FINAL TRANSCRIPT

VersaBank

First Quarter Fiscal 2021 Financial Results

February 24, 2021 — 9:00 a.m. E.T.

Length: 47 minutes

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to VersaBank's First Quarter Fiscal 2021 Financial Results Conference Call. This morning, VersaBank issued a news release reporting its financial results for the first quarter and ended January 31, 2021. 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 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 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 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 statement about future events made on this call are forward-looking in nature and are based on certain assumptions and analysis made by VersaBank's 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 Taylor — President & Chief Executive Officer, VersaBank

Good morning, everyone, and thank you for joining us for today's call. With me once again by telephone conference, as we continue to work remotely, are Shawn Clarke, our Chief Financial Officer; Aly Lalani, Treasurer; and Brent Hodge, General Counsel and Corporate Secretary.

The first quarter was an outstanding start for 2021 for VersaBank, not only in terms of financial results but also in terms of what the first quarter means for our future trajectory. Our core digital banking operations delivered a number of record results and, notably, we delivered near-record net income, just a smidge behind our historic high, and that was mainly due to the fact that, even with the rapid redeployment of cash amidst the fastest growth in our history, our average cash balance during Q1 was still higher than pre-pandemic levels, following our cautionary stance at the beginning of the pandemic.

Q1 was also a landmark quarter in that includes the first financial contribution from Digital Boundary Group, the leading North American cybersecurity penetration testing operation that we acquired via our wholly owned Washington, DC-based subsidiary, DRT Cyber, in November. DBG is experiencing significant organic growth in its business and provides considerable additional opportunities as we start to leverage the business development and revenue synergies of DRT Cyber. I'll talk more about this in a few minutes.

On our last call, I talked about the significant momentum in our digital banking operations as the combination of our redeployment of cash and the high market demand for financing in certain sectors of the economy were driving record loan growth as we continued our lower cost of funds. As a result, in the first quarter we again saw very strong sequential growth across all our key financial metrics and year-over-year growth in most.

Net interest income increased 5% sequentially and 6% year over year to $14.4 million. When the non-interest income contributed by Digital Boundary Group is added in, total revenue increased 14% on a year on year and 12% sequentially to a record $15.4 million. Cost of funds decreased by 46 basis points year over year and 9 basis points sequentially to a record 1.42%. Net interest margin increased sequentially to 2.86%, although it was lower year on year due to the still elevated cash balances. As I did last quarter, I'll provide perspective that, if we had maintained our cash balances at our historic levels, net interest margin would have been higher by approximately 13 basis points at 2.99%. Net income increased 3% on a year on year and 11% sequentially to $5.3 million or $0.22 per share, the third highest in our history, and core cash earnings increased 3% year on year and 11% sequentially to $7.3 million or $0.34 per share.

Turning to the balance sheet, you can see the continued growth in our total assets, which reached just over $2 billion at the end of the quarter, up 5% sequentially and 10% year over year. Our cash balance including liquid securities at the end of the first quarter was $212 million, down significantly from $258 million at the end of the fourth quarter as we continued to rapidly redeploy cash. As a reminder, our cash position peaked at more than $400 million in Q3 of 2020. Our cash balance sits even lower today at around $234 million and we expect that to continue to decline. We expect cash balances to get back to historic levels around midyear. Book value per share increased 2% to $10.90 and our CET1 capital and leverage ratios both trended downward to 12.48% and 11.4%, evidence of improved utilization of our excess capital.

The credit quality of our loan portfolio remains very strong, as the low-risk nature of our business model once again proved itself. For Q1 we recorded provisions for credit losses, or PCLs, of just $57,000, taking the bank's PCLs as a proportion of average loans for the first quarter to 0.01%. And it's worth noting that, since the start of the pandemic, we have had no loan losses, only a handful of borrowers that requested payment deferrals and, as at the end of the first quarter, we had zero loans that are subject to deferrals.

