



# VersaBank

Choice Through Innovation

## Q4 2021 Conference Call Presentation

December 1, 2021

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# Post Conference Call Q&A

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For those wishing to ask questions during the Q&A, please access today's call through the telephone dial-in:

Toll-free:	1 (888) 664-6392 (Canada/US)
Local:	(416) 764-8659
Passcode:	45311522#

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, 2021. The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.



# David Taylor

President &  
Chief Executive Officer



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# Q4 2021 Highlights

Record Results: Core Digital Banking operations delivered strong year-over-year growth

Achieved another loan portfolio record: ~\$2.1B

Initiated & expanded closed ecosystem testing on Digital Deposit Receipts

Continued progress on execution of DRT Cyber growth strategy









Completed US IPO for total net cash proceeds of CA\$73.2 million

Listed on Nasdaq: VBNK

# Record Results: Core Digital Banking Operations Delivered Strong Year-Over-Year Growth

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## Q4 2021

	YoY	Sequential
Total Loans		
Total Revenue	 33%	 16%
Net Income	 25%	 9%
Cost of Funds	 20 bps	 10 bps
Net Interest Margin	 9 bps	 12 bps

## Full Year 2021

	YoY
Total Loans	 27%
Total Revenue	 21%
Net Income	 15%
Cost of Funds	 36 bps
Net Interest Margin	 14 bps

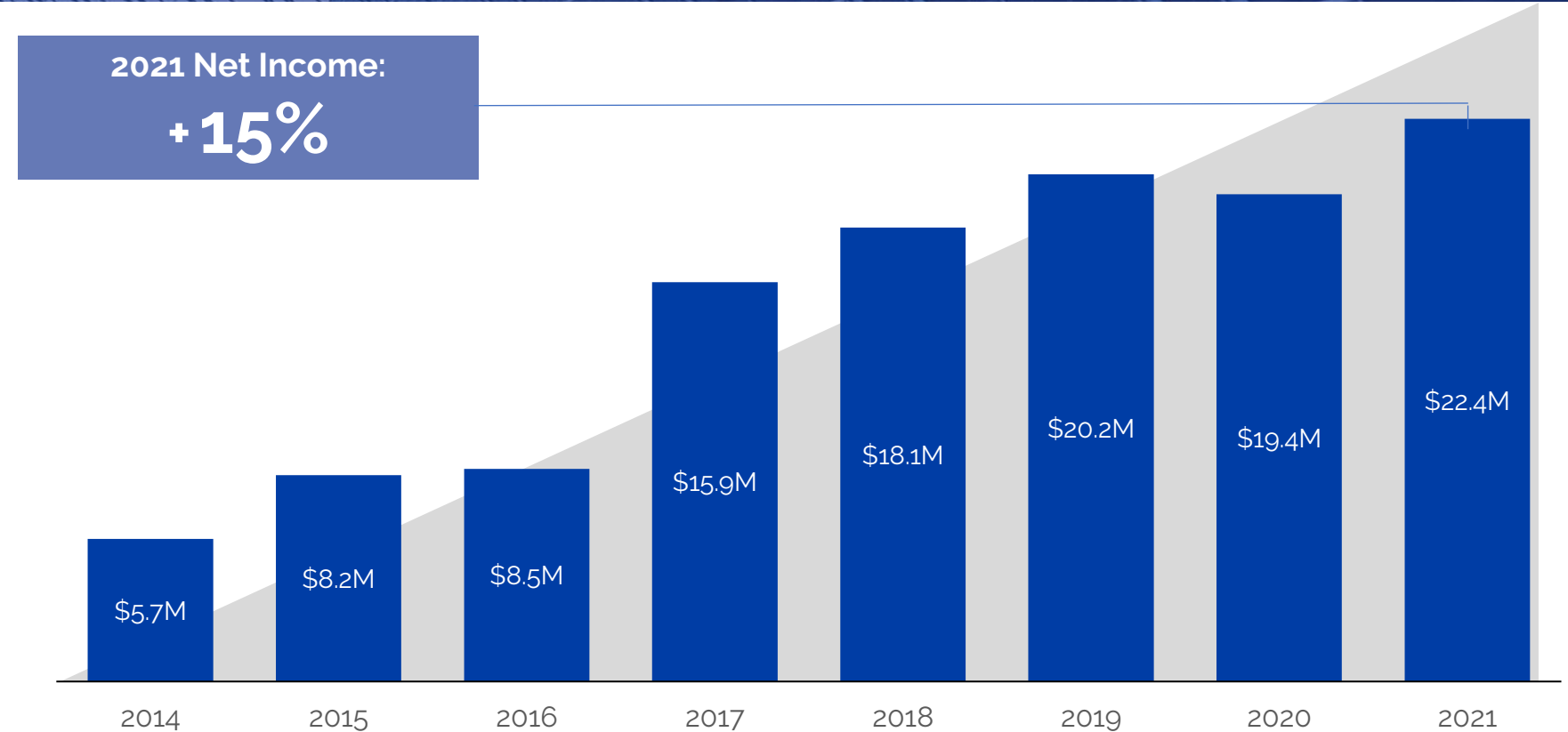
Record performance despite atypically high cash balances

