



VersaBank

Choice Through Innovation

Q2 2022 Conference Call Presentation

June 1, 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:	31237349#

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 wars or conflicts including the crisis in Ukraine and the impact of the crisis on global supply chains; the impact of new variants of COVID-19 and VersaBank'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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Q2 2022 Key Metrics & Highlights

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Consolidated

		YoY	Sequential
Total Revenue		17%	 2%
Net Income		14%	 11%
EPS		32%	 11%
Net Interest Margin		19 bps	 0 bps

Digital Banking

Cost of Funds		10 bps	 9 bps
Net Income Margin on Loans		44 bps	 11 bps

DRTC

Revenue		41%	 3%
Gross Profit		57%	 1%

Digital Banking: Strong loan portfolio growth to another record: >\$2.45B

Net income dampened by investments in strategic growth initiatives:

- Preparation for launch and roll out of Point-of Sale Financing offering in the United States
- Preparation for commercial launch of Canadian-dollar version of revolutionary Digital Deposit Receipts (DDRs), VCAD

DRTC: Strong growth in revenue and gross profit

Continued momentum across our operations

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

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Launched March 2022: 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")



Revolutionary Digital Deposit Receipts (DDRs)

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Digital Deposit Receipt Representing Actual Fiat-Currency-Based Deposits with a Federally Licensed, Investment-Grade Rated Bank

- Represented 1:1 by actual fiat currency on deposit with VersaBank
- High level of stability and security
- Addresses key concerns of global regulators
- Commercial launch in partnership with Stablecorp
- SOC 2 compliant
- Preparing for launch

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

Shawn Clarke

Chief Financial Officer



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Q2 2022: Continued Strong Financial Performance

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Balance Sheet

	At April 30		Change
	2022	2021	
Total Assets	\$2.69 B	\$2.14 B	+26%
Book Value per Common Share	\$11.94	\$11.06	+8%
CET1 Ratio	13.66%	12.52%	+114bps
Leverage Ratio	11.63%	10.46%	+117bps

YoY increases in regulatory capital levels and ratios 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

Q2 2022: Continued Strong Financial Performance Consolidated

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Consolidated: Income Statement

	3 Months Ended April 30			6 Months Ended April 30		
	2022	2021	Change	2022	2021	Change
Revenue	18,635	15,970	+17%	36,901	31,392	18%
Net Income	4,943	5,744	-14%	10,509	11,034	-5%
Earnings Per Share	0.17	0.25	-32%	0.36	0.47	-23%

vs Q1/22

Revenue	↑ 2%
Net Income	↓ -11%
Earnings Per Share	↓ -11%

Net income dampened by investment in strategic growth initiatives

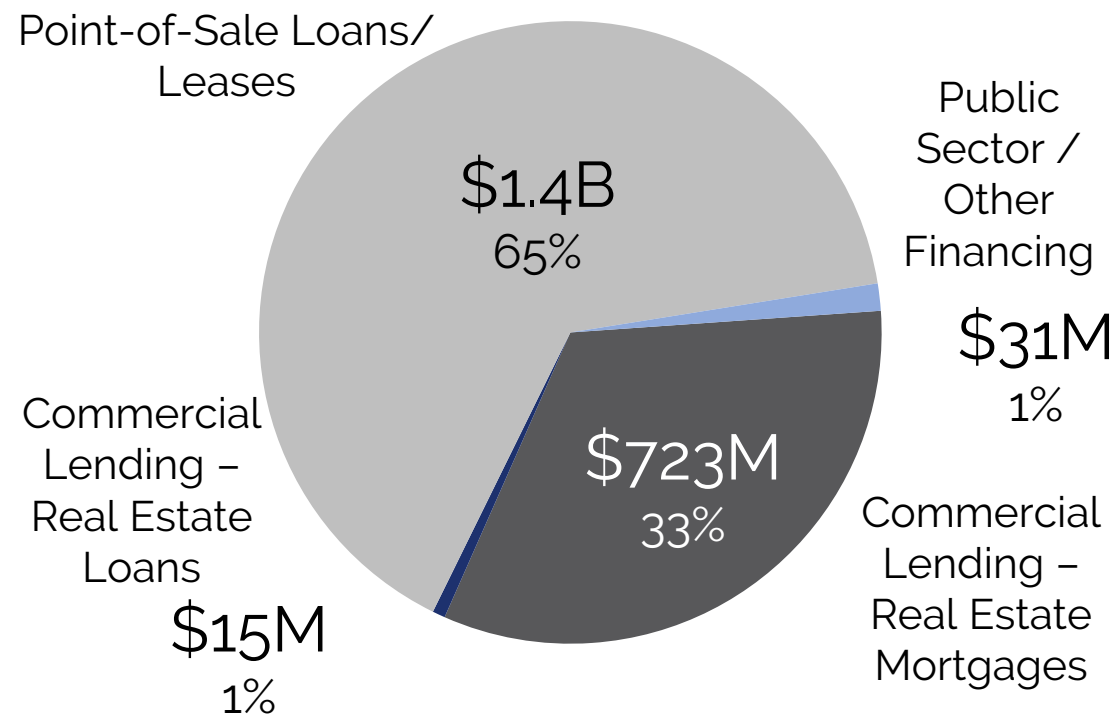
Q2 2022: Continued Strong Financial Performance

