the consent of the holders thereof, for newly issued fully-paid Common Shares, the number of which is to be determined by the Contingent Conversion Formula. In any case where the aggregate number of Common Shares to be issued to a holder of Series 6 Preferred Shares pursuant to a Contingent Conversion includes a fraction of a Common Share, such number of Common Shares to be issued to such holder will be rounded down to the nearest whole number of Common Shares and no cash payment will be made in lieu of such fractional Common Share.

As promptly as practicable after the occurrence of a Trigger Event, the Bank will announce the Contingent Conversion by way of a press release and will give notice of the Contingent Conversion to the then registered holders of the Series 6 Preferred Shares. From and after the Trigger Event, the Series 6 Preferred Shares will cease to be outstanding, the holders of the Series 6 Preferred Shares will cease to be entitled to dividends on such shares, including any dividends declared but not paid prior to the Trigger Event, and any certificates representing the Series 6 Preferred Shares will represent only the right to receive upon surrender of such certificate the applicable number of Common Shares described above. A Contingent Conversion will be mandatory and binding upon both the Bank and all holders of the Series 6 Preferred Shares notwithstanding anything else including, without limitation: (i) any prior action to or in furtherance of redeeming, exchanging or converting the Series 6 Preferred Shares pursuant to the other terms and conditions of the Series 6 Preferred Shares; and (ii) any delay in or impediment to the issuance or delivery of the Common Shares to the holders of the Series 6 Preferred Shares.

The number and value of the Common Shares to be received on a Contingent Conversion is variable and the value of the Common Shares received could be significantly less than the par amount of the Series 6 Preferred Shares.

Upon a Contingent Conversion, the Bank reserves the right not to (i) deliver Common Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Person or any person who, by virtue of the Contingent Conversion, would become a Significant Shareholder, or (ii) record in its securities register a transfer or issue of Common Shares to any person whom the Bank or the Transfer Agent has reason to believe is an Ineligible Government Holder based on a declaration submitted to the Bank or the Transfer Agent by or on behalf of such person. In such circumstances, the Bank or its agent will hold, as agent of any such person, all or the relevant number of Common Shares otherwise to be delivered to such Ineligible Persons or persons who would become Significant Shareholders or registered to such Ineligible Government Holders, as the case may be, and the Bank or its agent will deliver such shares to a broker retained by the Bank for the purpose of selling such Common Shares to parties other than the Bank and its affiliates on behalf of any such person. Such sales (if any) will be made at such times and at such prices, as the Bank (or its agent as directed by the Bank), in its sole discretion, may determine. Neither the Bank nor its agent will be subject to any liability for failure to sell any such Common Shares on behalf of any such person or at any particular price on any particular day. The net proceeds received by the Bank or its agent from the sale of any such Common Shares will be delivered to any such person, after deducting the costs of sale and any applicable withholding taxes, in accordance with the procedures of CDS or otherwise.

Notwithstanding any other provision of the Series 6 Preferred Shares, the conversion of the Series 6 Preferred Shares into Common Shares upon the occurrence of a Trigger Event shall not be an event of default and the only consequence of a Trigger Event will be the conversion of such shares into Common Shares as set out herein.

The Floor Price is subject to adjustment in the event of any Common Share Reorganization.

Upon a Common Share Reorganization, the Floor Price will be adjusted so that it will equal the price determined by multiplying the Floor Price in effect immediately prior to such effective date or record date by a fraction:

- (a) the numerator of which will be the total number of Common Shares outstanding on such effective date or record date before giving effect to such Common Share Reorganization; and
- (b) the denominator of which will be the total number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number, without duplication, of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date).

No adjustment of the Floor Price will be made if the amount of such adjustment will be less than 1% of the Floor Price in effect immediately prior to the event giving rise to the adjustment, provided, however, that in such case any adjustment that would otherwise be required then to be made will be carried forward and will be made at the time of and together with the next subsequent adjustment which, together with any adjustments so carried forward, will amount to at least 1% of the Floor Price.

In the event of a capital reorganization, consolidation, merger or amalgamation of the Bank or comparable transaction affecting the Common Shares, the Bank will take all necessary action to ensure that the holders of Series 6 Preferred Shares receive, pursuant to a Contingent Conversion, after such event, the number of shares or other securities that the holders of Series 6 Preferred Shares would have received if the Contingent Conversion occurred immediately prior to the record date for such event.

#### ***Purchase for Cancellation***

Subject to the provisions of applicable securities law, the rules of the TSX and the Bank Act, as applicable, and to the prior consent of the Superintendent and to the provisions described below under the heading “*Restrictions on Dividends and Retirement of Shares*”, the Bank may purchase for cancellation at any time all, or from time to time any part, of the Series 6 Preferred Shares then outstanding by private contract or in the open market or by tender at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any Series 6 Preferred Shares are outstanding, the Bank will not, without the approval of the holders of Series 6 Preferred Shares given in accordance with the requirements under the heading “*Shareholder Approvals*”:

- (a) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 6 Preferred Shares (other than share dividends payable in the form of shares ranking junior to the Series 6 Preferred Shares);
- (b) redeem, purchase or otherwise retire any of the Common Shares or any other shares ranking junior to the Series 6 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of share ranking junior to the Series 6 Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all the Series 6 Preferred Shares; or
- (d) except pursuant to any purchase obligation, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank, redeem, purchase or otherwise refine any other shares ranking on parity with the Series 6 Preferred Shares;

unless, in each case, all dividends on the Series 6 Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking prior to or on a parity with Series 6 Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

#### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of Preferred Shares ranking on a parity with the Series 6 Preferred Shares without the authorization of the holders of the Series 6 Preferred Shares, if at the date of issuance all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends will be payable have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and any declared and unpaid non-cumulative dividends have been paid or set apart for payment in respect of each series of non-cumulative Preferred Shares then issued and outstanding.

