FINAL TRANSCRIPT

VersaBank

Fourth Quarter 2020 Financial Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to VersaBank's Fourth Quarter 2020 Financial Results Conference Call. This morning, VersaBank issued a news release reporting its financial results for the fourth quarter and year ended October 31, 2020. 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.

Please note, in addition to the telephone dial in, VersaBank is webcasting its earnings conference call live over the Internet. The webcast is listen-only. 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 conference call by telephone, the accompanying slide presentation will be 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 completion of the call. Details on how to access the replays are available in this morning's news release.

I would now like to remind you, our listeners, that the statement 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, which is on slide three.

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 Taylor — President & Chief Executive Officer, VersaBank

Thank you, Colin. Good morning and thank you, everyone, for joining us today. With me once again via teleconference, as we continue to work remotely, are Shawn Clarke, our Chief Financial Officer; Aly Lalani, Chief Risk Officer; and Brent Hodge, General Counsel and Corporate Secretary.

As noted last quarter, as a digital bank, the ability of substantially all the Bank's staff to work remotely has meant that various restrictions imposed as a result of the pandemic have had virtually no impact on our operational efficiency. In fact, the Bank is thriving in this particular environment. The past few months have given us even greater confidence in our growth prospects for 2021 and, as I will discuss later, the profitability and new growth opportunities created by our acquisition of Digital Boundary Group only amplify this further.

As expected, the fourth quarter of 2020 benefitted from our continuing redeployment of cash into interest-earning loans across our lending business following our decision during the second quarter of this year to temporarily increase our cash balance early in the COVID-19 pandemic out of an abundance of caution. As a result, we achieved strong quarter-over-quarter improvements in all key financial and operational metrics, driven by our continued success in leveraging our proprietary technology to offer innovative solutions that address unmet needs in the banking sector.

Net interest margin for Q4 was 2.82%, down from 3.04% in Q3 last year but a 29 basis point increase over Q3 and moving solidly back toward the pre-pandemic levels. The decrease compared to Q4 last year is of course the higher cash balances in Q4 of this year. Even after these dampened levels, we continue to lead the Canadian banking sector in net interest margin while maintaining a very low-risk loan profile, as was once again evidenced by our provision for credit losses, which I will discuss in a moment.

As I did last quarter, I will provide the perspective that, if we had maintained our cash balances at our historical levels, net interest would have been higher by approximately 25 basis points or around 315 basis points, which is reflective of the underlying strength of our model. For the year, net interest margin was 290 basis points, down slightly from 300 basis points in 2019.

Net income for Q4 was $4.7 million or $0.20 per share, again up from $4.4 million or $0.18 per share in Q3 but down from $5.4 million or $0.20 in Q4 last year. Core cash earnings, or CCE, improved to $6.5 million or $0.31 per share compared to $6 million or $0.29 per share in the previous quarter but down from $7.4 million or $0.36 per share for the same quarter last year.

Looking at profitability for the entire year period, both net income and core cash earnings for 2020 were down just 4% compared to 2019. And I will note that all our earnings measures for both the fourth quarter and the year were impacted by higher staff expenses, including costs related to full-time employees to support our growth initiatives and higher vacation expense accruals resulting principally from employees taking less vacation time as a result of the pandemic.

Looking at our overall performance, we view this as a very favourable result given the uncertainty with which we viewed the outlook for the remainder of 2020 back in March and April. We always act with prudence and focus on keeping risk low. It is in our DNA. And you will recall that, early on, out of an abundance of caution, we made the conscious decision to increase our cash position amidst this uncertain outlook. It turns out that this was not only good for the Bank's health in isolation but, in doing so, we have emerged much stronger than many of our competitors, and that has significantly strengthened the competitive position of our lending business, creating more opportunity at greater terms and positioning us for an even better 2021 than we would have envisioned pre-pandemic.

