



VersaBank

Choice Through Innovation

Q1 2022 Conference Call Presentation

March 2, 2022

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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:	43448798#

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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Q1 2022 Highlights: Core Digital Banking Operations Delivered Strong Year-Over-Year Growth

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Core Digital Banking operations delivered strong year-over-year growth

Achieved another loan portfolio record: >\$2.2B


Continued to lower cost of funds

Returned to historical cash balances

Completed closed ecosystem testing on revolutionary Digital Deposit Receipts

Strong year-over-year growth in Cybersecurity Services revenue and gross profit

Q1 2022

		YoY	Sequential
Total Loans		24%	 5%
Total Revenue		18%	 0.2%
Net Income		5%	 6%
Cost of Funds		13 bps	 2 bps
Net Interest Margin		9 bps	 4 bps

Well positioned for continued growth throughout the remainder of 2022

A Better Digital Currency: Opportunity for Exponential Deposit Growth

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CAD



USD

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



EUR



GBP

Addressing the Critical Security and Value Certainty Shortcomings of Current Stablecoins

- Represented 1:1 by Canadian-dollar deposits
- Highest level of stability and security amongst all digital currencies
- Addresses key concerns of global regulators
- Commercial launch in partnership with Stablecorp
- Launch targeted for the coming months: Plans to add other digital currencies in the future

Recognition by Bank of Canada of the role of stablecoins and the value of the regulated issuance of such by banks

Shawn Clarke

Chief Financial Officer



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Q1 2022: Continued Strong Financial Performance

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Balance Sheet

	At January 31		Change
	2022	2021	
Total Assets	\$2.42 B	\$2.04 B	+18%
Book Value per Common Share	\$11.78	\$10.90	+8%
CET1 Ratio	14.83%	12.48%	+235bps
Leverage Ratio	12.69%	11.40%	+129bps

YoY 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
- Retained earnings growth, tax provision recoveries related to the Bank's deferred tax asset, and retained earnings growth

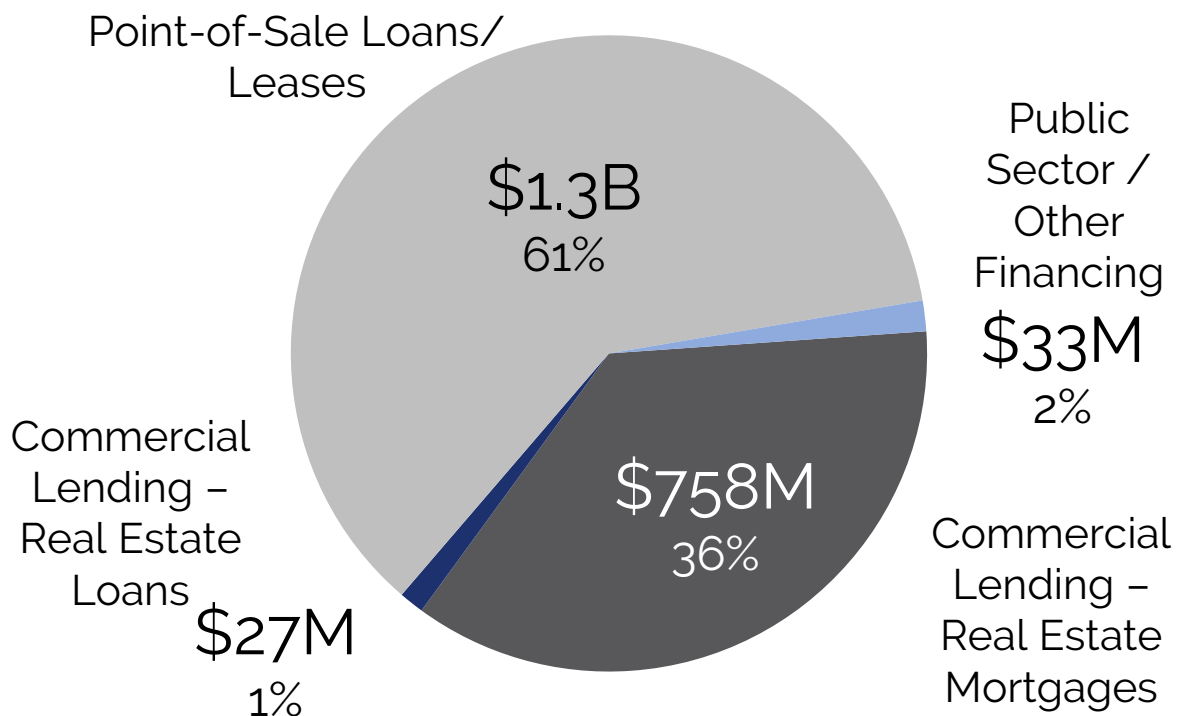
Both CET1 and leverage ratios remain well above targets