#### ***Amendments to Series 6 Preferred Shares***

The Bank will not, without the approval of the holders of the Series 6 Preferred Shares given as specified below under the heading “*Shareholder Approvals*”, delete, amend or vary any rights, privileges, restrictions and conditions attaching to the Series 6 Preferred Shares. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Series 6 Preferred Shares from time to time for capital adequacy purposes pursuant to the Bank Act or the Capital Guidelines.

#### ***Shareholder Approvals***

Any approval given by the holders of Series 6 Preferred Shares will be deemed to have been given by a resolution passed at a meeting of the holders of Series 6 Preferred Shares duly called and held on not less than 21 days’ notice at which the holders of at least one-third of the outstanding Series 6 Preferred Shares are present or represented by proxy and carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at the meeting. If at the meeting the holders of at least one-third of the outstanding Series 6 Preferred Shares are not present or represented by proxy within 30 minutes after the time appointed for the meeting, the meeting will be adjourned to such date, not less than 21 days afterwards, and to such time and place as the chairman of the meeting may designate, and not less than 15 days written notice will be given of the adjourned meeting.

#### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, whether voluntary or involuntary, or any other distribution of assets of the Bank for the purpose of winding up its affairs, provided that a Contingent Conversion has not occurred, the holders of the Series 6 Preferred Shares will be entitled to receive \$10.00 per Series 6 Preferred Share held by them, plus any dividends declared and unpaid to the date of distribution, before any amounts are paid or any assets of the Bank are distributed to the holders of the Common Shares or shares ranking junior to the Series 6 Preferred Shares (other than the Common Shares). After payment of those amounts, the holders of Series 6 Preferred Shares will not be entitled to share in any further distribution of the property or assets of the Bank. If a Contingent Conversion has occurred, all Series 6 Preferred Shares will have been converted into Common Shares which will rank on a parity with all other Common Shares.

#### ***Voting Rights***

Subject to applicable law, holders of Series 6 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the dividend in full on the Series 6 Preferred Shares in any Quarterly Floating Rate Period. In that event, the holders of the Series 6 Preferred Shares will be entitled to receive notice of and to attend only a meeting of shareholders at which directors are to be elected and will have one vote for

each Series 6 Preferred Share held (the “**Series 6 Voting Rights**”). The Series 6 Voting Rights will cease on payment by the Bank of the first dividend on the Series 6 Preferred Shares to which the holders are entitled subsequent to the time Series 6 Voting Rights first arose until such time as the Bank may again fail to declare the dividend in full on the Series 6 Preferred Shares in any Quarterly Floating Rate Period, in which event Series 6 Voting Rights will become effective again and so on from time to time.

In connection with any action taken by the Bank which requires the approval of the holders of Series 6 Preferred Shares voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

***Tax Election***

The Bank will elect and take all other necessary action under the Tax Act, to pay tax under Part VI.1 of the Tax Act at a rate such that holders of the Series 6 Preferred Shares will not be required to pay tax on dividends (or deemed to be received) on the Series 6 Preferred Shares under section 187.2 of the Tax Act or any successor or replacement provision of similar effect.

***Business Days***

If any action is required to be taken by the Bank on a day that is not a Business Day, then such action will be taken on the next succeeding day that is a Business Day.

**PRIOR SALES**

Other than the securities issued pursuant to the Merger, as disclosed in the Bank Merger Circular, the Bank has not issued any securities, options or warrants in the 12-month period preceding the date of this short form prospectus.

**TRADING PRICE AND VOLUME**

The Common Shares are listed and posted for trading on the TSX and trade under the stock symbol “VB”. The following table describes the high and low trading prices in Canadian dollars and the aggregate trading volumes for the periods indicated as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
June 2017 (1 <sup>st</sup> to 8 <sup>th</sup> ) . . . . .	\$4.50	\$4.41	40,227
May 2017 . . . . .	\$4.80	\$4.34	328,343
April 2017 . . . . .	\$4.90	\$4.60	357,854
March 2017 . . . . .	\$5.00	\$4.70	282,290
February 2017 . . . . .	\$5.79	\$4.75	449,115
January 2017 . . . . .	\$5.12	\$4.60	140,179
December 2016 . . . . .	\$5.15	\$4.81	79,278
November 2016 . . . . .	\$5.16	\$4.80	154,428
October 2016 . . . . .	\$5.31	\$4.74	82,754
September 2016 . . . . .	\$5.94	\$5.16	117,242
August 2016 . . . . .	\$5.98	\$5.50	78,162
July 2016 . . . . .	\$5.96	\$5.49	57,964
June 2016 . . . . .	\$5.90	\$5.30	109,376

The Series 1 Preferred Shares are listed and posted for trading on the TSX and trade under the stock symbol “VB.PR.A”. The following table describes the high and low trading prices in Canadian dollars and the aggregate trading volumes for the periods indicated as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
June 2017 (1 <sup>st</sup> to 8 <sup>th</sup> ) . . . . .	\$ 9.80	\$9.60	2,800
May 2017 . . . . .	\$10.00	\$9.64	25,760
April 2017 . . . . .	\$10.12	\$9.60	22,500
March 2017 . . . . .	\$ 9.86	\$9.62	32,885
February 2017 . . . . .	\$ 9.82	\$9.45	48,308
January 2017 . . . . .	\$ 9.50	\$9.21	24,445
December 2016 . . . . .	\$ 9.53	\$9.24	30,256
November 2016 . . . . .	\$ 9.50	\$9.05	19,551
October 2016 . . . . .	\$ 9.53	\$9.15	3,803
September 2016 . . . . .	\$ 9.73	\$9.16	75,952
August 2016 . . . . .	\$ 9.74	\$9.15	20,759
July 2016 . . . . .	\$ 9.80	\$9.65	6,900
June 2016 . . . . .	\$ 9.80	\$9.40	31,350