# Momentum in Profitability and Long-Term Earnings Capacity

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## Growth since 2014 driven mainly by:

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



Note: 2017 core EPS excludes deferred tax benefit impact of \$3.6M

Net Income: 7-year CAGR of 22%



# Digital Deposit Receipts (DDRs): Significant Potential as an A-Rated-Bank-Issued Stablecoin

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 CAD

 USD



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

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

Recently expanded closed ecosystem testing to include US dollar DDRs (in addition to Canadian dollar) & Algorand and Ethereum blockchains (in addition to Stellar blockchain)



# Executing on the DRT Cyber Growth Strategy: Multiple, Significant Growth Opportunities

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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

# Shawn Clarke

Chief Financial Officer



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# Q4 2021: Continued Strong Financial Performance

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## Balance Sheet

	At October 31		Change
	2021	2020	
Total Assets	\$2.42 B	\$1.94 B	+24%
Book Value per Common Share	\$11.61	\$10.70	+9%
CET1 Ratio	15.18%	13.88%	+130bps
Leverage Ratio	12.60%	12.19%	+41bps

## Increases in CET1 and Leverage Ratio Driven Primarily by:

- Issuance of the US\$75 M principal in Subordinated Notes (C\$92.1 million) in late April, partially offset by redemption of outstanding, non-cumulative Series 3 Preferred Shares
- Common Share Offering for net proceeds of C\$75.1 M

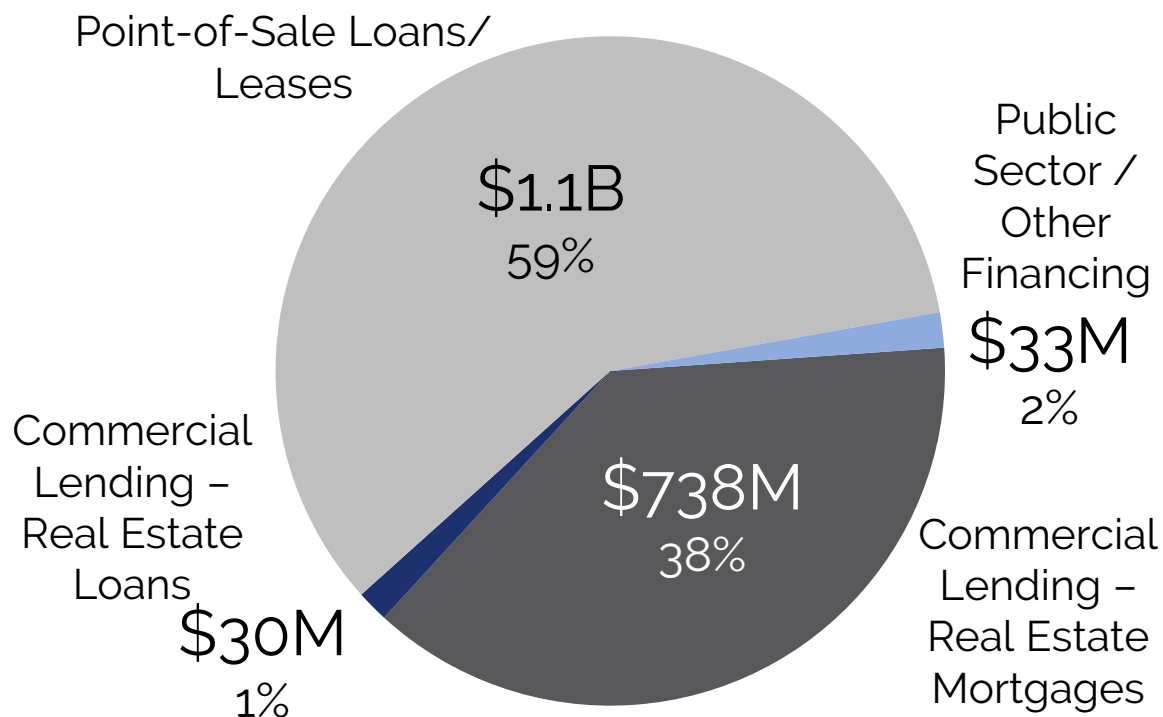
Both CET1 and leverage ratios remain well above targets



