VersaBank

Choice Through Innovation

Investor Presentation

June 2021

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, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. 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; the impact of the COVID-19 pandemic and the Bank's anticipation of and success in managing the risks implicated by the foregoing. When relying on forward-looking statements to make decisions, investors and others should carefully consider these factors and other uncertainties or potential events. 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, 2020.The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.

Proprietary Software & Technological Capabilities for Two High-Growth Opportunities

- State-of-the art software platform for banking operations and IT security
- Expert team of ~65 software developers (>50% of workforce)
- Track record of rapid development of innovative solutions

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1 Canada's Leading Digital Bank

2 A North American Leader in Cybersecurity Solutions

Banking operations have delivered 31% CAGR in core cash earnings over last six years

The bank of the future…

…today…

…and for the last three decades

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The World's First Digital Bank

Using proprietary state-of-the art financial technology to profitably address underserved segments of the Canadian banking market since 1993

There Has Never Been a Better Time to be a Fully Digital Schedule 1 Bank

"Over the next decade we will see more changes in the banking industry than we have witnessed in the past 100 years. This isn't solely due to advancing technologies, but a confluence of inter-related, structural factors – demographic, socio-economic, regulatory and environmental changes."

KPMG,
Future of Digital Banking (2019)

Adding Value for Depositors and Lenders Drives Industry Leading Net Interest Margins

Proprietary technology to provide **innovative deposit and lending solutions** for financial intermediaries that allow them to excel in their core businesses

Industry Leading Net Interest Margin: **2.9%**

Net Interest Income: **$54M**

Core Cash Earnings: **$27M**

(healthy return of 1.4% of assets)

Significant operating leverage derived from the scalability of the technology platform: Cost to earn $1 of revenue has decreased >30% over last 6 years

Software Platform Enables a Highly Efficient, Low-Risk Branchless Partnership Model

Deposits

~27,200 Depositors Through >220 Partners

Insolvency Professionals (>100 Offices)

Deloitte. · Grant Thornton · BDO · MNP LTD · David Sklar & Associates Inc.

Wealth Management (>120 Partners)

Investment Planning Counsel (IPC Investment Corporation) · GMP Securities · NBCN · Scotia Capital · RBC Dominion Securities · CIBC World Markets

Access to inexpensive CDIC-insured deposits as a Schedule 1 bank

$1.7B in deposits[1]

Loans

~128,000 Borrowers Through >275 Partners

Point-of-Sale Financing (Loans and Leases)

Financeit · Rifco · Fast, Fair & Friendly Payment Solutions SNAP Financial Group · stridecapital · VISTA Credit · Arundel Capital · EdenPark · AC autocapital Canada · EcoHome Financial · simplygroup

Commercial Mortgages

First National Financial LP · CMLS Financial · CANADA ICI Leaders in Capital · KingSett Capital · MCAP · Capital West Mortgage Inc. · IMC Institutional Mortgage Capital · TREZ Capital · Dominion Lending Centres

$1.8B in loans[1]

1. At April 30, 2021.

Proven History of Successfully & Profitably Identifying Underserved Banking Opportunities – Insolvency Professional Business

Market Need:

Canada's insolvency professionals were being underserved by generic "big bank" offerings that did not integrate with their own systems, resulting in inefficiency and higher costs

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- Proprietary software solution developed entirely in-house to seamlessly integrate with industry's most commonly used administrative software
- Worked internally with the two largest insolvency firms to build and test
- Concept to commercialization in less than 12 months
- High value-add for insolvency firms results in very low cost of funding for VersaBank

Grown from zero to >100 partners and $508M[1] in deposits in ~7 years

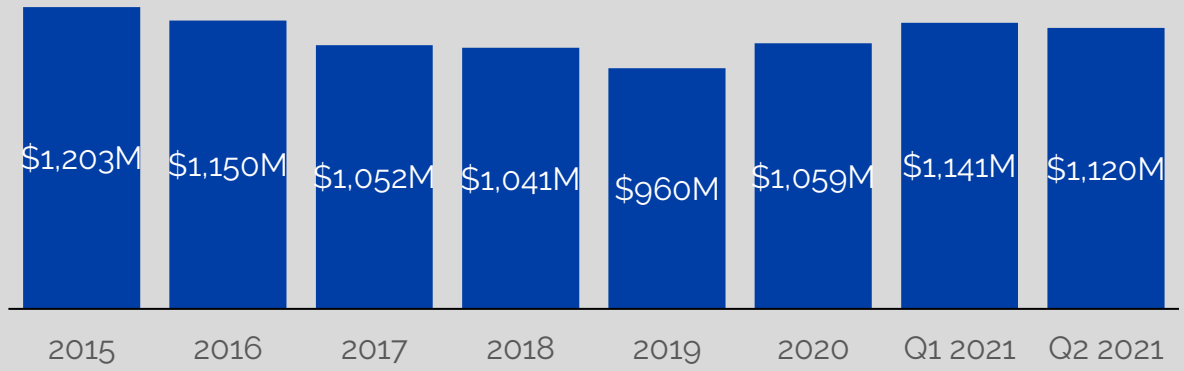
1. At October 31, 2020.

