



VersaBank

Choice Through Innovation

NASDAQ: VBNK
TSX: VBNK

Investor Presentation

September 2023

Banking on the Future!

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, 2022 and quarter ended July 31, 2023. The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.



VersaBank
Choice Through Innovation

A Fully Digital North American Bank

Highly efficient:
Branchless, partner
(B2B) model

Innovative, value-add
deposit & lending
solutions for
underserved markets

Operating leverage of a technology company with earnings visibility of a bank

Highly risk-mitigated model: Very sticky deposits/History of virtually no loan losses

Track record of significant earnings growth

Poised for outsized long-term growth through entry to U.S. market

Additional “free option” through cybersecurity services subsidiary

Designed to perform well in favourable economies and
even better in more challenging economies

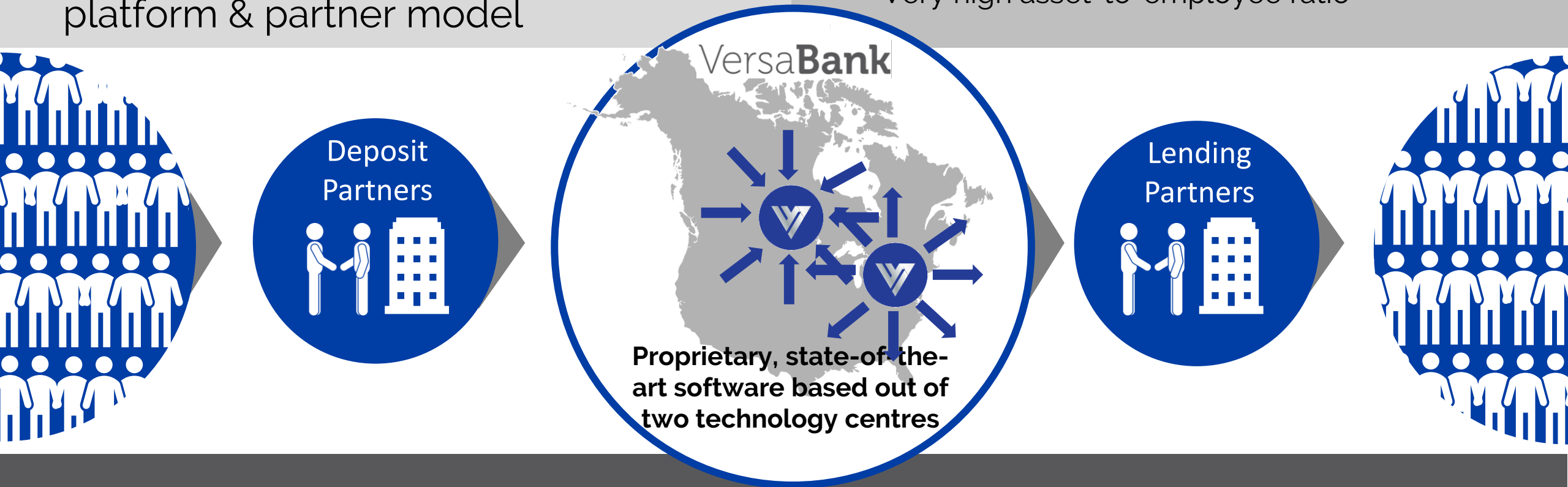
At an **inflection point** for operating leverage, outsized earnings growth and ROCE

Branchless Partner (B2B) Model Based on Proprietary Banking Technology

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Significant **operating leverage** derived from **scalability** of technology platform & partner model

- All deposits/loans managed digitally
- No direct interaction with end users
- Very high asset-to-employee ratio



Cost to earn \$1 of revenue has decreased >40% over last 7 years
On track to further increase efficiency

Deposits: Unlimited Low-Cost, Very Stable Sources

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>220 Partners Provide Access to Millions of Depositors

Insolvency Professionals (>100 Offices)

- Proprietary, high-value add, technology-based solution
- Grown from 0 to >100 partners & C\$598M¹/US\$438 in deposits in ~8 years