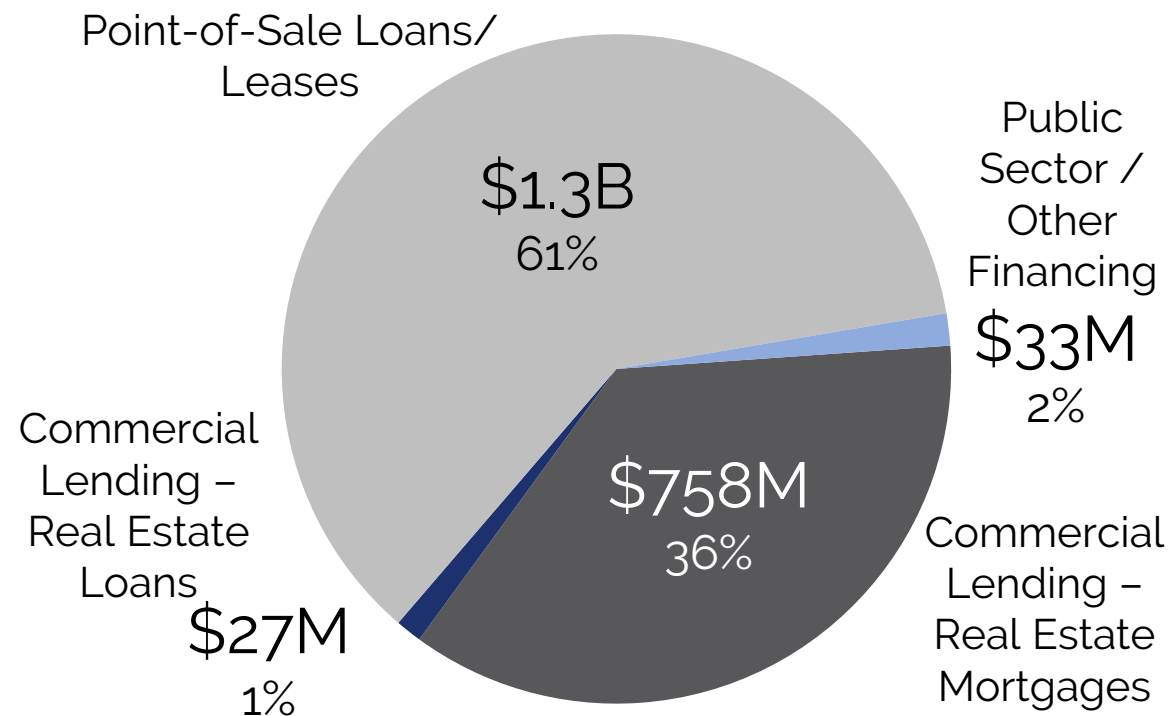
# Record Loan Portfolio: \$2.1B

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**Q3 2021**  
Total: \$1.95 B



**Q4 2021**  
Total: \$2.1 B



Point-of-Sale Portfolio: Up 33% YoY & up 12% sequentially  
Commercial Real Estate Portfolio: Up 27% YoY & up 2% sequentially

# Q4 2021: Continued Strong Financial Performance

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## Income Statement

	3 Months Ended October 31			12 Months Ended October 31		
	2021	2020	Change	2021	2020	Change
Total Revenue	\$18.2M	\$13.7M	+33%	\$65.4M	\$54.2M	+21%
Cost of Funds	1.31%	1.51%	-20 bps	1.35%	1.71%	-36 bps
Net Interest Margin	2.73%	2.82%	-9 bps	2.76	2.90	-14 bps
Net Income	\$5.9 M	\$4.7 M	+25%	\$22.4M	\$19.4M	+15%
Basic and Diluted Net Income per Common Share	\$0.24	\$0.20	+20%	\$0.96	\$0.82	+17%