As I noted last quarter, we are living through what is likely the most challenging environment for many parts of the economy in most of our lifetimes and the Bank has been un-impacted in terms of actual loan losses. As a reminder, this is a function of the significant mitigation embedded in our model and employed in every decision we make. Importantly, the cash holdbacks of our point-of-sale finance business remains far in excess of what we view to be the intrinsic risk associated with this portfolio. But again, we have never previously incurred a loss at the bank.

As you have heard me discuss many times, our ability to access ultra-low cost of funds by leveraging our technology to provide innovative solutions that address unmet needs in the market is critical to our ability to generate superior net interest margins with low risk. As I noted earlier, we saw yet another sequential decline in our cost of funds to 1.42% from 1.51%, a new record. And this number is down from 1.88% in Q1 of 2020. The continued decrease of our cost of funds is directly tied to the continued expansion of our insolvency professional deposits, which currently pay 0% interest. Notably, we achieved this despite bankruptcies recently reaching a 10-year low due to the government's COVID-related financial support.

Turning to the lending side of our business, you can see not only the record sequential growth, $139 million during the first quarter, but where that is taking place. Our total loan portfolio increased 8% sequentially to a record high of just under $1.8 billion. This was driven, to a large degree, by the significant origination activity in our commercial real estate portfolio as residential construction activity has heated up, especially in the smaller communities surrounding the Greater Toronto Area. Here, single and multifamily home construction is seeing unprecedented growth as people migrate from the big city to the smaller towns. While demand is high, we are also benefitting from our strengthened competitive position due to the underlying health of the bank. The commercial real estate portfolio grew 18% sequentially and 32% year over year.

We are also seeing resurgence in point-of-sale financing activity, especially in the home renovation and repair channel, as consumers redirect discretionary spending away from travel and other social activities to home improvements during the pandemic. Although the point-of-sale portfolio was 5% lower than the end of January 2020, it was up 3% sequentially and was on top of the 8% increase in the fourth quarter of 2020, and we expect that momentum to continue through the remainder of the year.

Turning to the cybersecurity opportunity, I noted earlier that the first quarter was highlighted by the first contribution from the acquisition of Digital Boundary Group via our DRT Cyber subsidiary. DBG's impressive client list is a who's who of more than 400 North American corporations and government entities. For obvious reasons, we can’t name names but, to provide some context, it includes one of Canada’s largest retailers, the infrastructure assets of a very large and well-known US investment firm, and the police departments of several large US municipalities. We acquired DBG for $10 million, a very attractive valuation given its own organic growth prospects and the significant potential to leverage business development synergies through DRT Cyber and their tremendous growth forecast for this sector.

For the 62 days in which we owned DBG during the first quarter, it contributed $1.7 million in revenue and was immediately accretive, contributing to the bank’s earnings. Again, this was just two months of contribution. DBG is growing at a rapid pace. Cash contributions for the most recent quarter were up 50% on a year on year and that’s before the marketing and business development initiatives we have planned for DBG this year as part of DRT Cyber.

DBG significantly transforms the DRT Cyber opportunity. The recent SolarWinds breach in the United States has once again thrust the issue of cyber vulnerability to the spotlight. But the truth is that literally every day there is another headline about yet another successful cyberattack. The good news for business and government is that these attacks are preventable and Digital Boundary Group is a critical part of the protection. They stand head and shoulders with the very best in the industry and they, along with VersaVault, are a critical part of building a comprehensive cybersecurity offering that will fully leverage the formidable team and capabilities of DRT.

DRT Cyber Chairman, Tom Ridge, the former Governor of Pennsylvania and the First Secretary of US Department of Homeland Security; Gurpreet Sahota, DRT’s Chief Operating Officer, who was previously with Blackberry for 16 years where he was principal cybersecurity architect; and Avery Pennarun, DRT Director and former Senior Engineer at X Inc. and Google.

The rest of 2021 promises to be an exciting time for DRT Cyber and VersaBank more broadly and that excitement starts today. This morning we announced the Bank's intention to launch the first bank-issued, deposit-based digital currency we call VCAD. VCAD isn't a typical cryptocurrency. In fact, we prefer not to use that term, as VCAD addresses two major shortcomings with virtually every other digital currency available today, volatility and security.

