



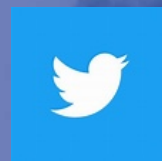
VersaBank

Choice Through Innovation

Q3 2023 Conference Call Presentation

August 30, 2023

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Post Conference Call Q&A

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

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 wars or conflicts including the crisis in Ukraine and the impact of the crisis on global supply chains; the impact of new variants of COVID-19 and VersaBank'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, 2022. The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.

David Taylor

President &
Chief Executive Officer



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Q3 2023

30% YoY growth in loan portfolio to record **\$3.66 B**

39% YoY and **9%** sequential growth in POS Loans & Leases

Record revenue

Record net interest income

Record EPS¹

Realizing **significant operating leverage** inherent in Digital Banking model

Digital Banking efficiency ratio at **43%**

ROCE at **11.15%**

1. Record EPS tied with Q2 2023 excludes the first quarter 2017 which benefitted from the recognition of \$8.8 million in deferred income tax assets derived from the tax loss carry-forwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. on January 31, 2017

Q3 2023 Key Metrics & Highlights: Record Results

Consolidated

	YoY	Sequential
Total Revenue	26%	1%
Net Income	75%	3%
EPS	90%	-
Net Interest Margin	19 bps	21 bps

Digital Banking

Cost of Funds	168 bps	35 bps
Net Interest Margin on Loans	38 bps	30 bps

Cybersecurity Services (DBG only)

Revenue	10%	8%
Gross Profit	52%	6%

Digital Banking: Strong loan portfolio growth to another record: \$3.66B

Record quarterly revenue, NII and EPS¹

Temporary anomalous rate elevation in term deposit market compressed NIM

Digital Banking Efficiency Ratio (ex. DRTC): 43%

- YoY decrease of 1,374 bps (25%)
- Sequentially unchanged

Ave. Return on Common Equity (ROCE): 11.15%

- YoY increase of 458 bps (70%)
- Sequential decrease of 92 bps (8%)

1. Record EPS tied with Q2 2023 excludes the first quarter 2017 which benefitted from the recognition of \$8.8 million in deferred income tax assets derived from the tax loss carry-forwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. on January 31, 2017

Realizing significant operating leverage inherent in Digital Banking model

Acquisition of OCC-Chartered, National US Bank: Transformational Next Step in Long-Term Growth Strategy

7

June 2022: Definitive Agreement to Acquire Minnesota-based Stearns Bank Holdingford

Fully operational national
bank focused on small
business lending

Expected to add ~US\$60 M¹
in total assets

Estimated purchase price of
US\$13.5 M (CA\$18 M)¹

- Provides access to US deposits to fuel growth of the US Receivable Purchase Program business (launched in US following success of Point-of-Sale business in Canada)
- Expected to be accretive to VersaBank's earnings per share within first year after closing
- Expected to be well capitalized on closing with a Total Capital ratio >10%
- US regulatory decision expected Autumn 2023
- If favourable, will proceed toward completion as soon as possible, subject to Canadian regulatory (OSFI) approval

