VersaBank | Investor Presentation Q4 F2019

November 27, 2019

VersaBank

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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

Q4 F2019
Performance Review

2019 Achievements

- Approved by MasterCard as an issuing member;
- Entered into new partnership with Insolvency Administrator Vision Blue;
- Launched VersaVault and DRT Cyber Inc.;
- Created 3 New eCommerce lending channels;
- Grew eCommerce Purchased Receivable Program total assets to over $1 billion;
- Achieved record EPS and Core Cash EPS of $0.85 and $1.32 respectively.

2020 Goals

- Launch MasterCard co-branded credit card program;
- Launch Direct-Connect program;
- Continue to expand eCommerce product offering to support additional, incremental portfolio growth;
- Maintain Commercial Banking Portfolio;
- Expand Commercial Deposit base;
- Expand DRT Cyber Inc. capabilities and product scope;
- Increase EPS and Core Cash EPS.

Q4 2019 Results Summary

Q4 results attributable primarily to:

- Lower non-interest expenses
- Lower provisions for credit losses (PCL)

Q4 Net Income	Q4 EPS	Q4 NIM	CET1
$5.4 million	$0.23	3.04%	13.16%
⬆5% yoy	⬆10% yoy	⬆4 bps yoy	⬆158 bps yoy

On a year over year basis:

- NIM improved to 3.04%
- Efficiency improved to 45%
- EPS up 10%

Q4 2019 – Financial Highlights

($CDN 000s except for EPS)	Q4 2018	Q3 2019	Q4 2019
Revenue	$13,827	$14,078	$13,635
Non-Interest Expenses	6,423	6,860	6,171
Provision (Recovery) for Credit Losses	191	381	21
Net Income	5,164	4,963	5,405
Core Cash Earnings	7,108	6,837	7,443
Basic/Diluted EPS	$0.21	$0.21	$0.23
Leverage Ratio	10.84%	11.90%	11.99%
CET1 Ratio	11.58%	12.71%	13.16%
Total Capital Ratio	13.80%	14.99%	15.44%
Efficiency Ratio	46.45%	48.74%	45.26%

Revenue

- Q/Q decline of 3.1% attributable primarily to lower yields earned on lending assets
- Y/Y decline of 1.4% attributable to lower net interest income and non-interest revenue

Non-Interest Expenses (NIE)

- Q/Q decline of 10.0% attributable to lower administrative expenses related to consulting and legal fees, and the Bank's general corporate functions
- Y/Y decrease of 3.9% attributable primarily to higher operating and compensation expenses incurred in the comparative period

