



VersaBank

Choice Through Innovation

Q2 2023 Conference Call Presentation

June 7, 2023

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Post Conference Call Q&A

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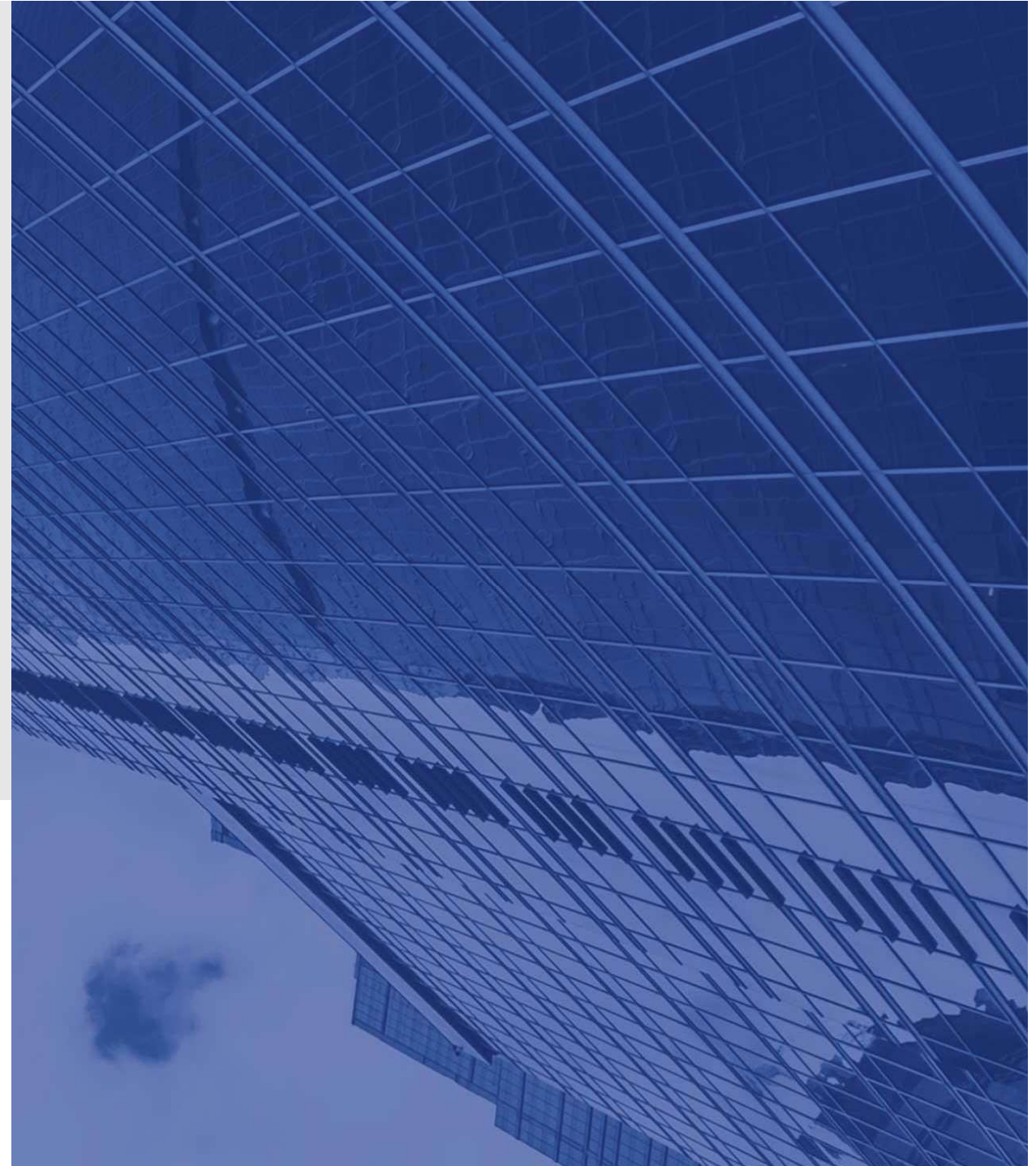
For those wishing to ask questions during the Q&A, please access today's call through the telephone dial-in:

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

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, 2022. 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





Q2 2023

40% YoY growth in loan portfolio to record **\$3.42 B**

58% YoY and **5%** sequential growth in POS Loans & Leases

Record revenue

Record net interest income

Record net income¹

Realizing **significant operating leverage** inherent in Digital Banking model









Digital Banking efficiency ratio at **43%**

ROCE at **12.07%**





1. Record Net income excludes the first quarter 2017 which benefitted from the recognition of \$8.8 million in deferred income tax assets derived from the tax loss carry-forward of the first quarter 2017.

