

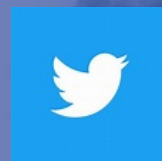


VersaBank

Choice Through Innovation

Q2 2021 Conference Call Presentation
May 27, 2021

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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

Passcode: 57545890#

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, 2020. 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



Continued Momentum: Core Banking operations delivered a number of record results

Record net income¹

Record assets & loan portfolio

Strong growth from Digital Boundary Group

Q2 2021 Highlights

1. Excluding an \$8.8 million one-time, non-cash gain resulting from the recognition of a Deferred Tax Asset upon the amalgamation of Pacific & Western Bank and PWC Capital Inc. in the first quarter of 2017.

Q2 2021: Continued Strong Financial Performance

Income Statement

	3 Months Ended April 30		Change
	2021	2020	
Revenue	\$16.0 M	\$14.5M	+10%
Cost of Funding	1.28%	1.75%	-47 bps
Net Interest Margin	2.96%	3.08%	-12 bps
Core Cash Earnings ¹	\$7.9M	\$7.1 M	+12%
Core Cash Earnings Common Share	\$0.38	\$0.34	+11%
Net Income	\$5.7 M	\$5.1 M	+12%
Basic and Diluted Net Income per Common Share	\$0.25	\$0.22	+14%

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 Q1/21

Net interest income	↑ 5%
Total revenue	↑ 4%
Cost of funds	↓ 14 bps
Net interest margin	↑ 10 bps
Net income	↑ 9%
Core cash earnings	↑ 9%

Even with record performance and a record loan portfolio, Q2 was dampened by atypically high cash balances and impact of pandemic on loan origination

Q2 2021: Continued Strong Financial Performance

Balance Sheet

	At April 30		Change
	2021	2020	
Total Assets	\$2.14 B	\$1.97 B	+9%
Book Value per Common Share	\$11.06	\$10.37	+7%
CET1 Ratio	12.52%	13.50%	-98bps
Leverage Ratio	10.46%	11.48%	-102bps

Cash balance at end of Q2/21 increased to \$272 M from \$212 M at the end of Q1/21

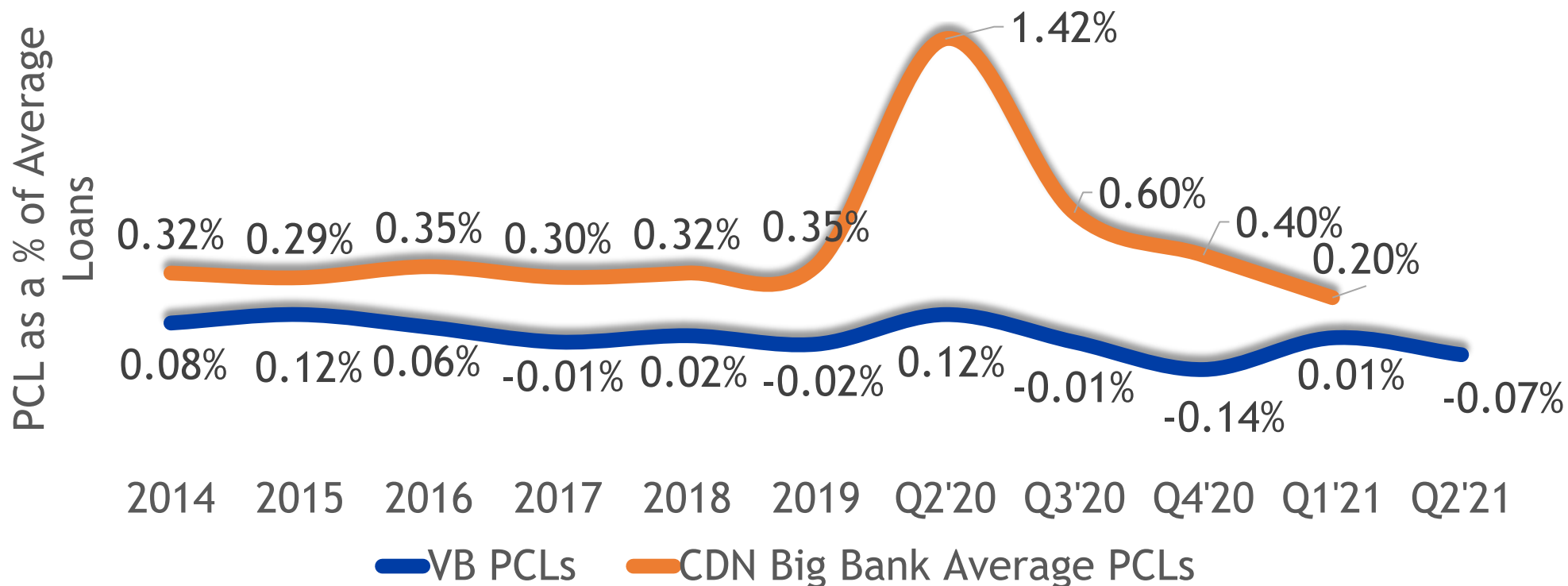
Q2/21 cash balance includes \$73 M in net proceeds from subordinated note offering less preferred debt redemption