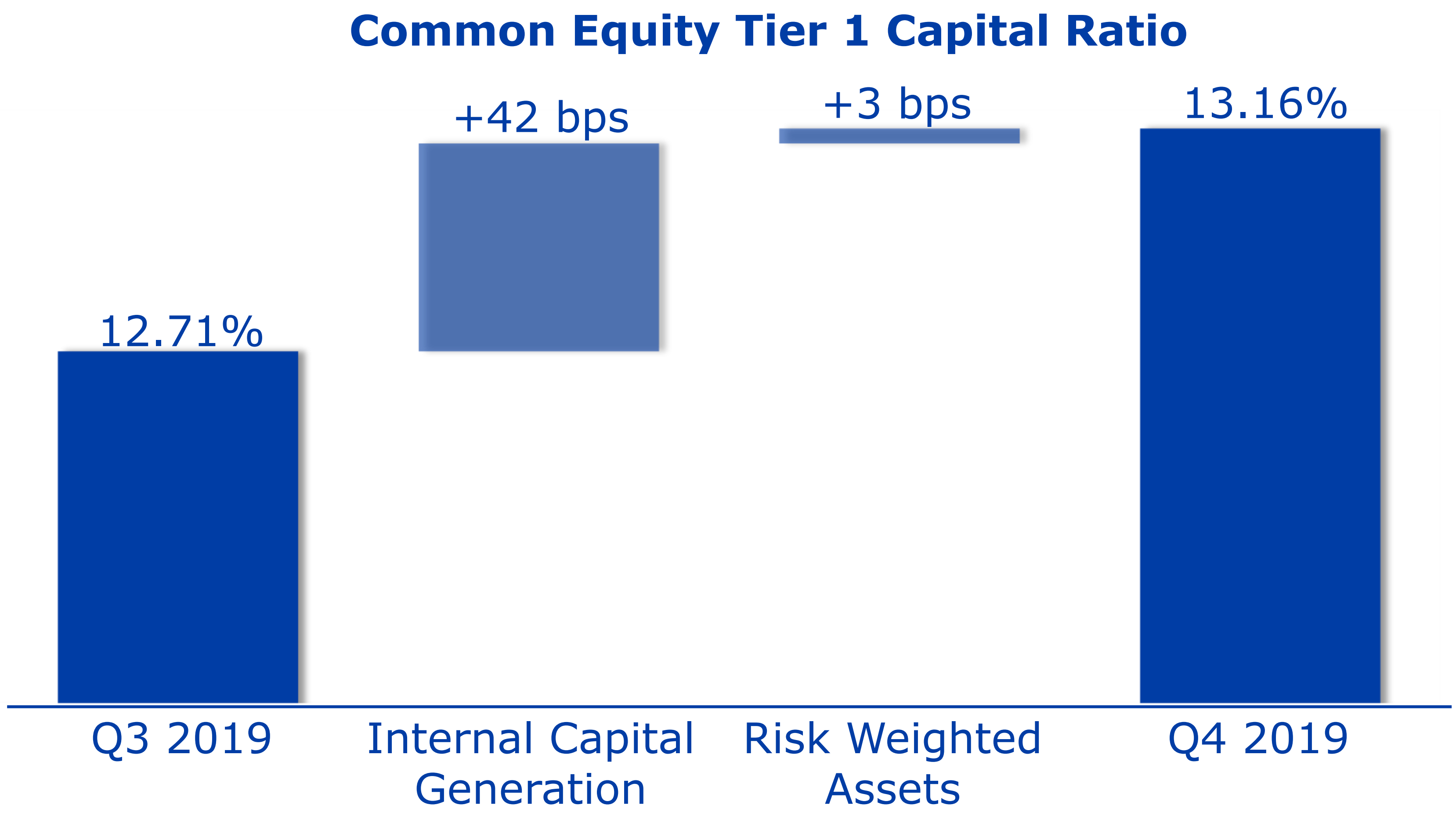
Provision for Credit Losses (PCL)

- Q/Q and Y/Y decrease of 94.5% and 89.0% attributable primarily to the recovery of credit losses on a legacy real estate loan, partially offset by changes in the Bank's real estate lending asset mix

Net Income

- Q/Q and Y/Y growth of 8.9% and 4.7% respectively attributable primarily to lower non-interest expenses and lower provisions

Capital & Leverage Position



CET1 Ratio

- CET1 capital ratio of 13.16%
- Q/Q increase of 45 bps attributable to retained earnings growth, lower risk weighted assets and deferred tax asset recoveries

Leverage Ratio

- Leverage ratio of 11.99%
- Q/Q increase of 9 bps attributable primarily to retained earnings growth and deferred tax asset recoveries

Lending Performance Trends

($CDN 000s)	Q4 2018	Q3 2019	Q4 2019
Net Interest Income	$13,707	$14,059	$13,655
Non-Interest Expenses	6,423	6,860	6,171
Provision (Recovery) for Credit Losses	191	381	21
Net Income	$5,164	$4,963	$5,405

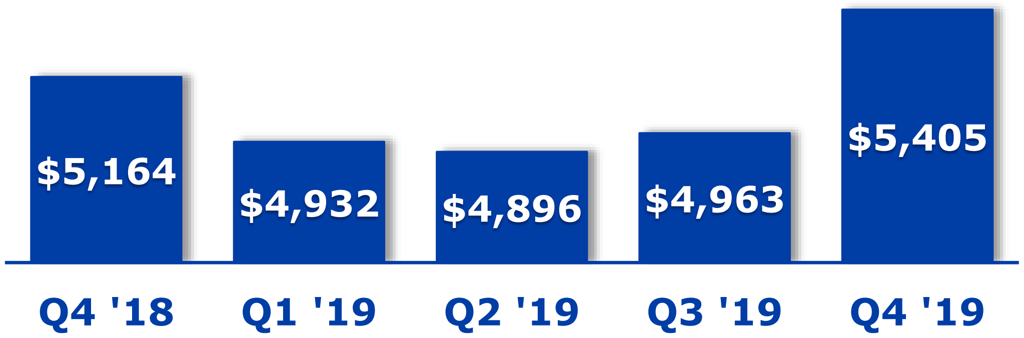
Net Interest Income

- Q/Q decrease of 2.9% attributable principally to lower yields earned on lending assets, partially offset by lower cost of funds

