

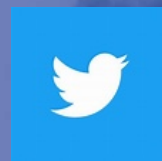


VersaBank

Choice Through Innovation

Q1 2021 Conference Call Presentation
February 24, 2021

Follow us



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

Toll-free: 1 (888) 664-6392 (Canada/US)

Local: (416) 764-8659

Passcode: 51182981#

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 the COVID-19 pandemic and the Bank'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, 2019. The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.



David Taylor

President & CEO



Digital banking operations delivered a number of record results

Near record net income

Fastest loan growth in VersaBank history

First financial contribution from Digital Boundary Group

Q1 2021 Highlights

Q1 2021: Continued Strong Financial Performance

Income Statement

	3 Months Ended January 31		Change
	2021	2020	
Revenue	\$15.4 M	\$13.6 M	+14%
Cost of Funding	1.42%	1.88%	-46 bps
Net Interest Margin	2.86%	2.96%	-10 bps
Core Cash Earnings ¹	\$7.3 M	\$7.1 M	+3%
Core Cash Earnings Common Share	\$0.34	\$0.34	0%
Net Income	\$5.3 M	\$5.1 M	+3%
Basic and Diluted Net Income per Common Share	\$0.22	\$0.22	0%

1. Core Cash Earnings is calculated as pre-tax earnings less non-core operating income/expenses.

Strong sequential improvement in all key metrics as the Bank continued to deploy cash to its lending portfolios

vs Q4/20

Net interest income	↑ 5%
Total revenue	↑ 12%
Cost of funds	↓ 9 bps
Net interest margin	↑ 4 bps
Net income	↑ 11%
Core cash earnings	↑ 11%

Q1 profitability continued to be dampened by atypically high cash balances despite record loan growth activity

Q1 2021: Continued Strong Financial Performance

Balance Sheet

	At January 31		Change
	2021	2020	
Total Assets	\$2.04 B	\$1.85 B	+10%
Book Value per Common Share	\$10.90	\$10.17	+7%
CET1 Ratio	12.48%	13.05%	-57bps
Leverage Ratio	11.40%	11.86%	-46bps

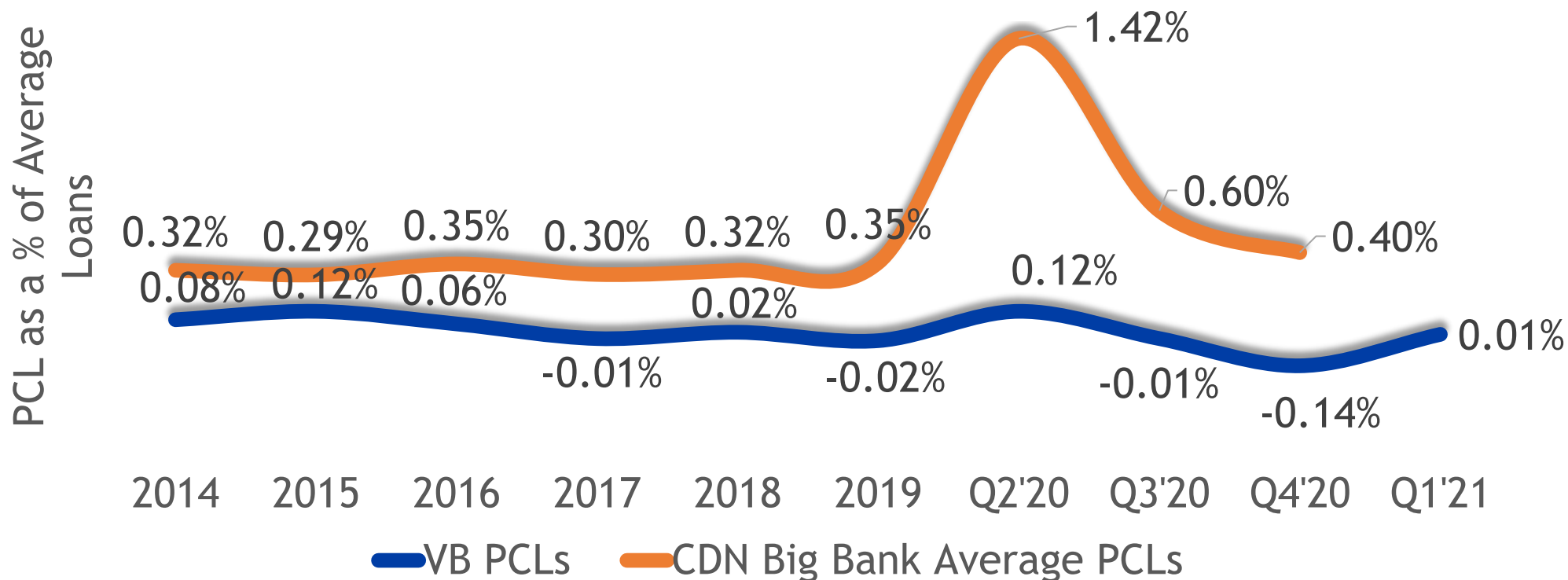
Cash balance at end of Q1/21 decreased to \$212 M from \$258 M at the end of Q4/20