Cash balance at end of Q2/21 was ~13% of total assets compared with historical ranges of 6 to 7%

Will continue to deploy cash to Commercial Real Estate and Point-of-Sale portfolios:
Expect to return to normal cash levels toward end of the year

Industry Leading Provision for Credit Losses (PCLs)

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



Q2/21: Recovery of credit losses of \$312,000

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

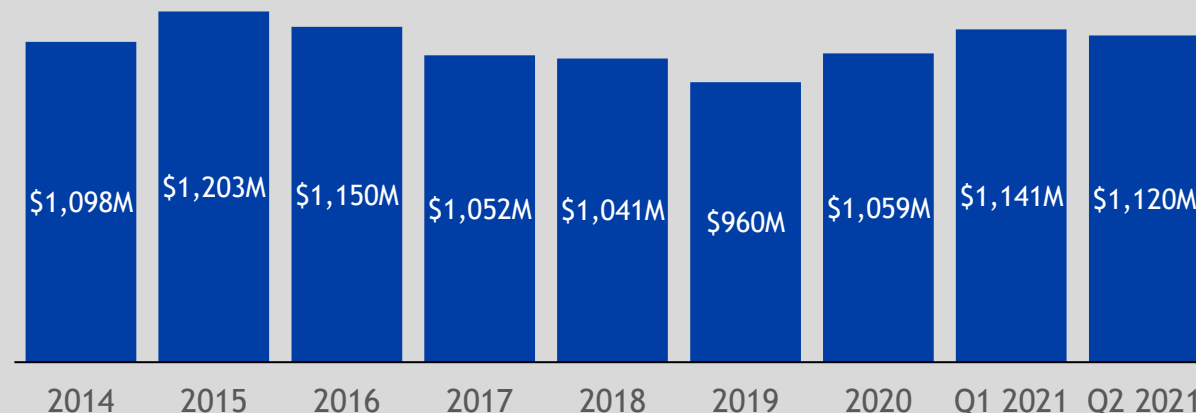
Continued to Lower Cost of Funding

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

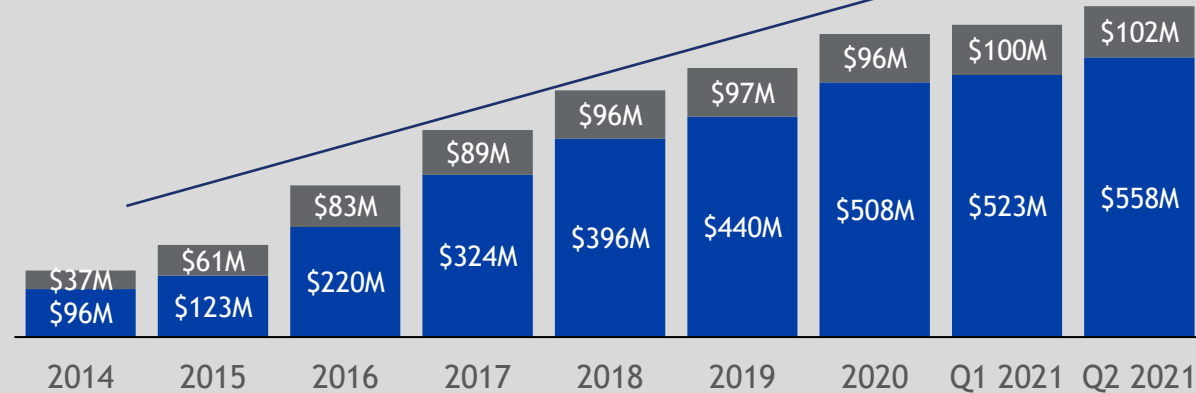
Q2 2021 cost of funds: 1.28%

- Decreased 14 bps vs Q1 2021
- Decreased 47 bps vs Q2 2020

Personal Deposits



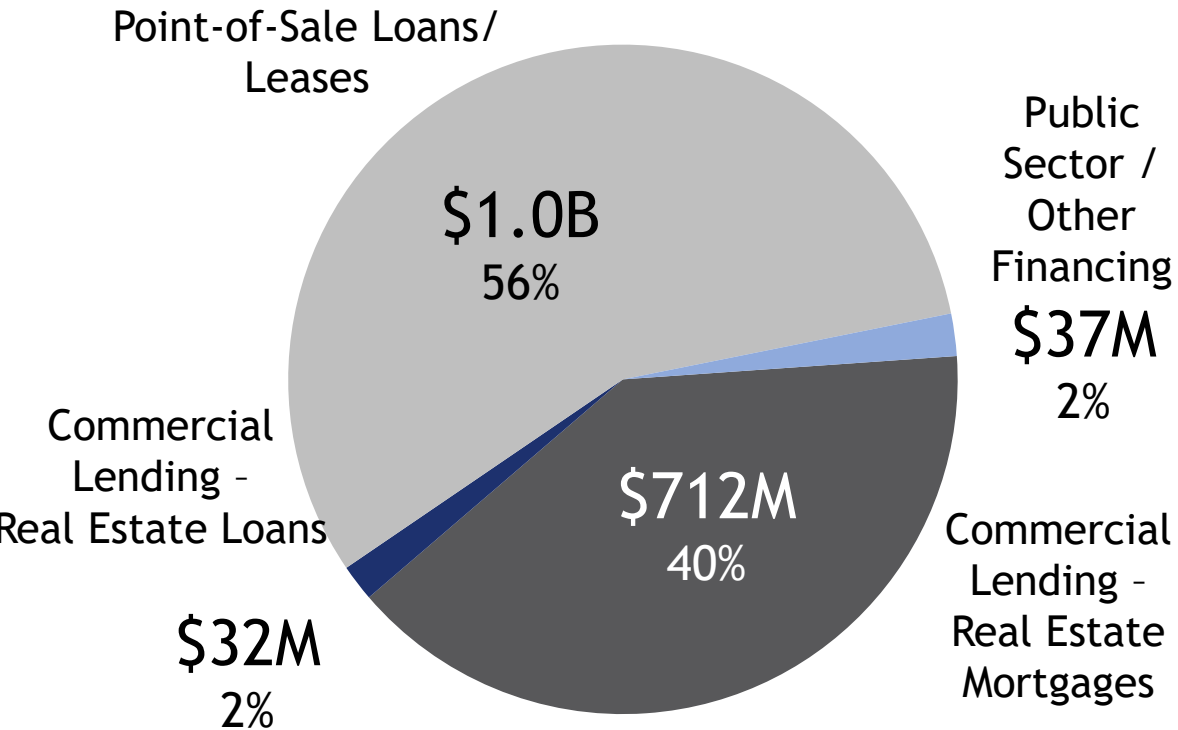
Commercial Deposits



