VersaBank | Investor Presentation Q3 F2019

August 28, 2019

VersaBank

VB LISTED ON TMX Toronto Stock Exchange

Advisory

The Bank occasionally makes forward-looking statements about its objectives, operations and targeted financial results. These statements may be written or verbal and may be included in such things as press releases, corporate presentations, annual reports and other disclosure documents and communications. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are out of the Bank's control. Risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers or users of this information 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 the Bank conducts operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; global commodity prices, the effects of competition in the markets in which the Bank operates; inflation; capital market fluctuations; the timely development and introduction of new products in receptive markets; the impact of changes in the laws and regulations regulating financial services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and savings habits; and the Bank's anticipation of and success in managing the risks implicated by the foregoing. The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.

David Taylor, President & CEO

Q3 F2019 Performance Review

Q3 2019 Results Summary

Q3 results attributable to:

- Strong growth in eCommerce banking;
- Industry leading NIM expansion;
- Low provisions for credit losses (PCL).

Q3 Net Income	Q3 EPS	YTD Net Income	YTD EPS	CET1
$5.0 million	$0.21	$14.8 million	$0.62	12.71%
6% yoy	5% yoy	15% yoy	17% yoy	16% yoy

On a year to date basis:

- NIM improved to 3.0%;
- Efficiency improved to 50.21%;
- EPS up 17%.

Q3 2019 – Financial Highlights

($CDN 000s except for EPS)	Q3 2018	Q2 2019	Q3 2019	YTD 2019
Revenue	$12,982	$12,747	$14,078	$40,284
Non-Interest Expenses	6,408	6,411	6,860	20,225
Provision (Recovery) for Credit Losses	128	(411)	381	(319)
Net Income	4,678	4,896	4,963	14,791
Core Cash Earnings	6,446	6,747	6,837	20,378
Basic/Diluted EPS	$0.20	$0.21	$0.21	$0.62
Leverage Ratio	10.38%	11.43%	11.90%	11.90%
CET1 Ratio	10.95%	12.17%	12.71%	12.71%
Total Capital Ratio	13.13%	14.42%	14.99%	14.99%

Revenue
- Q/Q growth of 10.4% attributable primarily to higher interest income
- Y/Y (YTD) growth of 6.4% attributable to higher interest income and recovery of credit losses, partially offset by higher NIE