On volatility, VCAD represents a Canadian-dollar deposit with our bank, meaning its value will fluctuate only with that of the Canadian dollar and will always be known, whether for the use in buying and selling goods and services or when a business or individual wants to exchange or redeem them.

On security, because VCAD will be issued by VersaBank, a Schedule I bank, and backed by deposits, businesses and individuals can be certain that their VCAD holdings are redeemable at any time. VCAD will be securely managed by our own VersaVault, the first and, we believe, the most secure digital deposit box in the world. As such, VCAD will offer the highest level of stability and security amongst the digital currencies.

We are incredibly proud of this truly groundbreaking initiative. It represents yet another innovative solution by VersaBank to address the unmet needs in the market but, at the same time, it is also a natural extension of digital banking operations. It is based on the same proprietary technology that underlies our digital banking operations. In fact, VCAD is very much a highly encrypted version of our existing digital deposits.

To maximize its success, we are thrilled to be commercially launching VCAD in partnership with Stablecorp, which is a joint venture between Canada's leading crypto asset manager, 3iQ, and Mavennet, a Canadian leader in blockchain development. Consistent with VersaBank's highly efficient business-to-business model, we will issue VCAD through our partner, Stablecorp, in exchange for deposits. Stablecorp will then offer VCAD directly to individual businesses, digital currency exchanges.

VCAD is not only a fantastic offering in and of itself, but is expected to provide a significant additional source of very low cost deposits for the Bank, providing the opportunity to even further reduce our already ultra-low cost of funds. We are targeting VCAD to be available publicly in the coming months, so stay tuned.

Following on a very good year for VersaBank in 2020, the first quarter of 2021 was a great start to the expected resumption of our long-term trend of outsized growth in 2021 and beyond.

Thank you and now I'll be available for questions.

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 Greg MacDonald from LodeRock Research. Greg, please go ahead.

Greg MacDonald — Analyst, LodeRock Research

Good morning. Thanks, guys, for taking the call and congrats on the strong quarter. Listen, I wanted to ask a question on loan growth. So, as per your comments on the last call, you're starting to see some very aggressive loan growth, so good on that. In terms of the mix, very strong in commercial at 32% year over year. That's a pretty incredible number. On the point-of-sale side, a little lighter than I would have expected. Overall, in line. So I wanted to ask the question: are you surprised at all on the trend in terms of how much demand there is on the commercial side relative to the point-of-sale side and is there anything to draw in conclusion in terms of the mix going forward for the rest of the year?

David Taylor — President & Chief Executive Officer, VersaBank

Thanks, Greg. Not surprised, actually. It's a little lumpy in a quarter, so the trend, I think, for the remainder of the year, will be that point-of-sale originations will catch up to the commercial lending. Commercial lending showed quite a significant resurgence, of course, due to the tendency for folks to move away from the major centres and move to the smaller towns. And as you know, we've been providing residential financing for a long, long time, so we were extremely well positioned to help our clients in building new homes for those folks that are moving out of the Toronto area. Point-of-sale financing is coming back quickly too. As I was saying in the presentation, there tends to be a lot of activity around the area of home improvement and I expect in the next few quarters you'll see point-of-sale growing about the same rate as the residential construction.

Greg MacDonald — Analyst, LodeRock Research

Okay. Thanks for that. And then as a follow-on on the point-of-sales side, I know you're talking about the Instant Mortgage app. This is something that is quite new to the market. I know it's very early days, David, but is there anything more to add on that in terms of your insight to how much success (inaudible) with that app?

David Taylor — President & Chief Executive Officer, VersaBank

Well, we have high hopes for that app. We think it's providing a convenient way for prospective homeowners to obtain their financing as opposed to the traditional way of walking down the street and negotiating a pre-approval for the mortgage, say, at a branch bank or finding a broker. We think the convenience will be highly attractive and I expect that we'll see quite a deal flow through that channel.