Cash balance at end of Q1/21 was ~10% of total assets compared with historical ranges of 6 to 7%

Bank continuing to deploy cash to Commercial Real Estate and Point-of-Sale portfolios in Q1 2021

Industry Leading Provision for Credit Losses (PCLs)

Q1 2021: Continued Low PCLs as a % of Average Loans



Q1/21: Provision for credit losses of \$57,000

Point-of-Sale holdbacks continue to be well in excess of estimated intrinsic risk

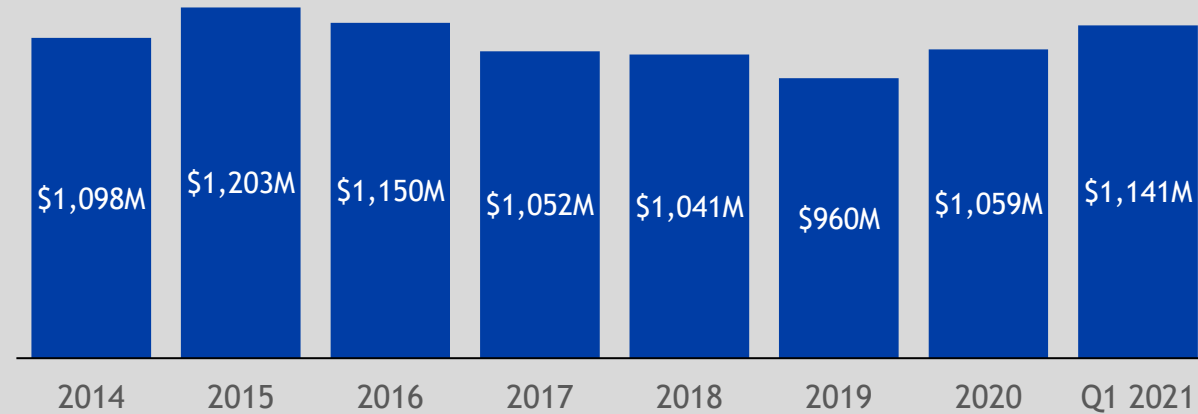
Continued to Lower Cost of Funding

- Continued strategic shift of deposit mix to lower cost deposits
 - Reducing higher cost personal deposits
 - Increasing lower cost commercial deposits