Low-Cost Deposit Model Contributes to Industry Leading Net Interest Margins

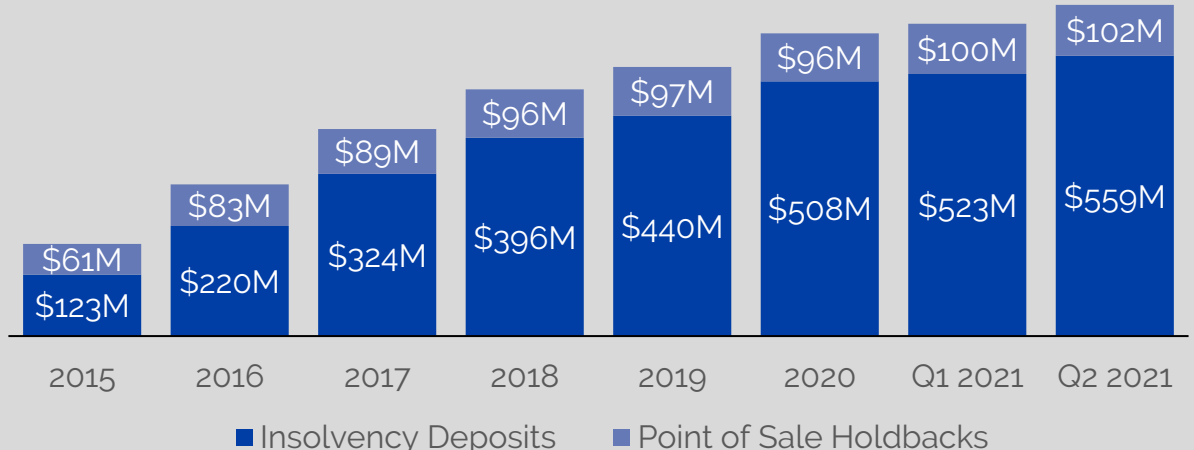
- Schedule I Bank License provides access to low-cost CDIC-insured deposits
- Insolvency professional deposits provided at very low cost (currently 0%)
- Strategic shift of the deposit mix to lower cost deposits
  - Reducing higher cost personal deposits
  - Increasing lower cost commercial deposits

Extensive partner network provides access to vast supply of inexpensive deposits

Wealth Management-Facilitated GIC Deposits



Insolvency and Other Deposits



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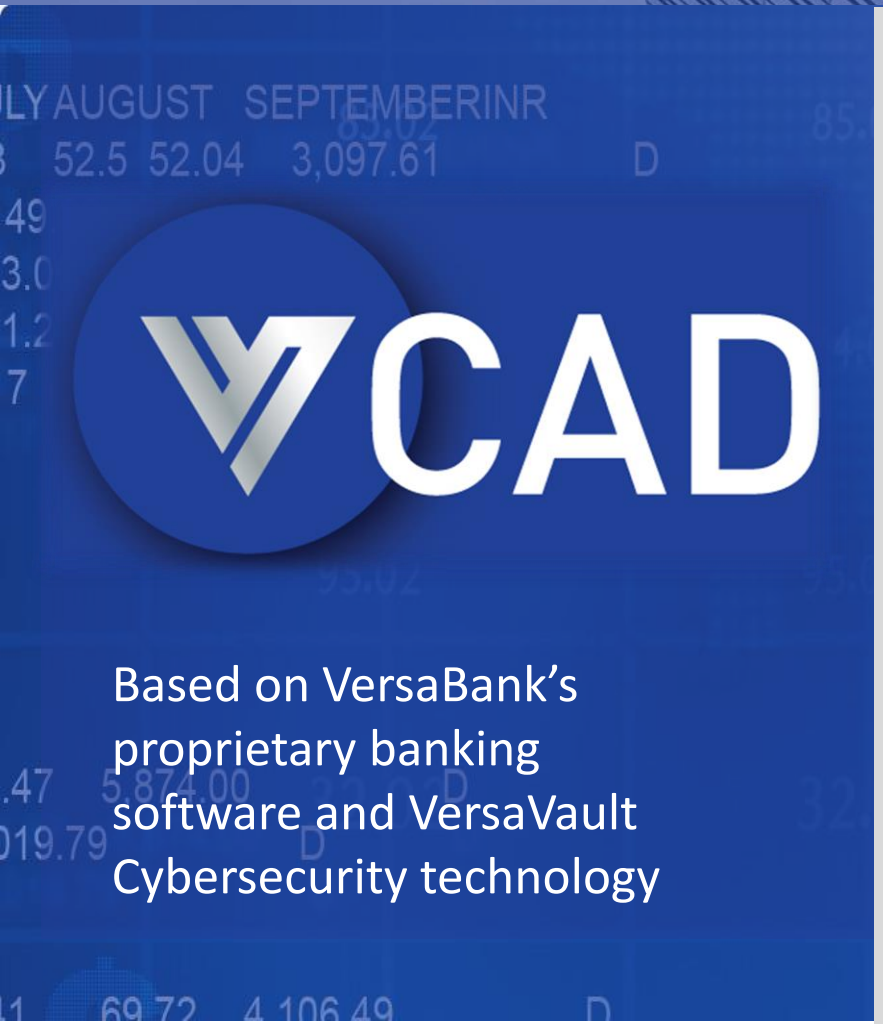
VCAD: North America's FIRST Bank-Issued, Deposit-Based Digital Currency