## Strong Year-Over-Year & Sequential Growth in Key Metrics

	vs Q4/20	vs Q3/21
Total Revenue	↑ 33%	↑ 16%
Cost of funds	↓ 20 bps	↓ 10 bps
Net interest income	↑ 18%	↑ 11%
Net interest margin	↓ 9 bps	↑ 12 bps
Net income	↑ 25%	↑ 9%

# Continued to Lower Cost of Funding

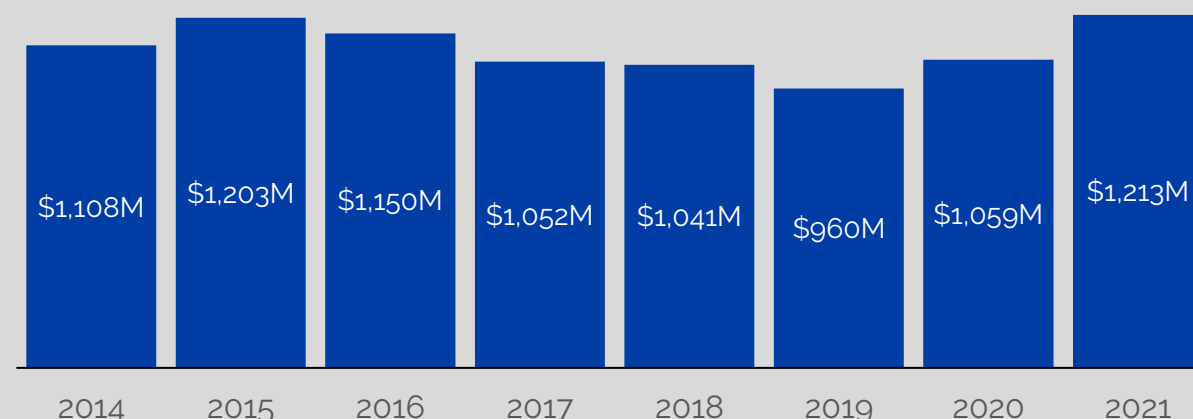
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## Q4 2021 cost of funds: 1.31%

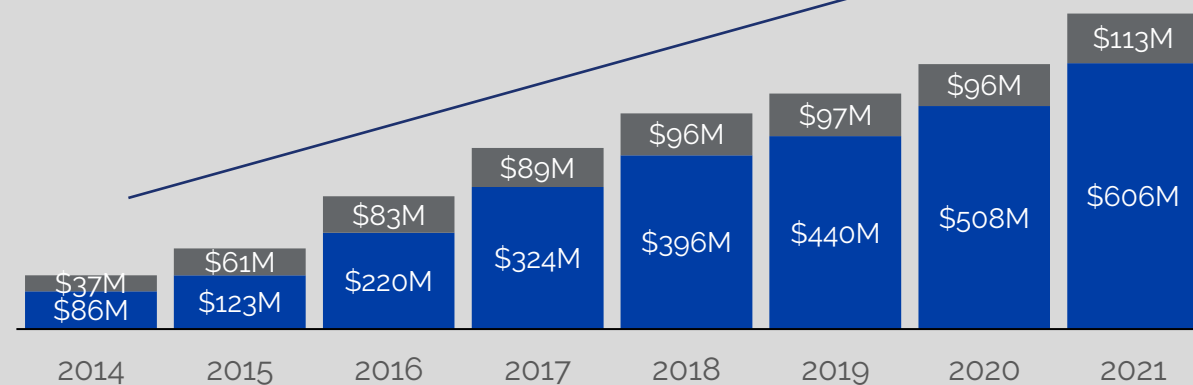
- Decreased 10 bps (7%) vs Q3 2021
- Decreased 20 bps (13%) vs Q4 2020

Decreases primarily result of continued growth of Insolvency Professional deposits, which currently pay 0% interest