We are also talking to other financial institutions as partners in that the flow might be so huge that VersaBank might choose to pick and choose the types of mortgages that reside on our balance sheet. So I think everybody thinks there'll be a tremendous flow and, thankfully, we're working well with some partners that will help out with the flow.

Greg MacDonald — Analyst, LodeRock Research

Okay, thanks. And then just one last question in terms of finishing off on the, call it, net interest margin-type questions. Insolvency deposits, I think anyone that knows the story knows that that's a great opportunity for you for low-cost deposits. The growth there seems pretty attractive. My sense was always that the growth would really come more in the second half of this year as the expectation for bankruptcies increase. I don't think we've seen a lot of major change in bankruptcies yet. You're starting to see decent growth or even better growth in that in that area of deposits. Can you give a sense of what you're expecting through the rest of the year? Between 4Q and 1Q, are you as optimistic, more optimistic on the growth opportunity for insolvencies and kind of what you're seeing there?

David Taylor — President & Chief Executive Officer, VersaBank

Well, as you say, we're still seeing good growth in the area and that's not really to result any longer of acquiring new customers, new insolvency professionals, in that we have a good portion of the market already dealing with us. It's probably internally they're adopting our software. So we're seeing growth that way. I was expecting insolvencies to increase in the latter half of this year. It might be that, with the recent announcements from the government of providing more longer-term supplements for Canadians and businesses, that the number of insolvencies will not sort of peak towards the end of the year, but I'm sure in the next year there'll be a lot of insolvencies. Of course, this pandemic's had a terrible effect on the economy. So I would say that the growth will continue as it has at that rate and maybe towards the end of the year it starts to peak, but with what looks like it's on the horizon, that portfolio of deposits could be about twice as big as it is today.

Greg MacDonald — Analyst, LodeRock Research

Okay. Thanks very much.

Operator

Your next question comes from Cihan Tuncay from Stifel.

Cihan Tuncay — Analyst, Stifel GMP

Oh, hi there, guys. I apologize in advance. I'm having some, ah, I don't know if it's just me, but it's a little bit distorted on my end, so if you can't hear me, I apologize. But just, David, I want to get some color on the VCAD announcement this morning. Obviously, a very significant piece of news. Is it possible to walk through the mechanics of how this product is going to work? Like is it that if I'm a financial institution I go and buy the coin from you and then you turn around and buy CAD and hold that in the deposit? If you could just walk through the mechanics of that process, that would be helpful, please.

David Taylor — President & Chief Executive Officer, VersaBank

Sure. So I probably should start, from our perspective, the VCAD is a digital redeemable transferable deposit receipt that we're using blockchain technology to make it easily transferable. So what we plan to do is issue these deposit receipts to our partner, Stablecorp. So Stablecorp will be our depositors. Stablecorp will be depositing with us and receiving VCADs back in exchange. The VCADs thereafter will likely be exchanged for Canadian dollars or other currencies from Stablecorp to other cryptocurrency exchanges. So the VCADs will enter the sort of ecosystem of cryptocurrencies from Stablecorp and if there's to be a redemption, or what they the term as a burning, then Stablecorp would come back to us and request redemption and we will treat Stablecorp as we would any other depositor and redeem.

So this is a unique type of cryptocurrency that we've invented in that it's not tethered to a (inaudible) currency or tethered to some other asset. It actually represents a deposit in a Schedule I bank. So the stability aspect is, of course, tremendous, in that a holder doesn't have to worry about the tether snapping or not being there, as has been the case in the past with tether currencies. They don't have to worry about the value rocketing up and then rocketing back down again, because it's stable in that it's a deposit with a bank and you can always get your money back.

So that's how it works. We are very excited about it. It's a new channel for deposit taking. And, you know, like all banks, first and foremost, we're looking to fund ourselves with as economical deposits as we can to enable us to make loans in markets where we can earn a decent yield. But priority job one begins with deposit taking and this is a brand new channel and it appears to be brand new for the world, this type of digital deposit note or cryptocurrency or stable coin-type vehicle.