The Series 3 Preferred Shares are listed and posted for trading on the TSX and trade under the stock symbol “VB.PR.B”. The following table describes the high and low trading prices in Canadian dollars and the aggregate trading volumes for the periods indicated as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
June 2017 (1 <sup>st</sup> to 8 <sup>th</sup> ) . . . . .	\$ 9.85	\$9.70	9,200
May 2017 . . . . .	\$10.01	\$9.75	9,129
April 2017 . . . . .	\$10.15	\$9.88	17,980
March 2017 . . . . .	\$10.27	\$9.70	17,175
February 2017 . . . . .	\$10.11	\$9.95	5,850
January 2017 . . . . .	\$10.19	\$9.60	10,949
December 2016 . . . . .	\$ 9.84	\$9.60	7,319
November 2016 . . . . .	\$10.00	\$9.45	21,408
October 2016 . . . . .	\$10.00	\$9.42	6,031
September 2016 . . . . .	\$10.18	\$9.57	19,320
August 2016 . . . . .	\$10.05	\$9.59	15,147
July 2016 . . . . .	\$10.00	\$9.50	7,310
June 2016 . . . . .	\$10.15	\$9.51	5,570

#### EARNINGS COVERAGE

Assuming an Initial Fixed Dividend Rate of 7.0% per annum, the Bank’s annual dividend requirements on its Series 1 Preferred Shares, Series 3 Preferred Shares and Series 5 Preferred Shares, after giving effect to the maximum Offering, but not to the Over-Allotment Option, net of interest on the \$4,500,000 of subordinated indebtedness redeemed by the Bank on May 31, 2017 and net of interest on the \$10,000,000 of subordinated indebtedness assumed to be redeemed by the Bank as set out under the heading “*Use of Proceeds*” (the “**Redeemed Indebtedness**”), and adjusted to a before-tax equivalent using an effective income tax rate of 27.0%, would amount to \$5,890,337. The Bank’s borrowing cost requirements for the 12 months ended October 31, 2016, including the dividends on the Series 1 Preferred Shares and Series 3 Preferred Shares, after giving effect to the maximum Offering, but not to the Over-Allotment Option would have amounted to \$5,890,337. The Bank’s profit attributable to shareholders of the Bank before borrowing costs and income tax for the 12 months ended October 31, 2016, adjusted to take into account the redemption of the Redeemed Indebtedness, was \$13,053,000, which is approximately 2.22 times the Bank’s aggregate dividend and pro forma borrowing cost requirements for this period.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to conditionally offer the Series 5 Preferred Shares for sale, as agents of the Bank, on a reasonable best efforts basis, if, as and when issued by the Bank. Pursuant to the Agency Agreement, the Bank appointed the Agents to offer a minimum of 1,500,000 and a maximum of 3,000,000 Series 5 Preferred Shares, at a price of \$10.00 per Series 5 Preferred Share, to the public in all of the provinces of Canada. In consideration of such services, the Bank has agreed to pay to the Agents a commission of 6% of the gross proceeds of the Offering, including the proceeds of any Series 5 Preferred Shares purchased pursuant to the Over-Allotment Option. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees.

The Offering price of \$10.00 per Series 5 Preferred Share was established by negotiation between the Agents and the Bank. The minimum subscription amount is 100 Series 5 Preferred Shares or \$1,000 per purchaser.

The Bank has granted the Agents an option (the “**Over-Allotment Option**”), exercisable for a period of 30 days from the closing of the Offering to sell, as agent, up to 15% of the aggregate number of the Series 5 Preferred Shares issued at the Closing on the same terms as set forth above. This prospectus also qualifies the distribution of the Over-Allotment Option and the Series 5 Preferred Shares issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30<sup>th</sup> Day following the Closing.

If subscriptions for a minimum of 1,500,000 Series 5 Preferred Shares (\$15,000,000) have not been received within 90 days following the date of issuance of a final receipt for this Prospectus, the Offering may not continue unless an amendment to this Prospectus is filed and a receipt therefor has been issued. There will be no Closing unless a minimum number of 1,500,000 Series 5 Preferred Shares has been sold. In the event the minimum offering is not achieved by the Bank or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction.

Subscriptions for the Series 5 Preferred Shares offered hereunder will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Subscription proceeds pursuant to the Offering will be received by the Agents and held in trust in a segregated account until subscriptions for the minimum offering are received and the other closing conditions of the Offering have been satisfied. Closing is expected to occur on or about June 29, 2017, but, in any event, not later than 90 days after a receipt for the final prospectus is issued.

While the Agents have agreed to use their reasonable best efforts to sell the Series 5 Preferred Shares, the Agents are not obligated to purchase any Series 5 Preferred Shares that are not sold. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. The Agency Agreement also provides that the Bank will indemnify the Agents and their directors, officers, agents, employees, affiliates, and partners against certain liabilities and expenses.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period ending on the date the selling process for the Series 5 Preferred Shares ends and all stabilization arrangements relating to the Series 5 Preferred Shares are terminated, bid for or purchase Series 5 Preferred Shares. The foregoing restrictions are subject to certain exceptions including: (a) a bid for or purchase of Series 5 Preferred Shares if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules administered by the Investment Industry Regulating Organization of Canada relating to market stabilization and passive market making activities; and (b) a bid or purchase made for or on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Agent, or if the client's order was solicited, the solicitation did not occur during the period of distribution. The Agents may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Series 5 Preferred Shares is for the purpose of maintaining a fair and orderly market in the Series 5 Preferred Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

One or more book-entry only certificates representing the aggregate number of Series 5 Preferred Shares issued pursuant to the Offering will be issued in registered form to CDS or its nominee and will be deposited with CDS on the Closing Date. Alternatively, the Series 5 Preferred Shares may be issued through the non-certificated inventory system of CDS. In either such case, a purchaser of Series 5 Preferred Shares will receive only a client confirmation from the registered dealer from or through whom Series 5 Preferred Shares are purchased and who is a CDS depository-service participant. CDS will record the CDS participants who hold Series 5 Preferred Shares on behalf of owners who have purchased them in accordance with the book-based system.