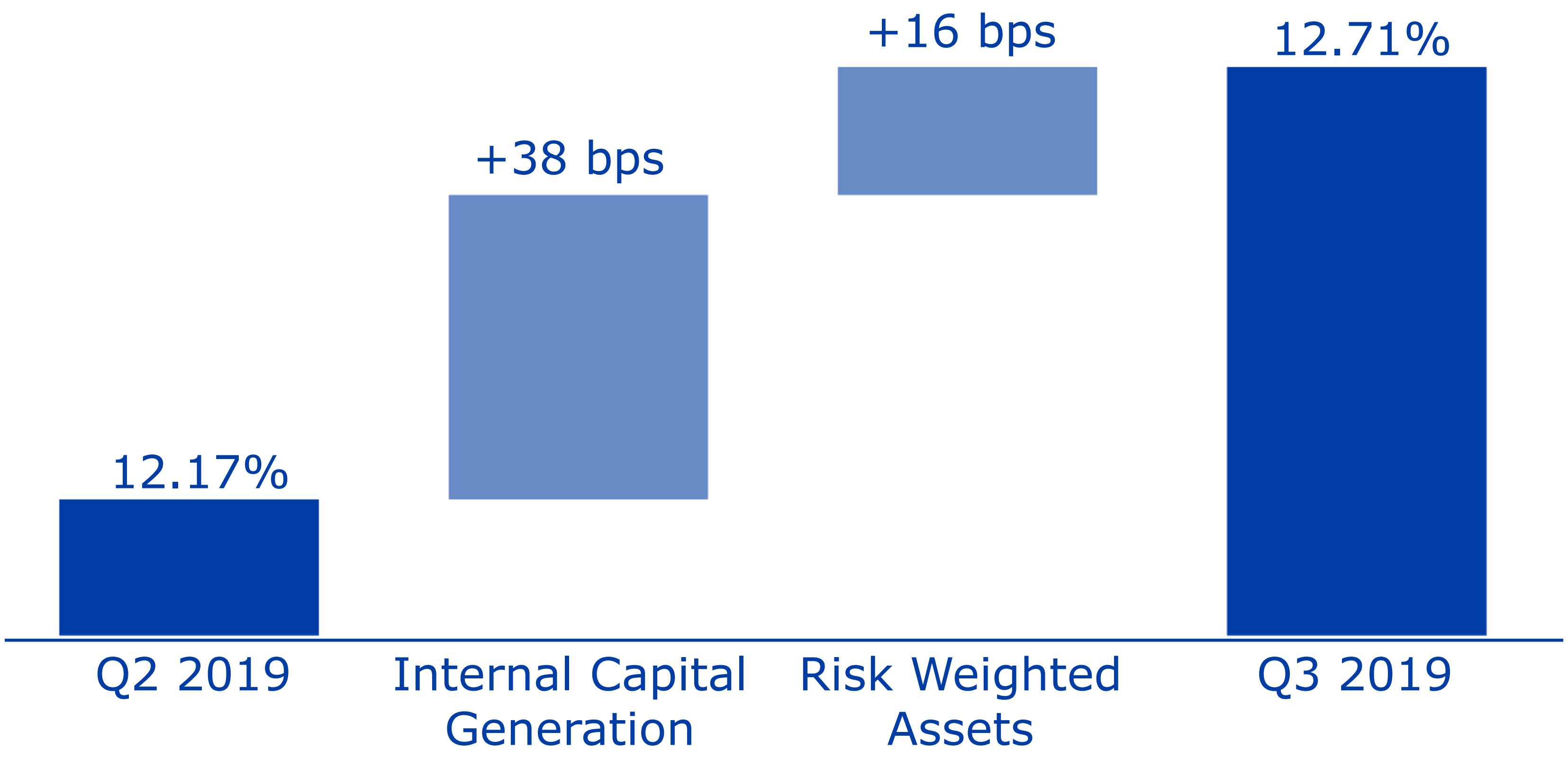
Non-Interest Expenses (NIE)
- Q/Q and Y/Y (YTD) increase of 7.0% and 1.6% respectively attributable primarily to business development costs and higher salaries & benefits expense;

Provision for Credit Losses (PCL)
- Q/Q increase primarily reflects higher ECL on stage 3 facility, and asset growth in eCommerce portfolio
- Y/Y (YTD) decline attributable to changes in balance sheet mix, lower duration of segments of the Bank’s lending portfolio, and remeasurements of ECL amounts under IFRS 9

Net Income
- Q/Q growth of 1.4% attributable primarily to higher interest income
- Y/Y (YTD) growth of 14.6% attributable primarily to higher interest income and lower PCL partially offset by higher NIE

Capital & Leverage Position

Common Equity Tier 1 Ratio



CET 1 Ratio

- CET1 ratio of 12.71%
- Q/Q increase of 54 bps
- Attributable to retained earnings growth, lower risk weighted assets and deferred tax asset recoveries

Leverage Ratio

- Leverage ratio of 11.90%
- Q/Q increase of 47 bps
- Attributable to higher Tier 1 capital and decreased balance sheet exposures

Lending Assets

($CDN 000s)	Q3 2018	Q2 2019	Q3 2019	YTD 2019
Net Interest Income	$12,965	$12,743	$14,059	$40,242
Non-Interest Expenses	6,408	6,411	6,860	20,225
Provision (Recovery) for Credit Losses	128	(411)	381	(319)
Net Income	$4,678	$4,896	$4,963	$14,791

