

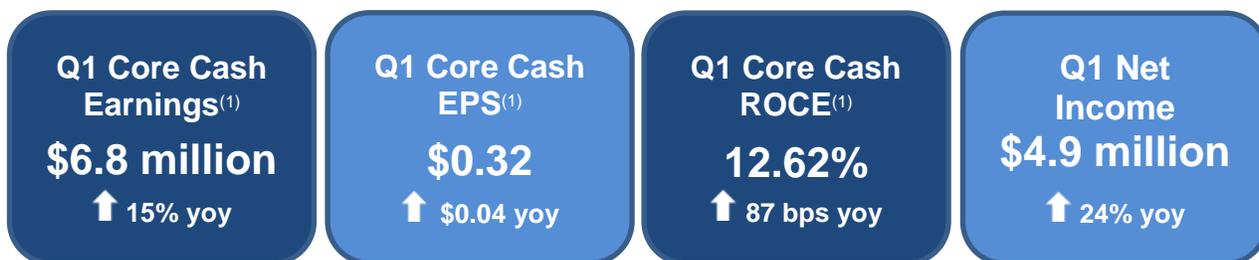


FIRST QUARTER 2019

EARNINGS RELEASE

VERSABANK REPORTS FIRST QUARTER 2019 RESULTS WITH A 24% INCREASE IN EARNINGS FROM A YEAR AGO

All amounts are unaudited and in Canadian dollars and are based on financial statements prepared in compliance with International Accounting Standard 34 Interim Financial Reporting, unless otherwise noted. Our first quarter 2019 (“Q1 2019”) unaudited Interim Consolidated Financial Statements for the period ended January 31, 2019 and Management’s Discussion and Analysis, are available online at www.versabank.com/investor-relations and at www.sedar.com. Supplementary Financial Information will also be available on our website at www.versabank.com/investor-relations.



LONDON, ONTARIO, February 27, 2019 – VersaBank (“VB” or the “Bank”) (TSX:VB) today reported its results for the first quarter ended January 31, 2019. Net income for the quarter was up 24% to \$4.9 million from \$4.0 million a year ago.

Core cash earnings (“CCE”) for the quarter was up 15% to \$6.8 million from \$5.9 million a year ago. CCE reflects the VB’s core operational performance and earnings capacity, (see CCE reconciliation below)⁽²⁾.

David Taylor, President and CEO stated, “Our Bank started the new fiscal year on a positive note with CCE of \$6.8 million and NIM of 3.00% for the quarter, up 15% and 13 bps from last year respectively. Our eCommerce business continued to generate volume growth in its structured finance products resulting in our purchased receivable portfolio growing 3.5% over the previous quarter. Concurrently we are taking an increasingly cautious approach to lending in our Commercial Banking business, which resulted in this portfolio decreasing 8.1% compared to last quarter. Additionally, the Bank adopted IFRS 9 this year, which fundamentally changed our collective allowance and provisioning methodology, now referred to as expected credit loss (ECL) methodology. The impact of the adoption of IFRS 9 on our opening balance sheet was a modest increase in shareholder’s equity resulting from a similar reduction in allowance for credit losses on an after-tax basis. This modest change to our allowance for credit losses under the new methodology reflects VB’s low risk lending strategy.”

Q1 2019 Highlights:

Q1 2019 compared to Q1 2018⁽¹⁾

- Core cash earnings⁽²⁾ of \$6.8 million (up 15% from \$5.9 million)
- Core cash earnings per share of \$0.32 (up \$0.04 from \$0.28)
- Net income of \$4.9 million (up 24% from \$4.0 million)
- NIM of 3.00% (up 13 bps from 2.87%)
- Basic and diluted EPS of \$0.21 (up \$0.05 from \$0.16)
- Common share book value of \$9.39 (up 9% from \$8.64)
- ROCE of 8.86% (up from 7.50%)
- CET1 ratio of 12.26% (up from 10.68%)
- Leverage ratio of 11.56% (up from 10.34%)

