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VersaBank

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PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to VersaBank's Second Quarter Fiscal 2023 Financial Results Conference Call.

This morning, VersaBank issued a news release reporting its financial results for the second quarter ended April 30, 2023. That news release, along with the Bank's financial statements and supplemental financial information, are available on the Bank's website in the Investor Relations section, as well as on SEDAR and EDGAR.

Please note that, in addition to the telephone dial-in, VersaBank is webcasting this morning's conference call. The webcast is listen-only, so if you are listening to the webcast but wish to ask a question in the Q&A session following Mr. Taylor's presentation, please dial in to the conference line, the details of which are included in this morning's news release and on the Bank's website. For those participating in today's call by telephone, the accompanying slide presentation is available on the Bank's website.

Also, today's call will be archived for replay, both by telephone and via the internet, beginning approximately one hour following the completion of the call. Details on how to access the replays are available in this morning's news release.

I would like to remind our listeners that the statements about future events made on this call are forward-looking in nature and are based on certain assumptions and analysis made by VersaBank

management. Actual results could differ materially from our expectations, due to various material risks and uncertainties associated with VersaBank's businesses. Please refer to VersaBank's forward-looking statement advisory in today's presentation.

I would now like to turn the call over to David Taylor, President and Chief Executive Officer of VersaBank. Please go ahead Mr. Taylor.

David R. Taylor — President, Chief Executive Officer

Good morning everyone, and thank you for joining us for today's call. With me is Shawn Clarke, our Chief Financial Officer.

Before I begin, I'd like to remind you that our financial results are reported, and will be discussed on this call, in our reporting currency of Canadian dollars. For those interested, we provide U.S. dollar translations for most of our financial numbers in our standard investor presentation, which will be updated and available on our website shortly.

Now for the results. The second quarter of fiscal 2023 was very much like the first, was yet another record quarter for VersaBank, which, as importantly, once again demonstrated the power of the significant operating leverage in our branchless business-to-business digital banking model.

Q2 2023 saw another record loan portfolio, $3.4 billion, another very solid step closer to our next major milestone of $4 billion, and the significant efficiency and return on common equity gains that go along with it. I will discuss these a little later in the call.

In addition to Q2 results, also benefited from profitable growth in our cyber security services business.

Looking more closely at our Q2 performance, there are a couple of specific highlights I'd like to note. The first is our efficiency ratio. That is what it costs us to generate a dollar of revenue. The lower the number, the more efficient we are in terms of generating revenue. With the significant year-over-year growth in our loan portfolio, relatively stable net interest margin, and substantially normalization of our non-interest expenses compared to last year, our efficiency ratio improved to 43 percent. This is very low number for a bank, a direct function of our digital branchless model, and evidence of our trajectory towards our target to be in the thirties, which is pretty much unheard-of in the banking industry.

Growth was again driven primarily by our Canadian point-of-sale loan and lease portfolio, which was up 58 percent year-over-year and 5 percent sequentially. I will note there is some seasonality to the point of sale business, such that growth has historically a little stronger in the second half, due to higher consumer demand and spending in the summer months. For the first half of the year, our point-of-sale portfolio has grown 14.3 percent.

All of this is to say that we have a very good visibility into baseline earnings capacity of our Canadian business, which of course the upside potential of the ramp-up of the receivable purchase program in the United States. This drove our by far best quarter ever in terms of net income and EPS, save for one outsize quarter for the net income in 2017 due to an accounting recognition when VersaBank amalgamated with PWC Capital. Net income grew 108 percent year-over-year and 9 percent sequentially to $10.3 million, while EPS grew 124 percent year-over-year and 12 percent sequentially to $0.38.

The second major highlight is the considerable improvement in our return on common equity, which increased 615 basis points or 104 percent year-over-year and 128 basis points or 12 percent sequentially to just over 12 percent. Clearly operating leverage is driving value.

With respect to our U.S. receivable purchase program opportunity, we continue to be encouraged by our steady incremental progress towards our regulatory decision on acquisition of Minnesota-based Stearns Bank Holdingford. We understand and appreciate the lengthy and intensive due diligence process by various U.S. regulatory agencies, especially in what has become a very challenging period in the U.S. banking industry. We now anticipate receiving a decision on our acquisition by the end of the summer of this year. If favourable, we will proceed toward Canadian regulatory approval and closing on the acquisition as quickly as possible thereafter.