Q2 2023 Key Metrics & Highlights: Record Results

Consolidated

	YoY	Sequential
Total Revenue	 43%	 3%
Net Income	 108%	 9%
EPS	 124%	 12%
Net Interest Margin	 1 bp	 5 bps

Digital Banking

Cost of Funds	 189 bps	 32 bps
Net Interest Margin on Loans	 12 bps	 4 bps

Cybersecurity Services (DBG only)

Revenue	 5%	 11%
Gross Profit	 35%	 17%

Digital Banking: Strong loan portfolio growth to another record: \$3.42B

Record quarterly revenue, net interest income, net income and EPS¹

Digital Banking Efficiency Ratio (ex. DRTC): 43%

- YoY decrease of 1,468 bps (25%)
- Sequential increase of 127 bps (3%)

Ave. Return on Common Equity (ROCE): 12.07%

- YoY increase of 615 bps (104%)
- Sequential increase of 128 bps (12%)

1. Record Net income and EPS excludes the first quarter 2017 which benefitted from the recognition of \$8.8 million in deferred income tax assets derived from the tax loss carry- forwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. on January 31, 2017

Realizing significant operating leverage inherent in Digital Banking model

Acquisition of OCC-Chartered, National US Bank: Transformational Next Step in Long-Term Growth Strategy

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June 2022: Definitive Agreement to Acquire Minnesota-based Stearns Bank Holdingford

Fully operational national
bank focused on small
business lending

Expected to add ~US\$60 M¹
in total assets

Estimated purchase price of
US\$13.5 M (CA\$18 M)¹

- Provides access to US deposits to fuel growth of the US Receivable Purchase Program business (launched in US following success of Point-of-Sale business in Canada)
- Expected to be accretive to VersaBank's earnings per share within first year after closing
- Expected to be well capitalized on closing with a Total Capital ratio >10%
- US regulatory decision expected by end of summer 2023
- If favourable, will proceed toward completion as soon as possible, subject to Canadian regulatory (OSFI) approval

1. Subject to any adjustments at closing.

Platform for significant growth in the United States

US Receivables Purchase Program: A New Financing Solution for the Underserved US Market

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Launched in US on a Limited Basis in April 2022

Full Roll Out to Commence Upon Closing of US Bank Acquisition

\$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 US 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" (07.29.19)

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")



Klarna.