You can see here on our balance sheet that we ended 2020 with total assets of $1.94 billion, up 9% compared to $1.79 billion at the end of 2019. Cash at the end of the fourth quarter was $258 million, down significantly from $354 million at the end of Q3 and from $340 million at the end of Q2 with a peak of more than $400 million, including securities, in Q3. That number sits still lower today as we continue to deploy cash across both our Point-of-Sale and commercial loan portfolios. Book value per share increased 7% to $10.70 and each of our CET1 leverage ratios also increased year over year.

The credit quality of our loan portfolio remains very strong with a significant recovery of credit losses during the quarter, as the low-risk nature of our business model once again proved itself out. For Q4 we recorded a recovery of credit losses of nearly $600,000, taking the Bank's provision for credit losses as a proportion of average loans for the fourth quarter down to negative 0.14%. This continues to compare very favourably with our Canadian big bank peers, further underscoring our ability to generate superior net interest margins with mitigated risk.

We are in the midst of one of the most challenging economic environments for many parts of the economy in recent memory since the Great Depression, and we'll still have no loan losses and just a single request for a deferral. This is both of the risk mitigation built into our business results, such as our cash holdbacks and our Point-of-Sale business, which continue to be at around four times what we view to be the intrinsic risk associated with the portfolio, and also the benefit of the ultra low cost of funds, which allows us to achieve higher net interest margins with lower-risk loans.

I just mentioned the critical role that our ultra low cost of funds plays in our ability to generate superior net interest margins with low risk and I'm pleased to report we saw yet another quarter of decline in our cost of funds, both year on year and sequentially, to 1.51%, our lowest result in the last six years. The decline both sequentially and year on year was again driven by the further expansion of our very low interest paying insolvency professional deposits still at 0%, which increased 14% year over year. This is especially noteworthy given that bankruptcies in Canada saw a precipitous decline in the back half of 2020 due to government COVID relief. Even with the steady declines throughout 2020, we continue to expect to see our cost of funds further decline over the quarters to come as we continue to expand the size of the insolvency professional deposit base.

Turning to the lending side of the business, the composition of the lending portfolio has shifted significantly since the end of Q3. As noted earlier, our cash balance at the end of Q4 was down significantly with the difference having been redeployed to our Point-of-Sale and commercial banking loan portfolios that resulted in an increase of our total loan portfolio from Q3, up 7% to $1.65 billion. Our Point-of-Sale portfolio increased to $981 million from Q3, primarily the result of the initial financing for our new partner, Simply Green Financial. But we also saw continued robust consumer spending activity in certain sectors in Q4 driving increased Point-of-Sale origination activity and momentum in that origination activity has continued into Q1. At $981 million, Point-of-Sale finished the year down just 1.4% from the end of 2019, a very satisfying outcome given what the economy has been through in 2020.

In our commercial banking portfolio we saw a continuation of the renewed activity around residential construction in communities outside the GTA that I mentioned last quarter. That drove expansion of the commercial banking portfolio to $669 million from $634 million at the end of Q3 and $595 million at the end of 2019. That momentum has accelerated in the first part of Q1 as we take advantage of a strengthened competitive position as some of our competitors for these loans have had to retrench due to financial challenges. You will recall that last year at this time we began slowing down our lending in this part of our portfolio out of a concern that the market was getting a little overheated. I subscribe to the theory that bad loans are made in good times. We avoided that pitfall and are now reaping the rewards.

2020 was a very good year for VersaBank. We easily navigated a very challenging economic environment as a result of our prudence and risk mitigation built into our model. We chose to forego some earnings in the short term to ensure the short-term health of our business while positioning the bank for a return to outsized growth in 2021 and a stronger future outlook for years to come. 2020 was a significant year in this regard. We added multiple new ultra low cost deposit partners and expanded business with existing partners to continue to drive our cost of funding lower and generate superior net interest margins with mitigated risk, added a major new partner in our Point-of-Sale business in Simply Group Financial, and we reengaged our public sector finance lending channel.