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Series 5 Preferred Shares in the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the U.S. Securities Act). The Series 5 Preferred Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and all applicable state securities laws. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Series 5 Preferred Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if the offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

**Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.**

#### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Bank, and Miller Thomson LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series 5 Preferred Shares acquired pursuant to this Offering (a “Holder”) who, at all relevant times for purposes of the Tax Act: (i) is or is deemed to be a resident of Canada; (ii) deals at arm’s length and is not affiliated with the Bank; (iii) holds Series 5 Preferred Shares and any Series 6 Preferred Shares or Common Shares acquired upon the conversion of Series 5 Preferred Shares (collectively, the “Securities”) as capital property; (iv) is not exempt from tax under Part I of the Tax Act; and (v) has not entered into, with respect to any Securities, a “derivative forward agreement” (as defined in the Tax Act). Generally, the Securities will be considered to be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders whose Securities do not otherwise qualify as capital property may make, in certain circumstances, the irrevocable election under subsection 39(4) of the Tax Act to have such Securities and every “Canadian security” (as defined in the Tax Act) owned by such Holder in the taxation year of the election and all subsequent years deemed to be capital property.

This summary does not apply to a Holder: (i) that is a “financial institution” for the purposes of the “mark-to-market” rules; (ii) that is a “specified financial institution”; (iii) an interest in which is a “tax shelter investment”; or (iv) that has elected to determine its “Canadian tax results” in a currency other than Canadian dollars in accordance with the “functional currency” rules, as each of those terms is defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and counsel’s understanding of the current published administrative practices of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, nor

does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all possible income tax considerations under the Tax Act that may affect a Holder. The income tax consequences of acquiring, holding and disposing of a Security will vary depending on a number of facts, including the legal status of the Holder as an individual, corporation, trust or partnership. Accordingly, prospective Holders of Securities should consult their own tax advisors with respect to their particular circumstances and the tax consequences to them of holding and disposing of Securities.

### ***Conversion***

The exercise by a Holder of the right to convert a Series 5 Preferred Share into a Series 6 Preferred Share or the automatic conversion of a Series 5 Preferred Share into a Series 6 Preferred Share or Common Shares will be deemed not to constitute a disposition of such Series 5 Preferred Share and will not give rise to a capital gain or capital loss to such Holder. The cost to the Holder of the Series 6 Preferred Share issued on such conversion will be the adjusted cost base to such Holder of such Series 5 Preferred Share immediately before such conversion. The cost to the Holder of the Common Shares issued on such conversion will be the adjusted cost base to such Holder of such Series 5 Preferred Share immediately before such conversion. The adjusted cost base of all Series 6 Preferred Shares or Common Shares of the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

The exercise by a Holder of the right to convert a Series 6 Preferred Share into a Series 5 Preferred Share or the automatic conversion of a Series 6 Preferred Share into a Series 5 Preferred Share or Common Shares will be deemed not to constitute the disposition of such Series 6 Preferred Share and will not give rise to a capital gain or capital loss to such Holder. The cost to the Holder of the Series 5 Preferred Share issued on such conversion will be the adjusted cost base to such Holder of such Series 6 Preferred Share immediately before such conversion. The cost to the Holder of the Common Shares issued on such conversion will be the adjusted cost base to such Holder of such Series 6 Preferred Share immediately before such conversion. The adjusted cost base of all Series 5 Preferred Shares or Common Shares of the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

### ***Dividends***

Dividends received, or deemed to be received, on the Securities by a Holder who is an individual (other than certain trusts) must be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by the Bank as "eligible dividends". There may be limitations on the ability of a corporation to designate dividends as eligible dividends. The Bank has advised counsel that, subject to the limitations on the ability of a corporation to designate dividends as "eligible dividends" under the Tax Act, it intends to designate all dividends on the Securities as eligible dividends for these purposes. Taxable dividends received by an individual or a trust (other than certain specified trusts) may give rise to alternative minimum tax under the Tax Act. Dividends received, or deemed to be received, on the Securities by a Holder that is a corporation must be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Purchasers that are corporations are urged to consult their own tax advisors having regard to their particular circumstances.

The Series 5 Preferred Shares and the Series 6 Preferred Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series 5 Preferred Shares and the terms of the Series 6 Preferred Shares require the Bank to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to the 10% tax payable under Part IV.1 of the Tax Act on dividends received, or deemed to be received, on the Series 5 Preferred Shares and the Series 6 Preferred Shares.

A Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay refundable tax under Part IV of the Tax Act on dividends received, or deemed to be received, on the Securities, to the extent such dividends are deductible in computing its taxable income.

### ***Redemptions***

If the Bank redeems or otherwise acquires a Series 5 Preferred Share or a Series 6 Preferred Share (otherwise than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital (as determined for purposes of the Tax Act) of such share at such time. Generally, the difference between the amount paid by the Bank and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such share. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

### ***Dispositions***

A Holder who disposes of, or is deemed to dispose of, Securities (including on redemption of the shares or other acquisition by the Bank otherwise than on a conversion) will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Bank of any such shares (see “*Redemptions*” above) will not generally be included in computing the proceeds of disposition for such shares.

If the Holder is a corporation, any capital loss arising on the disposition of a Security, as the case may be, may be reduced, in certain circumstances, by the amount of any dividends received, or deemed to be received, on such share (or the share converted into such share) to the extent and under the circumstances described in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

### ***Capital Gains and Capital Losses***

One-half of any capital gain (a “taxable capital gain”) realized by a Holder in a taxation year must be included in the Holder’s income in that year and one-half of any capital loss (an “allowable capital loss”) realized by a Holder in a taxation year will be deducted from the Holder’s taxable capital gains in that year. Allowable capital losses in excess of taxable capital gains generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

Capital gains realized by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax under the Tax Act. A Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax on investment income (including taxable capital gains).