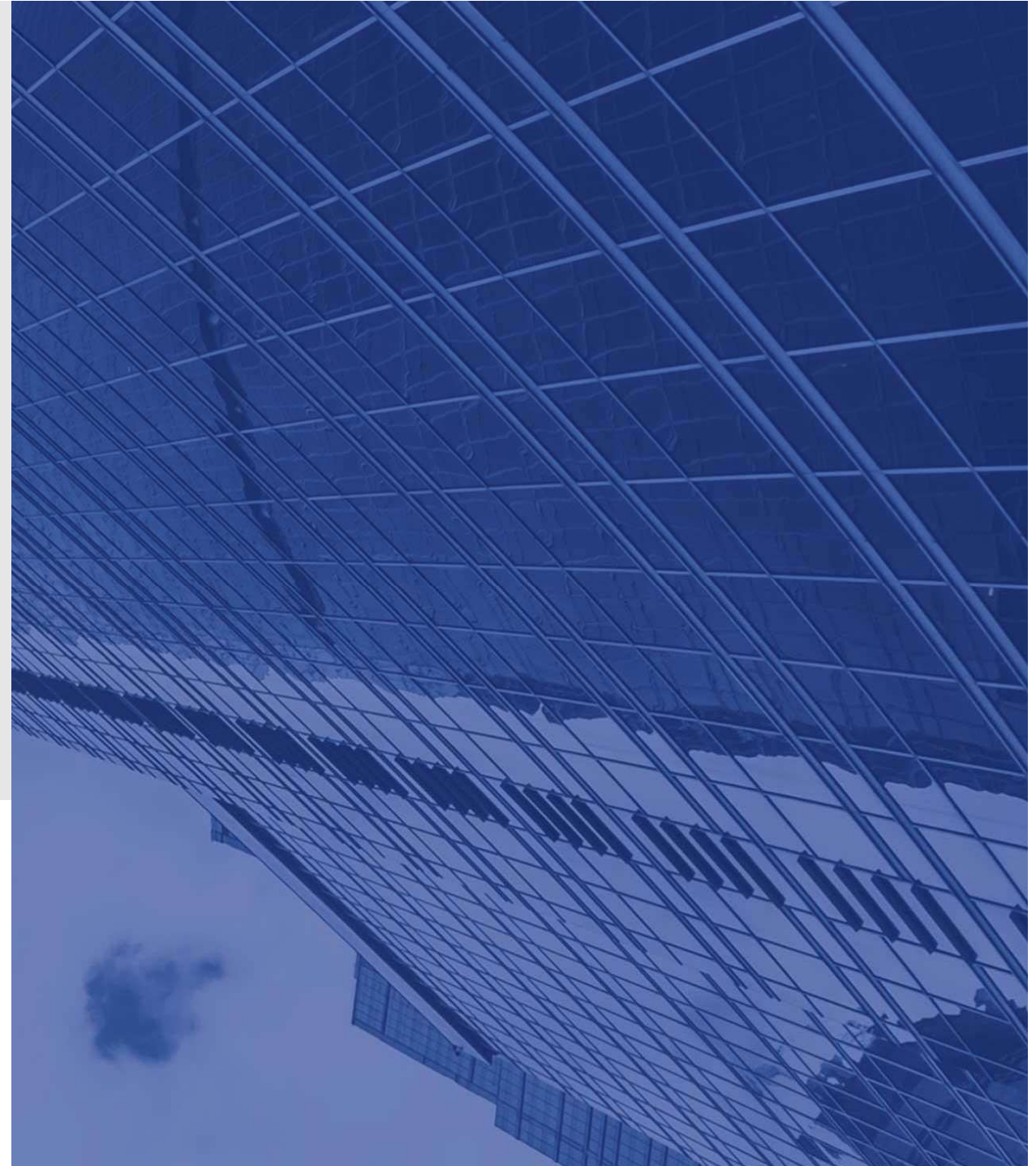


PURPOSE
FINANCIAL



Shawn Clarke

Chief Financial Officer



Q2 2023: Continued Strong Financial Performance

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Balance Sheet

	At April 30			
	2023	2022	YoY Change	Sequential Change
Total Assets	\$3.73 B	\$2.69 B	39%	6%
Loan Portfolio	\$3.42 B	\$2.45 B	40%	6%
Cash and Securities	\$0.26 B	\$0.20 B	33%	5%
Book Value per Common Share	\$13.19	\$11.94	10%	3%
CET1 Ratio	11.21%	13.66%	-245bps	2bps
Leverage Ratio	8.83%	11.63%	-280bps	-38bps

- Total loan portfolio expanded to another record balance
- Book Value per Share increased a function of higher retained earnings (from net income growth), partially offset by dividends paid
- Book Value Per Share benefitted from lower number of shares due to buyback program

Both CET1 and leverage ratios remain well above targets

Q2 2023: Continued Strong Financial Performance Consolidated

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Consolidated Income Statement

	3 Months Ended April 30			
	2023	2022	YoY Change	Sequential Change
Revenue	26,685	18,635	43%	3%
Net Income	10,263	4,943	108%	9%
Earnings Per Share	0.38	0.17	124%	12%