We also launched a third lending channel, Instant Mortgage, to leverage our Point-of-Sale technology in pursuit of the $200 billion-plus Canadian home financing market. We hired an industry veteran in Jim Gardiner as Product Champion to drive its success and we are well down the road with beta testing with multiple groups with a potential to start taking on loans as early as this calendar year. As of this morning, 2021 looks even more exciting for the Bank and its shareholders with the announcement of DRT Cyber's acquisition of Digital Boundary Group.

We formed DRT Cyber back in 2019 to crystallize the value inherent in our technological capabilities that we developed within the Bank on an ongoing basis to support our own IT security needs. We are leaders in the Canadian banking industry in this regard. We launched our first DRT offering, VersaVault, a couple of years ago. VersaVault is designed to keep all manners of digital assets safe, including cryptocurrency, key securities, and highly-sensitive documents. From inception, I have viewed DRT as a platform not only to mitigate the Bank's cyber security risk exposure, but also enables us to provide a comprehensive suite of innovative cyber security solutions that address high demand, underserved segments of this rapidly growing market, a market that is estimated to grow in excess of $130 billion in the next few years.

The acquisition of Digital Boundary Group significantly advances our strategy for DRT Cyber. DBG is one of North America's premier IT security assurance services firms, providing a suite of services to corporate and government clients that include some of Canada's largest retailers and financial service providers to Canadian and US police service organizations, SCADA system reliant energy, public utilities, infrastructure firms and, importantly, DBG is growing rapidly and profitably so that, when completed, the acquisition will be immediately accretive to VersaBank's earnings, in the range of approximately $0.08 per share annually based on the last 12 months performance for which the purchase price has been established as approximately $10 million in cash. The founding management that has driven the success of DBG will remain on board.

So what does this mean for the future of DRT? To start, DBG in and of itself has significant growth prospects in its current business. The acquisition is attractive based on the opportunity alone, but the real power of the acquisition is in the revenue synergies as DRT launches complementary offerings and capitalizes on revenue synergy opportunities.

And with that, I'd like to open the call to questions. Colin?

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by one on your touchtone phone. You will hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press star followed by two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment for your first question.

Okay, so your first question comes from Stephen Boland from Raymond James. Stephen, please go ahead.

Stephen Boland — Analyst, Raymond James

Good morning, guys. Hope you are doing well. Two questions. David, maybe you could just talk about commercial banking. We've seen decline in the portfolio over the last couple quarters, so what changed in terms of the growth again? Is it just pent-up COVID demand? Was it some competitors leaving the square? Or just favourable pricing? Maybe you could just talk about the conditions.

David Taylor — President & Chief Executive Officer, VersaBank

Certainly. Steve, as you know, leading into the pandemic we were quite concerned about the major centres markets being somewhat overheated, so for, well, about two years, we were backing off on lending in those markets. And what was driving it was a lot of competition, low pricing, some of our competitors weren't asking for the type of security that we thought was appropriate. It was the typical overheated market and so we were backing off and you saw the portfolio continue to decline quarter over quarter.

Now, coming out of the pandemic, what we're seeing is a lot less competition. Those aggressive competitors don't seem to be active anymore, and we can guess why, what I said earlier about bad loans being made in good times. So a lot less competition than we saw before, which has given us the opportunity to price appropriately and take what we think is the appropriate security. And there's been a resurgence in the construction of homes in the outlying areas from the major centres, quite a resurgence. So, in our neck of the woods here, Kitchener, Waterloo, Cambridge, Guelph, Stratford, Paris, Brantford, I mean all these places have got home projects underway and, thankfully, we are providing a lot of that financing. So it's a good time for us in this business. In fact, our lenders would say they've never been busier. Good customers, providing a good product that people are demanding, and decent pricing and the appropriate security.

Stephen Boland — Analyst, Raymond James

Okay. That's good to know. And maybe just the second question on Digital Boundary Group, and I think you said $0.08 accretive. Did I have that correct, that number?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah. Based on their last 12 months earnings, that's approximately the number that it would translate to. Hopefully, of course, we've got synergies and the business continues to grow, but just looking back at their past 12 months of earnings, that's the number I came up with.