Cihan Tuncay — Analyst, Stifel GMP

Appreciate that. Is it possible to talk about what the potential demand uptake could be on Stablecorp's side? I mean is it going to be through 3iQ? Are they talking to other institutional asset managers in the space? Or is it too early to tell how big this could get? But if you could just kind of walk us through where the, ah, like how much, or maybe just qualitatively what the demand level is for the stablecoin, that would be great.

David Taylor — President & Chief Executive Officer, VersaBank

Well, Stablecorp has linkages throughout the cryptocurrency industry, so I'd expect that VCAD will flow through those relationships that they've already established. There's perhaps $10 billion in that market presently and we think our product is superior, of course, so we'd expect that a portion, a good portion of that $10 billion will start to flow our way in that we're presenting a new type of cryptocurrency with all those added features that the others presently don't have.

Cihan Tuncay — Analyst, Stifel GMP

Appreciate that. And what's OSFI's position on this? Generally they're pretty slow to adopt kind of new innovations like this. How is the conversation going on the regulatory side? Any potential impediments there in the future?

David Taylor — President & Chief Executive Officer, VersaBank

Well, we have, of course, as usual, agreed and we'll be working with OSFI as we roll this new product out and dealing with all the various questions and issues that likely will come up. But really all we're doing is using blockchain technology and the state-of-the-art encryption techniques for the digital deposits that we already have.

Our bank has never had a Brink's truck roll up to the door with cash or take cash away. Never in our history have we had traditional cash. We've always had our deposits and loans in digital format. So this is really just adapting our already digital way of doing business, using blockchain technology to make it easier to deposit with our bank, make it easier to transfer ownership, and employing the, of course, strong encryption techniques, which every bank should be employing.

So, from a bank's point of view, it's a natural progression. It's a natural evolution, utilizing the technologies that are now available. I think it's good for the depositor. It's good for the regulator. The regulator will see a bank with more diversity in its deposit base, maybe more economically priced deposits, and stronger encryption techniques and other features that come with our VersaVault technology that provide heightened degrees of security that aren't really available, certainly not available in a branch situation with traditional deposits taking place over the counter.

So I think, generally speaking, the regulators, and I've spoken to OSFI and all the other regulators, will be pleasantly surprised at just what this will do for our industry. I'd expect other FIs will adopt similar technology. They may want to talk to us about licensing agreements. I know central banks throughout the world are looking at this. But as usual, our mission is to provide leading-edge technology to the banking industry and this is sort of a no-brainer. Of course, this is what banks should be doing. They should be used in the blockchain. They should be having their deposit products available to the masses in a nice, convenient fashion.

Cihan Tuncay — Analyst, Stifel GMP

Sorry, so just to be clear, it sounds like it's still kind of an ongoing discussion with OSFI. You haven't received the official rubber stamp yet, but the talks are progressing? Is that how we should look at that?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah, I'd look at it that way, although I don't see any official approvals required. We're well within our rights as a bank to issue deposits in a digital format. We have been doing it since we began banking. I started up with telephone modems and digital data representing deposits back in 1993. So, from my sort of humble perspective, a Schedule I Canadian bank is well within its rights to issue deposits and everybody is now issuing, ah, representing their deposits in digital format. We're just adding a whole lot of better security than the present situation and we're making the deposit vehicles more readily available to people in the marketplace.

So yeah, definitely we'll be working with the regulators to talk about all the details, how it takes place, but I don't see it as something new that needs a particular approval. It's well covered in our Bank Act and the OSFI guidelines.

Cihan Tuncay — Analyst, Stifel GMP

Good. Good to hear. Appreciate that. Maybe just before I hop back in the queue, but with respect, and I apologize if this was already brought up, I was cut out of the call earlier, but with respect to the NIM outlook, your cash position continues to be a bit of a drag on your NIM generation profile, as that gets cleaned up over the next, you know, do you think that's cleaned up over the next quarter or two and do you think that you can get back to that 3.0% NIM profile going forward possibly this year? Or do you see that as a longer-term target to get to?

