

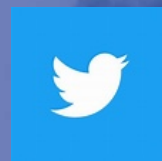


# VersaBank

Choice Through Innovation

**Q3 2021 Conference Call Presentation**  
September 1, 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

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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



# Q3 2021 Highlights

Continued Momentum: Core Digital Banking operations delivered strong year-over-year growth

Achieved another loan portfolio record: ~\$2B

Q3 performance dampened by US\$75 M Subordinated Note offering to fund future growth

Progress on VCAD

DRT Cyber expanding portfolio

# Q3 2021: Continued Strong Financial Performance

## Income Statement

	3 Months Ended July 31		Change
	2021	2020	
Revenue	\$15.7M	\$12.4M	+27%
Cost of Funding	1.41%	1.59%	-18 bps
Net Interest Margin	2.61%	2.53%	+8 bps
Net Income	\$5.4 M	\$4.4 M	+24%
Basic and Diluted Net Income per Common Share	\$0.25	\$0.18	+39%

## Strong Year-Over-Year Growth in Key Metrics

	vs Q3/20	vs Q2/21	Q3/21 (adj. for Sub Note issuance <sup>1</sup> ) vs Q2/21
Total revenue	↑ 27%	↓ 2%	↑ 6%
Cost of funds	↓ 18 bps	↑ 13 bps	↓ 3 bps
Net interest income	↑ 4%	↓ 4%	↑ 4%
Net interest margin	↑ 43 bps	↓ 35 bps	↓ 2 bps
Net income	↑ 24%	↓ 5%	↑ 10%

1. Issuance on April 30 of US\$75 M (principal) of 5% fixed to floating subordinated notes.

Q3/21 performance dampened due to the decision to strengthen capital base to fund future growth through the issuance on April 30 of US\$75 M (principal) of 5% fixed to floating subordinated notes

# Q3 2021: Continued Strong Financial Performance

## Balance Sheet

	At July 31		Change
	2021	2020	
Total Assets	\$2.29 B	\$1.93 B	+18%
Book Value per Common Share	\$11.29	\$10.52	+7%
CET1 Ratio	11.94%	14.11%	-217bps
Leverage Ratio	9.99%	11.99%	-200bps

Cash balance at end of Q3/21 increased to \$297 M from \$272 M at the end of Q2/21

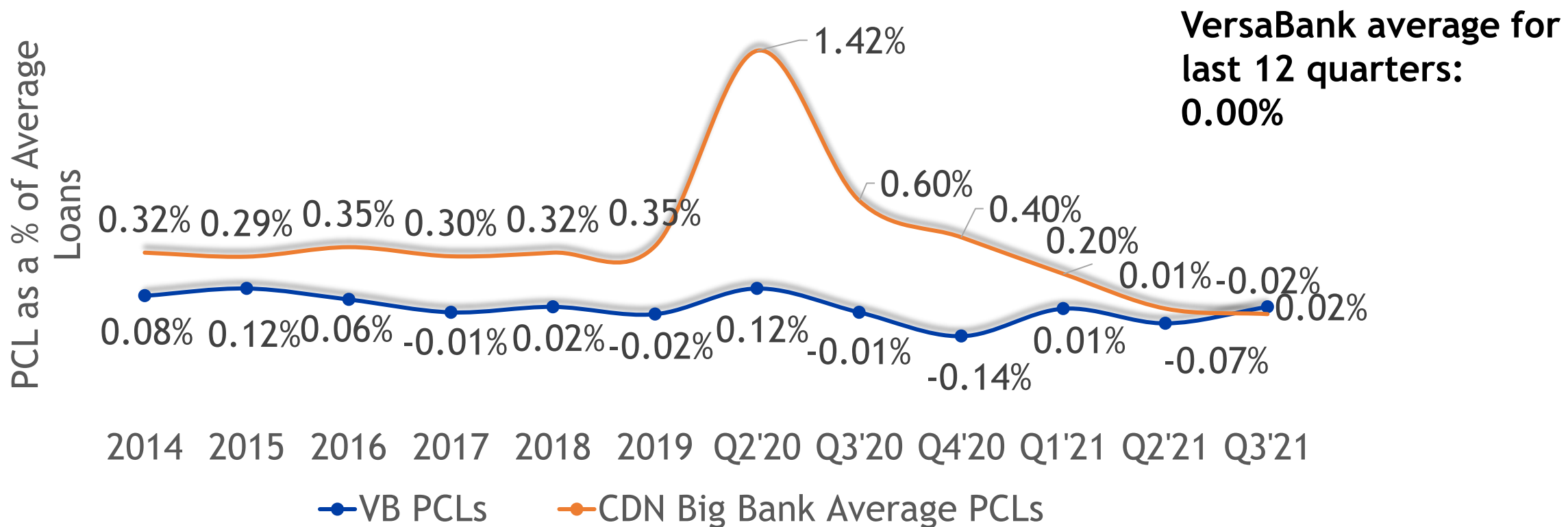
Q3/21 cash balance includes \$73 M in net proceeds from subordinated note offering less preferred share redemption