Stephen Boland — Analyst, Raymond James

Okay. So maybe I'll just (inaudible) this, I'm not sure how you can answer, because it relates to the regulator. I mean many years ago you formed Discovery Air out of a loan and I believe at the time it became somewhat material to the earnings of the Bank that the regulator wanted you to get it off the books. Is this business, you know, imminently related to the Bank business that, you know, you're not going to get pressured from a regulator to maybe remove this from the balance sheet of the Bank or as a subsidiary? I'm just wondering what your thoughts are there.

David Taylor — President & Chief Executive Officer, VersaBank

Well, certainly this business is certainly important to the security of the Bank in itself. We think any bank should be investing in cyber security. I think it behooves any CEO of any bank to want to bolster its cyber security. We're operating in a hostile cyber security environment, and the investment that we've made in DBG, of course, is very important for the Bank's own cyber security, but there is additional capacity, of course, to provide cyber security to other banks and to corporations. So, first and foremost, it just bolsters our own cyber security, but it does producing additional cash flow for the bank.

It's hard to say what an individual regulator would say. At that time, we faced a change in guard in the regulatory world. We had one superintendent who was very much in favour of the Discovery Air company that we created and then afterwards we had another regulator that didn't like it at all. This is a lot different. This isn't a Canadian military business. Discovery Air was providing aerial dog-fighting skills to NATO forces in Canada, which we think was very important for Canadians, but this one is really integral into what a bank needs to have to stay safe in this world, so I wouldn't expect regulators to worry about it. In fact, I think our big bank colleagues are deeply invested in this area too, as they should be. So I don't see it the same way, but if it was, you know, we could do what we've done before, start spinning companies off.

Stephen Boland — Analyst, Raymond James

Okay. That's a good comment. And, sorry, maybe you mentioned VersaVault. Can you just provide, ah, maybe you did provide an update, I'm sorry if I missed it, just where they are in customers and revenue, things of that sort?

David Taylor — President & Chief Executive Officer, VersaBank

Well, the customer that we announced some time ago was Chairmans Financial operating in Europe and they've utilized the VersaVault to a certain extent. We expect VersaVault will be used a lot more in North America, particularly in conjunction with the other product offerings that DRT is working on and the DBG acquisition.

It's designed to keep sensitive documents away from prying hands, prying eyes, and, as we know, we're in a world where there's a lot of prying eyes. So it'll keep cryptocurrency keys safe, but it also keeps sensitive documents safe and security documents. So I see a big role for VersaVault and I now note that others are coming out with similar offerings. So, while we were maybe a little bit ahead of our time being the first to offer digital vault, now there's other with digital vaults too. Maybe not quite as good as ours, in my own personal opinion, but at least they're out there. So I think people are getting used to the idea that this is a good place to put your digital assets.

Say you have, for example, the plans to a new fighter plane, just to use maybe a military example, somewhere in the world, and you really want to keep it away from others. We think our vault is the right place. So I think it's going to be as part of a comprehensive product offering for DRT Cyber. I think it's going to be a very important component.

Stephen Boland — Analyst, Raymond James

Okay. Thanks very much, Dave.

David Taylor — President & Chief Executive Officer, VersaBank

Thank you, Steve.

Operator

Your next question comes from Greg MacDonald from LodeRock Research. Greg, please go ahead.

Greg MacDonald — Analyst, LodeRock Research

Thank you. Good morning, guys. Can you hear me all right?

David Taylor — President & Chief Executive Officer, VersaBank

Sure can, Greg.