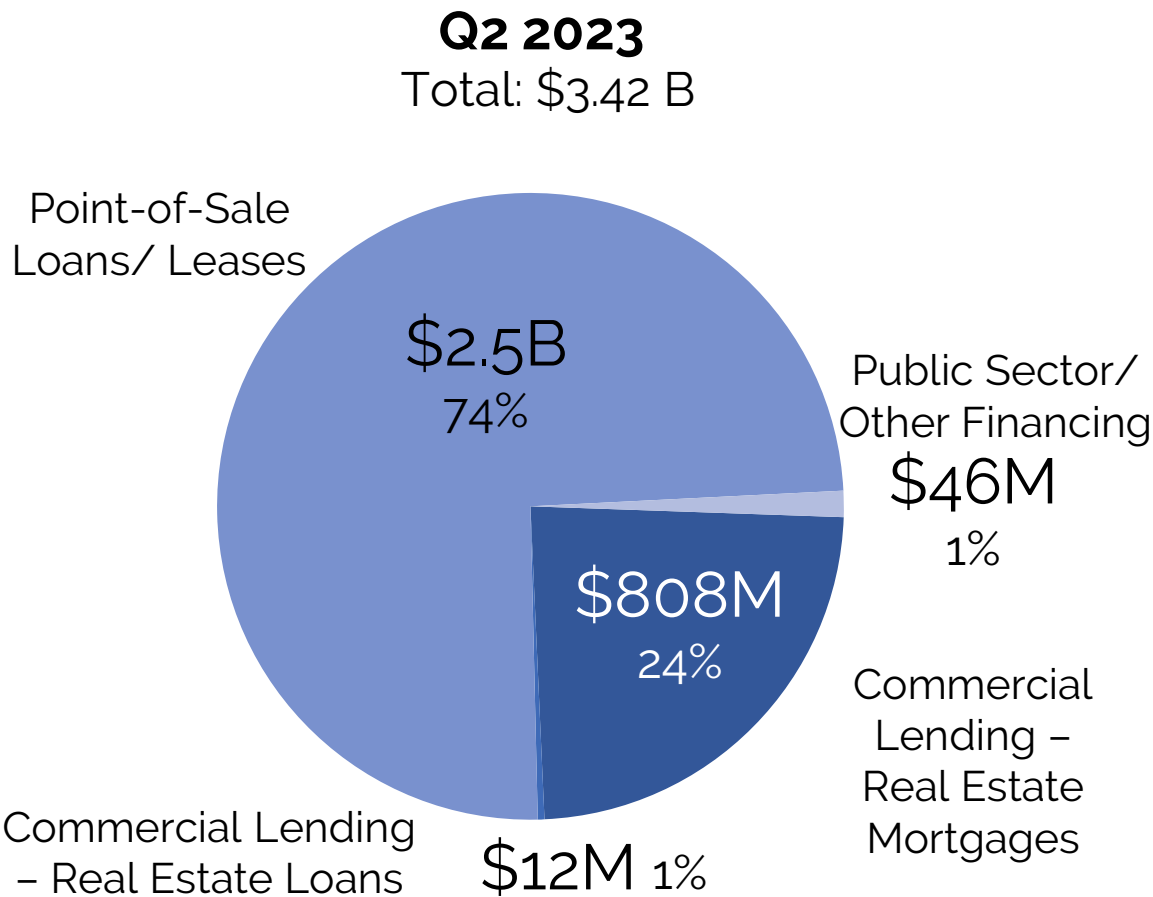
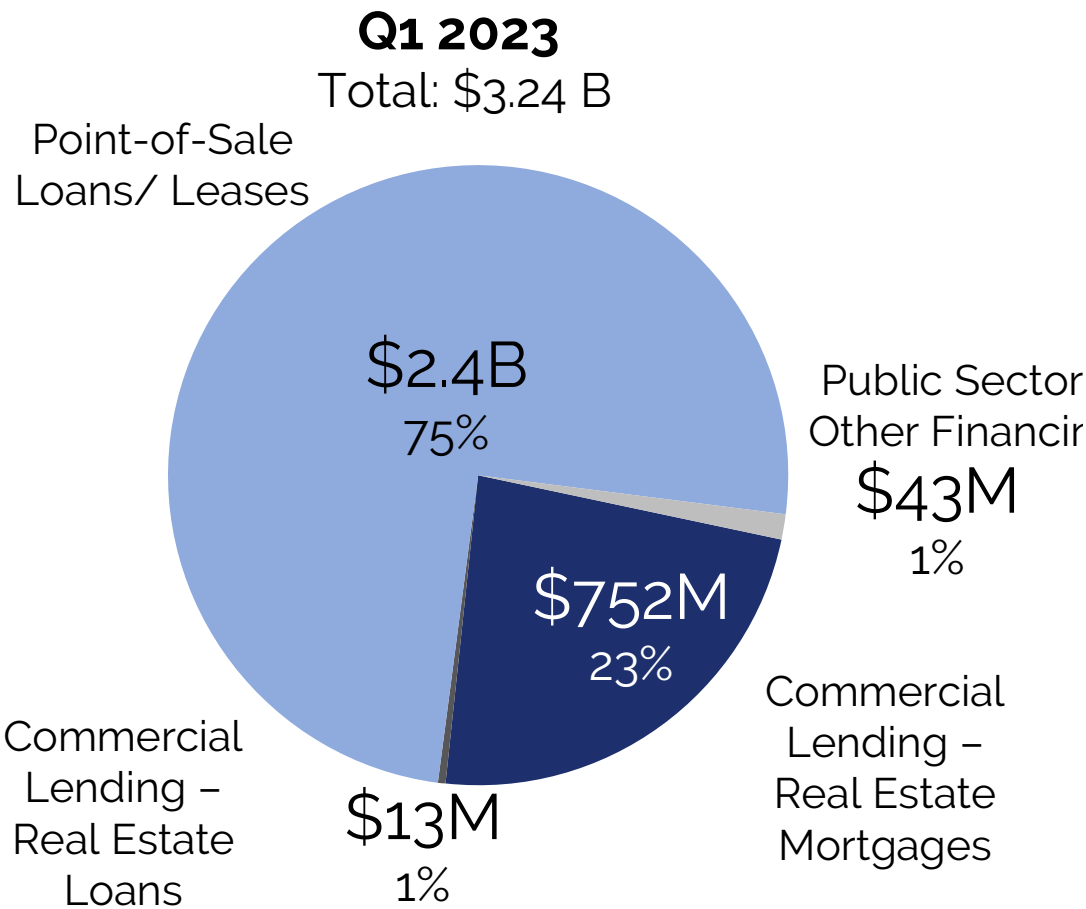
- Revenue growth driven by higher net interest income from Digital Banking operations resulting from strong loan portfolio growth
- Revenue also benefitted from higher contribution of DRT Cyber
- EPS benefitted from lower number of shares due to buyback program

Another quarter of record revenue, net income and EPS¹

1. Record Net income excludes the first quarter 2017 which benefitted from the recognition of \$8.8 million in deferred income tax assets derived from the tax loss carry- forwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. on January 31, 2017

Q2 2023: Continued Strong Financial Performance

Digital Banking Operations – Record Loan Portfolio: \$3.42 B



Point-of-Sale Portfolio: Up 58% YoY & up 5% sequentially
Commercial Real Estate Portfolio: Up 4% YoY & up 7% sequentially