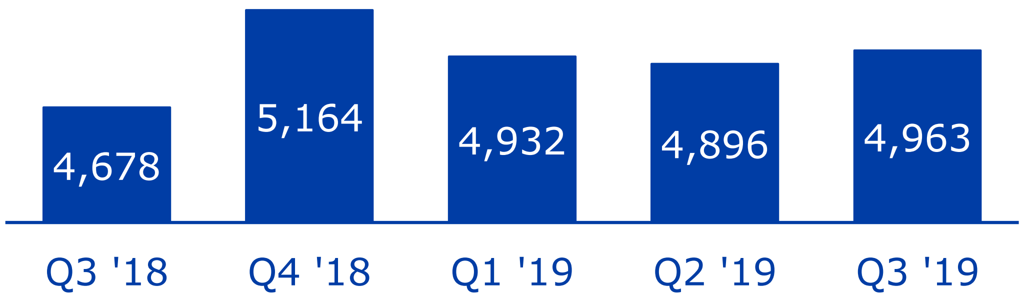
Net Interest Income

- Q/Q and Y/Y (YTD) increase of 10.3% and 6.5% respectively attributable primarily to higher average earning assets and income earned on impaired assets partially offset by higher cost of funds

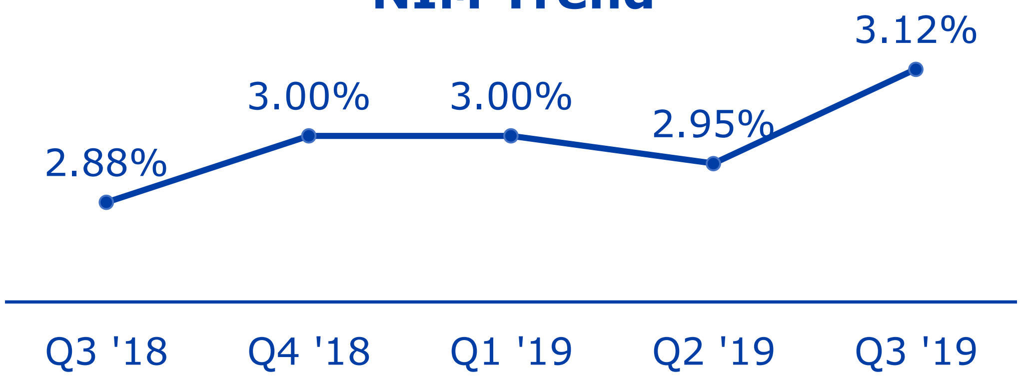
Net Interest Margin (NIM)

- Q/Q and Y/Y (YTD) increase of 17 bps and 15 bps respectively attributable primarily to higher average yields earned on lending & treasury assets, partially offset by higher cost of funds

Net Income Trend ($CDN 000s)



NIM Trend



Risk Review

For the Third Quarter Ended July 31, 2019

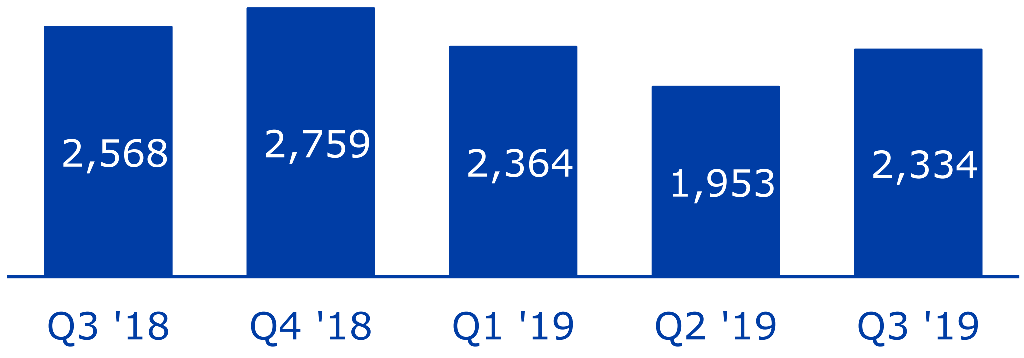
Provision for Credit Losses (PCL)

($CDN 000s)	Q3 2018	Q2 2019	Q3 2019	YTD 2019
Commercial Real Estate	$164	$(207)	$165	$125
Non-Commercial Real Estate	(60)	(49)	(11)	(931)
Corporate and Public Finance	-	(6)	214	728
Structured Finance	24	(149)	13	(241)
Total PCL	$128	$(411)	$381	$(319)