David Taylor — President & Chief Executive Officer, VersaBank

I see it this year. We took, we think, the appropriate cautious approach and let our cash balances build mid last year to over $400 million. There is a cost to being that prudent, i.e. the yield we're earning on our cash balances might have been slightly more than we were paying on our deposits, but there is a drag cost on NIM for being safe and cautious. And now what you see is, as now we have good visibility on how the economy is affecting our Bank, we're letting the cash run down. And with the loan growth I was talking about earlier, it should enable us to bring the cash balances back to sort of a normal level, 6.5%, 7%, this year, so NIM should pop back up to the 3%, 3.1% or so. That little arithmetic I did in the presentation showing if we had normal cash balances we'd be about 3%. So throughout this year you'll see it get back up and with the decline in cash balances and the increased loan portfolio.

Cihan Tuncay — Analyst, Stifel GMP

Great. And then just the last question for me With respect to the efficiency ratio, you've got DBG Group in there now. What's a good run rate on that ratio going forward? Is it possible to get to 50% or lower or do you think the current levels are representative of where that stands over the balance of the year? Thanks.

David Taylor — President & Chief Executive Officer, VersaBank

It should drop below 50% and keep right on going. As we build assets, net interest income, of course that helps with dropping that ratio. We're still about suboptimal for our size. We're about half the size that we should be. So, the faster we can grow up to, say, around the $4 billion level, the better that it will be for efficiency. DBG and the other revenues that we expect we'll bring into DRTC probably on balance helped that ratio also. Obviously, DBG, in the first 60 days, was quite a contributor. And that's what you'd expect going forward. With the terrible things happening in the cybersecurity world, with all the attacks, a company like DBG and DRTC are in a target-rich environment. There's a Top Gun analogy. So I'd see that efficiency ratio dropping below 50% this year.

Cihan Tuncay — Analyst, Stifel GMP

Thanks very much.

David Taylor — President & Chief Executive Officer, VersaBank

Alrighty.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star followed by one.

We have another question from Greg MacDonald. Greg, please go ahead.

Greg MacDonald — Analyst, LodeRock Research

Thanks. Just a clean-up question, guys. On DBG, on the $1.7 million for the, I think it was 65 days, 62 days, I forget, can you tell me what the growth rate on that was? And David, you made a mention, when you were talking about DBG in your prepared comments, of growth. For some reason I got some interference there, so I didn't catch that, something like 50% growth on something. Could you review that please?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah. Looking at DBG's past 12 months and comparing it to the run rate used in the 62 days, cash earnings prior to amortization and those sort of non-cash items, it was about 50% increase. So a really healthy increase over their past 12 months and that's probably mostly attributable to the marketplace demanding DBG-type services with all these attacks that are taking place.

Greg MacDonald — Analyst, LodeRock Research

Okay. And what the kind of run rate top line growth is at DBG right now? Has anything changed there? I think you commented on 12%.

David Taylor — President & Chief Executive Officer, VersaBank

Yeah, past 12 months were around about $8 million and now it looks like about $10.5 million.

Greg MacDonald — Analyst, LodeRock Research

Okay. Thanks very much. And then just the last, this is just a clean-up question as well. Anything unusual below the net interest line? Anything unusual in the expense items there?

David Taylor — President & Chief Executive Officer, VersaBank

Well, we still have are carrying some additional expense with respect to staff and such and there's some development costs that we expense. You probably see the expenses reduced quarter over quarter going forward.

Greg MacDonald — Analyst, LodeRock Research

Great. Thanks, guys.

Operator

Your next question comes from Trevor Reynolds from Acumen Capital. Trevor, please go ahead.

Trevor Reynolds — Analyst, Acumen Capital Partners

Hey, guys. Just a quick question here on the VCAD and just curious as to where you see the primary demand or who the primary customers will be for this product.

David Taylor — President & Chief Executive Officer, VersaBank

Well, these types of cryptocurrencies tend to be popular, I guess, with, ah, what they say, the millennials and the Generation Z people, they seem to love these types of highly liquid, tradable digital currencies. I was saying the market might be in the $10 billion range presently for these types of currencies. So originally I think the demand is just going to come from what's already out there. This is a superior digital currency to the others and I think once that's known it will be very popular.