Q2 2023: Continued Strong Financial Performance

Digital Banking Operations

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Digital Banking Operations: Income Statement

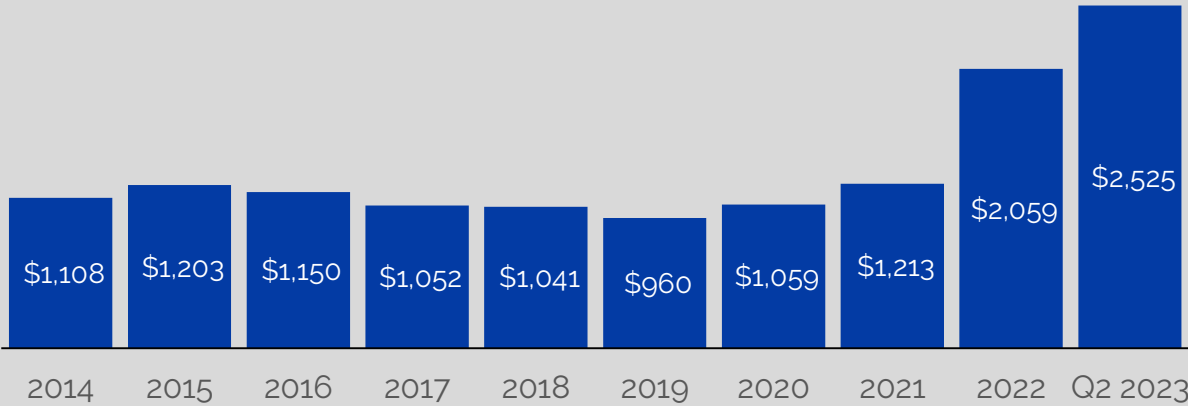
	3 Months Ended April 30			
	2023	2022	YoY Change	Seq Change
Cost of Funds	3.27%	1.38%	189 bps	32 bps
Non-Interest Expenses	12.7	11.8	8%	3%
Net Interest Income	24.6	17.2	43%	1%
Net Interest Margin on Loans	2.99%	3.11%	-12 bps	-4 bps
Net Interest Margin	2.78%	2.77%	1 bps	-5 bps

- YoY increase in non-interest expense due mainly to higher salary and benefits costs related to increased staffing levels to support expanded revenue-generating business
- YoY decrease in net interest margin on loans due mainly to shift in deposit mix and rising interest rates, as well as the significant growth in Point-of-Sale portfolio

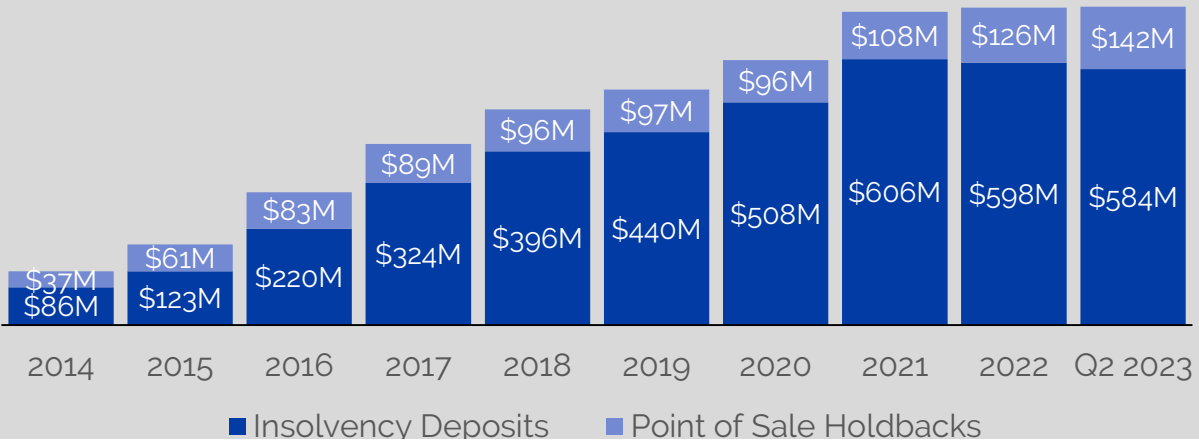
- Q2 2023 cost of funds: 3.27%**
- Increased 189 bps (137%) vs Q2 2022
 - Increased 32 bps (11%) vs Q1 2023

Increase in cost of funds significantly less than Bank of Canada increases in benchmark rate of 425 bps since the beginning of fiscal 2021

Wealth Management (Personal Deposits)