## **RISK FACTORS**

An investment in Series 5 Preferred Shares is subject to certain risks. Purchasers of the Series 5 Preferred Shares should give careful consideration to the information included or incorporated by reference in this Prospectus.

The risk factors contained in each of the Annual Information Form and the MD&A are incorporated herein by reference. These risk factors include, but are not limited to: general business and economic conditions in Canada; the strength of the Canadian economy in general and the strength of the local economies within Canada in which the Bank conducts operations; the Bank’s general creditworthiness and credit rating;

geographic concentration risk; ability to effect geographic expansion, growing the business outside of the Bank's core market; the impact of foreign currency rates on the Canadian economy and specifically the Ontario economy; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; the level of competition in the Bank's markets; inflation; capital market fluctuations; the timely development of and introduction of new products in receptive markets; the impact of changes in the laws and regulations regulating financial services; changes in economic and political conditions; changes in accounting standards and policies; the ability to attract and retain key personnel; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and saving habits; the ability of the Bank to execute its business plan; future access to capital to fund the Bank's growth strategy; various risks, including credit, market, liquidity, strategic, operational, reputational, legal, and regulatory; legislative or regulatory developments in the jurisdictions where the Bank operates; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; ability to redeploy capital through reinvestment at acceptable risk adjusted returns; the effect of changes to accounting standards; the occurrence of weather-related and other natural catastrophes; the accuracy of and completeness of information the Bank receives about customers and counterparties; and management's ability to anticipate and manage the risks associated with these factors. Additional risks not known to the Bank, or that the Bank currently deems immaterial, may also impair the Bank's operations.

The Board of Directors is responsible to manage such risks, in accordance with statutory and regulatory requirements and supervisory guidance and direction, by means of considered policies, procedures, management responsibilities, monitoring and accountability processes. Within the bounds of such statutory and regulatory requirements and supervisory guidance and direction, the Board has management discretion to address these risks in the conduct of the Bank's business. In addition to the risks described above, there are numerous other risk factors, many of which are beyond the Bank's control and the effects of which can be difficult to predict, that could cause the Bank's results to differ materially from the Bank's expectations. Some of these factors are discussed below and others are noted under the heading "*Cautionary Note Regarding Forward-Looking Information*" in this Prospectus. Readers are cautioned that the following discussion of risk factors, many of which are beyond the Bank's control, is not exhaustive and other factors could also adversely affect the Bank's results.

### *Risks Related to the Offering*

#### **Liquidity, Market Price and Redemption**

The ability of a holder of the Series 5 Preferred Shares or Series 6 Preferred Shares to liquidate its holdings may be limited. **Currently, there is no market through which either the Series 5 Preferred Shares or the Series 6 Preferred Shares may be sold and purchasers may not be able to resell the Series 5 Preferred Shares or Series 6 Preferred Shares.** The Bank cannot provide any assurance that an active or any trading market will develop or be maintained for the Series 5 Preferred Shares and Series 6 Preferred Shares. To the extent that an active trading market for the Series 5 Preferred Shares and the Series 6 Preferred Shares does not develop, the liquidity and trading prices for the Series 5 Preferred Shares and the Series 6 Preferred Shares may be adversely affected. If the Series 5 Preferred Shares or Series 6 Preferred Shares are traded after their initial issuance, they may trade at a discount from their initial price depending on prevailing interest rates, the market for similar securities, the Bank's performance and other factors.

The trading prices of the securities of the Bank have been and may continue to be subject to significant fluctuations, which may be based on factors unrelated to its financial performance or prospects. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series 5 Preferred Shares and Series 6 Preferred Shares for reasons unrelated to the Bank's performance. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect the Bank and the market price of its securities. Additionally, the value of the securities of the Bank is subject to market value fluctuations based on factors which influence the Bank's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

Prevailing yields on similar securities will affect the market value of the Series 5 Preferred Shares and Series 6 Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series 5 Preferred Shares and Series 6 Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series 5 Preferred Shares and Series 6 Preferred Shares in an analogous manner.

The redemption or purchase by the Bank of the Series 5 Preferred Shares or Series 6 Preferred Shares is subject to the consent of the Superintendent and other restrictions contained in the Bank Act. See “*Description of Share Capital*”.

#### **Automatic conversion to Common Shares upon a Trigger Event**

Upon the occurrence of a Trigger Event, pursuant to the Contingent Conversion, an investment in the Series 5 Preferred Shares and Series 6 Preferred Shares will become an investment in fully-paid Common Shares without the consent of the holder. See “*Description of Share Capital*”. After a Contingent Conversion, a holder of the Series 5 Preferred Shares and Series 6 Preferred Shares will no longer have any rights as a preferred shareholder of the Bank and will only have rights as a common shareholder. While the Series 5 Preferred Shares, Series 6 Preferred Shares and Common Shares are all equity capital of the Bank, the claims of holders of the Series 5 Preferred Shares and Series 6 Preferred Shares have certain priority of payment over the claims of holders of Common Shares. Given the nature of a Trigger Event, a holder of the Series 5 Preferred Shares and Series 6 Preferred Shares will become a common shareholder of the Bank at a time when the Bank’s financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Trigger Event, as a result of the Contingent Conversion, the holders whose Series 5 Preferred Shares and Series 6 Preferred Shares are converted into Common Shares may receive, if anything, substantially less than the holders of the Series 5 Preferred Shares and Series 6 Preferred Shares might have received had the Series 5 Preferred Shares and Series 6 Preferred Shares not been converted into Common Shares. A Contingent Conversion may also occur at a time when a federal or provincial government or other government agency in Canada has provided, or will provide, a capital injection or equivalent support, the terms of which may rank in priority to the Common Shares with respect to the payment of dividends, rights on liquidation or other terms.