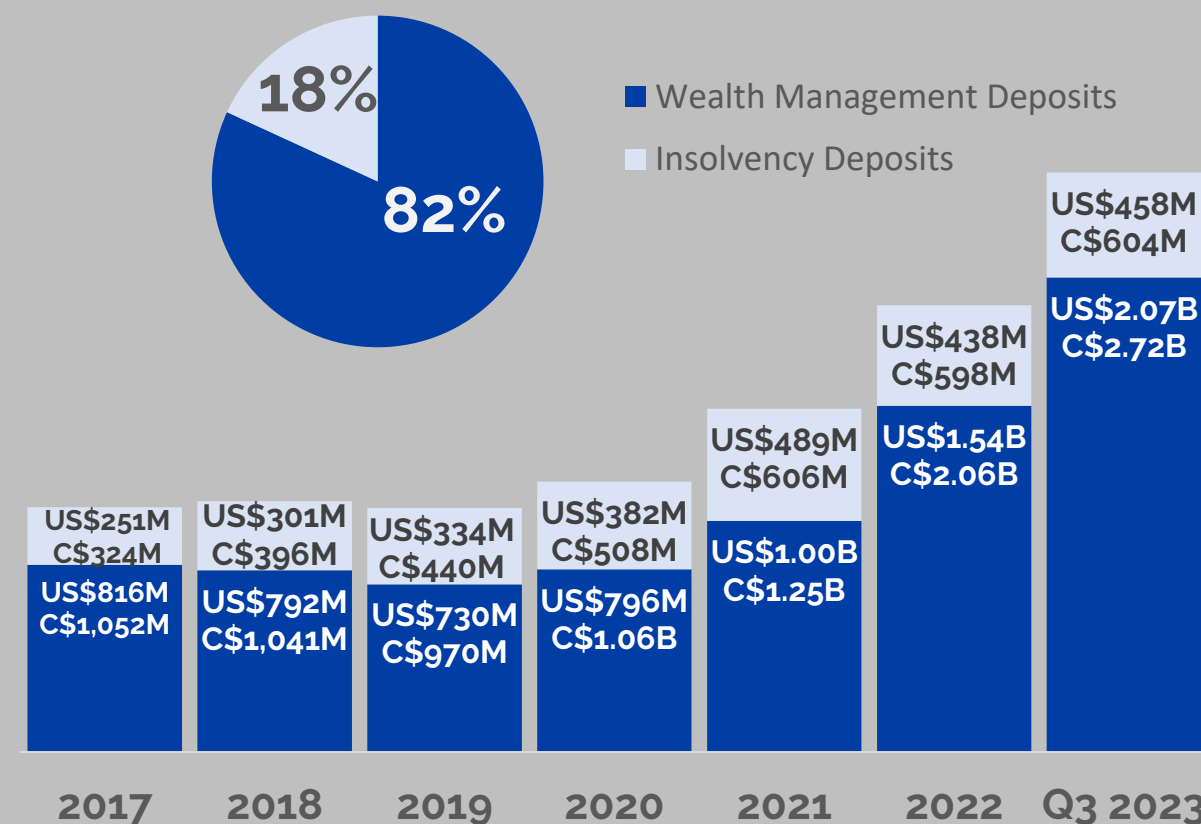
Wealth Management (>120 Partners)

- Extensive network of providing exposure to vast majority of Canadian depositors
- Competitively positioned for inexpensive deposits as a federally licensed bank



- Objective to minimize cost of deposit funding
- All Wealth Management deposits are term deposits
- Very “sticky” deposit base

Deposit Composition (Q3 2023)