1. Subject to any adjustments at closing.

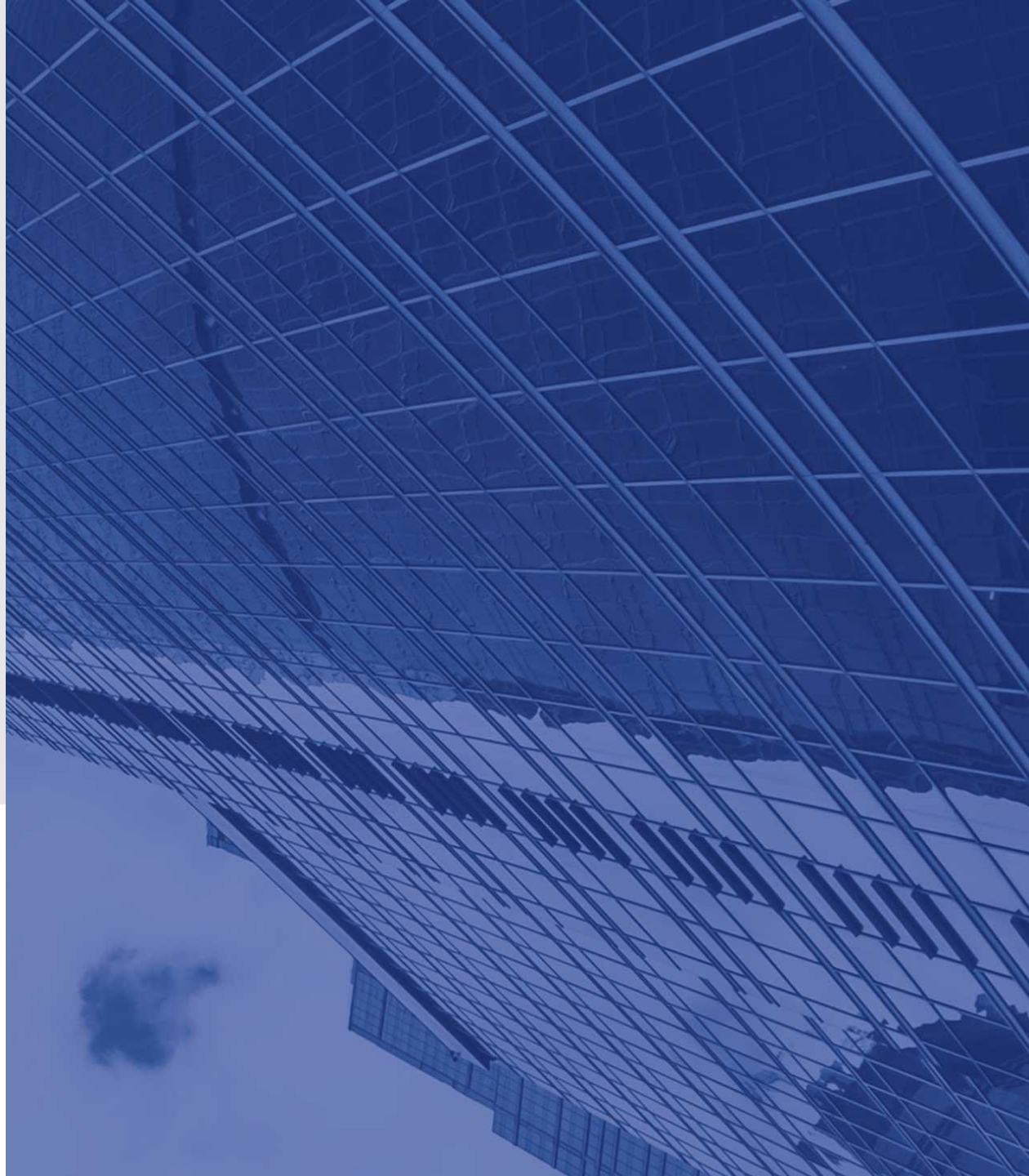
Platform for significant growth in the United States

Shawn Clarke

Chief Financial Officer



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Q3 2023: Continued Strong Financial Performance

Balance Sheet

	At July 31		YoY Change	Sequential Change
	2023	2022		
Total Assets	\$3.98 B	\$3.08 B	29%	7%
Loan Portfolio	\$3.66 B	\$2.81 B	30%	7%
Cash and Securities	\$0.27 B	\$0.22 B	24%	3%
Book Value per Common Share	\$13.55	\$12.14	12%	3%
CET1 Ratio	11.15%	12.51%	-136bps	-6bps
Leverage Ratio	8.53%	10.38%	-185bps	-30bps

- Total loan portfolio expanded to another record balance
- Book Value per Share increased as a function of higher retained earnings (from net income growth), partially offset by dividends paid
- Book Value Per Share benefitted from lower number of shares due to buyback program

Both CET1 and leverage ratios remain well above targets

Q3 2023: Continued Strong Financial Performance

Consolidated

Consolidated Income Statement

	3 Months Ended July 31			
(000's)	2023	2022	YoY Change	Sequential Change
Revenue	26,859	21,239	26%	1%
Non-Interest Expenses	12,879	13,216	-3%	1%
Net Income	10,003	5,720	75%	-3%
Earnings Per Share	0.38	0.20	90%	-