Based on VersaBank's proprietary banking software and VersaVault Cybersecurity technology

- Represented 1:1 by Canadian-dollar deposits
- Highest level of stability and security amongst all digital currencies
- Commercial launch in partnership with Stablecorp
- Targeting availability in the coming months
- Plan to work with Stablecorp toward launch of other digital currencies

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Proven Track Record of Profitably Addressing Underserved Banking Opportunities – Deposits

Market Need:

In the wake of the 2007/2008 financial crisis, Canada's "big ticket" point of sale lenders required access to inexpensive capital and fast, convenient, automated financing solutions to drive growth in their own businesses

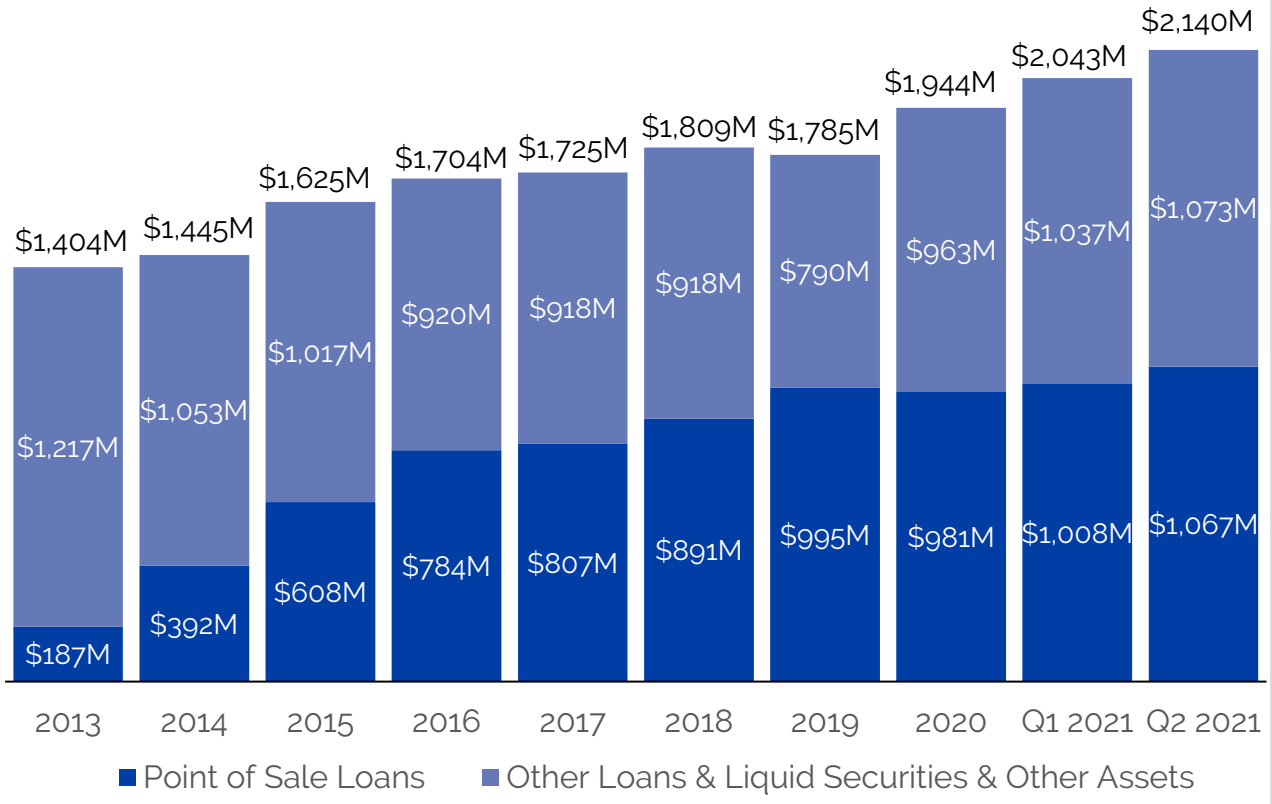
Point-of-Sale Loans & Leases

- Proprietary software solution developed entirely in-house in under a year
- Provides immediate credit adjudication and "on-the-spot" credit approvals, facilitating sales process
- Very low-risk: Structured such that default risk resides with the financing partner