Ultra Low-Risk Digital Model

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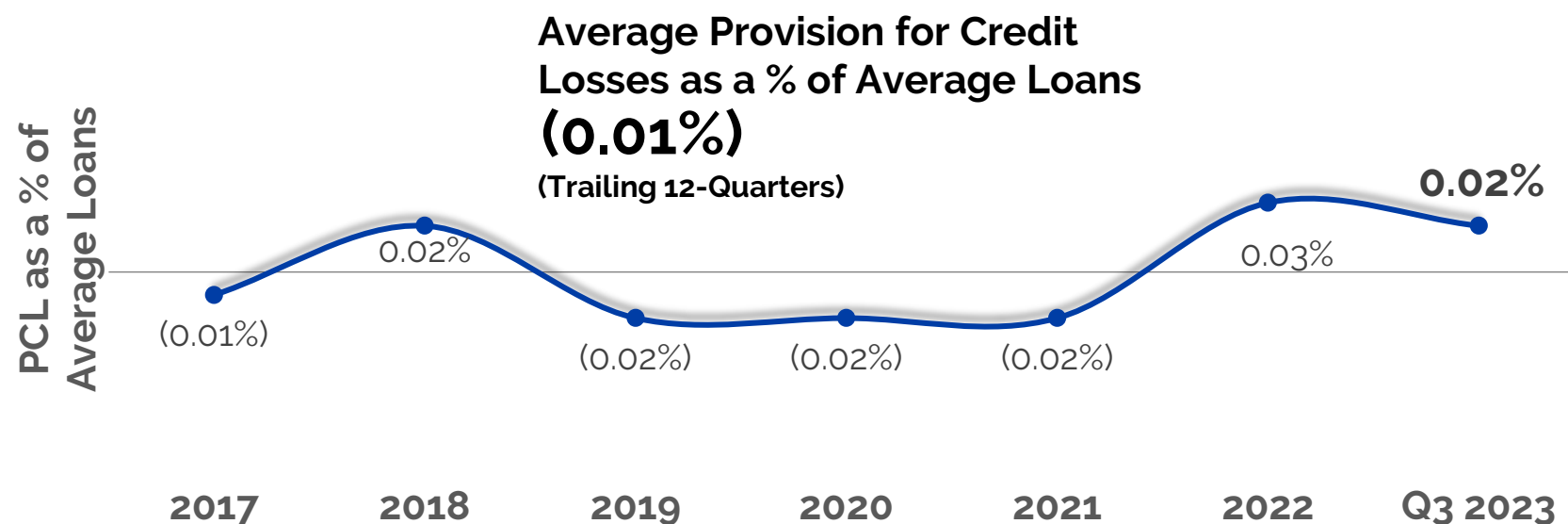
Organization-Wide Focus on Risk Mitigation

- Technology-based approach to risk analysis/ monitoring
- Rigorous, multi-step, multi-executive approval process
- Continuous, real-time monitoring of credit performance
- Top-tier asset quality
- High-liquidity ratio & access to vast supply of low-cost funds
- Low operational risk: branchless, digital model & industry leading security

Very Sticky Deposits

- Insolvency Professionals: Long-term relationships based on unique, high-value add, integrated technology
- Wealth Management: 100% term deposit receipts/Depositors have no direct access to deposits
- 98% insured (All Wealth Management deposits insured)

Loans to High Quality Partners/Highly Risk Mitigated Structures



Loans: Very Low Risk Lending Channels

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>275 Partners Provide Access to Millions of Borrowers

Point-of-Sale Financing (Loans and Leases)

- Reliable, attractive alternative financing option for POS lenders, providing convenience for their consumers
- Very low-risk:
 - Default risk resides substantially with partner
 - Only partner with established POS lenders
- Dominant position in Canada