Cash balance at end of Q3/21 was ~13% of total assets compared with historical ranges of 6 to 7%

Continuing to deploy cash to Commercial Real Estate and Point-of-Sale portfolios

# Continued Risk Mitigation

## Q3 2021: Continued Low PCLs as a % of Average Loans



Q3/21: PCLs of \$96,000 - increase due primarily to larger loan portfolio  
Point-of-Sale holdbacks continue to be well in excess of estimated intrinsic risk



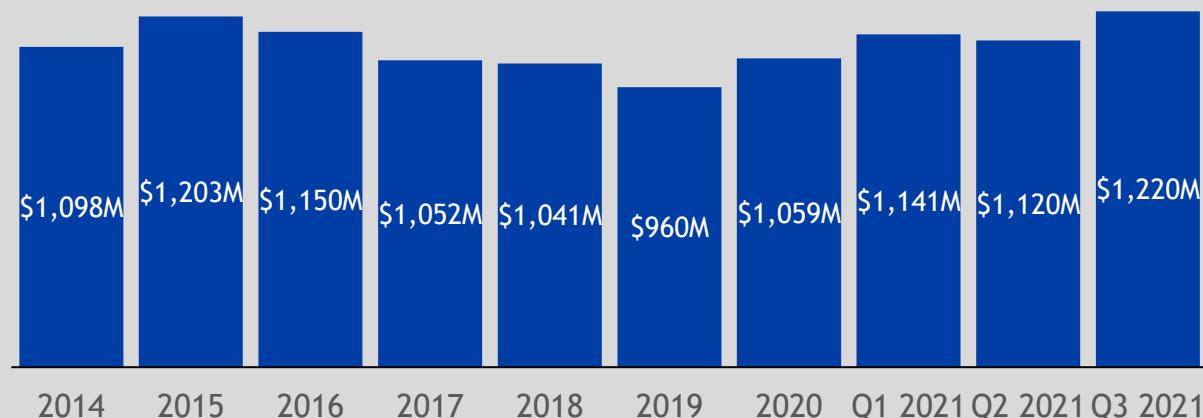