Record Loan Portfolio: \$2.22B

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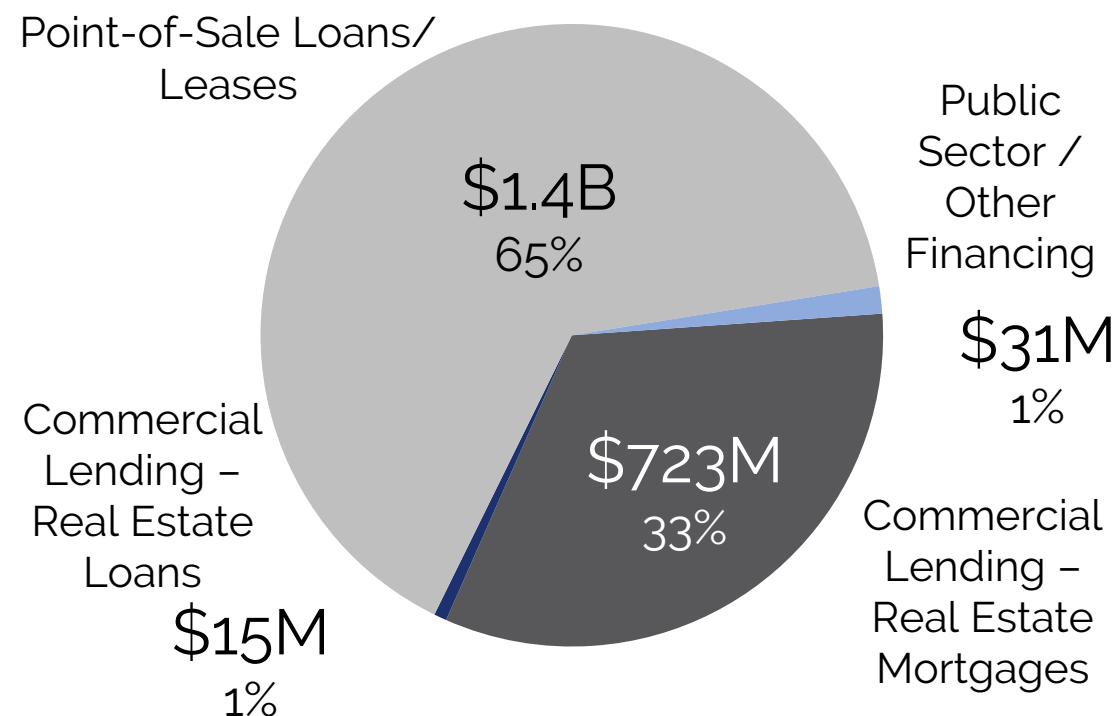
Q4 2021

Total: \$2.1 B



Q1 2022

Total: \$2.2 B



Point-of-Sale Portfolio: Up 43% YoY & up 13% sequentially
Commercial Real Estate Portfolio: Down 2% YoY & down 6% sequentially

Q1 2022: Continued Strong Financial Performance

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Income Statement

	3 Months Ended January 31		
	2022	2021	Change
Total Revenue	\$18.3M	\$15.4M	+18%
Cost of Funds	1.29%	1.42%	-13 bps
Net Interest Margin	2.77%	2.86%	-9 bps
Net Income	\$5.6 M	\$5.3M	+5%
Basic and Diluted Net Income per Common Share	\$0.19	\$0.22	-14%