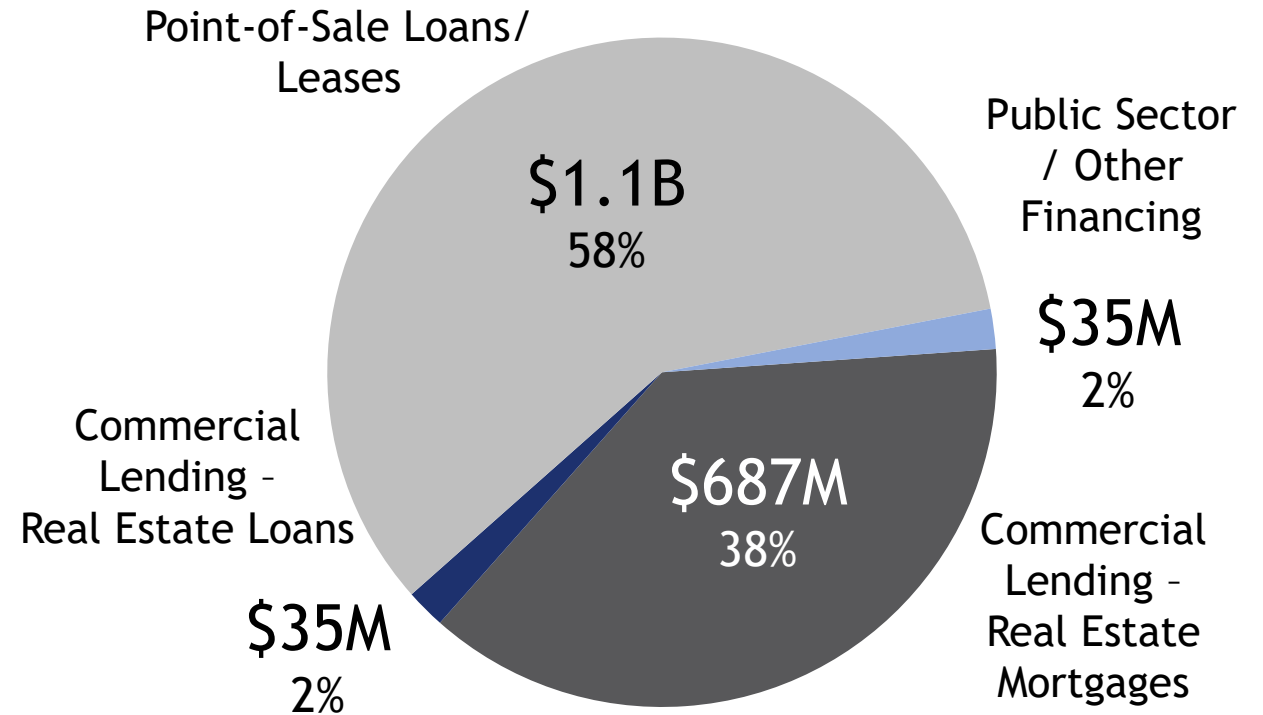
1. Current rate.

Record Loan Portfolio: \$1.82 B

Q1 2021
Total: \$1.79 B



Q2 2021
Total: \$1.82 B



Sequential growth in loan portfolio dampened by COVID-19 pandemic restrictions

Issuer Rating

A

Sub Debt Rating (up to US\$100)

A-

- “A” issuer rating is comparable to that of several of the “Big Six” Canadian Schedule I banks
- Affirmation of the Bank’s low-risk digital banking model
- Transformational: Will significantly expand universe of depositors and open up a new, low-risk lending channel
- New option for significantly lower-cost, non-dilutive, tax efficient capital that was previously not available

Digital Boundary Group: Net Income Increased >60% YoY for 5-Month Period Since Acquisition

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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: A Revolutionary, Highly-Encrypted Digital Deposit Offering



Based on VersaBank's proprietary banking software and VersaVault Cybersecurity technology

- Natural evolution of our current digital deposit offerings
- Represented by a CAD\$1 deposit with the bank
- Facilitated by state-of-the-art blockchain technology
- Easily transferable: Could potentially be used as a digital currency
- Investment-grade issuer rating
- Plan to launch of other digital currencies
- Potential to further drive lower cost of funds



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



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Q&A Session

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We're Just Getting Started!



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