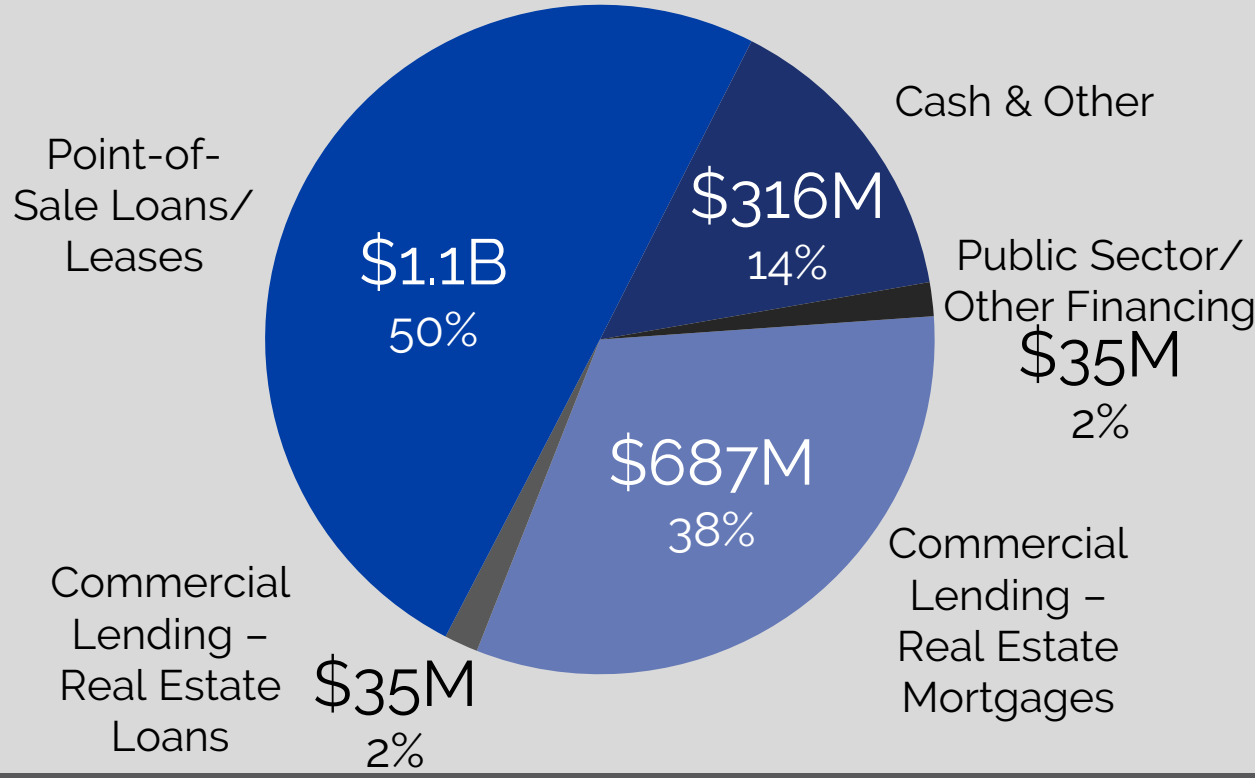
Grown from zero to 19 partners with ~$1B in assets in ~7 years
Beta-testing new application of Point-of-Sale software for home/condo developers

Growing Higher Margin, Lower Risk-Weighted Point of Sale Loans and Leases

Rapid Growth in Point-of-Sale Financing



Loan Portfolio Breakdown (at Apr. 30/21)



Point of Sale loans/leases have increased as a proportion of total assets to 50% at end of Q2 2021 from 27% at end of 2014