- Revenue growth driven by higher NII from Digital Banking operations due mainly to strong POS portfolio growth
- YoY revenue also benefitted from higher contribution of DRTC
- EPS benefitted from lower number of shares due to buyback program
- Net income dampened by temporary NIM compression due to higher rates paid on term deposits during the quarter amidst temporarily elevated rates in the term deposit market in Canada, which were impacted by the period of liquidity concerns related to the US banking sector

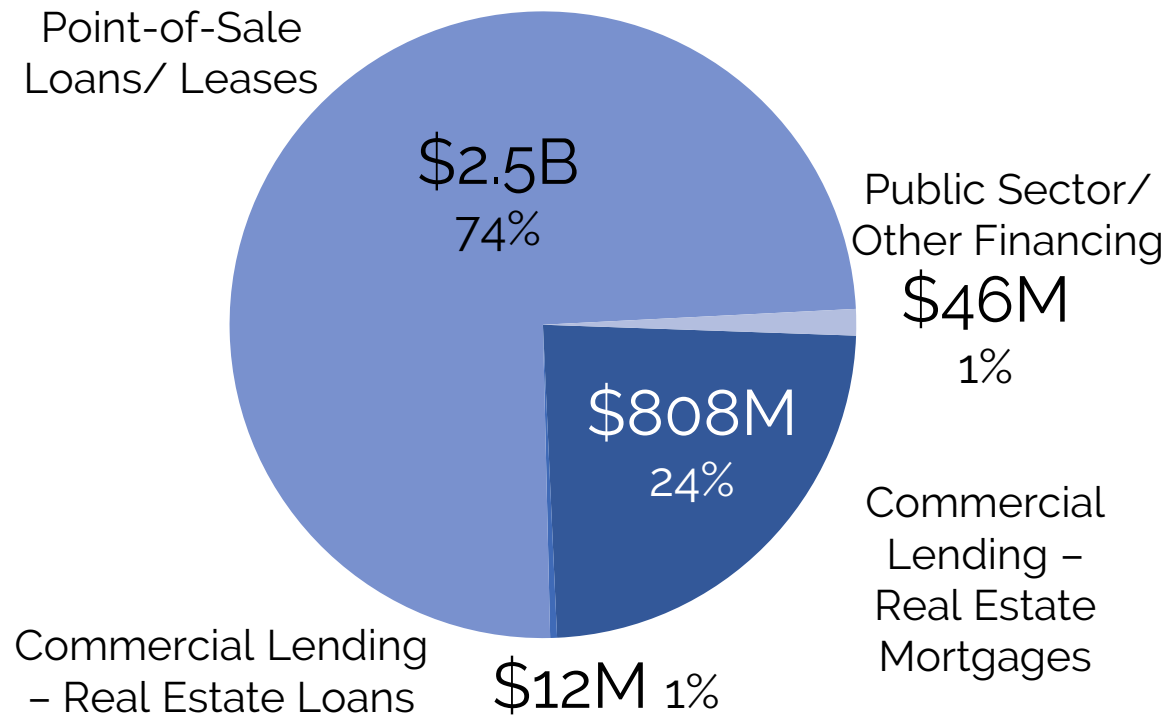
Another quarter of record revenue and EPS¹

1. Record EPS tied with Q2 2023 excludes the first quarter 2017 which benefitted from the recognition of \$8.8 million in deferred income tax assets derived from the tax loss carry- forwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. on January 31, 2017