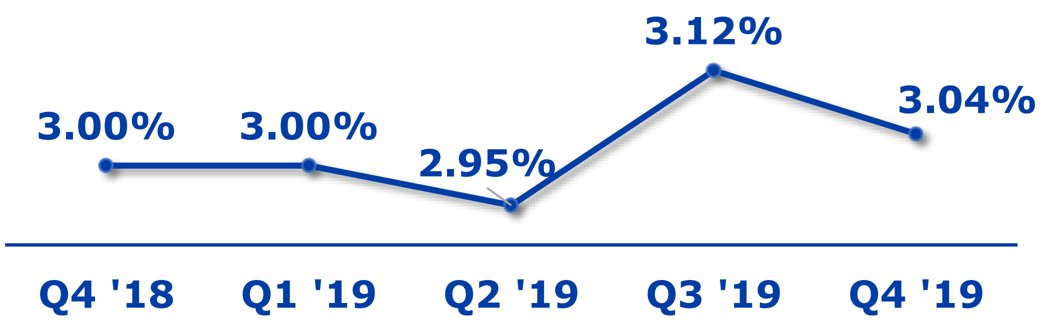
Net Interest Margin (NIM)

- Q/Q decrease of 8 bps attributable to lower yields earned on lending assets, partially offset by lower cost of funds
- Y/Y increase of 4 bps attributable to higher yields earned on lending assets, partially offset by higher cost of funds

Net Income Trend ($CDN 000s)



NIM Trend



Fiscal 2019 – Financial Highlights

($CDN 000s except for EPS)	F2018	F2019	YoY
Revenue	$51,685	$53,919	+4.3%
Non-Interest Expenses	26,338	26,396	+0.2%
Provision (Recovery) for Credit Losses	334	(298)	nm
Net Income	18,074	20,196	+11.7%
Core Cash Earnings	25,361	27,821	+9.7%
Basic/Diluted EPS	$0.75	$0.85	+13.3%

Leverage Ratio	10.84%	11.99%	+115 bps
CET1 Ratio	11.58%	13.16%	+158 bps
Total Capital Ratio	13.80%	15.44%	+164 bps
Efficiency Ratio	50.96%	48.95%	-201 bps

Revenue

- Y/Y growth attributable to higher net interest income principally from higher yields earned on lending assets, partially offset by higher cost of funds

Non-Interest Expenses (NIE)

- Modest Y/Y increase attributable primarily to higher salaries & benefits expense, partially offset by lower administrative costs

Provision for Credit Losses (PCL)

- Y/Y trend attributable to the recovery of credit losses on a legacy real estate loan and remeasurements of ECL amounts under IFRS 9, partially offset by changes in balance sheet mix

Net Income

- Y/Y growth of 11.7% a function primarily of higher Y/Y revenue attributable to higher yields earned on lending assets and recovery of credit losses

Risk Review

For the Fourth Quarter Ended October 31, 2019

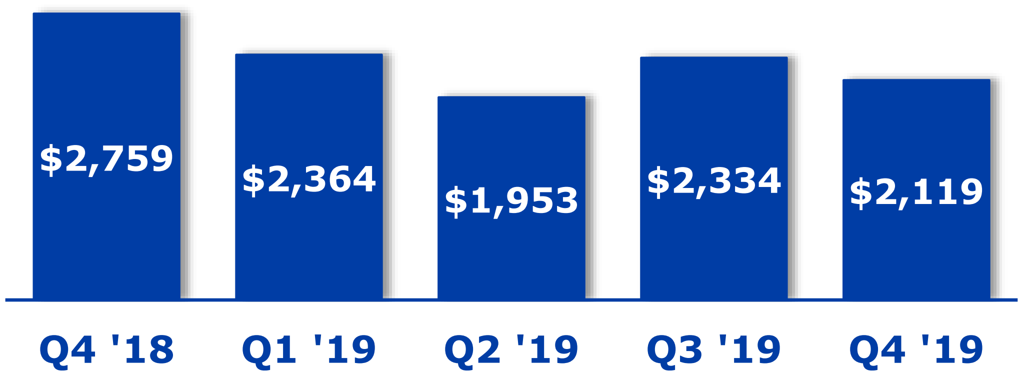
Provision for Credit Losses (PCL)