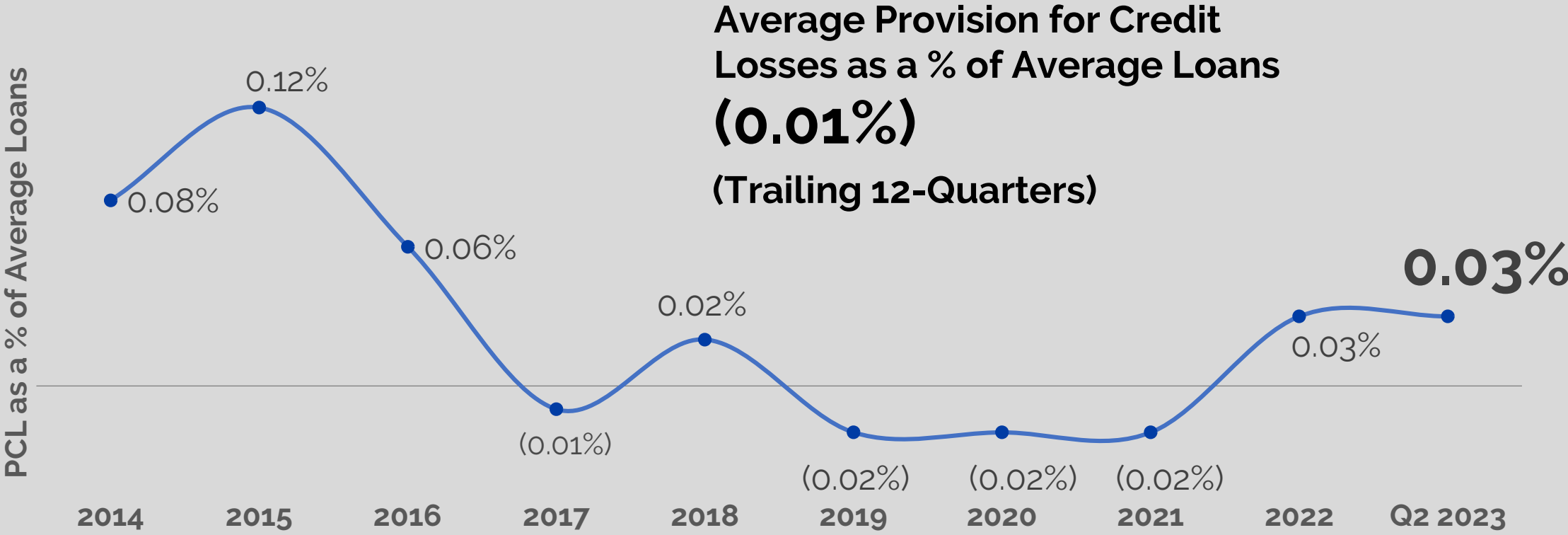


Commercial Deposits



Top Tier Asset Quality & Prudent Approach to Risk Mitigation

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Q2 2023: Continued Strong Financial Performance

DRTC

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Cybersecurity Services (DBG): Income Statement

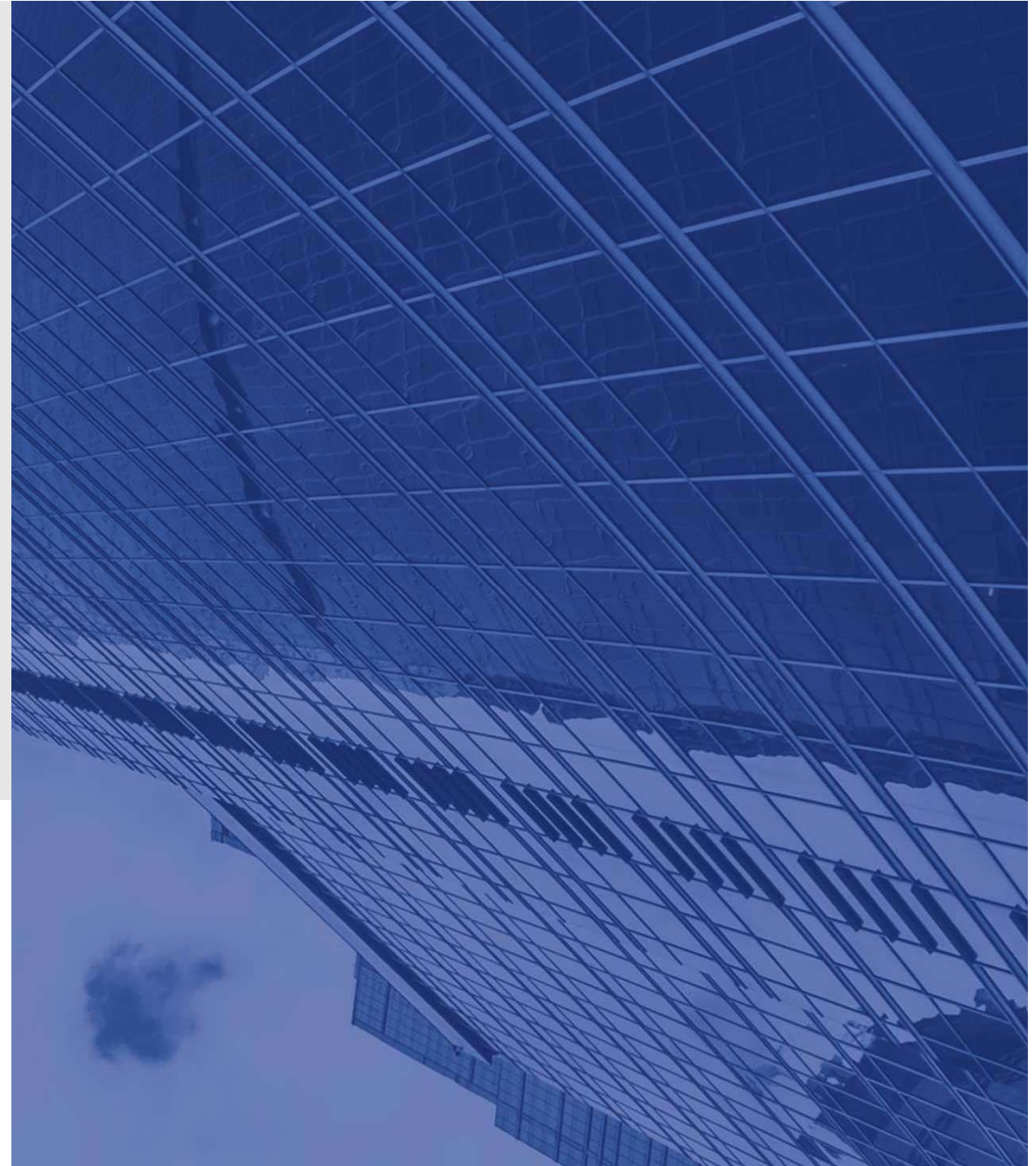
	3 Months Ended April 30			
	2023	2022	YoY Change	Seq Change
Revenue	2.6	2.4	5%	11%
Gross Profit	1.9	1.4	35%	17%