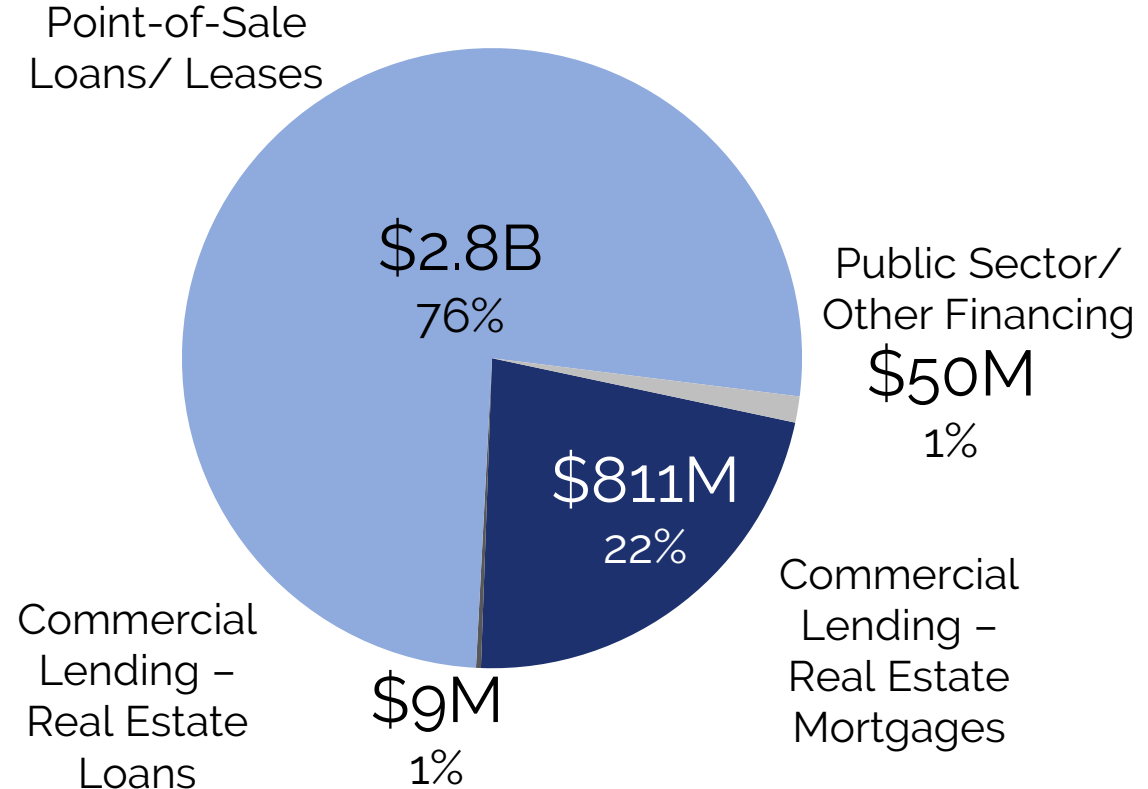
Q3 2023: Continued Strong Financial Performance

Digital Banking Operations – Record Loan Portfolio: \$3.66 B

Q2 2023
Total: \$3.42 B



Q3 2023
Total: \$3.66 B



Point-of-Sale Portfolio: Up 39% YoY & up 9% sequentially
 Commercial Real Estate Portfolio: Up 8% YoY & 1% sequentially

Q3 2023: Continued Strong Financial Performance

Digital Banking Operations

Digital Banking Operations: Income Statement

	3 Months Ended July 31		YoY Change	Seq Change
	2023	2022		
Cost of Funds	3.62%	1.94%	168 bps	35 bps
Non-Interest Expenses	10.8	11.4	-6%	1%
Net Interest Income	24.9	20.1	24%	1%
Net Interest Margin on Loans	2.69%	3.07%	-38 bps	-30 bps
Net Interest Margin	2.57%	2.76%	-19 bps	-21 bps

- NIM on loans was dampened by higher rates paid on term deposits during the quarter amidst temporarily elevated rates in the term deposit market in Canada, which were impacted by the period of liquidity concerns related to the US banking sector