Q1 2019 compared to Q4 2018⁽¹⁾

- Core cash earnings⁽²⁾ of \$6.8 million (down 4% from \$7.1 million)
- Core cash earnings per share of \$0.32 (down \$0.01 from \$0.33)
- Net income of \$4.9 million (down 4% from \$5.2 million)
- NIM of 3.00% (unchanged from 3.00%)
- Basic and diluted EPS of \$0.21 (unchanged from \$0.21)
- Common share book value of \$9.39 (up 2% from \$9.19)
- ROCE of 8.86% (down from 9.53%)
- CET1 ratio of 12.26% (up from 11.58%)
- Leverage ratio of 11.56% (up from 10.84%)

(1) Certain highlights include non-GAAP measures. See definition under 'Basis of Presentation' in the Q1 2019 Management's Discussion and Analysis.

(2) Core cash earnings is calculated as:

(thousands of Canadian dollars)	for the three months ended	
	January 31 2019	January 31 2018
Net income	\$ 4,932	\$ 3,976
Adjusted for:		
Income taxes	1,862	1,476
Other non-core general and administrative expense items	-	453
	1,862	1,929
Core cash earnings	\$ 6,794	\$ 5,905

Q1 2019 Business Performance

VersaBank adopted an electronic branchless model in 1993, becoming the world's first branchless financial institution. It holds a Canadian Schedule I chartered bank license and obtains its deposits, and the majority of its loans and leases, electronically. VersaBank's Common Shares trade on the Toronto Stock Exchange under the symbol VB and its Series 1 Preferred Shares and Series 3 Preferred Shares trade under the symbols VB.PR.A and VB.PR.B, respectively.

Commercial Banking – Loans are originated through direct contact with VB's clients and through a well-established network of mortgage brokers and syndication partners. Loans are well secured by real estate primarily in Ontario and occasionally other areas of Canada. Loans at January 31, 2019 were \$678 million, down 8.08% from last quarter and down 8.54% from a year ago.

eCommerce – Small loan and lease receivables are electronically purchased from VB's network of origination partners who make point of sale loans and leases in various markets throughout Canada. Lending assets at January 31, 2019 were \$921 million, up 3.54% from last quarter and up 10.55% from a year ago, reflecting VB's increased emphasis on its structured finance products.

Funding - VB has established three core funding channels, those being personal deposits, commercial deposits, and holdbacks retained from VB's receivable purchase program origination partners that are classified as other liabilities. Personal deposits, consisting principally of guaranteed investment certificates, are sourced primarily through a well-established and well-diversified deposit broker network that the Bank continues to grow and expand across Canada. Commercial deposits are sourced primarily via specialized chequing accounts made available to insolvency professionals ("Trustees") in the Canadian insolvency industry. The Bank developed customized banking software for use by Trustees that integrates banking services with the market-leading software platform used in the administration of consumer bankruptcy and proposal restructuring proceedings. VB's cost of funds for the quarter was 1.90%, up 8 bps from last quarter and up 36 bps from a year ago.

Capital – As at January 31, 2019, VB's CET1 ratio was 12.26%, up 68 bps from last quarter and up 158 bps from a year ago. VB, like most small banks, uses the Standardized Approach to calculate its risk weighted assets. Due to the fact that VB focuses on commercial and consumer loans with lower than average risk (as demonstrated by its long history of low provision for credit losses), it believes that the Standardized Approach does not properly reflect the intrinsic risk in its lending portfolio. As a consequence, VB's leverage ratio is very conservative, being more than twice the average leverage ratio of the major Canadian banks, which use the Advanced Internal Ratings Based ("AIRB") approach to calculate their risk weighted assets.