($CDN 000s)	Q4 2018	Q3 2019	Q4 2019
Commercial Real Estate	$(4)	$165	$353
Non-Commercial Real Estate	197	(11)	13
Corporate and Public Sector	(1)	214	(398)
Structured Finance	(1)	13	53
Bank PCL ($)	$191	$381	$21
Bank PCL (%)	0.01%	0.02%	0.00%

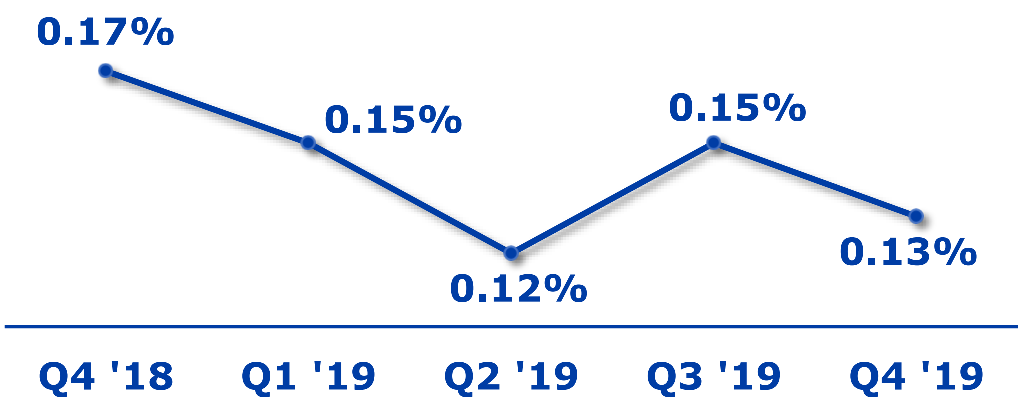
Provision for Credit Losses

- Q/Q and Y/Y decrease of 94.5% and 89.0% respectively, primarily reflects the recovery of credit losses on a legacy real estate loan and remeasurements of ECL amounts under IFRS 9, partially offset by changes in the Bank's real estate lending asset mix

Expected Credit Loss Allowance
($CDN 000s)



Expected Losses as a (%) of Loans



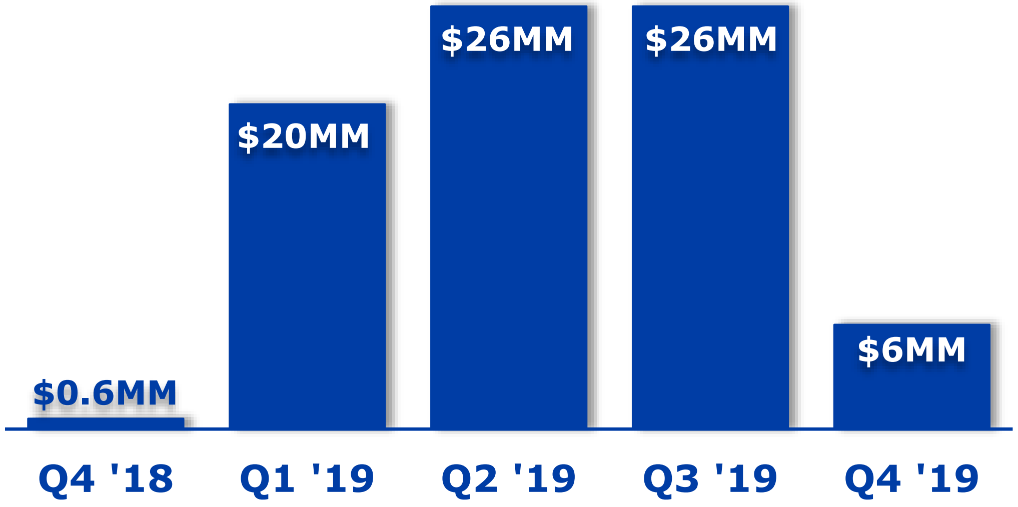
Gross Impaired Loans (GIL)

($CDN MMs)	Q4 2018	Q3 2019	Q4 2019
Corporate and Public Sector	$0.6	$0.6	$ -
Commercial Real Estate	$ -	$24.9	$6.3
Total GIL ($)	$0.6	$25.5	$6.3