Greg MacDonald — Analyst, LodeRock Research

So I wanted to ask a few questions, first on the loan growth opportunity as you go into the first part of 2021, and specifically wanted to zero in on Point-of-Sale growth opportunities. I think of this business's growth opportunities as kind of three buckets. One is adding new partners, the second is kind of organic growth for the industry, so what you get from existing partners, and then there's the Instant Mortgage app opportunity. How do we think about those three buckets as we go into the early part of 2021? Is one or two of those going to be driving more than the others? Should we be thinking of them as all kind of representing equal opportunities for growth? Give us a sense of how we think about those buckets.

And then I suspect you don’t want us to be thinking of 7% sequential growth opportunities each quarter as being kind of what we should expect. Could you talk a little bit about what our expectations are for overall growth? It was a pretty strong quarter in the 4Q, so how are you thinking about 2021 as we enter the first quarter?

David Taylor — President & Chief Executive Officer, VersaBank

Good questions, Greg. Thanks. So, with respect to the three drivers for growth for the Point-of-Sale program, adding new partners, well, we expect we’ll add a few more new partners throughout the year. That wouldn’t be a significant driver, I think, in the course of 2021 and it takes new partners some time to be integrated into the system and to start providing us with Point-of-Sale loans.

The Instant Mortgage is in sort of its infant stages and, yes, we’re having good discussions with various people about utilizing it and we have one partner in particular that’s been working very hard on integrating it into their program, so it’ll provide some growth. But organic growth is, at this point, tremendous. We’ve seen a huge resurgence in organic growth with our existing partner network. And it’s so much that I hesitate to say what it’s going to be going forward, but let’s say our guys have never seen that kind of organic growth in our history, so it may very well be that 7% per quarter is the norm, or maybe more. We’re well established in this market and we worked as best we could with our partners to ensure their viability during this tough time and I think that’s very much appreciated. And we have tons of capacity. So all those things added up kind of make the tick next to organic growth versus the other components that will add to growth, but nothing like organic.

Greg MacDonald — Analyst, LodeRock Research

Okay. So, maybe a point of clarification there. A lot of us have been wondering, ah, we look at numbers like auto sales as a good leading indicator here and we wonder how much of the 3Q, 4Q, I'm talking calendar year, growth that we've seen in indicators like that was a result of pent-up demand, i.e. people not spending money they would have spent in the 2Q as COVID hit, versus what might be more kind of structural changes, i.e. people are moving outside of cities and not wanting to take transit and therefore there's some continuation on this. It sounds to me like you're hearing or seeing evidence that there's no slow down, i.e. maybe it's not so much a pent-up demand issue, maybe this is more structural. Is that the right way to think about it?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah. And also our competitors are not sort of front line and centre within our partners now. We spent a lot of time working with our partners to ensure they would stay viable during the tough, tough times and that's enhanced the relationships, so we're seeing a lot more business and maybe our competitors are seeing a lot less. And we have a lot of capacity. So it may be that the market is showing some pent-up demand, but the reason we are so bullish on our growth is that our existing partners are sending us a lot of deals, ah, fast and furious, and I think we're seeing a lot more than our competitors are.

Greg MacDonald — Analyst, LodeRock Research

Okay. That's helpful. Second question on the opportunity for insolvency deposit growth. This is interesting. You noted in your press release that a lot of these companies and face-to-face businesses may be practically insolvent but not technically insolvent due to some of the government funding structures out there. And I’m hearing that as well when I talk to some of these insolvency guys. What are you hearing most recently from some of these partners? And I’m thinking in terms of the number that you put up, the 14% year-over-year growth in this deposit base. Is it possible you could see numbers bigger than that? Is that something that you expect?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah, I expect we’ll see way bigger numbers. And the reason being is the 14% growth was just a function of us adding more partners. So, in fact, the occurrence of insolvencies was much, much less with the COVID relief helping retail folks out in the tough time, but alot are on the edge. And we tend to cater to the retail insolvencies. Our software makes it very efficient for insolvency professionals to deal with retail and small retail insolvencies.