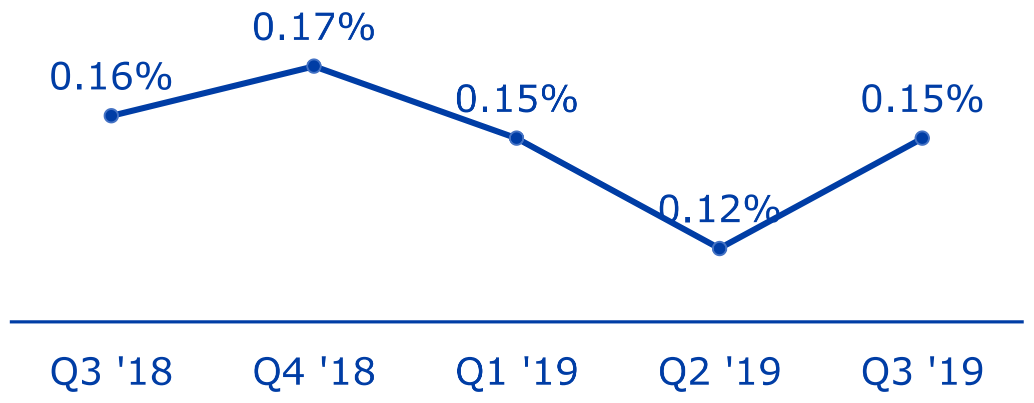
Provision for Credit Losses

- Q/Q increase reflecting higher ECL on stage 3 facility, and asset growth in eCommerce portfolio
- Y/Y (YTD) decline attributable to changes in balance sheet mix, lower duration of segments of the Bank's lending portfolio, and remeasurements of ECL amounts under IFRS 9

Expected Credit Losses
($CDN 000s)



Expected Loss Rate (%)



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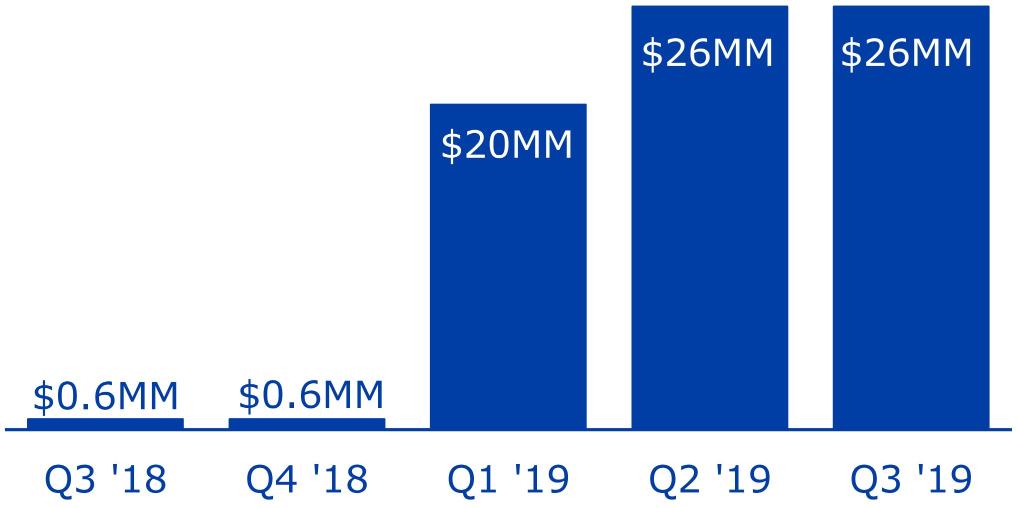
Gross Impaired Loans (GIL)

($CDN MMs)	Q3 2018	Q2 2019	Q3 2019
Corporate and Public Finance	$0.6	$0.6	$0.6
Commercial Real Estate	-	$24.9	$24.9
Total GIL ($)	$0.6	$25.5	$25.5