Digital Banking Operations – Record Loan Portfolio: \$2.45 B

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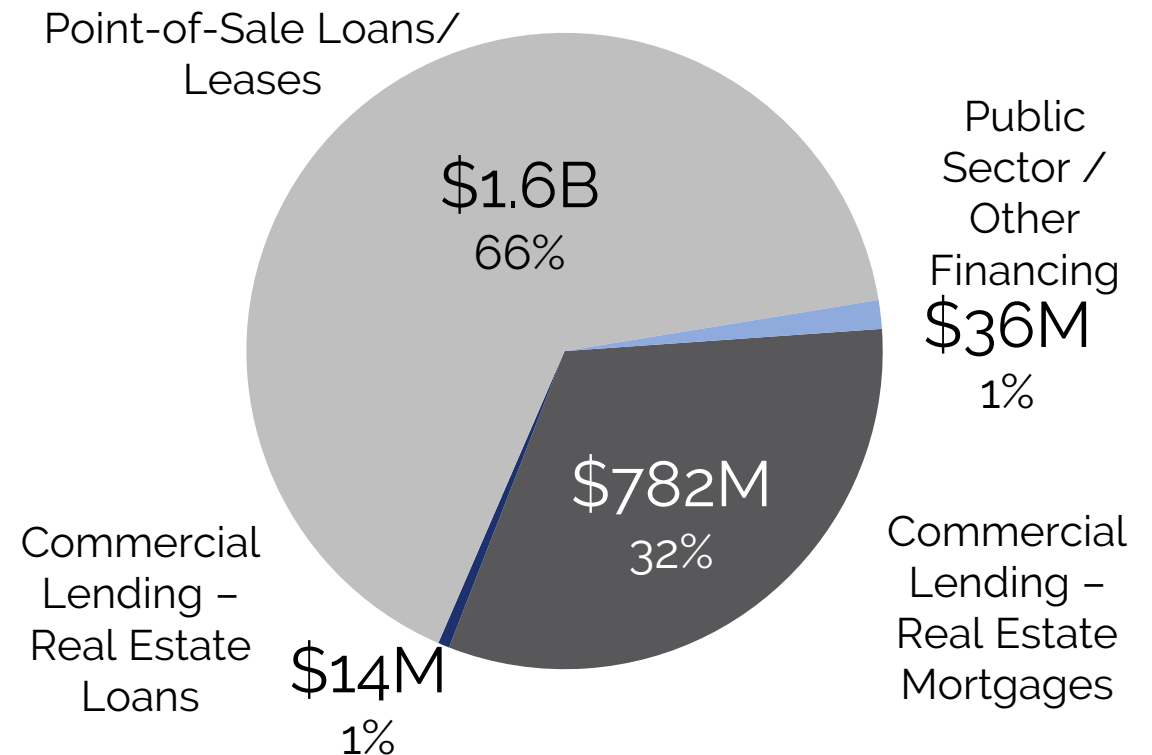
Q1 2022

Total: \$2.2 B



Q2 2022

Total: \$2.45 B



Point-of-Sale Portfolio: Up 51% YoY & up 12% sequentially
Commercial Real Estate Portfolio: Up 10% YoY & up 8% sequentially

Q2 2022: Continued Strong Financial Performance

Digital Banking Operations

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Digital Banking Operations: Income Statement