As you know, there’s been a huge decline in retail insolvencies, but everybody believes, what did the Globe and Mail say, a tsunami of retail insolvencies coming our way. So that just bodes well for, I hate to say it positively in that it means a lot of suffering for individuals, but it means that our deposits from the insolvency practices due to retail insolvencies will likely increase dramatically.

Greg MacDonald — Analyst, LodeRock Research

And then are the partners suggesting that’s more of a second half 2021 event just as a result of kind of the profile of government subsidies?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah, I would think so. I'm just guessing that our government will try to dampen the effect of the tsunami by helping out maybe a bit more with relief, but it's inevitable. I mean this COVID pandemic has created havoc in our economy, it's put a lot of people in terrible spots and, unfortunately, there'll be a lot more insolvencies. Probably deeper into 2021, but you'll see our deposits just keep right on growing. Like I say, we're up 14% with a decline in insolvencies just by adding partners.

Our software works really well for insolvency practices and we have partnerships with the two leading administrative software packages in the industry, so, firstly, access to close to 100% of the insolvency practices operating in Canada, so we're in a very good spot there. And we're pleased that we can provide this efficient software package for these folks and it makes their life easier, but we're not pleased that there's going to be so many insolvencies in that that means a lot of hardship for people. But that, you know, it's just a service we provide and it would probably mean a lot more deposits.

Greg MacDonald — Analyst, LodeRock Research

Okay. And then just one more quick thing and I'll pass it on to others in the queue. On the DRT acquisition, you've mentioned in the past the potential for acquisitions to kind of fill out the product suite of the DRT business that you have in mind. Where do we stand right now? Are there more products that you need? Should we expect more tuck-in type acquisitions like this? Or does this acquisition largely fill out what you need to really see this business out to fruition?

David Taylor — President & Chief Executive Officer, VersaBank

It largely fills it out; although there are partnerships we presently have with neat businesses that round out the project offering. Maybe there's an acquisition in the cards there, maybe not, but the partnership relationship works very well too.

So presently, from a functional point of view, with DBG added to the mix, we think we have a comprehensive suite to offer to another bank or a corporation to keep them safe. We'll do the assessment, we'll ensure that we identify any vulnerabilities they might have, we have solutions to cover up those vulnerabilities, and we have the capability of providing ongoing surveillance so that they can be sort of somewhat comforted to know that big brother is keeping an eye on their systems as they evolve and change and as the hostile cyber world changes.

So we think we have a first-class offering and we think it's a hugely growing market. We know we banks, banks think about it all day long, us being a tiny sort of sample of the banking industry in the world. If you're not thinking about it, you really should start thinking about it very, very soon.

Greg MacDonald — Analyst, LodeRock Research

Right. And just you mentioned that DBG, one of the client bases they have is US police services. A lot of us kind of simpletons in the investment world think of, you know, companies like cyber security companies having customers like that means that they've gone through quite a fact checking and process to be able to offer services like that to US governmental organizations. Can we assume that that's a very positive indicator? That it means you're kind of green lit to do business with other US government agencies, et cetera?

David Taylor — President & Chief Executive Officer, VersaBank

Oh, absolutely. Absolutely. You have to be first class checked out to be able to provide those type of services. We were, when we formed that company, Discovery Air, that Steve Boland referred to, we provided these NATO forces with aerial dog-fighting and other trainings and we received US State Department approval for that in effect. I think at one time I was the CEO of the largest private fleet of jet fighters in the world. So we're in good stead that way. We've always catered to that industry and, you know, obviously, with foreign actors, there's a lot of need for first-class cyber security.

Greg MacDonald — Analyst, LodeRock Research

Great. Thanks for that, David, and congrats on the quarter.

David Taylor — President & Chief Executive Officer, VersaBank

Oh, thank you. Good questions, Greg.

Operator

One moment here for your next question. Okay, so this question comes from online actually. So the question is: What will be unique about Instant Mortgage that it will be a key selling point of the solution?