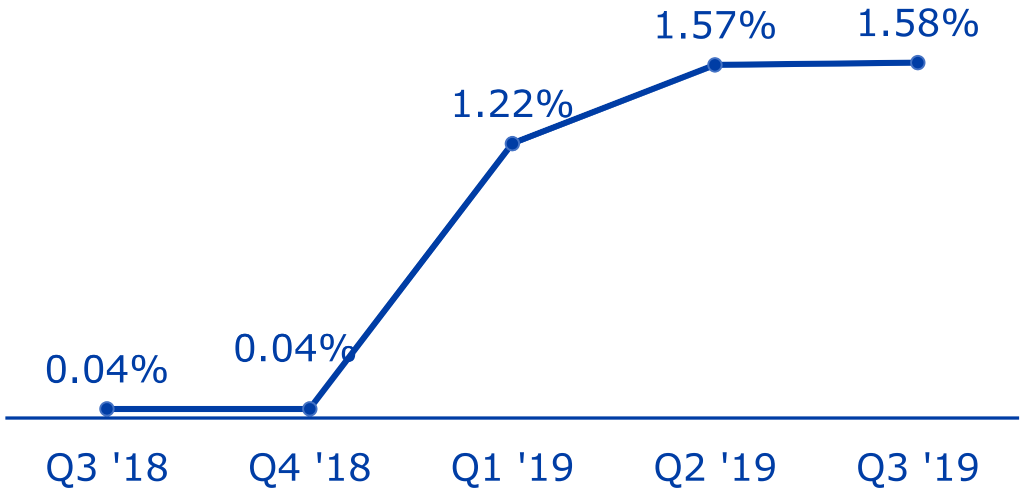
Gross Impaired Loans

- GIL ratio consistent Q/Q and up 153 bps Y/Y
- Y/Y increase due to commencement of recovery process on well secured real estate loans

Gross Impaired Loans ($)

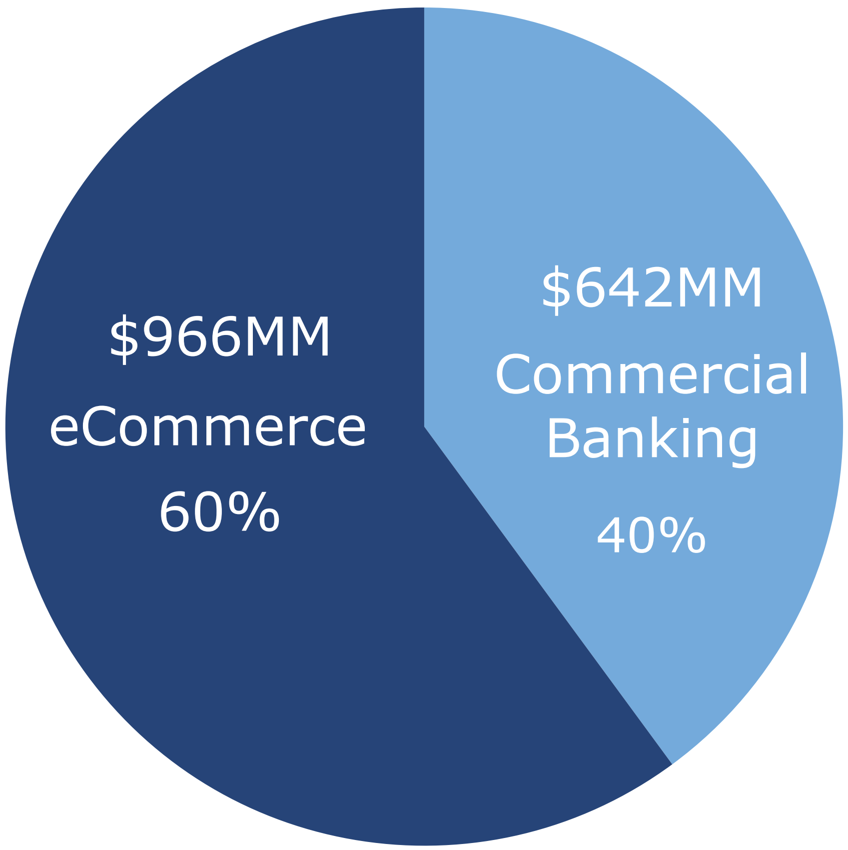


GIL (%) (Impaired Loans/Total Loans)