# Continued to Lower Cost of Funding

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

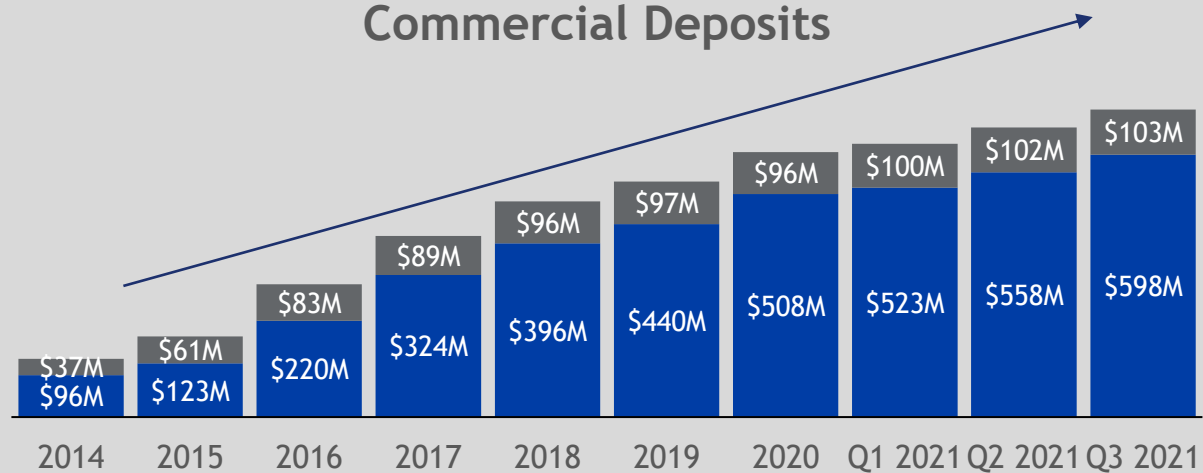
## Q3 2021 cost of funds: 1.41%

- Decreased 3 bps vs Q2 2021 (after adjusting for US\$75 M note offering)
- Decreased 18 bps vs Q3 2020

### Personal Deposits



### Commercial Deposits



# VCAD: North America's FIRST Bank-Issued, Deposit-Based Digital Currency

10



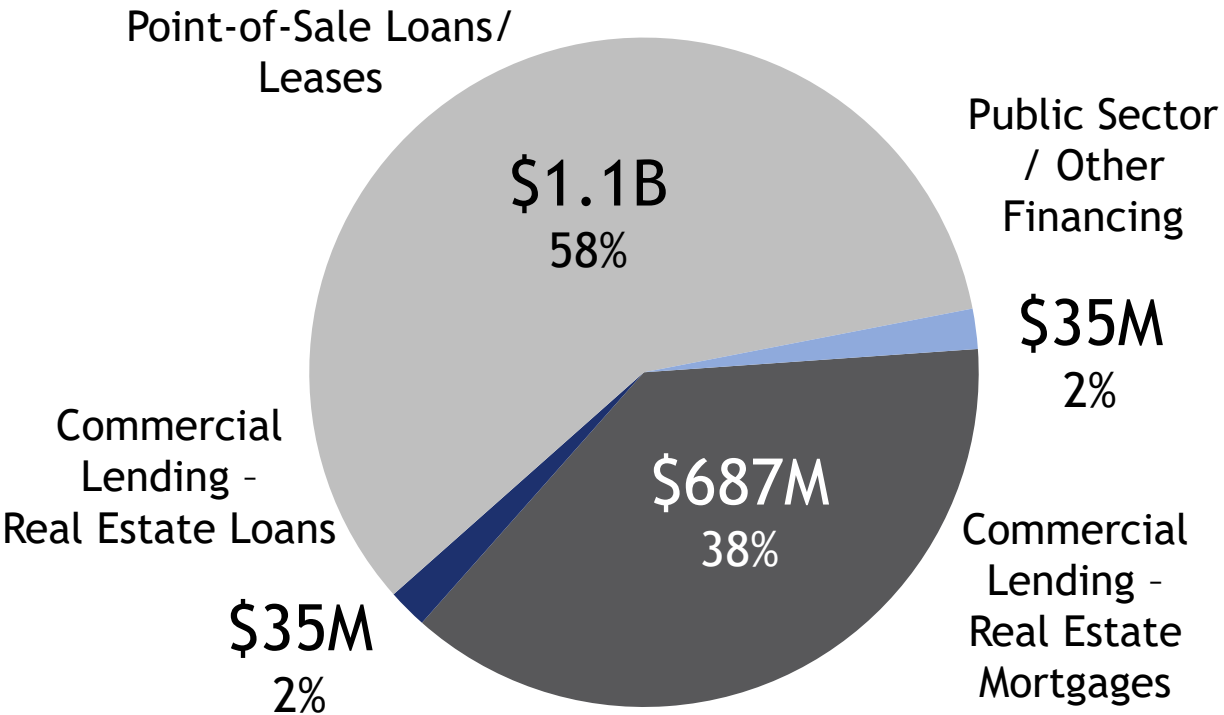
Based on VersaBank's  
proprietary banking  
software and VersaVault  
Cybersecurity technology