We continue to view this acquisition as transformational for our Bank, essentially erasing the border for our unique and attractive financing solution for an underserved market in the United States that continues to drive significant growth for us here in Canada. We remain confident in our prospects in the United States. The limited launch of the RPP program in the United States continues to give us confidence in that we can achieve with our broad national launch.

I noted on our last call, with the protracted timeline for the regulatory review of our acquisition, we were ramping up our limited RPP launch in the United States. As a result, we saw our U.S. RPP portfolio grow by 35 percent from the end of Q1 to the end of Q2, and was prior to any contribution from our second partner we spoke of last quarter.

I'd now like to turn the call over to Shawn to review our financial results in detail.

Shawn Clarke — Chief Financial Officer

Thanks David, and good morning everyone.

Before I begin, I'll remind you that our full financial statements and MD&A for the second quarter are available on our website under the Investors section, as well as on SEDAR and EDGAR, and, as David mentioned, all of the following numbers are reported in Canadian dollars as per our financial statements, unless otherwise noted.

Starting with the balance sheet, total assets at the end of the second quarter of fiscal 2023 were just over $3.7 billion, up 39 percent year-over-year from $2.7 billion at the end of Q2 last year, and up 6 percent sequentially from $3.5 billion at the end of Q1 of this year. Cash and securities at the end of Q2 were $263 million or 7 percent of total assets, compared with $198 million or 7 percent of total assets at the end of Q2 last year and $251 million or 7 percent of total assets at the end of Q1 this year. Our total loan portfolio at the end the of second quarter expanded to another record balance of $3.4 billion, an increase of 40 percent year-over-year and 6 percent sequentially, in what is typically the seasonally lightest quarter of the year for loan growth, as David mentioned earlier. I will break loans out into its component parts in a moment.

Book value per share increased 10 percent year-over-year and 3 percent sequentially to another record of $13.19. These increases were a function of higher retained earnings resulting from net income growth and the impact of the lower number of shares due to our active share repurchase program, all partially offset by dividends paid. Our CET-1 ratio was 11.21 percent, down from 13.66 percent at the end of Q2 last year and up two basis points from the end of Q1 of this year. Our leverage ratio at the end of

Q2 this year was 8.83 percent, down from 11.63 percent at the end of Q2 last year and 9.21 percent at the end of Q1 of this year. Our CET-1 and leverage ratios remain well above our internal targets.

Turning to the income statement, total consolidated revenue increased 43 percent year-over-year and 3 percent sequentially to a record $26.7 million, with the increase driven primarily of higher net interest income derived from our digital banking operations resulting from growth in our loan portfolio, all while maintaining our net interest margin. Consolidated revenue also benefited from a higher contribution on the DRTC side.

Consolidated net income for Q2 increased 108 percent year-over-year and 9 percent sequentially to a new high of $10.3 million. The year-over-year and sequential increases were both a function of higher revenue, we manage the expanded loan portfolio, as well as the redeployment of available cash into higher yielding low-risk securities and higher revenue contributions in DRTC, offset partially by higher non-interest expense.

Consolidated earnings per share increased 124 percent year-over-year and 12 percent sequentially to $0.38, with the increase benefiting from a lower number of shares out, due to our active share repurchase program. During the second quarter, we repurchased and cancelled just over 420,000 shares, bringing the total number of shares purchased and cancelled under the current NCIB at the end of Q2 to more than 1.4 million shares.

The primary driver of growth in our loan portfolio was once again our point-of-sale financing business, which increased 58 percent year-over-year and 5 percent sequentially to $2.5 billion. As noted earlier, Q1 and Q2 are historically a little lighter for point-of-sale loan growth than the second half of the

year. Our point-of-sale portfolio represented 74 percent of our total loan portfolio at the end of Q2, which was unchanged from the end of Q1 of this year.

While consumer spending and business investment in Canada are expected to slow during the second half of the year, as was the case during the first half of this year, we expect any impact of a slower economy on the POS financing portfolio to be subsequently outweighed by continued expansion of the business. Combined with what is seasonally stronger growth in the second half of the year, we expect growth in the point-of-sale portfolio for the second half to be, at a minimum, in line with the first half of the year.

Our commercial real estate portfolio has expanded 4 percent year-over-year and 7 percent sequentially to $866 million at the end of Q2. As we continue to maintain a generally cautionary position with respect to this portfolio, we are being opportunistic with respect to loans that provide an attractive return on equity and low risk profile. I want to take this opportunity to reiterate that, while we refer to this portfolio as commercial, because these loans are business to business, approximately 90 percent of the portfolio was comprised of loans and mortgages which are financing residential properties, predominantly multi-unit in nature. As such, we have very little exposure to commercial use properties.