- Revenue increase for DBG YoY and sequentially a function of higher engagements in Q2/23
- YoY increase in gross profit for DBG driven primarily by improved operational efficiency

Cybersecurity Services component of DRTC (DBG) remains profitable

David Taylor

President &
Chief Executive Officer



Deposits: Unlimited Low-Cost, Partner-Based Sources

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>220 Partners Provide Access to Millions of Depositors

Insolvency Professionals (>100 Offices)

- Proprietary, high-value add, technology-based solution
- Grown from 0 to >100 partners & \$584M in deposits in ~8 years



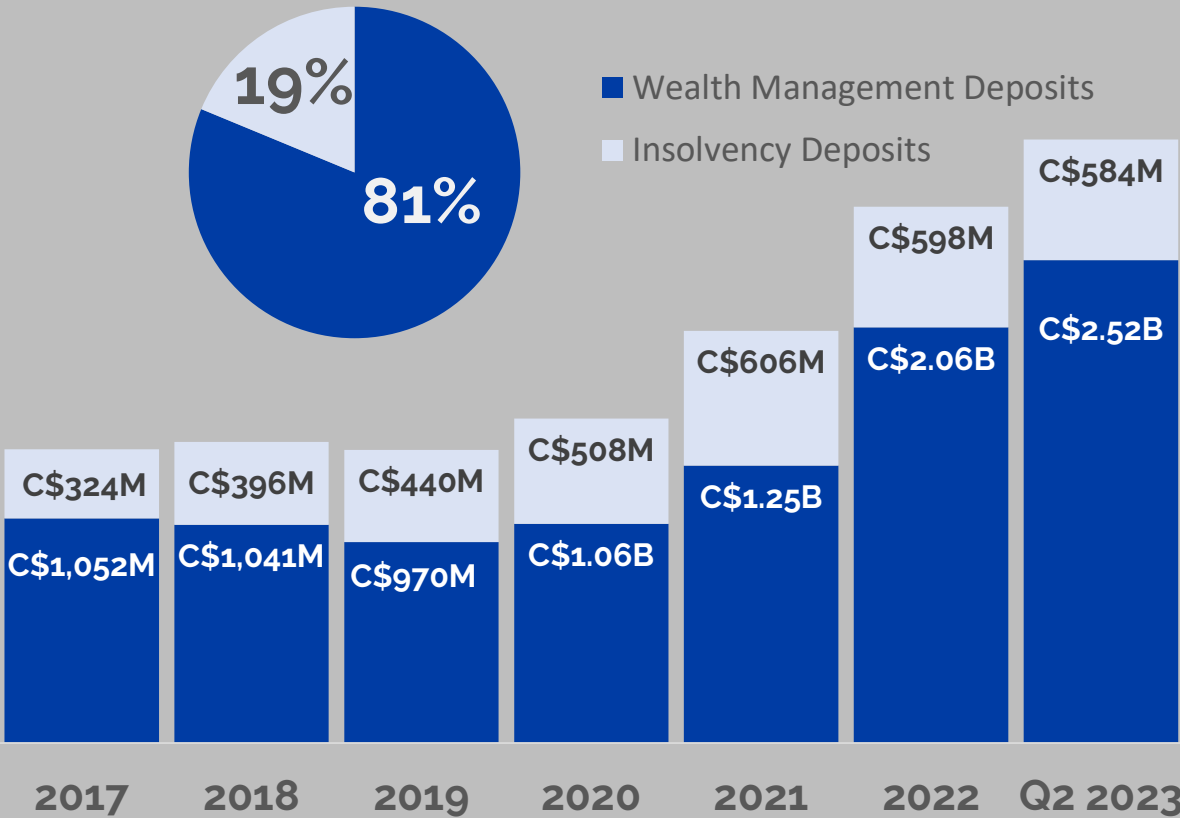
Wealth Management (>120 Partners)