## Personal Deposits



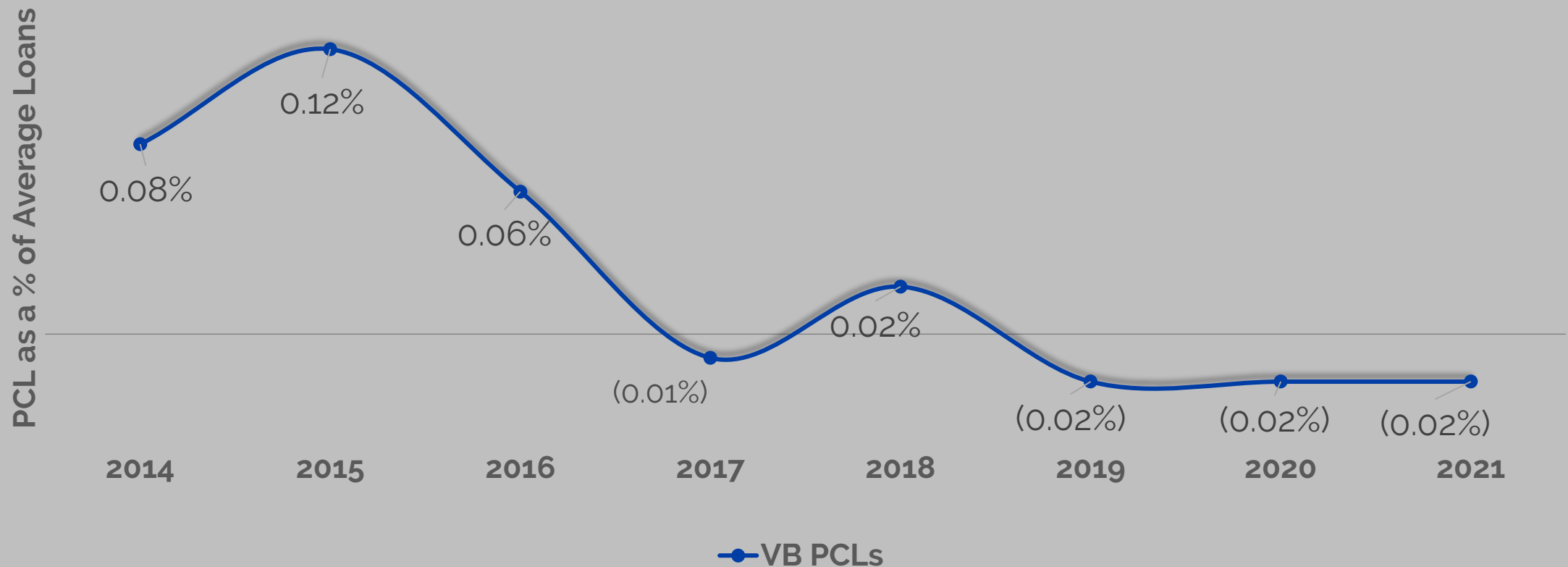
## Commercial Deposits





# Top Tier Asset Quality & Prudent Approach to Risk Mitigation

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President &  
Chief Executive Officer



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# Well Positioned for Acceleration of Our Growth

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## **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

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## **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)

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## **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**

Point-of-Sale and Commercial Real Estate  
Portfolios Have Long Runways for Future Growth



# U.S. Point-of-Sale Financing Opportunity

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## A Largely Untapped Market Positioned for Growth

**\$1.8  
trillion**



Estimated size of the total point-of-sale market in the near term, driven primarily by technological evolution and increased consumer demand for non-credit card financing options <sup>(1)</sup>

**20%  
Growth**



Per year of the U.S. point-of-sale financing market <sup>(2)</sup>

**75% of  
consumers**



Claim to be more likely to make a purchase if simple and seamless POS lending solutions were available; however, only 44% of consumers surveyed claim to have been offered POS financing when making a purchase <sup>(3)</sup>

## U.S. Point-of-Sale Fintech Companies

With a massive millennial consumer base and an impressive suite of digital offerings, **fintechs are best positioned to leverage POS financing**

 **Funding  
Circle**

 **ECN CAPITAL**

**Klarna.**

 **Bread**

 **affirm**

**PURPOSE**  
FINANCIAL

 **synchrony**

 **lendingtree**

 **GreenSky**

 **ally**

 **ondeck**

 **better.com**

 **SoFi**



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## Q&A Session

**Toll Free Dial In (Canada/US): 1 (888) 664-6392**

**Local Dial In: (416) 764-8659**

**Participant Passcode: 45311522#**

# Our Time Has Arrived!



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