We remain very comfortable with the risk profile of our commercial real estate portfolio (inaudible) our current criteria of working only with well established, well capitalized development partners with excellent track records, and restricting transactions to modest loan-to-value ratios.

Turning to the income statement for our digital banking operations, net interest margins on loans, that is excluding cash and securities, decreased 12 basis points or 4 percent year-over-year and 4 basis

points or 1 percent sequentially to 2.99 percent. These trends were due mainly to a shift in the bank's deposit mix and rising interest rates over the respective periods, as well as the significant growth in our point-of-sale portfolio, all partially offset by generally higher yields earned in our lending portfolio, due to the higher interest rate environment. Net interest margin overall, including the impact of cash and securities and other assets, increased one basis point year-over-year and decreased 5 basis points sequentially to 2.78 percent.

Non-interest expenses for Q2 were $12.7 million compared with $11.8 million for Q2 of last year and $12.3 million for Q1 of this year. The year-over-year increase was due mainly to higher salary and benefits costs as we increased staffing levels to support expanded revenue-generating business activity across the Bank, higher general annual compensation adjustments, and higher professional fees attributable primarily to the continuing regulatory approval process associated with VersaBank's acquisition of a U.S. bank.

Cost of funds for Q2 was 3.27 percent, up 189 basis points year-over-year and up 32 basis points sequentially, with both increases due mainly to the larger proportion of wealth management deposits relative to our lower-cost insolvency professional deposits in the comparative periods, and the general increase in interest rates. The increase in our cost of funds since the Bank of Canada began increasing its benchmark rate at the beginning of fiscal 2021 has been significantly less than the benchmark increase of 425 basis points.

Insolvency professional deposit balances at the end of Q2, although down on a year-over-year basis, were essentially unchanged in Q1. With the anticipated increase in bankruptcy activity in the general

economy, we expect these deposits to grow sequentially in the quarters to come, when the Canadian economy returns to more normalized bankruptcy volumes. Wealth management, or what we refer to as personal deposits, expanded 67 percent year-over-year and 8 percent sequentially.

Finally, our provision for credit losses or PCLs in Q2 remained very low at just 0.03 percent of average loans compared with the 12-quarter average of minus 0.01 percent.

Turning now to DRTC. As a reminder, beginning last quarter, revenue for DRTC includes that generated from the Bank's digital banking operation for various technology development services, in addition to the contribution from our cyber security services business digital boundary group or DBG.

Starting with DBG standalone results, DBG's revenue for Q2 increased 5 percent year-over-year and 11 percent sequentially to $2.6 million, while gross profit increased 35 percent year-over-year and 17 percent sequentially to $1.9 million. Notably, DBG remained profitable on a standalone basis within DRTC.

Total DRTC revenue, including revenue from services provided to the Bank's digital banking operations as well as revenue generated by DBG, increased 17 percent sequentially and 50 percent year-over-year to $2.1 million, with a positive net income of $433,000 compared to a net loss of just over half a million in Q1 of this year and a net loss of $472,000 in Q2 of last year. Q2 of this year benefited from the recognition of a $530,000 deferred tax asset associated with DRTC's non-capital loss carry-forwards, which are anticipated to be applied to future taxable earnings.

With that, I'd now like to turn the call back to David for some closing remarks. David?

David R. Taylor — President, Chief Executive Officer

Thanks Shawn.

There are two items I'd like to address before opening the call to questions. They are the two items that, combined, fundamentally create any investment proposition: risk and reward.

Starting with risk. The North American banking industry, and especially the U.S. banking industry, is going through a challenging period. A number of high profile failures, and the subsequent closer looks (inaudible) balance sheets, have revealed some cracks in the system. These cracks are exactly why I created VersaBank the way I did, and exactly why I believe VersaBank stands apart from much of the sector in terms of risk, with the additional benefit of outsized earnings growth we are demonstrating.

You've heard me speak often about risk mitigation being part of our DNA, especially with respect to our rigorous technology-based loan approval and continuous real-time monitoring of credit performance, and of course our innovative point-of-sale holdback model (phon). But another aspect of our bank model that has had its value especially highlighted in recent months is the quality, stability, and stickiness of our deposit base. All of our deposits come to us via deposit partners. We do not directly take deposits from individuals, and we certainly don't have an expensive award-winning website that allows depositors to withdraw their funds at a click of a button should the latest rumours spook them.