- Represented 1:1 by Canadian-dollar deposits
- Highest level of stability and security amongst all digital currencies
- Commercial launch in partnership with Stablecorp
- Targeting availability in the coming months
- Plan to work with Stablecorp toward launch of other digital currencies

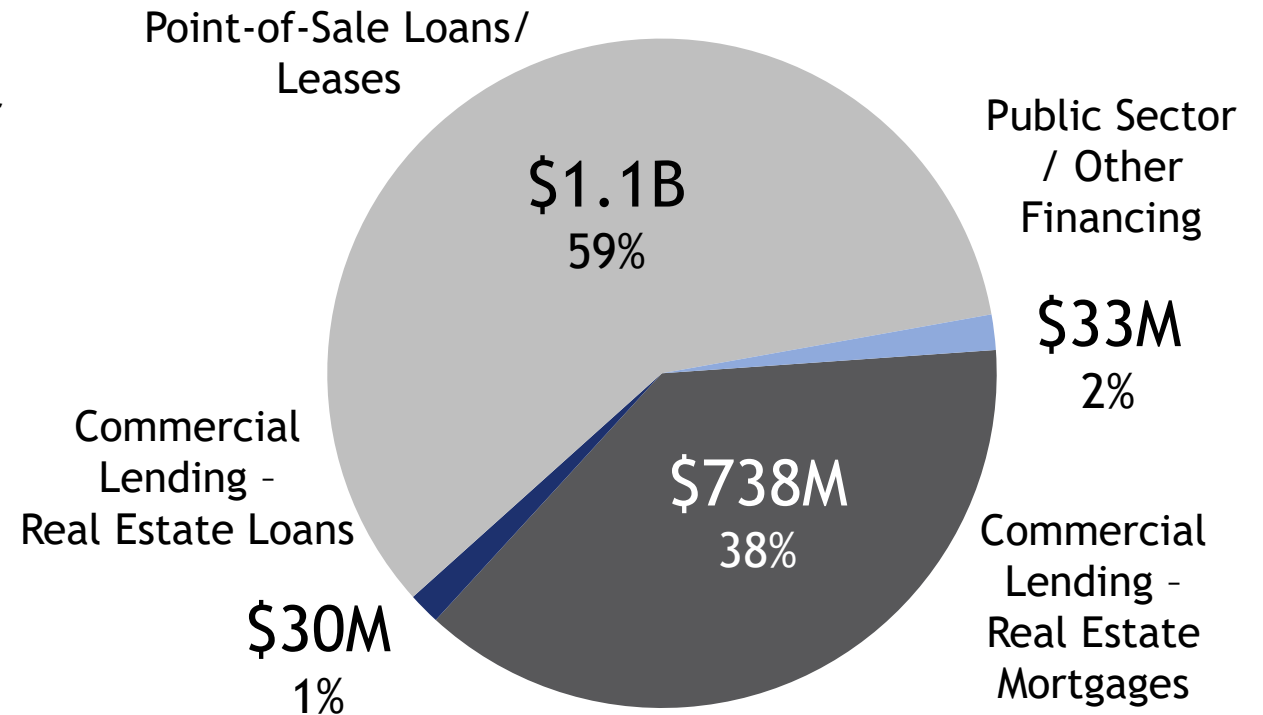
Closed ecosystem testing initiated to validate the security,  
processes, procedures and protocols

# Record Loan Portfolio: \$1.95 B

**Q2 2021**  
Total: \$1.82 B



**Q3 2021**  
Total: \$1.95 B



Surpassed \$2B loan portfolio subsequent to quarter end

Building a comprehensive suite of innovative cyber security solutions that address high-demand, underserved segments of this rapidly growing market



# DRT Cyber Growth Strategy: Multiple, Significant Growth Opportunities

1

Expand VersaVault®  
globally

2

Continue to grow  
DBG business

3

Develop and launch new  
complementary  
products/services

4

Acquisitions of  
complementary  
products/services

5

Cross-sell and up-  
sell

# 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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# Our Time Has Arrived!



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