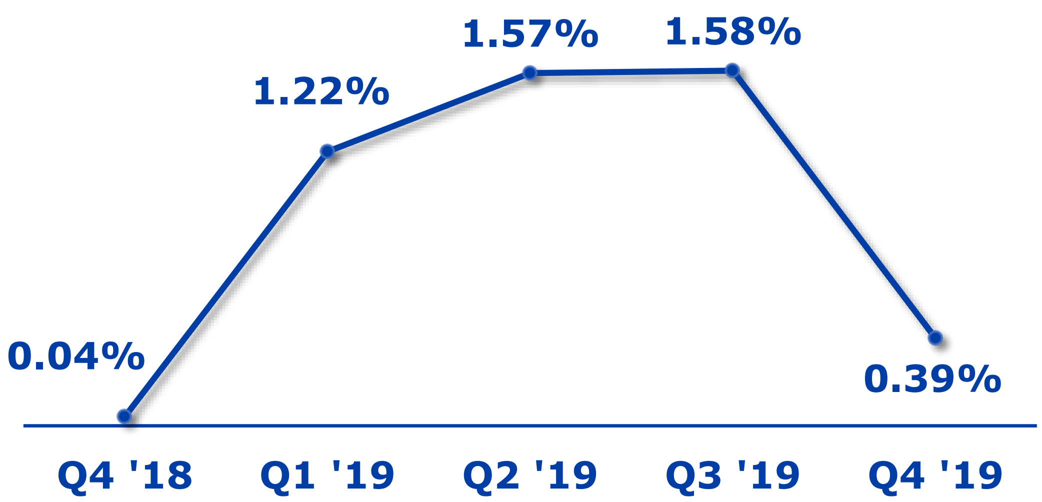
Gross Impaired Loans

- Q/Q decrease of 119 bps in GIL ratio a function primarily of the successful workout of a large construction loan
- Q4 balance comprised of a single loan for which the underlying security value exceeds the Bank's total transaction exposure; including principal balance, accrued interest and anticipated disposition expenses

Gross Impaired Loans



GIL (%) (Impaired Loans/Total Loans)