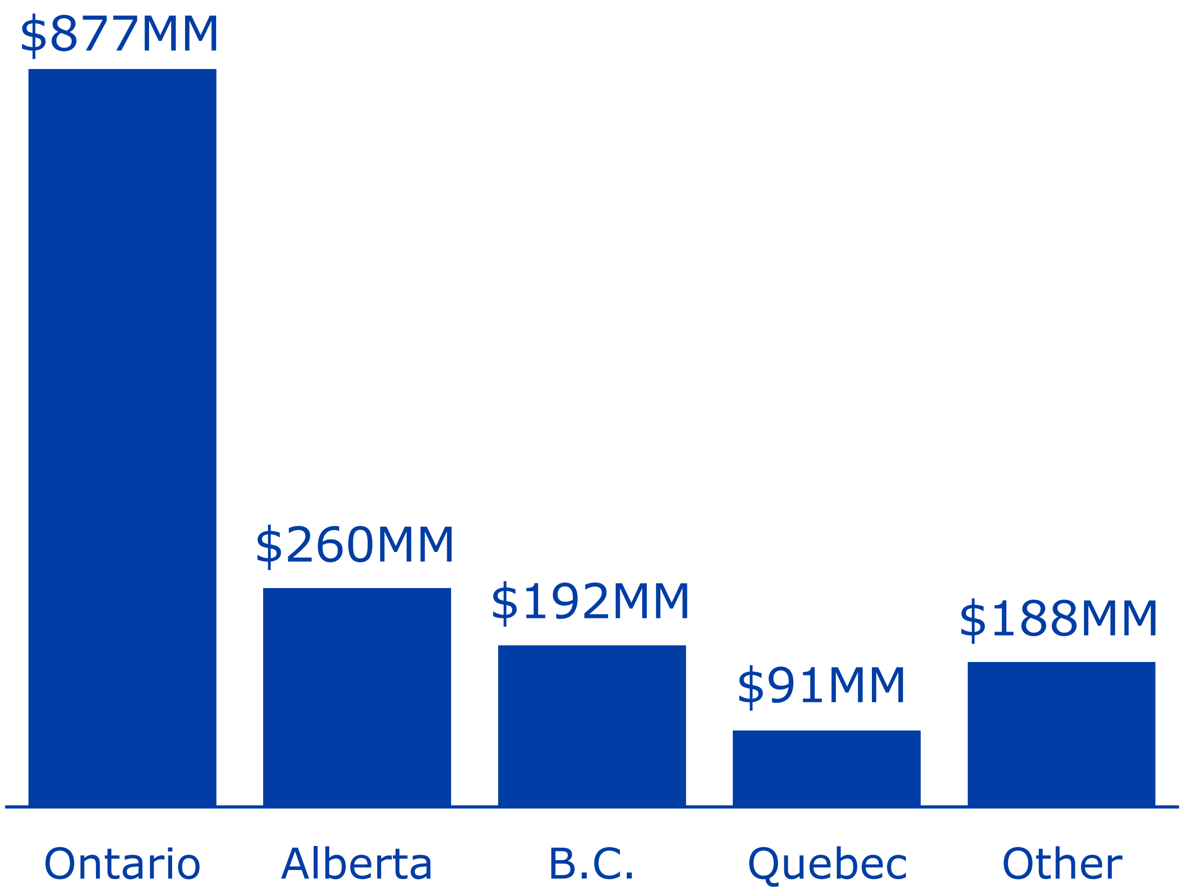


Loan Portfolio Overview

Loans ($)