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

	vs Q1/21	vs Q4/21
Total Revenue	↑ 18%	0%
Cost of funds	↓ 13 bps	↓ 2 bps
Net interest income	↑ 17%	↑ 5%
Net interest margin	↓ 9 bps	↑ 4 bps
Net income	↑ 5%	↓ 6%

Continued strong year-over-year growth across all key performance metrics

Continued to Lower Cost of Funds

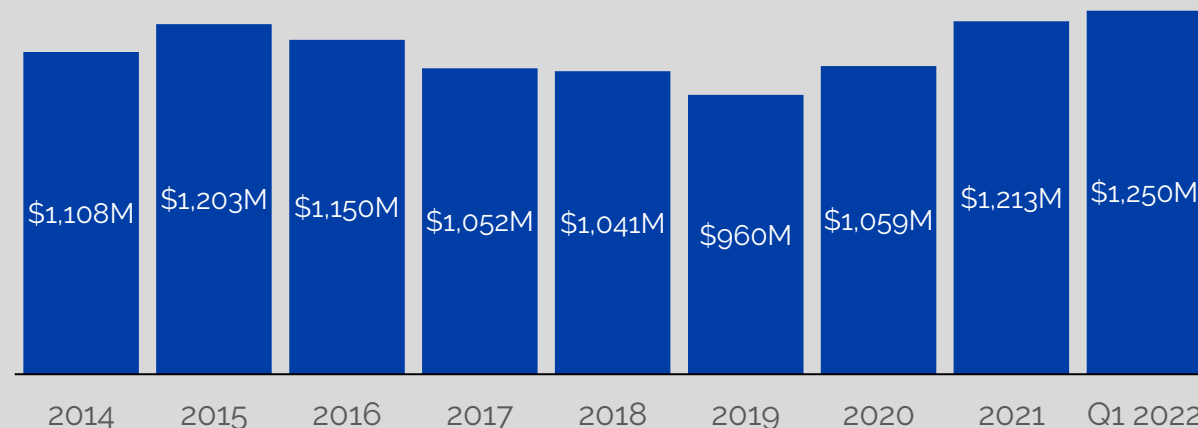
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Q1 2022 cost of funds: 1.29%

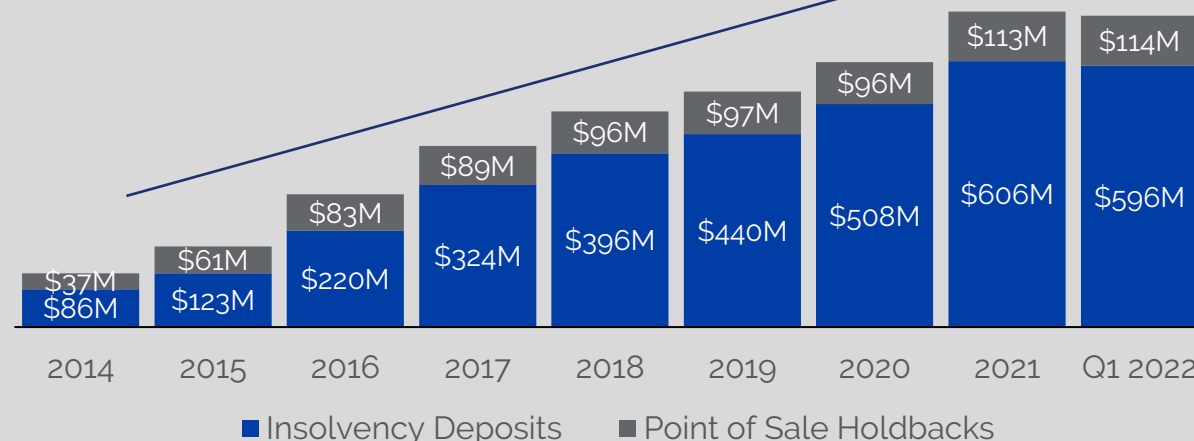
- Decreased 13 bps (9%) vs Q1 2021
- Decreased 2 bps (2%) vs Q4 2021