Leading the Canadian Banking Industry in Risk Mitigation and Management

Low Credit Risk

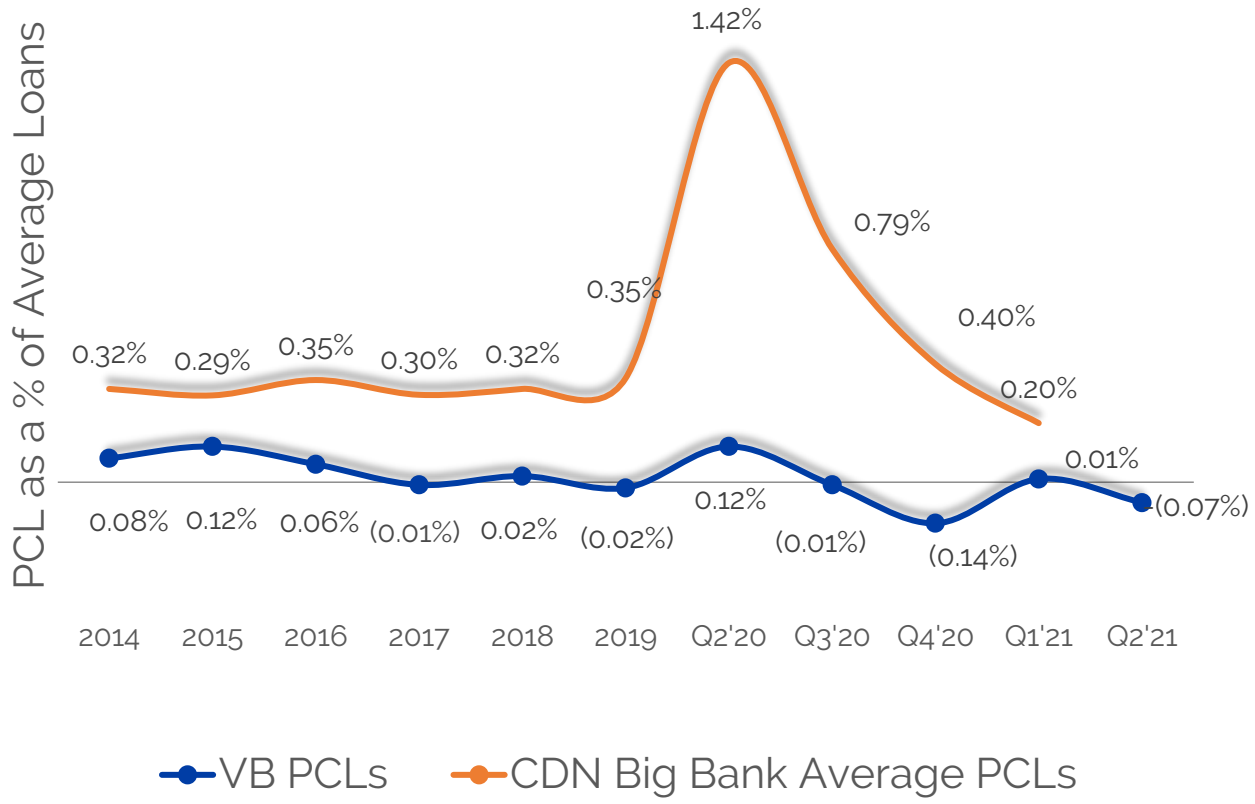
- Low-cost funding enables higher net interest margins with lower risk loans
- Point-of-Sale loans structured such that risk resides with partner lender
- No loan losses throughout its history

Low Liquidity Risk

- High liquidity ratio
- Access to a vast supply of low-cost funds

Low Operational Risk

- Branchless, digital model
- Industry leading security



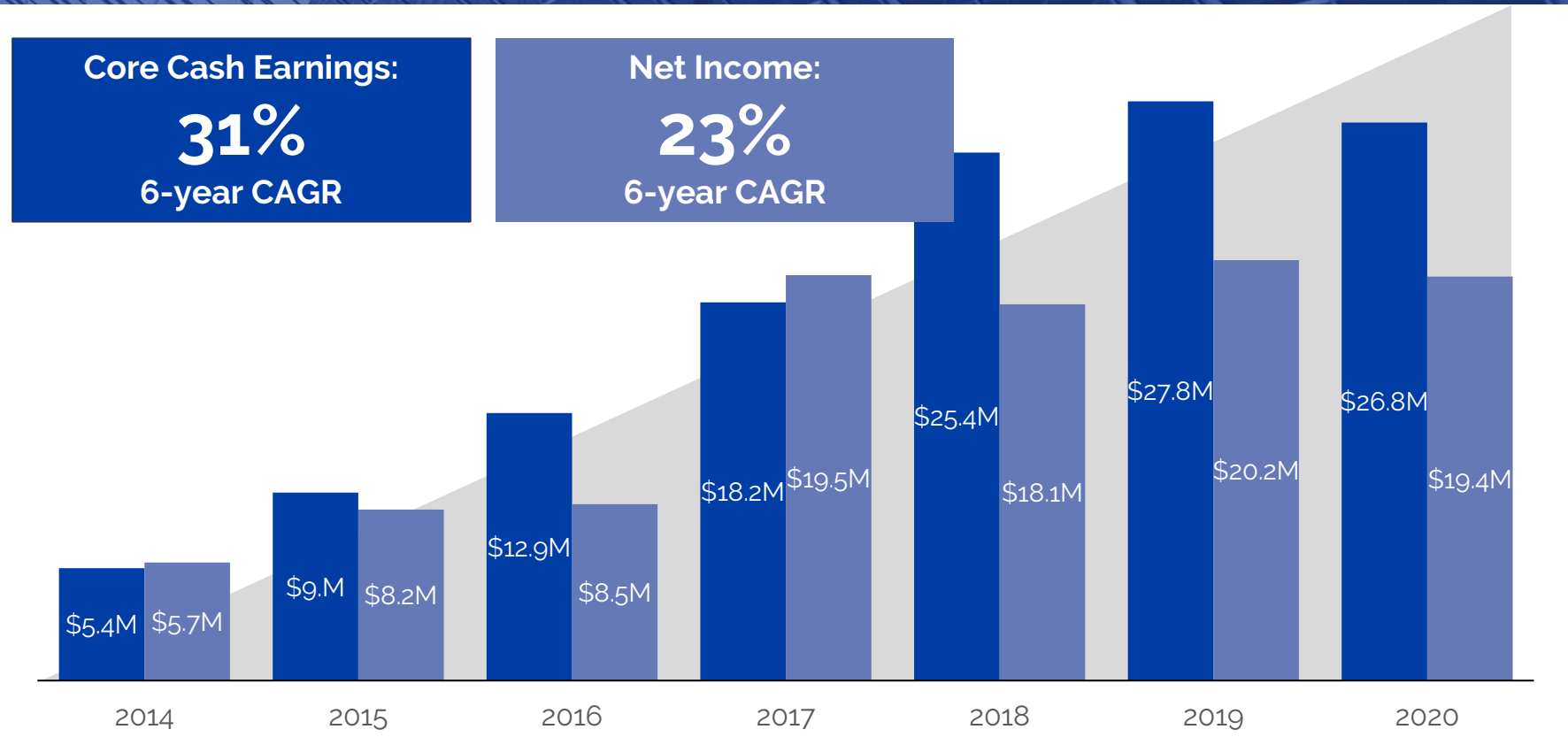
Q2/21: Recovery of credit losses of $312,000