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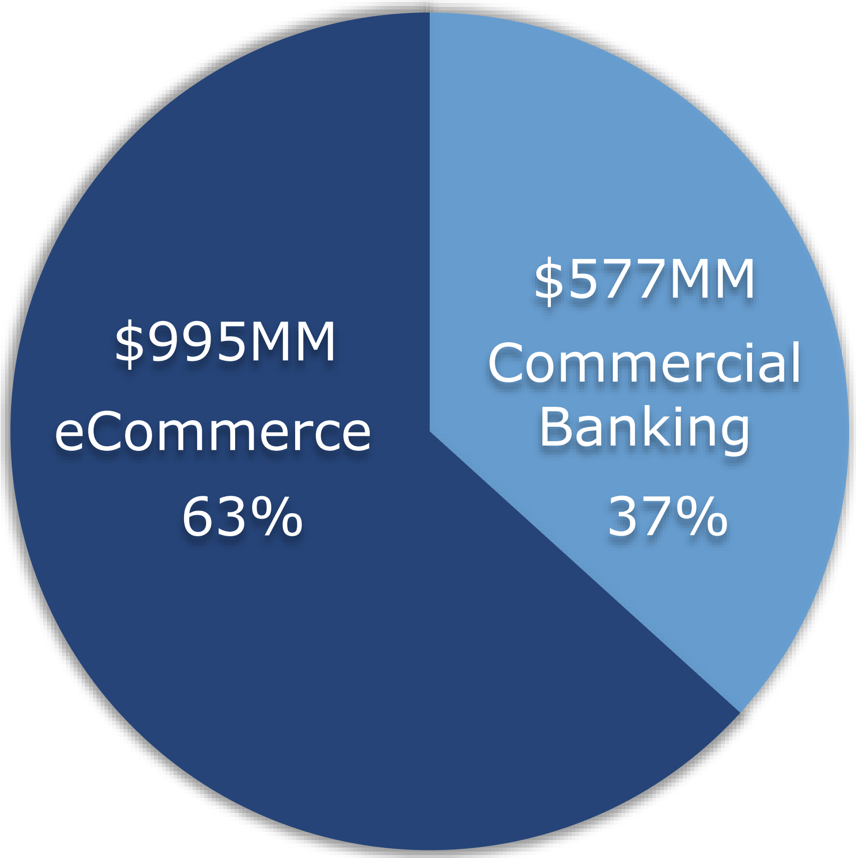
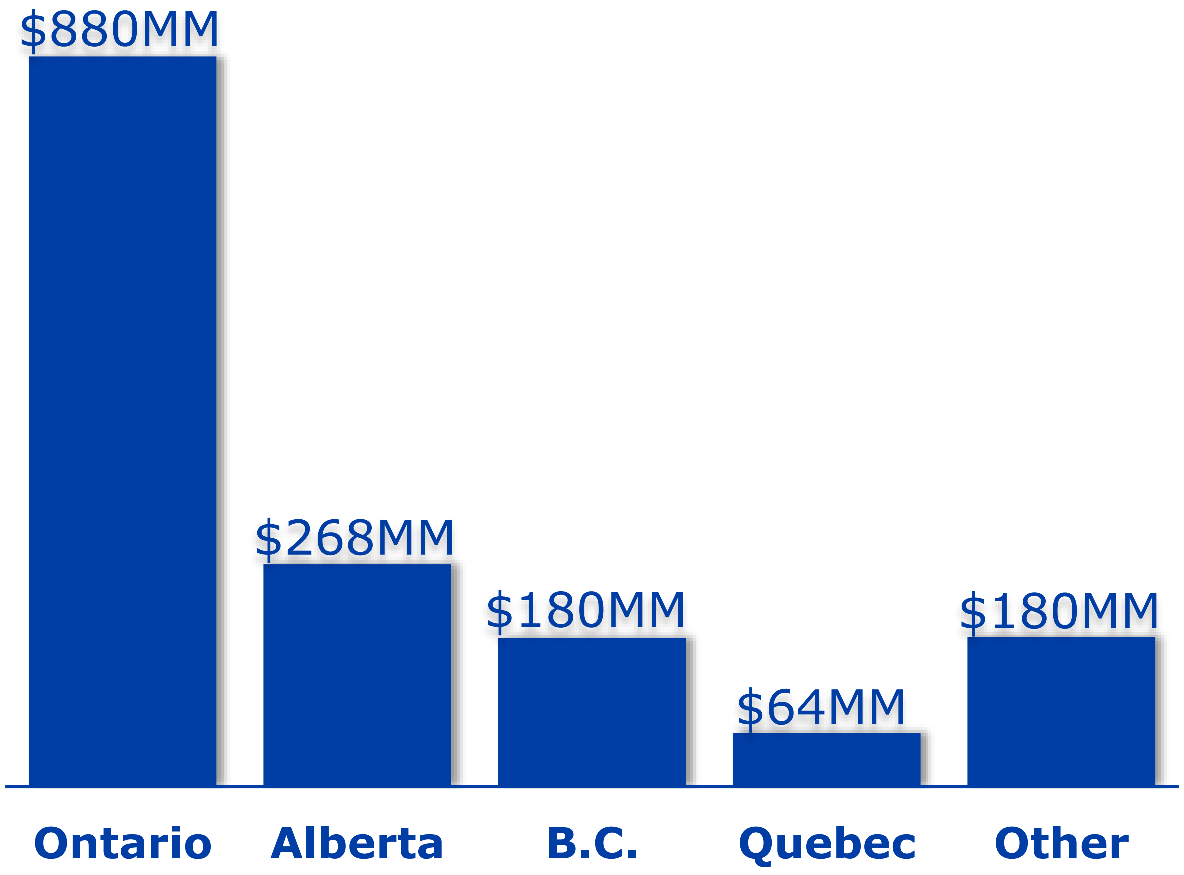
Loan Portfolio Overview

Loans ($)