#### **A Trigger Event involves a subjective determination outside the Bank’s control**

The decision as to whether a Trigger Event will occur is a subjective determination by the Superintendent that the Bank has ceased, or is about to cease, to be viable and that the conversion of all contingent instruments is reasonably likely, taking into account any other factors or circumstances that are considered relevant or appropriate by the Superintendent, to restore or maintain the viability of the Bank. See “*Description of Share Capital*”.

OSFI has stated that the Superintendent will consult with the Canada Deposit Insurance Corporation, the Bank of Canada, the Department of Finance and the Financial Consumer Agency of Canada prior to making a non-viability determination. The conversion of contingent instruments alone may not be sufficient to restore an institution to viability and other public sector interventions, including liquidity assistance, would likely be used along with the conversion of contingent instruments to maintain an institution as a going concern.

In assessing whether the Bank has ceased, or is about to cease, to be viable and that, after the conversion of all contingent instruments, it is reasonably likely that the viability of the Bank will be restored or maintained, OSFI has stated that the Superintendent will consider, in consultation with the authorities referred to above, all relevant facts and circumstances. Those facts and circumstances may include, in addition to other public sector interventions, a consideration of whether, among other things:

- the assets of the Bank are, in the opinion of the Superintendent, sufficient to provide adequate protection to the Bank’s depositors and creditors;
- the Bank has lost the confidence of depositors or other creditors and the public (for example, ongoing increased difficulty in obtaining or rolling over short-term funding);

- the Bank's regulatory capital has, in the opinion of the Superintendent, reached a level, or is eroding in a manner, that may detrimentally affect its depositors and creditors;
- the Bank has failed to pay any liability that has become due and payable or, in the opinion of the Superintendent, the Bank will not be able to pay its liabilities as they become due and payable;
- the Bank failed to comply with an order of the Superintendent to increase its capital;
- in the opinion of the Superintendent, any other state of affairs exists in respect of the Bank that may be materially prejudicial to the interests of the Bank's depositors or creditors or the owners of any assets under the Bank's administration; and
- the Bank is unable to recapitalize on its own through the issuance of Common Shares or other forms of regulatory capital (for example, no suitable investor or group of investors exists that is willing or capable of investing in sufficient quantity and on terms that will restore the Bank's viability, nor is there any reasonable prospect of such an investor emerging in the near-term in the absence of conversion of contingent instruments).

If a Trigger Event occurs, then the interests of depositors, other creditors of the Bank, and holders of bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Series 5 Preferred Shares and the Series 6 Preferred Shares. The Superintendent retains full discretion to choose not to trigger a Contingent Conversion notwithstanding a determination that the Bank has ceased, or is about to cease, to be viable.

### **Liquidity and Liquidity Management**

As disclosed in the MD&A under Liquidity Risk, the Bank has established policies to ensure that its cash outflows and inflows are closely matched and that its sources of deposits are diversified between funding sources and over a wide geographic area. The Bank maintains a conservative investment profile by ensuring:

- all Bank investments are high quality and include government debt securities, bankers acceptances and Canadian bank debt;
- specific investment criteria and procedures are in place to manage the Bank's securities portfolio;
- regular review, monitoring and approval of the Bank's investment policies by the Risk Oversight Committee of the Board of Directors; and
- quarterly reporting to the Risk Oversight Committee on the composition of the Bank's securities portfolio.

Liquidity management is further supported by processes, which include but are not limited to:

- monitoring of liquidity levels;
- monitoring of liquidity trends and key risk indicators;
- scenario stress testing;
- monitoring the credit profile of the liquidity portfolio; and
- monitoring deposit concentration.

In order to manage its liquidity needs, the Bank has a liquidity risk management program that is comprised specifically of the following policies and procedures:

- on a monthly basis, conduct tests, based on certain stress assumptions, to ensure that sufficient liquid assets are being held to provide a significant positive cumulative cash flow for a period of 61 to 90 days;
- holding of High Quality Liquid Securities at levels that represent no less than 5% of total assets. High Quality Liquid Securities include federal, provincial and municipal debt, debt of federally regulated financial institutions, widely distributed debt instruments, all of which are to be rated investment grade, cash on deposit and banker's acceptances;

- on a monthly basis, calculate ratio to ensure that liquid assets are no less than 50% of obligations payable within 60 days;
- on a weekly basis, monitoring its cash flow requirements using a liquidity forecasting template under a stressed scenario;
- on a monthly basis, testing liquidity using three specific disruption scenarios; specifically, industry specific disruption scenario, company specific disruption scenario and a systematic disruption scenario; and
- managing liquidity in accordance with guidelines specified by OSFI.

As discussed in the MD&A, the Consolidated Statement of Cash Flows for the Bank shows cash used in operations in excess of cash provided by operations. The Bank's operating cash flow is primarily affected by the change in the balance of its deposits (an increase in deposits has a positive impact on cash flow and a decrease in deposits has a negative impact on cash flow) as compared to the change in the balance of its loans (an increase in loans has a negative impact on cash flow and a decrease in loans has a positive impact on cash flow). Based on factors such as liquidity requirements and opportunities for investment in loans and securities, the Bank may manage the amount of deposits it receives and loans it funds in ways that result in the balances of these items giving rise to either negative or positive cash flow from operations. The Bank will continue to fund its operations and meet contractual obligations as they become due from cash on hand and from managing the amount of deposits it receives as compared to the amount of loans it funds.

#### **Number and value of Common Shares to be received on Contingent Conversion is variable**

The number of Common Shares to be received for each Series 5 Preferred Share and Series 6 Preferred Share is calculated by reference to the prevailing market price of Common Shares immediately prior to a Trigger Event, subject to the Floor Price. See "*Description of Share Capital*". If there is a Contingent Conversion at a time when the market price of the Common Shares is below the Floor Price, investors will receive Common Shares with an aggregate market price less than the Preferred Share Conversion Value. Investors may also receive Common Shares with an aggregate market price less than the prevailing market price of the Series 5 Preferred Shares or the Series 6 Preferred Shares being converted if such shares are trading at a price above the Preferred Share Conversion Value.

