

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

VersaBank
2002 - 140 Fullarton Street
London, Ontario
N6A 5P2

Item 2 **Date of Material Change**

June 10, 2022

Item 3 **News Release**

A news release describing the material change was issued on June 14, 2022 through the facilities of CNW. A copy of the news release has been filed on SEDAR and EDGAR and is available at www.sedar.com and www.sec.gov/edgar.

Item 4 **Summary of Material Change**

VersaBank, through its wholly-owned U.S. subsidiary, VersaHoldings US Corp. (together, the "Bank") has entered into a definitive agreement with Stearns Financial Services, Inc. ("SFSI") to acquire Minnesota based Stearns Bank Holdingford N.A. ("Holdingford").

Under the terms of the agreement, the Bank will acquire Holdingford for an approximate purchase price of US\$13.5 million, or CA\$17.4 million (subject to adjustments at closing).

The transaction, which has been approved by the Bank's and SFSI's Boards of Directors, is expected to close before the Bank's fiscal year (October 31, 2022), subject to customary closing conditions, including regulatory approvals in both the U.S. and Canada.

Item 5 **Full Description of Material Change**

5.1 Full Description of Material Change

VersaBank, through its wholly-owned U.S. subsidiary, VersaHoldings US Corp. (together, the "Bank") has entered into a definitive agreement with Stearns Financial Services, Inc. ("SFSI") to acquire Minnesota based Stearns Bank Holdingford N.A.

Under the terms of the agreement, the Bank will acquire Holdginford for an approximate purchase price of US\$13.5 million, or CA\$17.4 million (subject to adjustments at closing).

The acquisition represents a transformational next step in VersaBank's long-term growth strategy and is expected to be accretive to the Bank's earnings per share within the first year after closing.

On closing, Holdingford will be renamed VersaBank USA National Association ("VersaBank USA"). VersaBank USA will be well capitalized with a Total Capital ratio in excess of 10%. The acquisition will provide the Bank with access to U.S. deposits to fuel the growth of its Receivable Purchase Program which the Bank recently launched in the U.S.

The transaction, which has been approved by the Bank's and SFSI's Boards of Directors, is expected to close before the Bank's fiscal year (October 31, 2022), subject to customary closing conditions, including regulatory approvals in both the U.S. and Canada. Upon closing, Holdingford will be renamed VersaBank USA National Association.

5.2 Disclosure for Restructuring Transactions

Not Applicable

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not Applicable.

Item 7 Omitted Information

Not Applicable.

Item 8 Executive Officer

For further information, please contact:

David Taylor
President & Chief Executive Officer
Telephone No: (519) 675-4216

Item 9 Date of Report

June 21, 2022

Cautionary Statement on Forward-Looking Statements

Certain statements in this material change report are forward-looking statements. Forward-looking statements in this document may include, but are not limited to, statements with respect to the expected closing of the proposed transaction, plans for the operations of the Bank and Holdingford, the financing of the proposed transaction, the financial, operational and capital impacts of the proposed transaction, our strategies or future actions, our targets and commitments, expectations for our financial condition, capital position, the regulatory environment in which we operate, the results of, or outlook for, our operations or for the Canadian and U.S. economies, and include statements made by our management. Forward-looking statements are typically identified by words such as “will”, “would”, “should”, “believe”, “expect”, “anticipate”, “project”, “intend”, “estimate”, “plan”, “goal”, “commit”, “target”, “may”, “might”, “schedule”, “forecast” and “could” or negative or grammatical variations thereof.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are out of our control. Risks exist that predictions, forecasts, projections, and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements as several important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the Canadian economy in general and the strength of the local economies within Canada in which we conduct operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; changing global commodity prices; the effects of competition in the markets in which we operate; inflation; capital market fluctuations; the timely development and introduction of new products in receptive markets; the ability of the Bank to grow its business and execute its strategy in the US market; the impact of changes in the laws and regulations pertaining to financial services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and savings habits; the impact of COVID-19 pandemic and our anticipation of and success in managing the risks implicated by the foregoing. For a detailed discussion of certain key factors that may affect our future results, please see our annual MD&A for the year ended October 31, 2021.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The forward-looking information contained in this document and the related management’s discussion and analysis is presented to assist our shareholders in understanding our

financial position and may not be appropriate for any other purposes. Except as required by securities law, we do not undertake to update any forward-looking statement that is contained in this document and related management's discussion and analysis or made from time to time by the Bank or on its behalf.