Point-of-Sale holdbacks continue to be well in excess of estimated intrinsic risk

Momentum in Profitability and Long-Term Earnings Capacity

Growth since 2014 driven mainly by:

- Lower COF attributable largely to the introduction of Insolvency Professional deposits
- Launch of Point of Sale financing solutions



Core Cash Earnings = pre-tax earnings adjusted for non-core operating income/expenses

2020 profitability dampened by higher than normal cash balances out of an abundance of caution at the beginning of the COVID-19 pandemic

Digital Bank Growth Strategy: Momentum for the Future

1
Further Reduce Cost of Funding to Expand Net Interest Margin

Expand insolvency deposits: higher volumes with existing partners and adding new partners

Expand wealth management deposits by adding new partners

Introduce commercial deposit offerings to new markets

Launch new low-cost deposit Offerings: VCAD digital currency

2
Grow Loan Portfolio via New Near-Term Opportunities and Existing Offerings

Near term: Capitalize on renewed consumer spending in Point-of-Sale

Mid-Term: Expand Point-of-Sale Financing Portfolio

- Add new partners & increase volumes with existing partners
- Enter new markets

Launch Instant Mortgage: Application of Point-of-Sale Financing technology for the retail mortgage market (lower RWA)

3
Pursue Accretive Acquisitions to Leverage Scalability of Platform & Enter New Markets

Generate capital-efficient, step function growth in loan portfolio

Current environment expected to create new opportunities

Vision: Double assets by continuing to address unmet needs with innovative, custom technology-based banking solutions

Leveraging the Success of the Point of Sale Business for the Real Estate Market: Instant Mortgage

Market Need:

A software-based solution for home and condo developers and sales brokerages that enables "on-the-spot" financing approvals, with a specific focus on newcomer home and condo buyers with significant wealth but no credit history in Canada