Our insolvency deposits come by way of bankruptcy trustee firms, to which we provide a high value-add custom banking solution that is fully integrated with our systems. We are a necessity to their operations. In fact, we have 100 percent track record of account retention through to wind-up. As Shawn

noted earlier, we are seeing a return to growth in this deposit channel as bankruptcies in Canada return to normalized levels post pandemic.

Our wealth management deposits are composed entirely of term deposit receipts. Depositors only receive their money back when the term comes due. We of course match the timing of our loans to our deposits. The result is, we believe, one of the lowest liquidity risk profiles among any of our peers in North America.

My second closing item is reward. Let me recap the components of what continues to be a very favourable outlook for VersaBank in the second half of fiscal 2023 and beyond. The simple math, based on excellent visibility of our business, that clearly demonstrates our path to increase shareholder value. We expect our Canadian digital banking operations will continue to benefit from strong growth in the point-of-sale portfolio. As noted earlier, point-of-sale grew just shy of 14.5 percent in the seasonally lighter first half of the year, and we expect a minimum second half growth in line with our first half.

We expect net interest margin on loans to remain relatively stable, although, should the opportunity present itself, we are willing to trade off some net interest margin for higher return on equity. We expect normal course quarterly non-interest expense to remain in the range of the first half of approximately $12.5 million, excluding any one-time acquisition costs. This means that essentially every dollar of incremental revenue is falling straight to our bottom line.

We continue to advance the U.S. regulatory review process, providing the opportunity to supercharge what is already a very sizeable growth opportunity.

What does this mean for us in the near term? It comes down to simple math that is based on consistency, stability and visibility of our model. At the outset, I commented on the operating leverage for our digital banking operations, operating leverage that you can clearly see come into effect as we have grown our portfolio past the $3 billion mark. Our next loan portfolio milestones are $4 billion, which we should surpass this fiscal year, and then $5 billion. When you do the math on these next milestones, we see operating leverage driving our efficiency ratio downward under 35 percent, and at $5 billion, and return on common equity, increasing to beyond 20 percent at $5 billion. These are considerable increases based on the scalability of our model, and our $4 billion and $5 billion milestones aren't a matter of if, but when.

With that, I'd like to open the call to questions. Operator?

Q & A

Operator

Thank you sir. Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions)

Your first question will come from David Feaster at Raymond James. Please go ahead sir.

David Feaster – Raymond James

Good morning everybody.

David R. Taylor – President, Chief Executive Officer

Good morning David.

David Feaster – Raymond James

Maybe, if we could start on the point-of-sale business in Canada. Appreciate the colour. It sounds, you know, we're going into a seasonally stronger quarter, but you also talked about some potential slowing on consumer spending at the same time. Appreciate the guidance about back half is going to be at least in line with the first half. But I was just curious, if you could touch on maybe just what—the health of the consumer in Canada, any details you could provide there, and then just, as you dig into it, last quarter we talked about seeing some underlying changes where maybe a shift towards more home improvement? I was just curious, is there any interesting shifts as you look at where the point-of-sale demand is coming from.

David R. Taylor – President, Chief Executive Officer

Well, thanks David. This is the way I see it. We Canadians are coming out of sort of a deep freeze, and there always tends to be a lot of consumer activity in the warmer months. So, despite maybe interest rates going up and putting a little damper on the consumer enthusiasm, personally I think folks are still going to buy the hot tubs and the cars and the motorcycles, and, as you were saying, endeavor on home improvement such as decks and fences and all those things that you do in the summertime.

I don't think the sort of marginal increases in interest rates translating to payments will deter them all that much at this point, so, sort of hedging our bets, if you view that like a tug of war, where interest

rates are pulling consumer demand down a bit, but just that exuberance that comes with being in the sunshine pulling it the other way, and historically that's the way it's been.

A good percentage is in home improvement, and I think it'll just continue that way. As I was saying earlier, the outside activities that people finance in the summer. Then there's still this need to economize on heating bills and such by changing furnaces and insulation and siding and all that. So, generally speaking, I'm looking forward to growth in the second half that exceeds the first, with all those factors taken into consideration.

David Feaster – Raymond James

Okay. Then maybe touching on DRT cyber, it was a nice quarter there. You had a nice win in the States last quarter. I'm just curious, what's the pipeline look like in DBG? You talked about improving efficiency there. Could you just talk about some of the initiatives that you have in place? Was the improvement in the profitability more a function of just the scalability of the business and continued revenue growth, or are there other specific initiatives that you've put in place?