The Bank is expected to have outstanding from time to time other preferred shares and subordinated debt that will automatically convert into Common Shares upon a Trigger Event. In the case of such subordinated debt, the number of Common Shares to be received on conversion will be calculated by reference to the principal amount of such debt, together with accrued and unpaid interest and, in order to take into account the hierarchy of claims in a liquidation, holders of subordinated debt are expected to receive economic entitlements which are more favourable than preferred shareholders. Subordinated debt that is convertible into Common Shares upon a Trigger Event will likely use, and other preferred shares that are convertible into Common Shares upon a Trigger Event may also use, a lower effective floor price (for example, using a different multiple) than that applicable to the Series 5 Preferred Shares to determine the maximum number of Common Shares to be issued to holders of such instruments upon a Contingent Conversion. Accordingly, holders of the Series 5 Preferred Shares and the Series 6 Preferred Shares will receive Common Shares pursuant to a Contingent Conversion at a time when subordinated debt is converted into Common Shares at a conversion rate that is more favourable to the holder of such instruments and other preferred shares are converted into Common Shares at a conversion rate that may be more favourable to the holder of such instruments, in each case, than the rate applicable to the Series 5 Preferred Shares or the Series 6 Preferred Shares, thereby causing substantial dilution to holders of Common Shares and the holders of Series 5 Preferred Shares or the Series 6 Preferred Shares, who will become holders of Common Shares upon the Trigger Event.

#### **Common Shares received on a Contingent Conversion may be subject to further dilution**

In the circumstances surrounding a Trigger Event, the Superintendent or other governmental authorities or agencies may also require other steps to be taken to restore or maintain the viability of the Bank, such as the injection of new capital and the issuance of additional Common Shares or other securities. Accordingly, holders of Series 5 Preferred Shares and Series 6 Preferred Shares will receive Common Shares pursuant to Contingent

Conversion at a time when debt obligations of the Bank may be converted into Common Shares, possibly at a conversion rate that is more favourable to the holder of such obligations than the rate applicable to the Series 5 Preferred Shares and the Series 6 Preferred Shares, and additional Common Shares or securities ranking in priority to the Common Shares may be issued, thereby causing substantial dilution to holders of Common Shares and the holders of Series 5 Preferred Shares and the Series 6 Preferred Shares, who will become holders of Common Shares upon the Trigger Event.

#### **Circumstances surrounding Contingent Conversion and effect on market price**

The occurrence of a Trigger Event is a subjective determination by the Superintendent that the conversion of all contingent instruments is reasonably likely to restore or maintain the viability of the Bank. See the definition of Trigger Event under “*Description of Share Capital — Definition of Terms*”. As a result, a Contingent Conversion may occur in circumstances that are beyond the control of the Bank. Also, even in circumstances where the market expects the Superintendent to cause a Contingent Conversion, the Superintendent may choose not to take that action. Because of the inherent uncertainty regarding the determination of when a Contingent Conversion may occur, it will be difficult to predict, when, if at all, the Series 5 Preferred Shares or Series 6 Preferred Shares will be mandatorily converted into Common Shares. Accordingly, trading behavior in respect of the Series 5 Preferred Shares or Series 6 Preferred Shares is not necessarily expected to follow trading behavior associated with other types of convertible or exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Series 5 Preferred Shares, Series 6 Preferred Shares and the Common Shares, whether or not such Trigger Event actually occurs.

#### **The Series 5 Preferred Shares and Series 6 Preferred Shares are non-cumulative and there is a risk the Bank will be unable to pay dividends on the shares**

The dividends on the Series 5 Preferred Shares and the Series 6 Preferred Shares are non-cumulative and are payable at the discretion of the Board of Directors. See “*Earnings Coverage*” which is relevant to our assessment of the risk that the Bank will be unable to pay dividends on the Series 5 Preferred Shares or the Series 6 Preferred Shares.

#### **The value of the Series 5 Preferred Shares and the Series 6 Preferred Shares will be affected by the Bank’s general creditworthiness**

The value of Series 5 Preferred Shares and Series 6 Preferred Shares will be affected by the general creditworthiness of the Bank.

#### **Ranking on insolvency or winding-up**

The Series 5 Preferred Shares rank, and the Series 6 Preferred Shares will, if issued, rank, equally with other Preferred Shares of the Bank in the event of an insolvency or winding-up of the Bank where a Contingent Conversion has not occurred. If the Bank becomes insolvent or is wound-up where a Contingent Conversion has not occurred, the Bank’s assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on the Series 5 Preferred Shares or the Series 6 Preferred Shares.

If a Contingent Conversion has occurred, the ranking of the Series 5 Preferred Shares and Series 6 Preferred Shares will not be relevant since all Series 5 Preferred Shares and Series 6 Preferred Shares will be converted into Common Shares which will rank on a parity with all other Common Shares of the Bank.

#### **The Bank is subject to an extensive regulatory regime designed to protect depositors first and foremost, not shareholders.**

The Bank is subject to extensive oversight in the jurisdictions in which it does business. These regulations are primarily intended to protect depositors first and foremost, not shareholders. The Bank’s business may be adversely affected by changes in applicable law or regulation or the interpretation or enforcement thereof.

The redemption or purchase by the Bank of Series 5 Preferred Shares and Series 6 Preferred Shares is subject to the consent of the Superintendent and other restrictions contained in the Bank Act.

#### **No fixed maturity date**

Neither the Series 5 Preferred Shares nor the Series 6 Preferred Shares have a fixed maturity date and are not redeemable at the option of the holders of Series 5 Preferred Shares or Series 6 Preferred Shares, as applicable. The ability of a holder to liquidate its holdings of Series 5 Preferred Shares or Series 6 Preferred Shares, as applicable, may be limited.