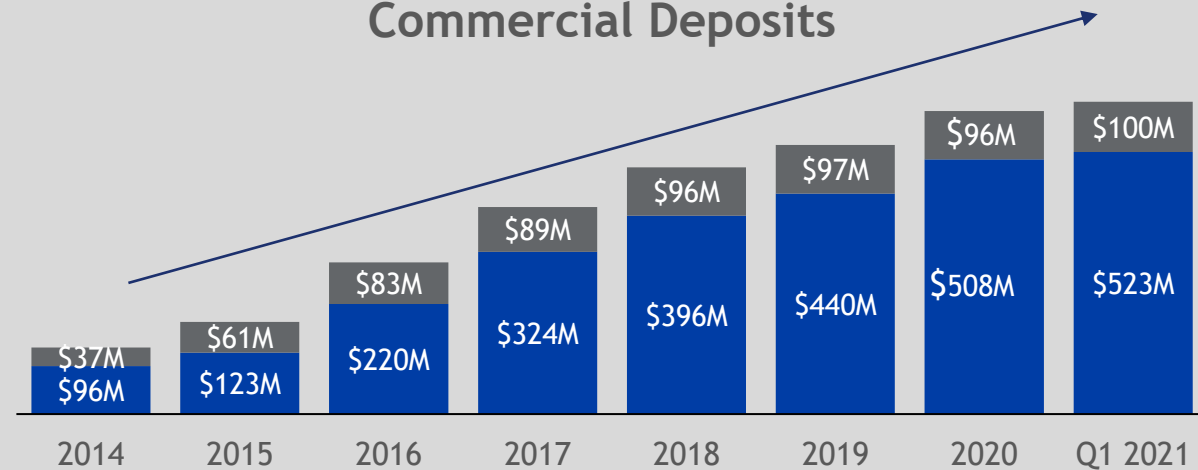
Q1 2021 cost of funds: 1.42%

- Decreased 9 bps vs Q4 2020
- Decreased 46 bps vs Q1 2020

Personal Deposits



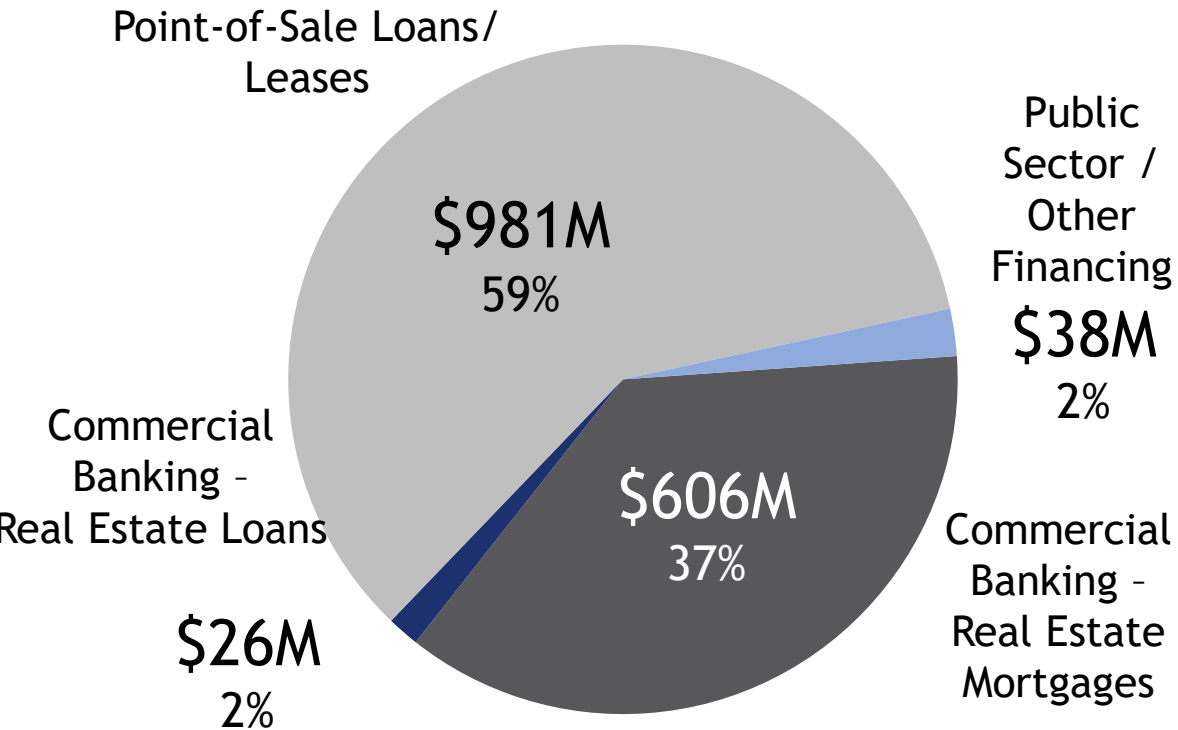
Commercial Deposits



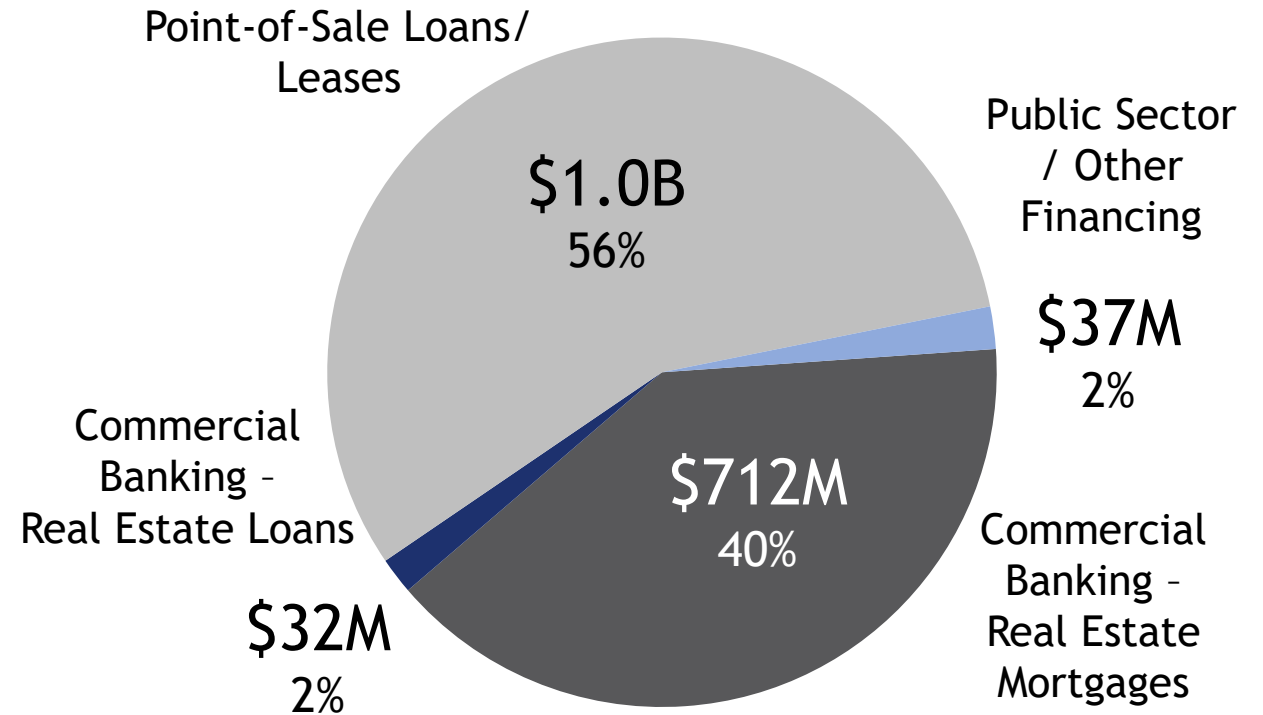
1. Current rate.

Record Loan Sequential Growth: +\$139 M

Q4 2020
Total: \$1.65 B



Q1 2021
Total: \$1.79 B



Growth in loan portfolio being driven primarily by Commercial Real Estate portfolio, as well as growth in Point-of-Sale portfolio

Acquisition of Digital Boundary Group: Complements DRT Cyber's Comprehensive Suite of Security Solutions

DBG: One of North America's premiere IT security assurance services firms

- Suite of services:
 - External network, web and mobile app penetration testing
 - Physical social engineering engagements
 - Supervisory control and data acquisition (SCADA) system assessments
 - Various aspects of training
- Clients include:
 - Large Canadian retailers & financial service providers
 - Canadian/U.S. police service organizations
 - SCADA system reliant energy, public utilities and infrastructure firms



- Purchase price of ~\$9.9 M (8.5 M cash)
- Profitable and growing rapidly
- Immediately accretive to VersaBank earnings

VCAD: The World's FIRST Bank-Issued, Deposit-Based Digital Currency

12

VCAD



- Represented one-to-one by Canadian-dollar deposits
- Highest level of stability and security amongst all digital currencies
- Based on VersaBank's proprietary banking software and using VersaVault technology
- Commercial launch in partnership with Stablecorp
- Targeting availability in the coming months
- Plan to work with Stablecorp toward launch of other digital currencies

Momentum for the Future with Two High-Growth Opportunities



Digital banking operations setting new records

- Continue to deploy cash to meet demand in the Commercial Real Estate portfolio and the Point-of-Sale Finance portfolio
- Launch instant mortgage for the \$200 billion Canadian home financing market
- Further reduce cost of funds

Strong momentum in cybersecurity business

- Digital Boundary Group (DBG) transforms DRT Cyber opportunity
- DBG growing at a rapid pace
- Leverage selling opportunities afforded by DRT Cyber's extensive network, and launch new, best-in-class solutions



VersaBank

Choice Through Innovation

Q&A Session

Toll Free Dial In (Canada/US): 1 (888) 664-6392

Local Dial In: (416) 764-8659

Participant Passcode: 51182981#

We're Just Getting Started!



Follow us