David R. Taylor – President, Chief Executive Officer

Well, the scalability is a big factor. We're bringing in some automated penetration testing that isn't anywhere near as human-intensive of our specialized penetration testing, so it has tremendous scalability. As you know, DBG, a wholly-owned subsidiary of DRTC, has at least 400 of the who's who in North America's customers, where it provides this high value penetration testing. It's still our objective to cross-sell our other products to this existing customer base. We continue to believe there's tremendous growth

opportunity. The 50 percent increase in revenue, and I think, sort of a drop in a bucket of what's available for a company like DRTC and the products that we have lined up to bring to the market.

David Feaster – Raymond James

Okay. That's helpful.

Then maybe lastly, just touching on the deposit side, obviously, you know you talked about the potential increase. We saw the trustee business maybe decline a little bit this quarter, but structurally it feels like there's some tailwinds there. Most of the deposit growth was driven by the wealth management network. I guess, what do you think your ability to drive deposit growth is, within the wealth management side? I mean, do you expect that to be a governor for loan growth going forward, or do you really have the capacity to get out of that what you need, just depending on, you know, is it really a function of what rate you're providing, you can drive whatever deposit growth you need.

David R. Taylor – President, Chief Executive Officer

It's the latter. It's extremely sensitive to the rates we pay. A few basis points brings a deluge of deposits. So, we tend to keep our rates as low as we can in that area. But from our perspective, just being close to $4 billion, it's almost unlimited supply of deposits coming from that area, and extremely liquid and priced economically too.

As you noted, the trustee business, that channel is—we're still sort of seeing our deposits diminish faster than new ones are coming in, as we're sort of lagging behind the lack of insolvencies or dramatic reduction in insolvencies during the COVID times.

But what bodes well for us is, year-over-year we're up about 10 percent in new accounts. It doesn't bode for Canada, it's a leading indicator that insolvencies are on the rise. In fact, one recent statistic was that they're coming back to pre-pandemic levels. So, that bodes well for our more economically-priced deposits. But there'll still be a bit of a lag as the various new accounts fill up with the proceeds from the wind-up of the various estates.

David Feaster – Raymond James

Okay. That's helpful. Thanks everybody.

David R. Taylor – President, Chief Executive Officer

Well, thank you David. Must be baking hot where you are.

Operator

Your next question comes from Stephen Lange Ranzini at University Bank. Please go ahead.

Stephen Lange Ranzini – University Bank

Congratulations, David and your whole team, on achieving a 12.1 percent return on equity in the quarter. It's a great result. Thank you.

Question, you mentioned that, as you approach $5 billion in loans, you can get the return on equity up to 20 percent. Do you have the capital now to do that, or are you starting to look at off-balance sheet

structures where you can profitably unload loans and not be capital-intensive, to grow the balance sheet further?

David R. Taylor – President, Chief Executive Officer

Well good question, Stephen. I am looking forward to seeing you at the annual picnic here in London, Ontario.

Stephen Lange Ranzini – University Bank

Yes, that'll be fun.

David R. Taylor – President, Chief Executive Officer

The short answer is yes, we do indeed have the capital. The key capital ratio to look at is our leverage ratio, and it's about twice that of the industry, so theoretically we could go up to $8 billion from where we are today, depending on the risk weighting of the various loans.

So yes, we have the capital to go to 5. The math is really simple: $5 billion at 3 percent leaves $150 million in revenue, and our fixed costs are running around 50, so pre-tax we're about 100, tax rate say at 70, we make about $70 million, divided by about $350 million in common equity, gives the 20 percent return. So, that's how the math works in our little business.

As I was saying earlier, it's just a matter of putting the loans on. If we put them on quickly, we'll get to those targets faster; if we put them more slowly, it gets slowly, but the numbers are just driven by the model.

Stephen Lange Ranzini – University Bank

Well that's fantastic. As they say, your lips to God's ears!

Have you considered looking at some off-balance sheet structures? Because that would also further drive your return on equity higher, and maybe free up capital that you could use for more aggressive stock buybacks. Your stock is trading under book value.

David R. Taylor – President, Chief Executive Officer

Oh absolutely, I mean our stock's down, what, 30 percent from book value. We've been buying all we can, but we have to go back in August and reload. We got to ask our regulator for permission to buy more stock once a year. So I guess one part of me is hoping that we can still keep buying back stock at this reduced rate.