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

Personal Deposits

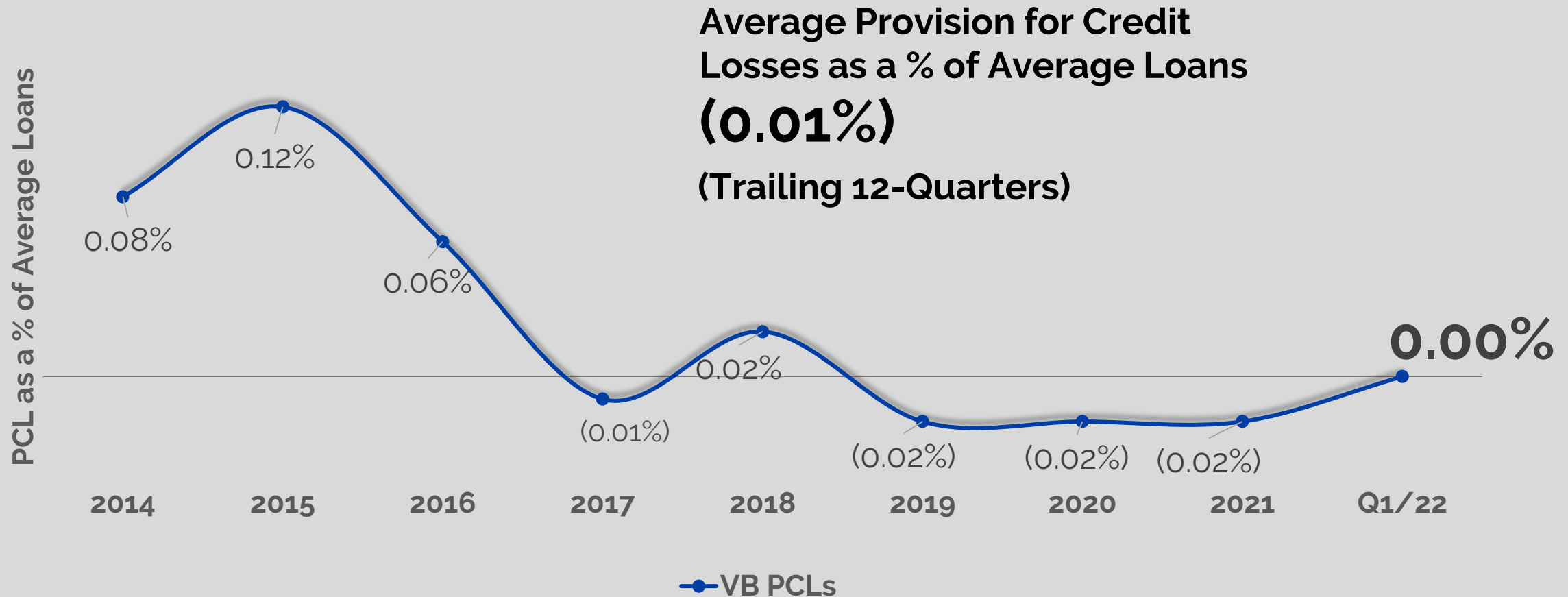


Commercial Deposits



Top Tier Asset Quality & Prudent Approach to Risk Mitigation

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David Taylor

President &
Chief Executive Officer



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U.S. Point-of-Sale Financing: A Largely Untapped Opportunity

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A New Financing Solution for U.S. Point-of-Sale Providers

**\$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 ⁽¹⁾

**20%
Growth**



Per year of the U.S. point-of-sale financing market ⁽²⁾

**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 ⁽³⁾



(1) Filene Research Institute: "Blue Ocean Lending for Credit Unions: Point of Sale Financing" (05.19.15); (2) Skeps - "POS Financing Competition is Growing" (10.08.20); (3) The Financial Brand - "Growth of POS financing is Both a Threat and Opportunity in Retail Banking" (07.20.10)

Supporting an Emerging, High-Growth Industry

With a massive millennial consumer base and an impressive suite of digital offerings, **fintechs are best positioned to leverage POS financing** (online "buy now, pay later")





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Q&A Session

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Our Time Has Arrived!



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