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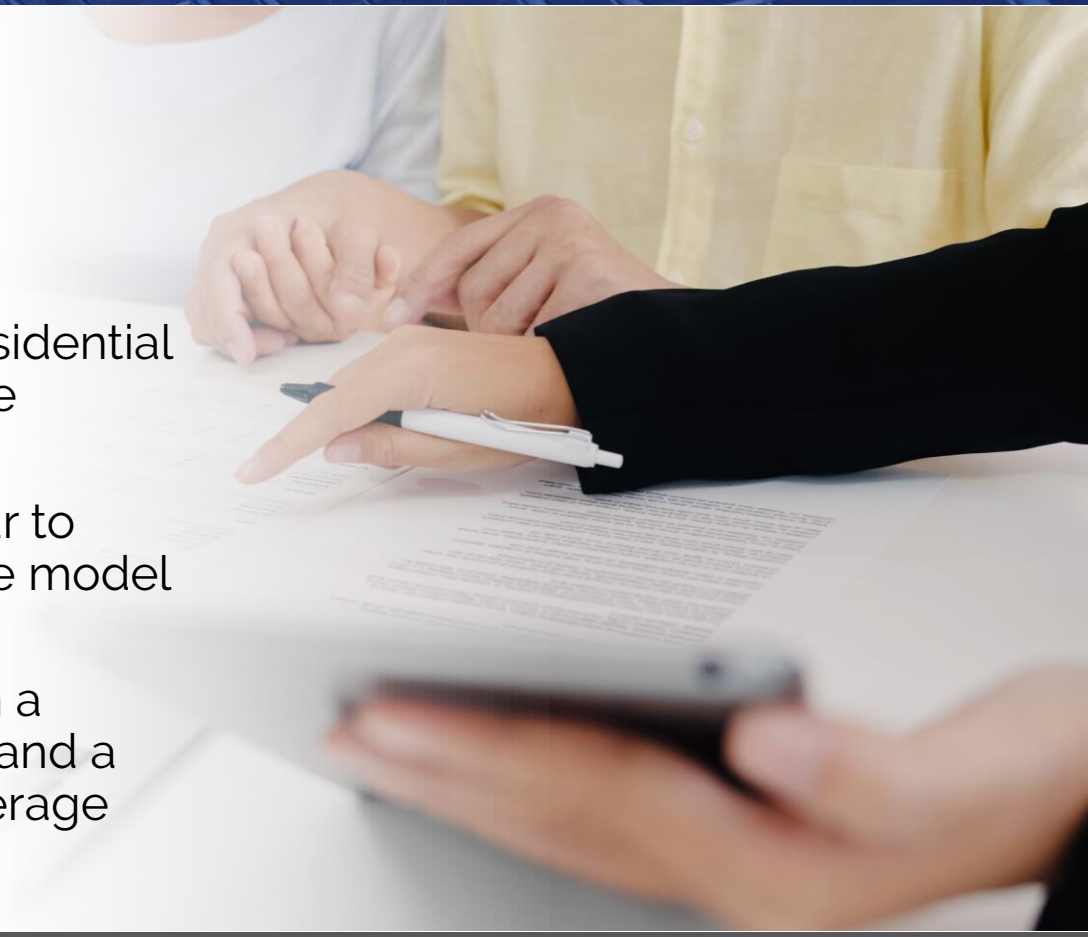

Solution: Instant Mortgage –
A revolutionary high-volume residential financing software app for home builders and brokerage firms

- Very low-risk structure similar to Point-of-Sale Loan and Lease model with cash holdbacks
- Currently in beta-testing with a leading Canadian developer and a leading Canadian sales brokerage firm

Will enable entry into the >$200 B Canadian home financing market
Expect to originate first loans in the coming months

Leveraging Our Banking Technology DNA

for

Large-Market Opportunities Beyond Our Core Business

DRT Cyber

(VersaBank Wholly-Owned Subsidiary)

Addressing the Rapidly Growing Volume of Cyber Threats Challenging Organizations

Developing innovative solutions for financial institutions, multi-national corporations and government entities

Cybersecurity is a Large and Rapidly Growing Market

"We have been engaged in a fifth-dimension war, a cyberwar."

"There is no greater security threat to organizations today than the vulnerability of its IT systems."

-Tom Ridge
First US Secretary of Homeland Security

"Properly implemented strong crypto systems are one of the few things that you can rely on."

-Edward Snowden

$13M average cost of cybercrime for an organization

-Accenture: *9th Annual Cost of Cybercrime Study* (2019)

$133.7B forecast of global spending on cybersecurity in 2022

- Gartner, Inc. (2018)

$8T estimated cost of cybercrime to businesses from 2019 to 2024

- World Economic Forum: *The Global Risks Report* (2018)

COVID-19 pandemic is highlighting the cybersecurity imperative

Leveraging Our Banking Technology DNA: Large-Market Opportunities Beyond Our Core Business

Canadian banks are leaders in cyber security and VersaBank is a cyber security leader among Canadian banks

- At the leading edge of the next generation of security-focused banking solutions
- Commercialization of internal mission critical software – platform for broad application
- Development capability with minimal capital investment and operating costs
- Core technology capabilities enable rapid development commercialization

DRT Cyber, Inc.

Established in 2019

Based in Washington, DC

Key Personnel:

Honorable Tom Ridge, Chairman – First US Secretary of Homeland Security

Avery Pennarun, Director – Former Senior Software Engineer at X Inc., Google Fiber, and Google Inc.