#### **Reset of dividend rate**

The dividend rate in respect of the Series 5 Preferred Shares will reset on July 31, 2022 and on July 31 every five years thereafter. The dividend rate in respect of the Series 6 Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in the Series 6 Preferred Shares, given their floating interest component, entail significant risks not associated with investments in the Series 5 Preferred Shares. The resetting of the applicable rate on a Series 6 Preferred Share may result in a lower yield compared to fixed rate Series 5 Preferred Shares. The applicable rate on a Series 6 Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Bank has no control.

#### **Automatic conversion into Series 5 Preferred Shares and Series 6 Preferred Shares**

An investment in the Series 5 Preferred Shares, or in the Series 6 Preferred Shares, as the case may be, may become an investment in Series 6 Preferred Shares or the Series 5 Preferred Shares respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “*Description of Share Capital — Certain Provisions of the Series 5 Preferred Shares as a Series — Conversion of Series 5 Preferred Shares into Series 6 Preferred Shares*” and “*Description of Share Capital — Certain Provisions of the Series 6 Preferred Shares as a Series — Conversion of Series 6 Preferred Shares into Series 5 Preferred Shares*” above. Upon the automatic conversion of the Series 5 Preferred Shares into Series 6 Preferred Shares, the dividend rate on the Series 6 Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate, which may vary from time to time, while, upon the automatic conversion of the Series 6 Preferred Shares into Series 5 Preferred Shares, the dividend rate on the Series 5 Preferred Shares will be, for each Subsequent Fixed Rate Period, the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$10.00.

#### **Dilution and Impact of Future Sales on Market Price**

The number of Common Shares and Preferred Shares that the Bank is authorized to issue is unlimited. The issuances of Series 5 Preferred Shares under this Offering may have a dilutive effect on holders of Common Shares, if a Trigger Event occurs. Further, in order to finance future operations, the Bank may raise funds through the issuance of Series 5 Preferred Shares or the issuance of debt instruments, Preferred Shares or other securities convertible into Series 5 Preferred Shares. The Bank cannot predict the size of future issuances of Series 5 Preferred Shares or the issuance of debt instruments, Preferred Shares or other securities convertible into Series 5 Preferred Shares or the effect, if any, that future issuances and sales of the Bank’s securities will have on the market price of the Series 5 Preferred Shares.

#### **Use of Proceeds**

As set out under the heading “*Use of Proceeds*” in this Prospectus, the Bank plans to use the net proceeds of the Offering to provide additional regulatory capital in the Bank and for working capital purposes in the Bank. Potential investors are cautioned that, notwithstanding the Bank’s current intentions regarding the use of the net proceeds from the sale of the Series 5 Preferred Shares, there may be circumstances where a reallocation of funds may be necessary. While the Bank anticipates that it will spend the funds available to it as set forth under

the heading “*Use of Proceeds*”, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary, and there can be no assurance as of the date of this Prospectus as to how those funds may be reallocated. Accordingly, management of the Bank will have broad discretion in the application of the proceeds from the sale of the Series 5 Preferred Shares.

### ***Risks Related to the Merger***

#### **The Bank may not realize the anticipated benefits of the Merger.**

Achieving the benefits of the Merger depends in part on the ability of the Bank to maximize the potential of its improved growth opportunities and the ability to utilize certain tax loss carry forwards that were acquired as part of the Merger. A variety of factors, including the risk factors set forth herein and in the documents incorporated by reference herein (including in the section “Factors that may affect future results” in the Annual MD&A), may adversely affect the Bank’s ability to achieve the anticipated benefits of the Merger.

### **INTERESTS OF EXPERTS**

Certain legal matters relating to the Offering and to the Series 5 Preferred Shares will be passed upon for the Bank by Stikeman Elliott LLP, and for the Agents by Miller Thomson LLP. As at the date hereof, each of the aforementioned partnerships and their respective associates and partners, each as a group, beneficially own, directly or indirectly, in the aggregate less than one percent of the securities of the Bank and its associates and affiliates.

KPMG LLP, the Bank’s auditor, is independent of the Bank within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

### **AUDITOR AND TRANSFER AGENT**

The auditor of the Bank is KPMG LLP, 500 - 475 2nd Avenue South, Saskatoon, Saskatchewan S7K 1P4.

The Bank’s registrar and transfer agent is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario M5J 2Y1.

### **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS**

Certain directors of the Bank, namely Thomas Hockin and Avery Pennarum, reside outside of Canada. Each of these directors has appointed the Bank as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

In an offering of Series 5 Preferred Shares, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Series 5 Preferred Shares are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of this right of action for damages or consult with a legal adviser.

**CERTIFICATE OF THE BANK**

June 9, 2017

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

(Signed) "DAVID R. TAYLOR"  
President and Chief Executive Officer

(Signed) "SHAWN CLARKE"  
Chief Financial Officer

**On Behalf of the Board of Directors  
of the Bank**

(Signed) "THOMAS HOCKIN"  
Director

(Signed) "RICHARD W. CARTER"  
Director

**CERTIFICATE OF THE AGENTS**

June 9, 2017

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

RBC DOMINION SECURITIES INC.

By: (signed) "FARHAN ALI KHAN"  
Director

BMO NESBITT BURNS INC.

By: (signed) "BRADLEY J. HARDIE"  
Managing Director

INDUSTRIAL ALLIANCE SECURITIES INC.

By: (signed) "FRED WESTRA"  
Senior Vice-President, Managing Director  
& Head of Capital Markets

GMP SECURITIES L.P.

By: (signed) "KEVIN SULLIVAN"  
Deputy Chairman

RAYMOND JAMES LTD.

By: (signed) "SEAN C. MARTIN"  
Managing Director

PI FINANCIAL CORP.

By: (signed) "BLAKE CORBET"  
Managing Director



Versa**Bank**