Q3 2023 cost of funds: 3.62%

- Increased 168 bps (87%) vs Q3 2022
- Increased 35 bps (11%) vs Q2 2023

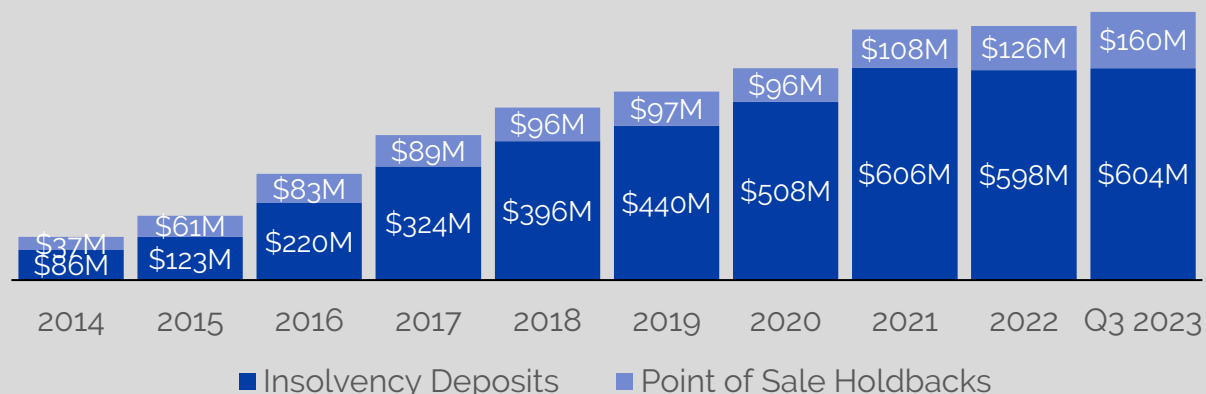
Cost of funds was impacted by higher rates paid on term deposits during the quarter amidst temporarily elevated rates in the term deposit market in Canada, which were impacted by the period of liquidity concerns related to the US banking sector

Increase in cost of funds significantly less than Bank of Canada increases in benchmark rate of 475 bps since the beginning of fiscal 2021

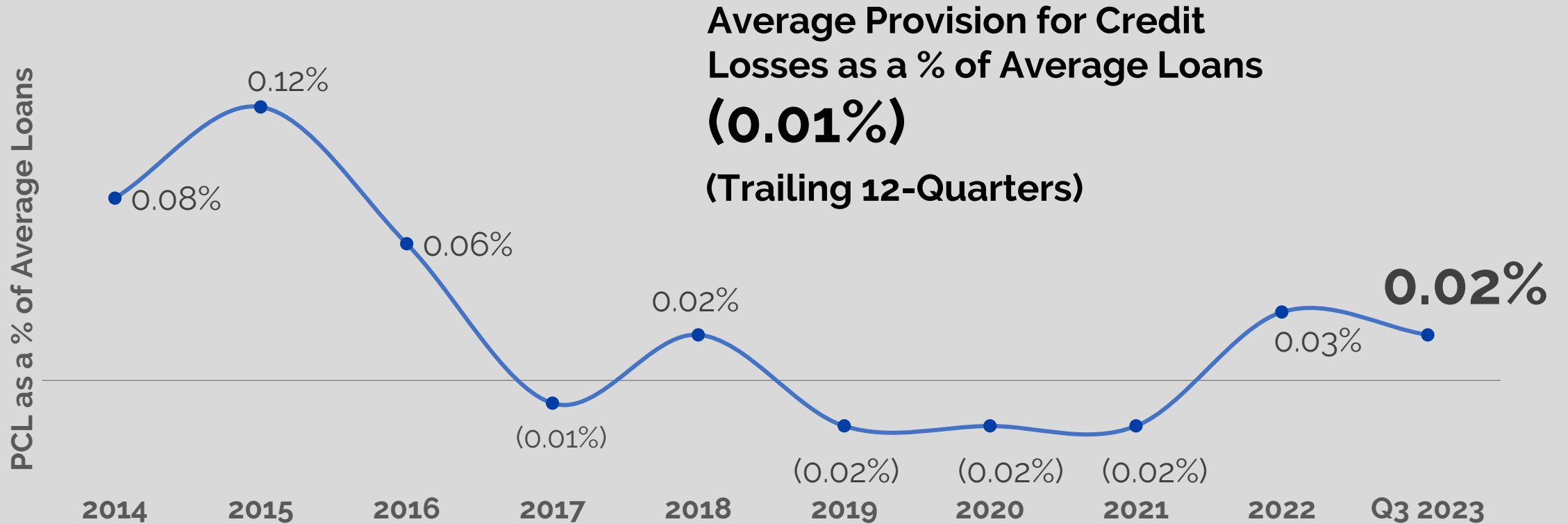
Wealth Management (Personal Deposits)