- Extensive network of providing exposure to vast majority of Canadian depositors
- Competitively positioned for inexpensive deposits as a federally licensed bank

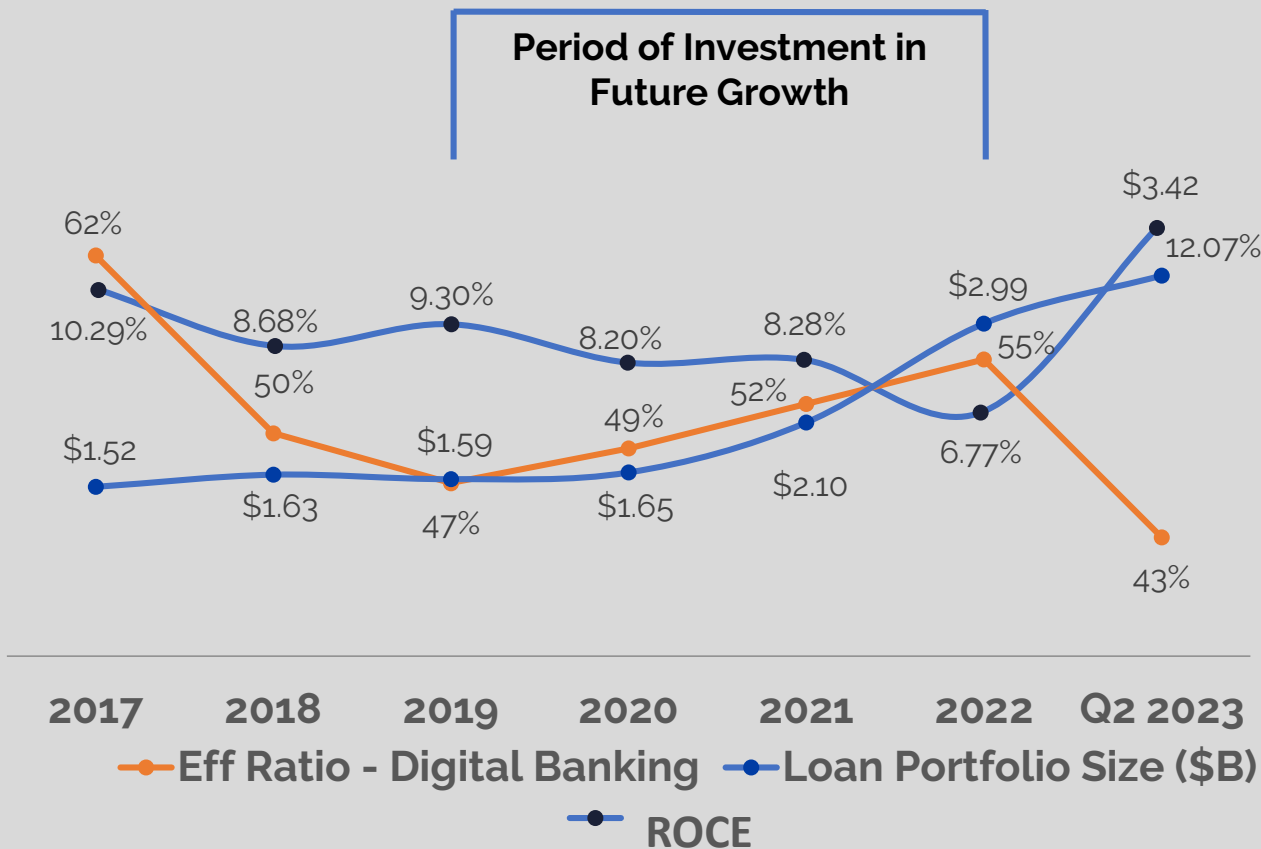


- Objective to minimize cost of deposit funding
- All Wealth Management deposits are term deposits
- Very “sticky” deposit base

Deposit Composition (Q2 2023)



Capitalizing on the Significant Operating Leverage in Our Core Digital Banking Operations



Near-Term Targets

Loan Portfolio Size

>\$4B

>\$5B

Efficiency Ratio

<42%

<35%

ROCE

>14%

>20%



VersaBank

Choice Through Innovation

Q&A Session

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Our Time Has Arrived!



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