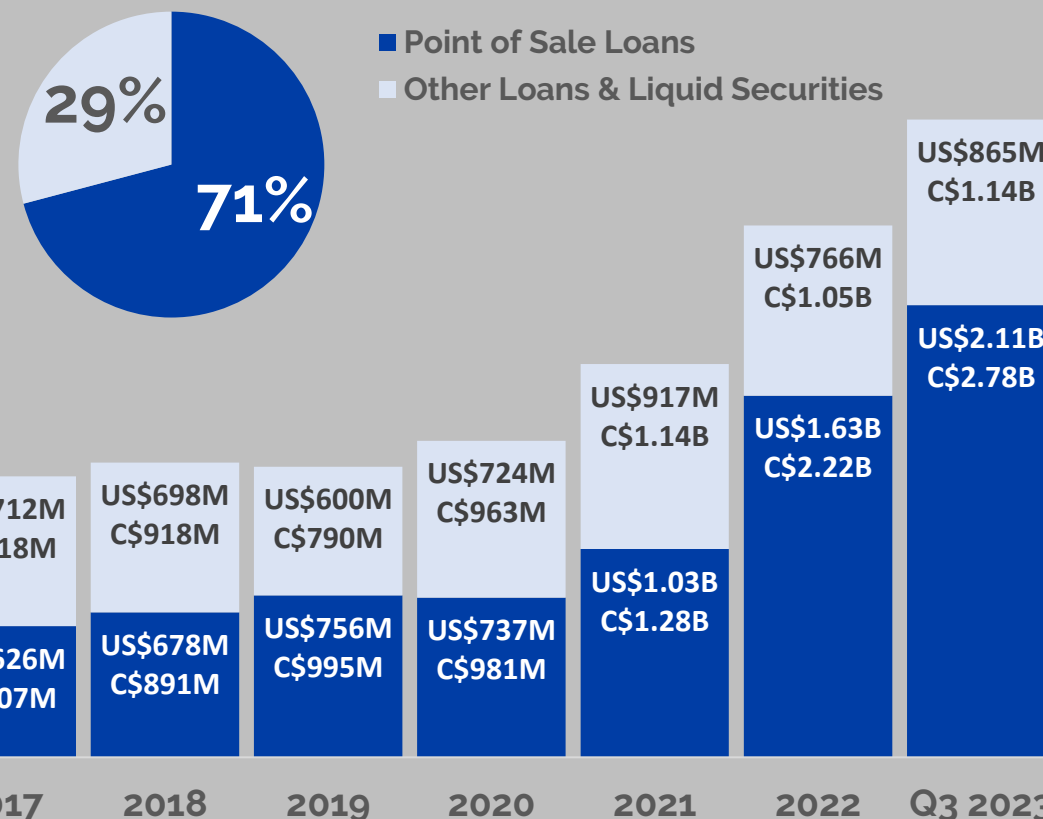
Residential Land & Construction Financing

- Highly profitable legacy business
- Restricted to large, long-established developers
- Low loan to value/low risk weighted loans
- No commercial real estate exposure



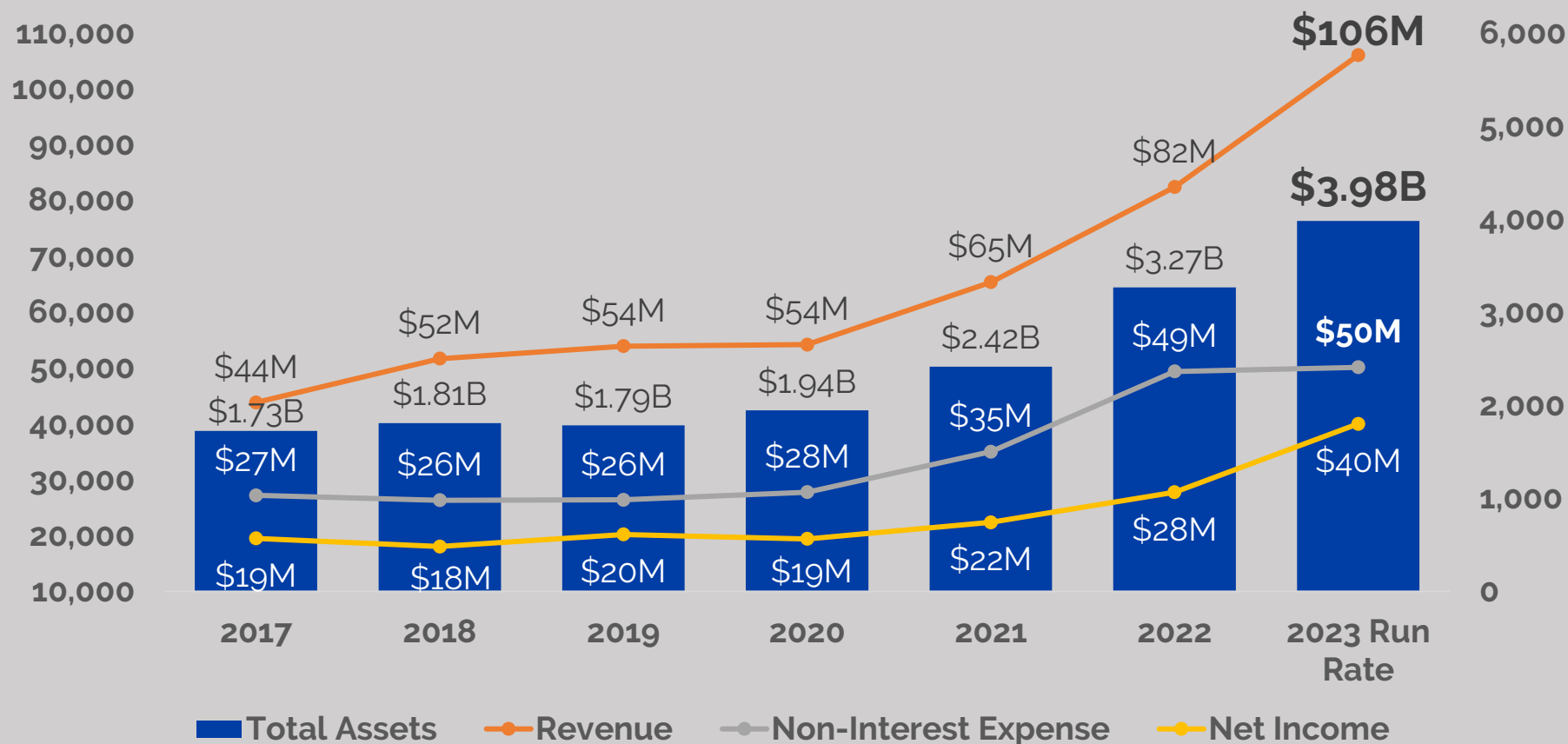
- Low-cost deposits enable low-risk lending
- 30-year history of virtually no loan losses