Geographic Distribution of Loans



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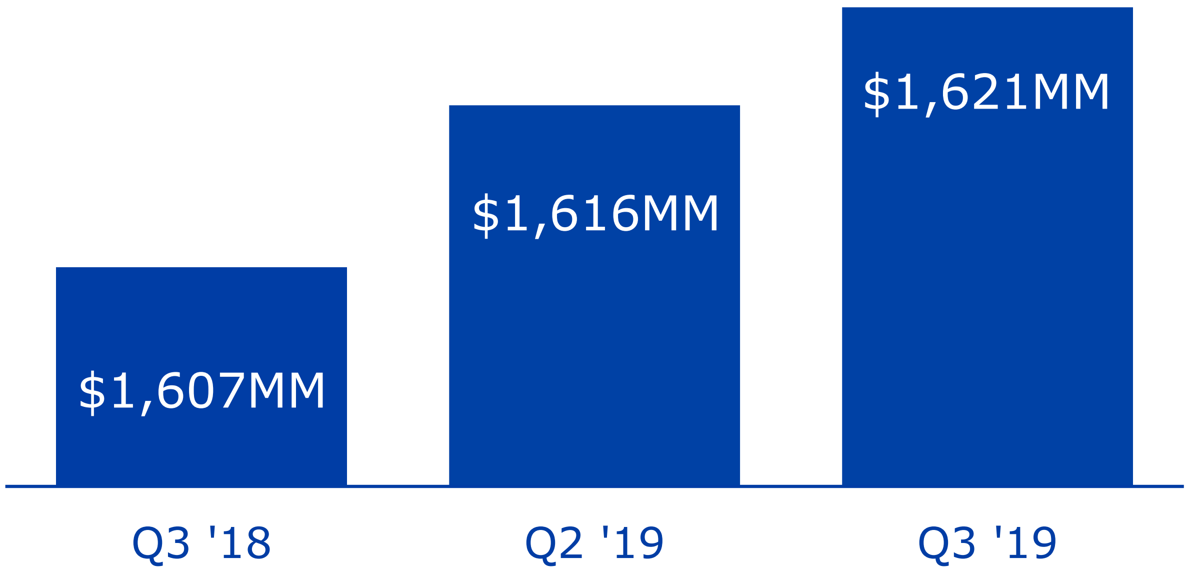
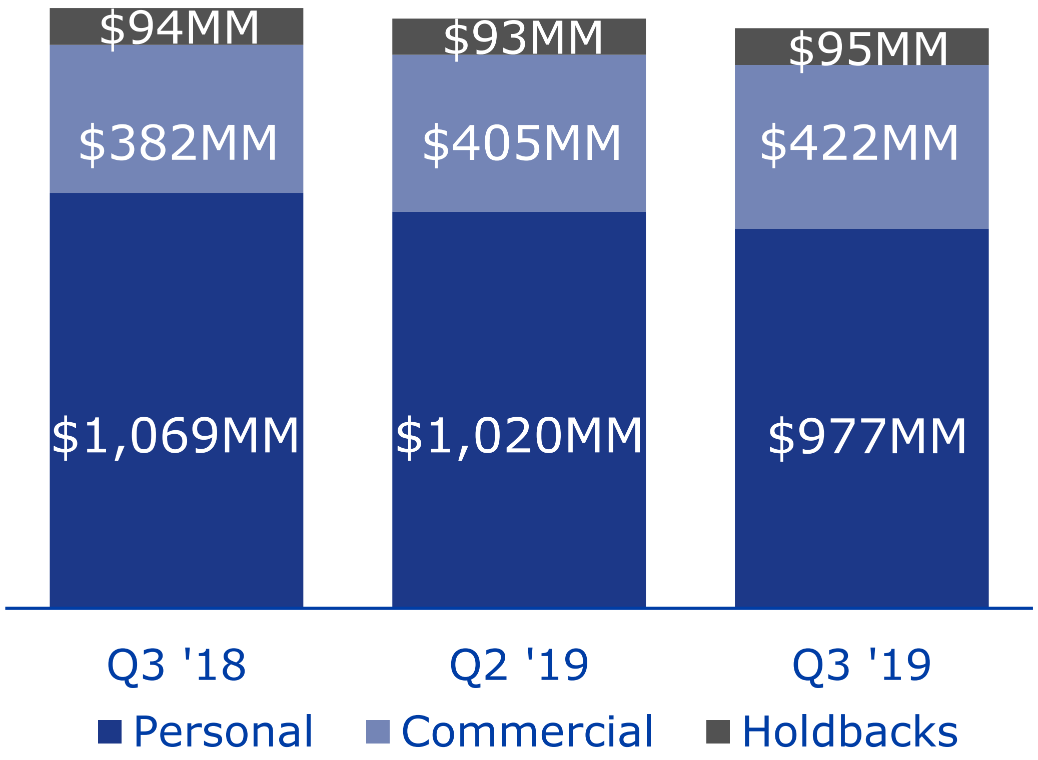
Volume Growth

Average Gross Loans



- Higher average loans contributed to Q/Q increase in interest income

Funding Mix



- Q/Q decrease attributable to lower funding requirements due to anticipated loan repayments late in the current quarter