Credit Quality – For the quarter ended January 31, 2019, the Bank recorded a recovery of credit losses in the amount of \$289,000 compared to a provision for credit losses in the amount of \$191,000 last quarter and a provision for credit losses in the amount of \$65,000 for the same period a year ago. The quarter over quarter and year over year trends were a function primarily of lower real estate loan balances combined with remeasurements of expected credit loss amounts using the expected credit loss methodology under IFRS 9. The Bank's PCL ratio continues to be one of the lowest in the industry, reflecting the very low risk profile of the Bank's lending portfolio. VB's business strategy involves taking lower credit risk, but achieving higher NIM by lending in niche markets that are not well served by the larger financial institutions.

VersaVault Inc. – VersaVault Inc. ("VV") is a wholly owned subsidiary of the Bank and was formed to develop and provide cyber-security services to commercial entities. VV has completed its technology Beta-Testing and has commenced investigating commercialization opportunities for the developed service offering.

FINANCIAL HIGHLIGHTS

(unaudited)	for the three months ended		
	January 31 2019	October 31 2018	January 31 2018
(\$CDN thousands except per share amounts)			
Results of operations			
Interest income	\$ 21,959	\$ 22,036	\$ 19,069
Net interest income	13,440	13,707	12,395
Non-interest income	19	120	12
Total revenue	13,459	13,827	12,407
Provision (recovery) for credit losses	(289)	191	65
Non-interest expenses	6,954	6,423	6,890
Core cash earnings*	6,794	7,108	5,905
Core cash earnings per common share*	\$ 0.32	\$ 0.33	\$ 0.28
Net income	4,932	5,164	3,976
Income per common share:			
Basic	\$ 0.21	\$ 0.21	\$ 0.16
Diluted	\$ 0.21	\$ 0.21	\$ 0.16
Yield*	4.90%	4.82%	4.41%
Cost of funds*	1.90%	1.82%	1.54%
Net interest margin*	3.00%	3.00%	2.87%
Return on average common equity*	8.86%	9.53%	7.50%
Core cash return on average common equity*	12.62%	13.55%	11.75%
Book value per common share*	\$ 9.39	\$ 9.19	\$ 8.64
Efficiency ratio*	52%	46%	56%
Return on average total assets*	0.98%	1.01%	0.81%
Gross impaired loans to total loans*	1.22%	0.04%	0.04%
Provision (recovery) for credit losses as a % of average loans*	(0.02%)	0.01%	0.02%
	as at		
Balance Sheet Summary			
Cash and securities	\$ 105,193	\$ 139,798	\$ 84,658
Loans, net of allowance for credit losses	1,603,185	1,631,026	1,577,675
Average loans*	1,617,106	1,640,176	1,549,266
Total assets	1,746,278	1,809,130	1,706,613
Average assets*	1,777,704	1,812,182	1,715,832
Deposits	1,371,123	1,437,431	1,353,142
Subordinated notes payable	9,859	9,844	9,799
Shareholders' equity	227,710	223,567	211,752
Capital ratios*			
Risk-weighted assets	\$ 1,466,154	\$ 1,502,549	\$ 1,473,420
Total regulatory capital	213,148	207,392	192,639
Common Equity Tier 1 (CET1) ratio	12.26%	11.58%	10.68%
Tier 1 capital ratio	14.27%	13.54%	12.67%
Total capital ratio	14.54%	13.80%	13.07%
Leverage ratio	11.56%	10.84%	10.34%

* This is a non-GAAP measure. See definition under 'Basis of Presentation' in the Q1 2019 Management's Discussion and Analysis.

Forward-Looking Statements

The statements in this press release that relate to the future are forward-looking statements. 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 a number of 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 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; 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 Management's Discussion and Analysis for the year ended October 31, 2018.

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.

Conference Call and Presentation

VersaBank will be hosting a conference call on Wednesday, February 27, 2019, at 9:00 a.m. EST to discuss the results for VB's first quarter. The toll-free-dial-in number is 1-888-205-6786 or local call dial-in number is 647-484-0473, with participant passcode 788842#.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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