Loan Composition (Q2 2023)



Momentum in Profitability and Long-Term Earnings Capacity

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Expect continued steady growth in Canada with the significant upside of the entry into the U.S. market





Q3 2023 Key Metrics & Highlights: Record Results

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Consolidated

	YoY	Sequential
Total Revenue	 26%	 1%
Net Income	 75%	 3%
EPS	 90%	-
Net Interest Margin	 38 bps	 30 bps

Digital Banking

Cost of Funds	 168 bps	 35 bps
Net Interest Margin on Loans	 21 bps	 19 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, net interest income, net income and EPS¹

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

- YoY decrease of 1,400 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 Net income and EPS 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

Digital Banking Growth Strategy: Momentum for the Future

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1

**Further Reduce
Cost of Funding**
to Expand Net Interest Margin

Expand insolvency deposits: Higher volumes w/ existing partners & adding new partners

Expand wealth management deposits by adding new partners

Introduce commercial deposit offerings to new markets

2

Grow Loan Portfolio
via New Near-Term Opportunities
and Existing Offerings

Expand Point-of-Sale Financing portfolio: Add new partners & increase volumes with existing partners

Grow Recently Launched U.S. Receivable Purchase Program (U.S. version of Point-of-Sale Financing solution)

Launch Instant Mortgage: Application of Point-of-Sale Financing technology for the retail mortgage market (lower RWA)

3

Pursue Accretive Acquisitions
to Leverage Scalability of
Platform & Enter New Markets

Generate capital-efficient, step function growth in loan portfolio

Provide ability to expedite roll out of offerings in new markets

Vision: Continue to grow loan portfolio/revenue while maintaining low cost of funding to capitalize on operating leverage

U.S. Receivables Purchase Program: A New Financing Solution for a High-Growth but Underserved Market

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Strong growth in U.S. Point-of-Sale financing activity driven by technology & increasing consumer preference for non-credit card/non-bank financing options

75% Of consumers more likely to make purchase if seamless POS financing available⁽³⁾

\$1.8T Estimated POS market in the near term,

20% Forecast annual growth in U.S. point-of-sale financing market ⁽²⁾

Same attractive, reliable alternative solution that has been highly successful in Canada

Launched in U.S. April 22 (limited basis)

Strong initial demand, especially as conventional sources of financing have waned