With respect to filling up some of the assets that we generate, there is a kind of an emerging opportunity for us in the CMHC, that's our insured mortgage market. We're seeing some opportunities to book CMHC mortgages that don't attract CET capital, so don't attract capital in the normal way. The spread we're looking at is about 240 basis points. So there's an opportunity for us to book those types of mortgages, and they are very salable. So to your point, if that sort of unfolds, that gives us an opportunity to book the mortgages with the expertise and the real estate department that we have, and then sell them and make a little profit and free up some capital too.

Stephen Lange Ranzini – University Bank

Excellent. Well, thanks so much, David, and I look forward to seeing you again at the annual picnic.

David R. Taylor – President, Chief Executive Officer

Yes, absolutely. Thank you for traveling to see us. That will be wonderful.

Operator

Your next question comes from Abhilash Shashidharan at KBW Research. Please go ahead.

Abhilash Shashidharan – KBW Research

Hi David. Congrats on another strong quarter.

Just to follow up on your comments on the CMHC stuff. Have you launched the instant mortgage app, and reported the status of that?

David R. Taylor – President, Chief Executive Officer

No, we haven't launched it yet. We actually had a key hire recently in that area, and now we're looking for a launch early in the new fiscal year. What I was referring to with the CMHC is in the commercial banking area, where we would be doing large CMHC mortgages on apartment blocks.

Abhilash Shashidharan – KBW Research

Ah, okay. Okay. Just on the U.S., the acquisition side, how important is that for kind of ramping up that U.S. growth, and can you also provide some insights on how you all are thinking about it in terms of funding the growth there, as well?

David R. Taylor – President, Chief Executive Officer

Sure. Well, obviously, in Canada we're growing (inaudible) any bank's ever done, with 14.5 percent in the previous half, and probably the same for the upcoming. So, Canada still provides sort of tremendous growth from our perspective in the point-of-sale program. So, those numbers I talked about, the $4 billion milestone, the 5, those are easily achievable in Canada alone.

Adding the U.S. market to it, I used the word supercharged, and that's it. It's a market that's maybe a hundred times bigger than Canada. It's ripe for our product, in that the traditional lenders, being smaller community banks, have got—some of them have some issues, and their ability to fund a point-of-sale finance company is somewhat hampered. Of course the capital markets are much more difficult than they used to be; they used to be exuberant with funds for securitizations.

So, looking south of the border, maybe a hundred times bigger than Canada, ripe considering the economic times, you'd have to dream in Technicolor to what it could do for our growth.

With respect to the funding, we fund, as other banks do in the United States, through the wholesale deposit broker market. That's part of the reason why we'd like a U.S. bank license, in that then we can fund in U.S. dollars from the U.S. market to fund the U.S. loans.

Abhilash Shashidharan – KBW Research

Okay. Just to follow up on that, so, is there anything stopping the growth in the U.S. right now, before the acquisition is complete, at least on the loan side, or is the pick-up independent of that?

David R. Taylor – President, Chief Executive Officer

Well, we have Versa Finance as the lending vehicle in the United States, and we are funding a few tranches through that, but it's nowhere near as effective as having a U.S. bank license and funding with U.S. dollar deposits. Those loans will be funded through Canada and swapped into U.S. currency. We have some U.S. dollars on stock, but yes. It is fairly cumbersome to operate with a finance company. It's much, much more efficient to operate with a U.S. bank license and fund directly into the United States.

Abhilash Shashidharan – KBW Research

Okay. Thank you. That is it for me.

David R. Taylor – President, Chief Executive Officer

No problem. So, will you be at our picnic too, on July 8?

Abhilash Shashidharan – KBW Research

I'll try and make it out there.

David R. Taylor – President, Chief Executive Officer

Yes. Well hopefully we have some good weather.

Operator

(Operator Instructions)

There are no further questions from the phone lines; I will turn the conference back to your hosts for any closing remarks.

David R. Taylor – President, Chief Executive Officer

Well, I'd like to thank everyone for joining us today, and I look forward to speaking to you at the time of our third quarter fiscal results. Have a good day in smoky Toronto, if that's where you are, and if you've got some time on July 8, we hold our annual picnic at my farm in Ilderton and you're welcome to join us.

Thank you.

Operator

Ladies and gentlemen, this does conclude your conference call for this morning. We would like to thank you all for participating and ask you to please disconnect your lines.