Geographic Distribution of Loans



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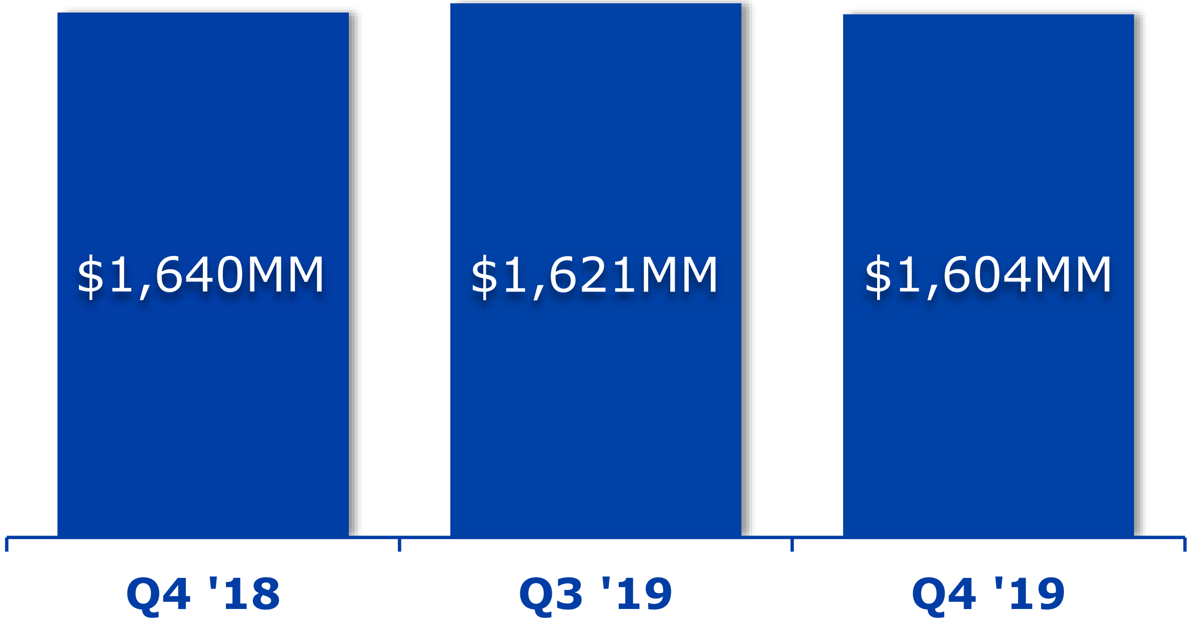
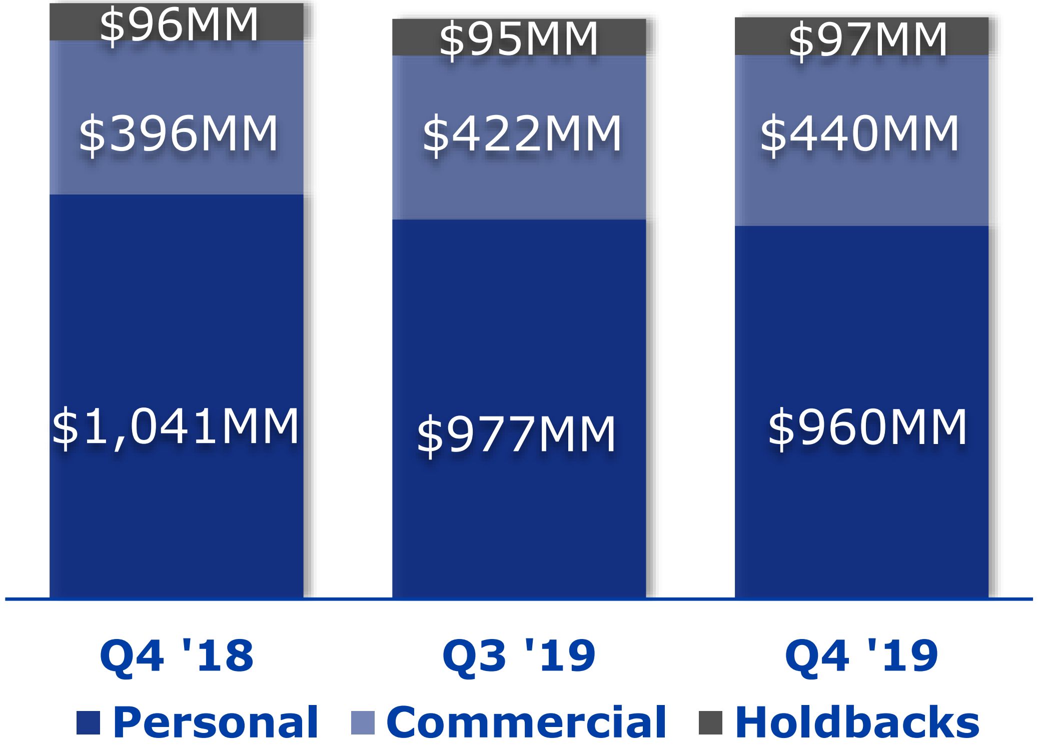
Balance Sheet Trends

Average Loans



- Decrease attributable to lower real estate loan balances, partially offset by growth in the purchased receivable portfolio

Funding Mix



- Y/Y increase in commercial deposits attributable to organic growth from existing Trustee clients as well as the acquisition of new trustee clients over the course of the fiscal year