	3 Months Ended April 30			6 Months Ended April 30		
	2022	2021	Change	2022	2021	Change
Cost of Funds	1.38%	1.28%	+10 bps	1.30%	1.35%	-5 bps
Net Interest Income	17,242	15,095	+14%	34,127	29,469	16%
Net Interest Margin on Loans	3.11	3.55	-44bps	3.14	3.55	-41 bps
Net Interest Margin	2.77%	2.96%	-19 bps	2.69%	2.91%	-22 bps

vs Q1/22

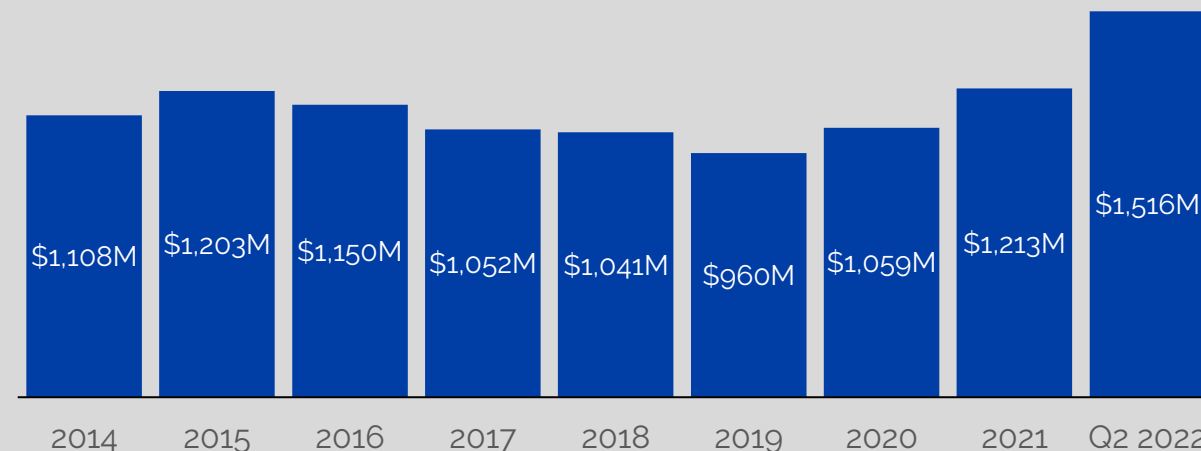
Cost of funds	↑ 9 bps
Net interest income	↑ 2%
Net interest margin on loans	↓ 11 bps
Net interest margin	0 bps

Strong year-over-year growth in Net Interest Income driven by strong loan portfolio growth