As time progresses though and this currency becomes more prevalent, I think you'll start seeing it used as a medium for buying goods. And that's our hope. Our partners are deep into the applications in the payment industry and I think you could see our VCAD, our VUS, our VEURO, a VSterling used to purchase goods as a medium. So I see a huge growth for this.

We're without competition in this particular type of cryptocurrency presently so, again, first-mover advantage, and it is a fair amount of technology required to deliver something like this that we've been working on for the past three years with our VersaVault. And Stablecorp has done a lot of work in the blockchain area to develop this too. So, partnering with Stablecorp, together with our DRTC with VersaVault, I think we're quite a distance ahead of the pack and I expect it to be a very popular cryptocurrency.

Trevor Reynolds — Analyst, Acumen Capital Partners

And so the primary benefit then is the security, obviously.

David Taylor — President & Chief Executive Officer, VersaBank

The security and the stability. I think the stability will really be important. Don't write this one down, but I think some of the cryptocurrencies that have risen so dramatically and so quickly could just as easily come down that fast, and when that happens, folks will probably look for currency that's backed up by a fiat currency like ours. So I think the stability of having a fiat currency backing it and then I think the utility of being easily tradable using blockchain technology are big features with this VCAD.

Trevor Reynolds — Analyst, Acumen Capital Partners

Great. And what would be the timing of getting into some of those, ah, the US and Europe?

David Taylor — President & Chief Executive Officer, VersaBank

Well, US would be the next one after Canadian in that, of course, it's just south of the border and we have a fair presence in the States presently. So I could see the VCAD rolling out in approximately around a two-month period of time, maybe a bit longer, maybe a bit less, in that sort of ballpark, and then it wouldn't take long to create the US version of it. Technologically, that's relatively simple for us to do.

Trevor Reynolds — Analyst, Acumen Capital Partners

Great. Thanks.

David Taylor — President & Chief Executive Officer, VersaBank

Alrighty. Thank you, Trevor.

Operator

Your next question comes from Brian Smith, a retail investor. Brian, please go ahead.

Brian Smith — Retail Investor

First of all, congratulations on another excellent quarter. I have a question on the VCAD. Two of the attractions of these cryptocurrencies are anonymity and speed. So can you discuss those, let's say, in comparison to trying to transfer money through check or money order? Because I can really see an attraction instead of having to wait for checks to clear and so forth, if you can just transfer from one business to another in this way. Is that something that you're seeing?

David Taylor — President & Chief Executive Officer, VersaBank

Yeah, I think the advantage is speed. It's virtually almost instantaneous with using blockchain. So our VCAD will be almost instantaneously tradable. So that is a very important aspect of it. Anonymity, well, our depositor is Stablecorp, so we know who our depositor is. Thereafter, through the blockchain, it is possible to know whose wallet is holding the VCAD, but it would be the various exchanges that have the wallets that would know who their customers are. So it's like a cryptocurrency, like all the other cryptocurrencies from that respect. It'll be super fast. And I think it'll give people comfort that, if they want, they want to burn it, they want to get their money back, redeem their deposit, they've got a bank ready to redeem the deposit, like we do for all of our deposits. So that should be a huge comfort as opposed to the other cryptos that don't have anything behind them, sort of like catching a knife dropping if it goes down. And those that are tethered, and some, of course, are very strongly tethered and issued by very reputable firms, but some, in the past, the tethering has snapped, broken, or disappeared and left people, holders, wondering what to do. So, having this not be a tethered currency but actually representing a deposit, I think it's a huge difference.

Brian Smith — Retail Investor

Agreed. Thank you.

Operator

There are no further questions at this time. David, please proceed.

David Taylor — President & Chief Executive Officer, VersaBank

Perfect. Well, thank you, everybody. It's been wonderful catching up with you this morning. And if you have any further questions, you could drop me an e-mail or put a call in. Happy to discuss anything that we've talked about today and anything else you have in mind about our Bank and our new endeavors. Thanks again.

Operator

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