David Taylor — President & Chief Executive Officer, VersaBank

Well, that's a good question, and what we're selling with the Instant Mortgage is ease of operation or ease of acquiring a mortgage. We've designed it to be extremely user friendly and to be available at the point of sale. So, say you're a new Canadian and a bit bewildered about where you go to get a mortgage, you'll find that it's available at the point of sale and the salesperson will help you with the app, they'll press the button, and very quickly it'll come back with an approval so that you can pursue purchasing a home.

So it's all about the ease of access as opposed to going down to your local bank branch and finding out where that might be and making an appointment and all those things. This will be done right at the point of sale, just as the other point-of-sale industries that we support. Say if you want to buy a motorcycle or a hot tub or something for your house or a new car, we provide convenience through our partners to get financing rapidly so you can get on with the purchase process.

Operator

Your next question comes from Peter Leacock from CIBC Wood Gundy. Peter, please go ahead.

Peter Leacock — Analyst, CIBC Wood Gundy

Thank you. Good morning, David.

David Taylor — President & Chief Executive Officer, VersaBank

Good morning, Peter. You're up early.

Peter Leacock — Analyst, CIBC Wood Gundy

I am up early. First of all, congratulations on the quarter and otherwise a terrific year. I mean I think you were faced with, as everybody has been, with very challenging conditions, but I can't imagine you and your team having done a better job, so congratulations on that.

David Taylor — President & Chief Executive Officer, VersaBank

Thank you, Peter.

Peter Leacock — Analyst, CIBC Wood Gundy

I just was wondering if you could provide a little more information on Digital Boundary Group in terms of how that came up on your radar. I see that they also look to be based in London, Ontario. Did you know of them or how did the opportunity appear for you?

David Taylor — President & Chief Executive Officer, VersaBank

Well, you've done your homework. Yes indeed, Digital Boundary Group's head office is in London, Ontario. And that was very fortunate. I met with John Millar, one of the principals of Digital Boundary Group, some time ago. Well, before COVID happened, we were able to have properly gentlemanly lunches to discuss the possibility of a partnership with DRT Cyber. And then as we got to know DBG's capabilities we were super impressed with the wonderful work they've been able to do over the last 20 years, the customer base they've established and how well thought of they are in the industry. So it was a wonderful coincidence that they were located in London and, you know, despite the challenges that COVID's brought upon us, i.e. not meeting people in person, we were able to bring this deal finally to a conclusion. So, yeah, it was just happenstance that they were located in London, but once in a while you get some good fortune come your way.

Peter Leacock — Analyst, CIBC Wood Gundy

Okay. Thanks very much, David.

David Taylor — President & Chief Executive Officer, VersaBank

Thank you.

Operator

And we have another question that's coming from online. The question is: There was discussion of a potential acquisition of another FI in the last few calls. Is that still on the table or are your organic growth opportunities more attractive?

David Taylor — President & Chief Executive Officer, VersaBank

Well, that's a really good question and we have worked upon a number of potential FIs to acquire, we've done a lot of analysis, and there are some attractive ones out there that we think could be complementary to our business and, you know, the one and one would make three. But we are seeing massive organic growth now, to say the least. So we have to kind of weigh those opportunities up in that an acquisition does bring a quantum increase in assets and earnings, but we're growing so rapidly too that we might get there maybe just as fast just from the organic growth. But we're still pursuing them, we're looking at them, we're analyzing them, but this is a strange period of time where coming out of the COVID pandemic our bank, of course with no loan losses and not even a loan in arrears and lots and lots of capital and super systems, is kind of in a unique position to grow organically.

Operator

There are no further questions at this time. Please proceed.

David Taylor — President & Chief Executive Officer, VersaBank

Thank you, Colin, and thank you, everybody, for the really good questions. Should you want to engage me later on individually, I'm here at the VersaBank's Innovation Centre of Excellence, almost all by myself, I've got two cats that are hanging around that are getting awfully lonely with no staff, so I'm available to answer your questions individually, if you want to drop me an email, happy to engage. Thank you again. Over and out.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.