Gurpreet Sahota, Chief Operating Officer – Former Principal Cyber Security Architect at Blackberry

VersaVault®: Digital Safety Deposit Box

The world's first digital bank vault for securing cryptocurrency, blockchain-based assets and highly sensitive digital documents

DRT Cyber's first offering

Based on VersaBank's own security technology

Targeted at cryptocurrency exchanges, crypto investment funds and others

Exclusively licensed to and managed by Chairmans Financial B.V. (Netherlands)

Planned global expansion

Building a **comprehensive suite** of **innovative cyber security solutions** that address **high-demand, underserved segments** of this **rapidly growing market**

Acquisition of Digital Boundary Group: Complements DRT Cyber's Comprehensive Suite of Security Solutions

DBG: One of North America's premiere IT security assurance services firms

- Suite of services:
  - External network, web and mobile app penetration testing
  - Physical social engineering engagements
  - Supervisory control and data acquisition (SCADA) system assessments
  - Various aspects of training
- Clients include:
  - Large Canadian retailers & financial service providers
  - Canadian/U.S. police service organizations
  - SCADA system reliant energy, public utilities and infrastructure firms

- Purchase price of ~$10 M (cash)
- Profitable and growing rapidly
- Immediately accretive to VersaBank earnings

DRT Cyber Growth Strategy: Multiple, Significant Growth Opportunities

1
Expand VersaVault® globally

2
Continue to grow DBG business

3
Develop and launch new complementary products/services

4
Acquisitions of complementary products/services

5
Cross-sell and up-sell

Q2 2021: Continued Strong Financial Performance

Income Statement

	3 Months Ended April 30		
	2021	2020	Change
Revenue	$16.0 M	$14.5M	+10%
Cost of Funding	1.28%	1.75%	-47 bps
Net Interest Margin	2.96%	3.08%	-12 bps
Core Cash Earnings[1]	$7.9M	$7.1 M	+12%
Core Cash Earnings Common Share	$0.38	$0.34	+11%
Net Income	$5.7 M	$5.1 M	+12%
Basic and Diluted Net Income per Common Share	$0.25	$0.22	+14%

1. Core Cash Earnings is calculated as pre-tax earnings less non-core operating income/expenses.

Balance Sheet

	At April 30		
	2021	2020	Change
Total Assets	$2.14 B	$1.97 B	+9%
Book Value per Common Share	$11.06	$10.37	+7%
CET1 Ratio	12.52%	13.50%	-98bps
Leverage Ratio	10.46%	11.48%	-102bps

Cash balance at end of Q2/21 increased to $272 M from $212M at the end of Q1/21

Cash balance at end of Q2/21 was ~13% of total assets compared with historical range of 6 to 7%

Will continue to deploy cash to Commercial Real Estate and Point-of-Sale portfolios: Expect to return to normal cash levels toward end of the year

Market Facts & Corporate Info

Common Shares	TSX: VB
Recent Price (June 21/21)	$12.90
Quarterly Dividend	$0.025/share
Annualized Dividend Yield	~0.8%
Market Cap	~$271 million
Common Shares Outstanding	21,123,559
52-Week High/Low	$17.64/$5.85
Preferred Shares	
Series 1 VB.PR.A	~6.5%

Acquisition of Trust Company and commenced operations as digital financial in 1993

Granted Schedule I Bank Licence in 2002 (first Schedule I license granted in 18 years)

Listed on the TSX in 2013

~135 full-time employees

Year end: October 31

VersaBank: Two High-Growth Opportunities

1 Digital Banking

Proven Ability to Identify Unmet Market Needs & Develop Innovative Solutions

2 Cybersecurity

Leading technology and capabilities for a large, high-growth market

Positioned for Continued Outsized, Long-Term Growth

+

Significant New Long-Term Growth Opportunities

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Appendix

Board of Directors & Management Team

Board of Directors

Honourable Thomas A. Hockin	Chairman
David Taylor	President & CEO
Gabrielle Bochynek	Director
Robbert-Jan Brabander	Director
David Bratton	Director
R.W. (Dick) Carter	Director
Peter Irwin	Director
Susan McGovern	Director
Paul Oliver	Director
Art Linton	Director

Senior Management

David Taylor
President & Chief Executive Officer

Shawn Clarke
Chief Financial Officer

Gurpreet Sahota
Chief Architect, Cyber-Security

Barbara Hale
Chief Compliance Officer & Chief Anti-Money Laundering Officer

Nick Kristo
Chief Credit Officer

Joanne Johnston
Chief Internal Auditor

Wooi Koay
Chief Information Officer

Aly Lalani
Chief Risk Officer & Treasurer

Tel Matrundola
Chief Strategist

Ross Duggan
SVP, Commercial Lending

Jonathan Taylor
SVP, Deposit Services & Chief HR Officer

Michael Dixon
SVP, eCommerce

Steve Creery
Vice President, Credit

Andy Min
VP, Finance & Corporate Accounting

Scott Mizzen
VP, Real Estate Lending

Jean-Paul Beker
VP, Real Estate Lending

David Thoms
VP, Structured & Corporate Finance

Brent Hodge
General Counsel & Corporate Secretary

Jim Gardiner
Product Champion, Instant Mortgage

We're Just Getting Started!

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