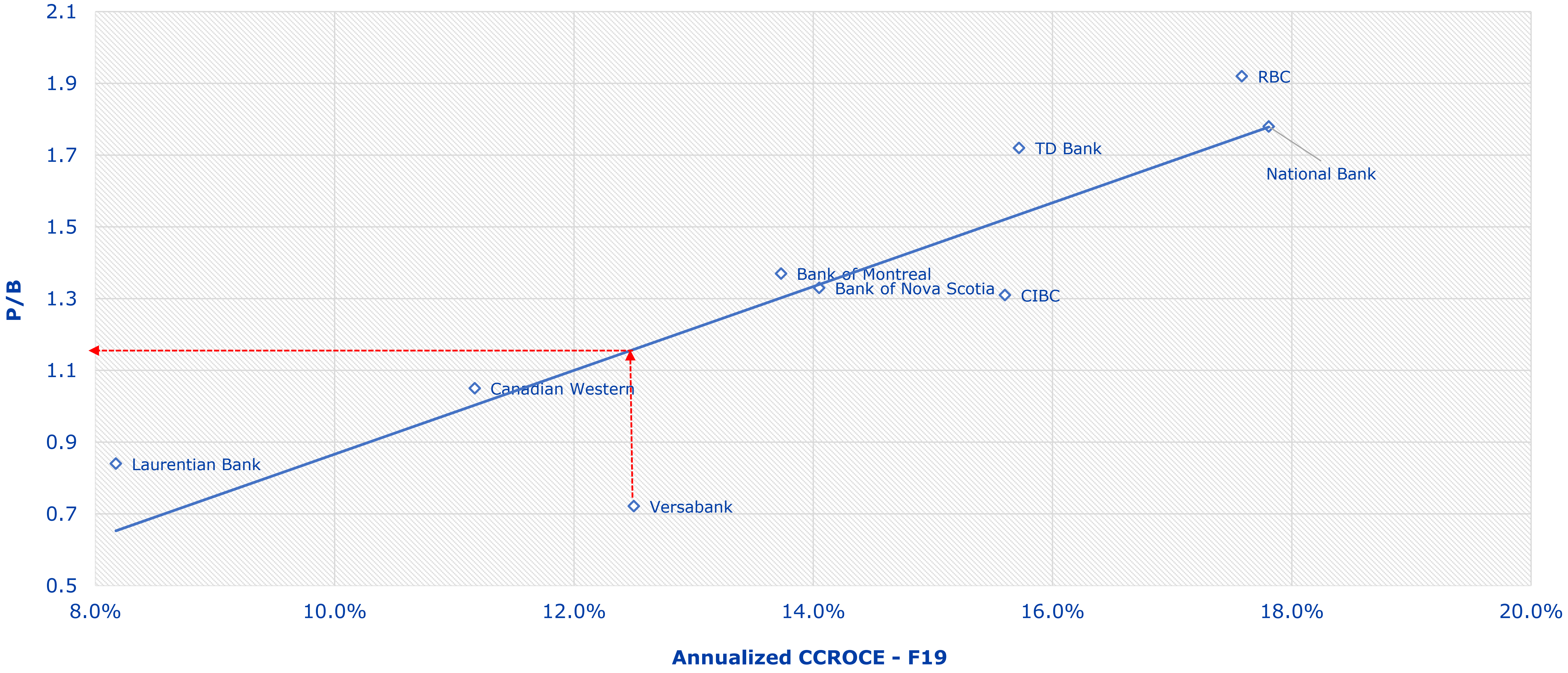
VersaVault

VersaVault Inc. ("VV") is a wholly owned subsidiary of the Bank and was formed to develop and provide cyber-security services to commercial entities.

VersaVault has recently announced it has entered into an exclusive licence agreement with Chairmans Financial B.V. ("Chairmans").

The agreement permits Chairmans to use the VersaVault name and brand, and to offer global clients secure storage of digital assets, encryption, authentication and related services. The licenced technology and services are to be used by Chairmans in connection with a digital asset security business.

CCROCE vs. P/BV for CDN Banks



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State-of-the-art Financial Technology Serving Lucrative Niche Markets