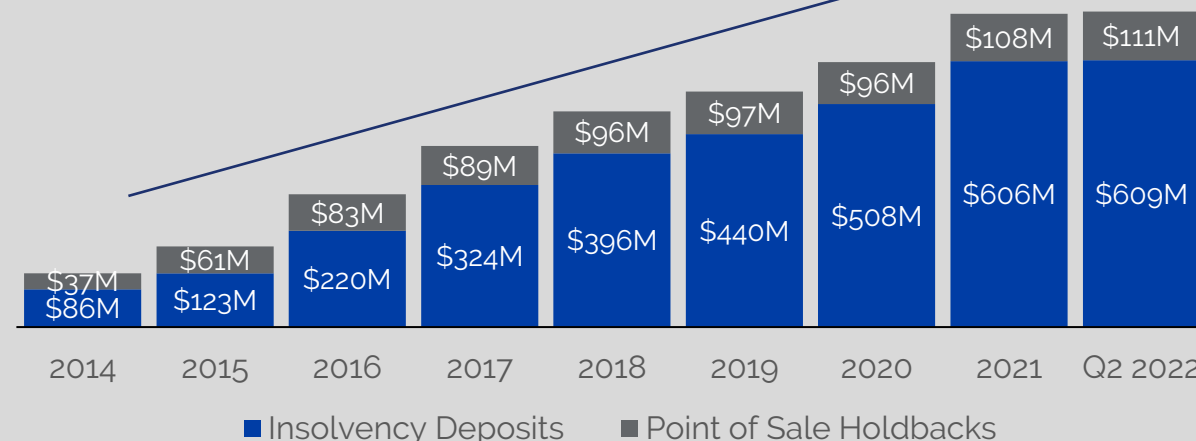
Q2 2022 cost of funds: 1.38%

- Increased 10 bps (8%) vs Q2 2021
- Increased 9 bps (7%) vs Q1 2022

Personal Deposits

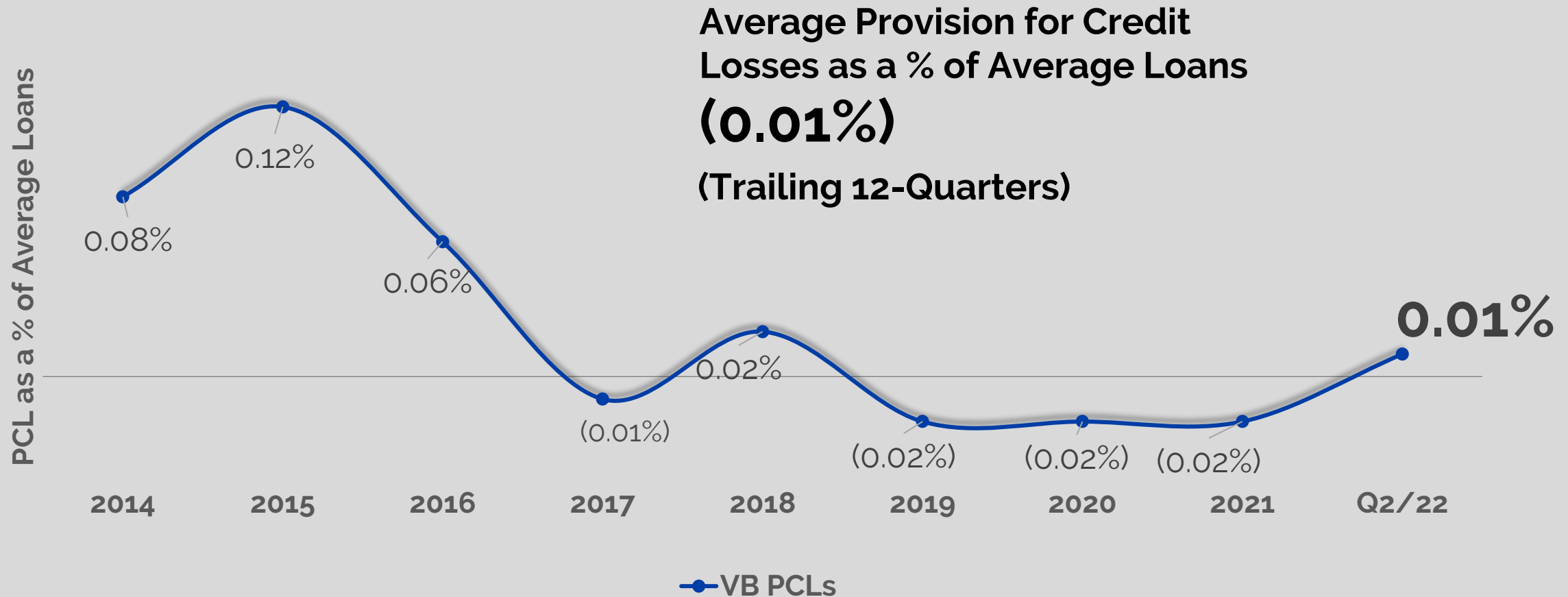


Commercial Deposits



Top Tier Asset Quality & Prudent Approach to Risk Mitigation

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Q2 2022: Continued Strong Financial Performance

DRTC

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DRTC: Income Statement

	3 Months Ended April 30			6 Months Ended April 30		
	2022	2021	Change	2022	2021	Change
Revenue	2,421	1,720	41%	4,779	3,462	38%
Gross Profit	1,434	915	57%	2,855	2,008	42%
Net Income (Loss)	(472)	(151)	n/a	(325)	22	n/a

vs Q1/22

Revenue

↑ 3 %

Gross Profit

↑ 1 %

Net income (loss)

↓ n/a

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

David Taylor

President &
Chief Executive Officer



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Digital Banking Growth Strategy: Momentum for the Future

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1

Further Reduce Cost of Funding to Expand Net Interest Margin

Expand insolvency deposits: Higher volumes w/ existing partners & adding new partners

Expand wealth management deposits by adding new partners

Introduce commercial deposit offerings to new markets

Launch new low-cost deposit offerings: Highly encrypted digital deposit Receipts that can be use as digital currencies (VCAD, VUS, etc.)

2

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

Expand Point-of-Sale Financing portfolio: Add new partners & increase volumes with existing partners

Grow Recently Launched Point-of-Sale Financing in the U.S.

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

Provide ability to expedite roll out of offerings in new markets

Vision: Continue to generate outsized growth in net income, with mitigated risk profile, with the opportunity to accelerate growth through multi-fold increase in assets



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Q&A Session

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Our Time Has Arrived!



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