Commercial Deposits



Top Tier Asset Quality & Prudent Approach to Risk Mitigation



Cybersecurity Services (DBG): Income Statement

	3 Months Ended July 31		YoY Change	Seq Change
	2023	2022		
Revenue	2.4	2.1	10%	-8%
Gross Profit	1.8	1.2	52%	-6%

- Revenue changes are a function of engagement activity relative to comparable periods
- YoY increase in gross profit driven primarily by improved operational efficiency

Cybersecurity Services component of DRTC (DBG) remains profitable

David Taylor

President &
Chief Executive Officer

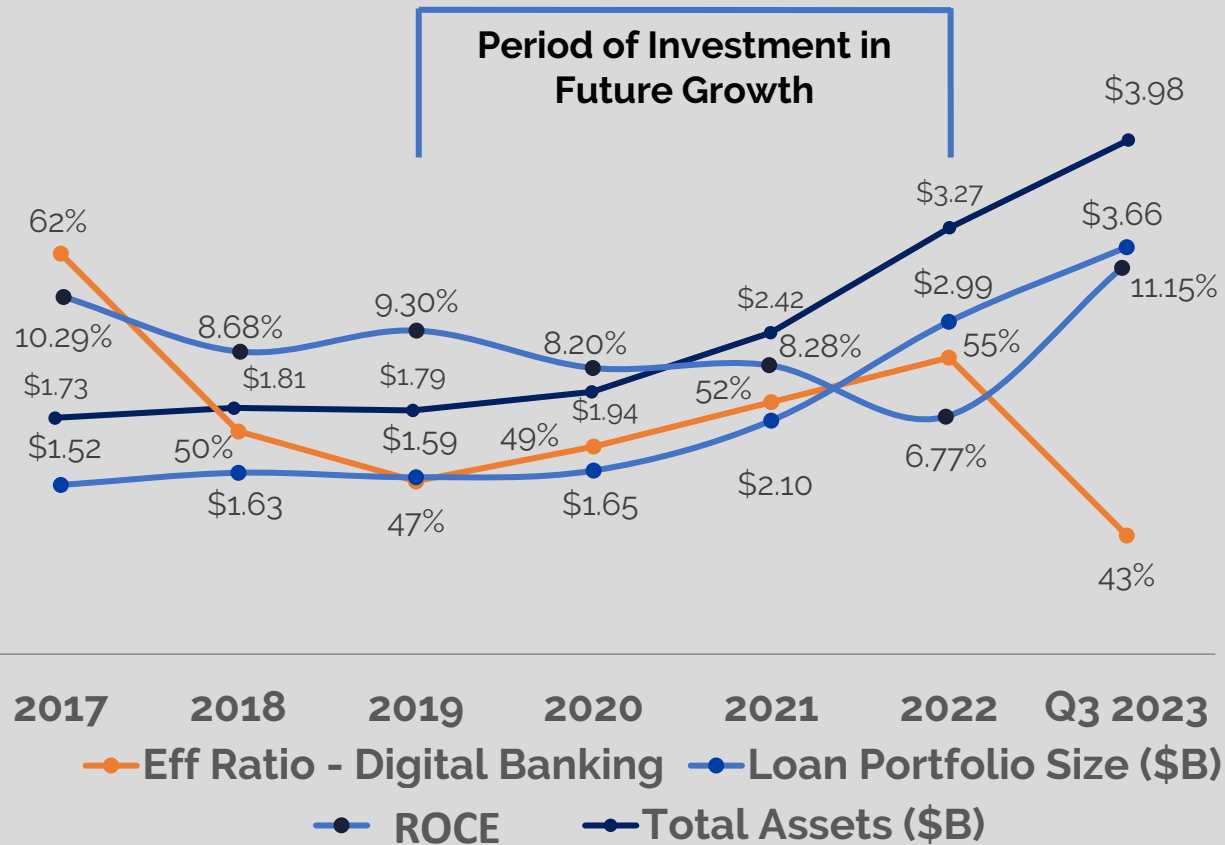


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Capitalizing on the Significant Operating Leverage in Our Core Digital Banking Operations



Near-Term Targets

Total Assets

> \$4B

> \$5B

Efficiency Ratio

< 42%

< 35%

ROCE

> 14%

> 20%



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Q&A Session

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Our Time Has Arrived!



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