VersaVault

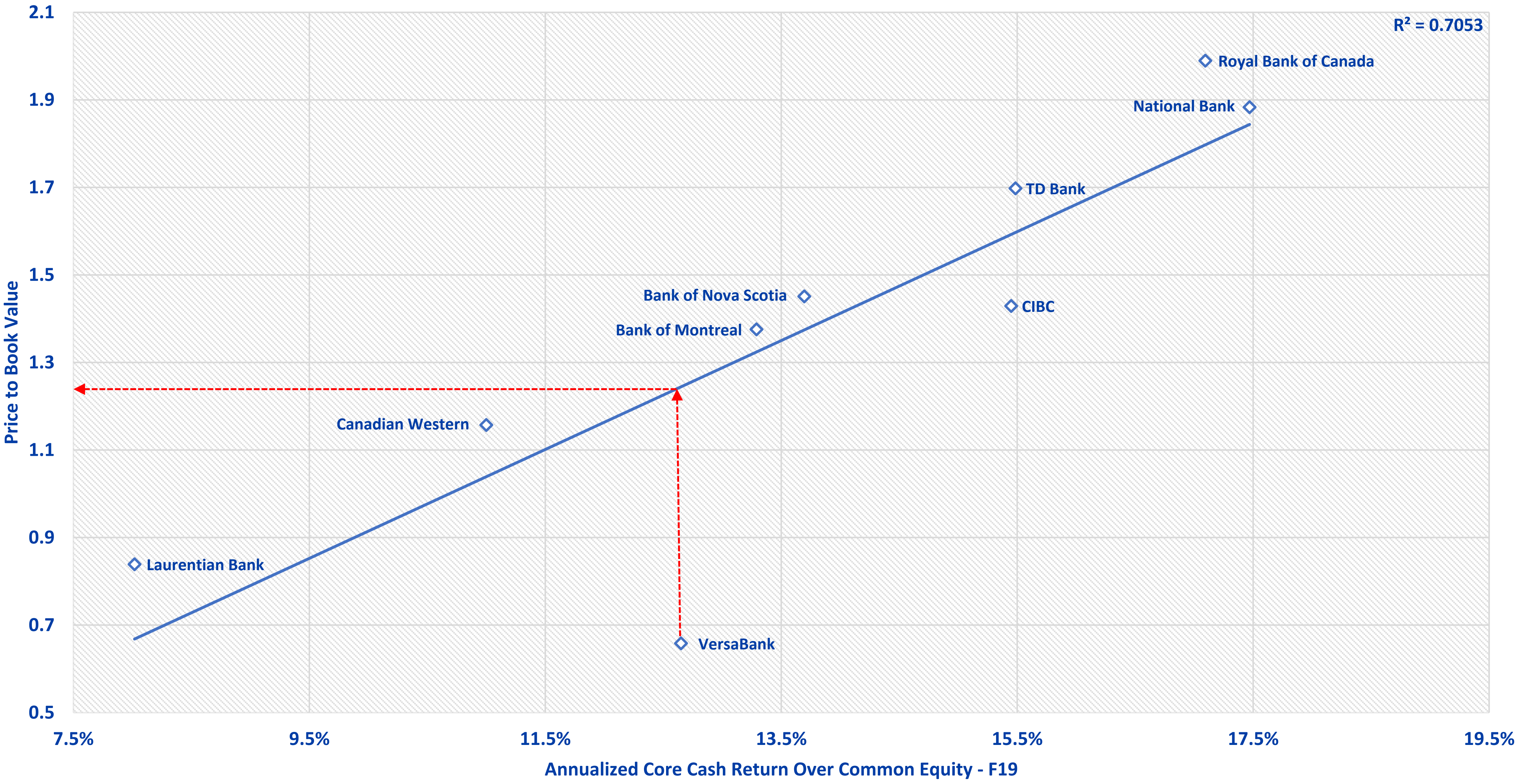
VersaVault Inc. (“VV”) is a wholly owned subsidiary of the Bank and was formed to develop and provide cyber-security services to commercial entities.

VersaVault has entered into an exclusive license agreement with Chairmans Financial B.V. (“Chairmans”), a company registered in the Netherlands operating in the financial services space.

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.

Over the course of the fourth quarter DRT Cyber Inc., (DRTC) was formed with the objective of building on the technology framework established by VersaVault with a focus on developing a full suite of innovative cyber security solutions for the broader digital world. Moreover, DRTC’s mission is to identify and address cyber security challenges experienced by government and corporate entities.

CCROCE vs. P/BV for CDN Banks



VersaBank

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