Full roll out to commence upon closing of U.S. bank acquisition

Will be serviced via existing technology infrastructure



(1) Filene Research Institute: "Blue Ocean Lending for Credit Unions: Point of Sale Financing" (05.19.15); (2) Skeps – "POS Financing Competition is Growing" (10.08.20); (3) The Financial Brand – "Growth of POS financing is Both a Threat and Opportunity in Retail Banking" (07.29.19)

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

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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

Platform for significant growth in the United States

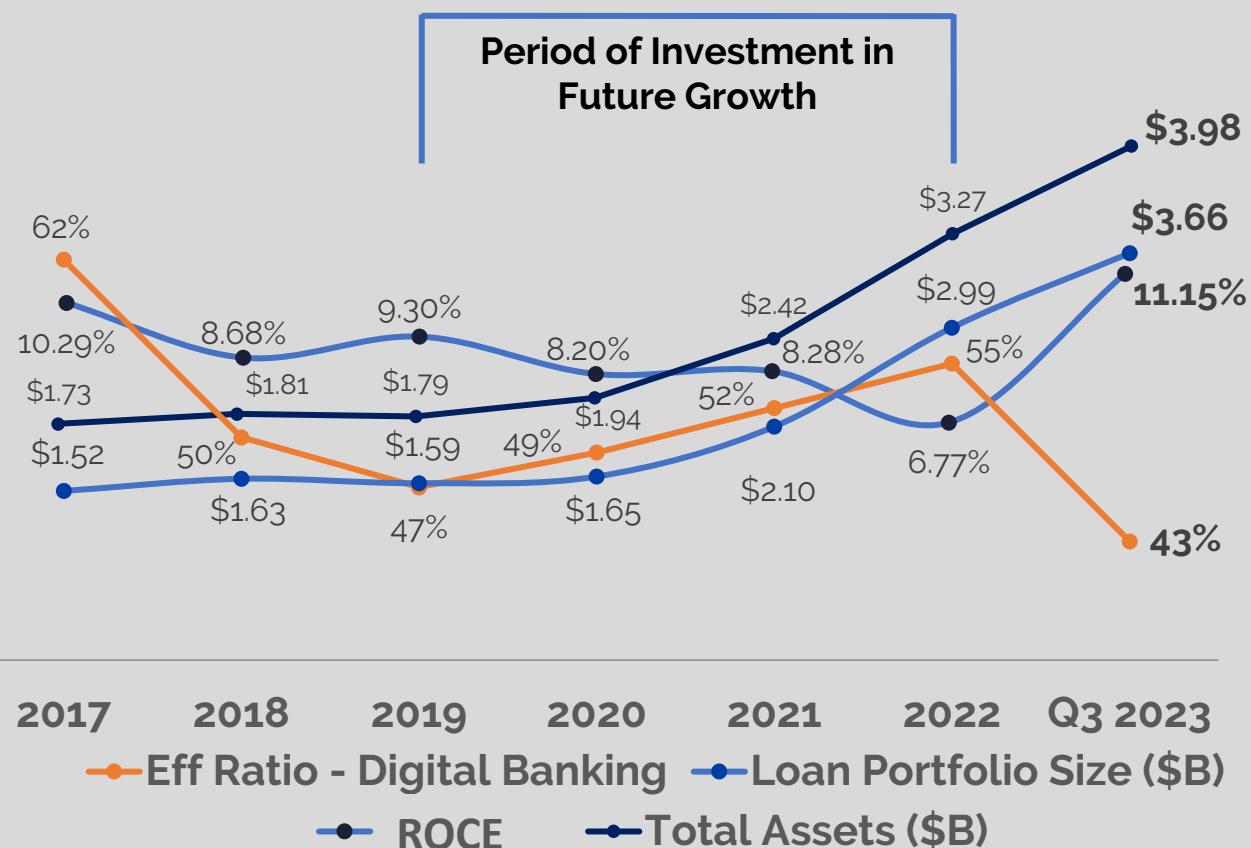
- Provides access to U.S. deposits to fuel growth of the U.S. Receivable Purchase Program business (recently launched in the U.S. following success of Point-of-Sale business in Canada)
- Expected to be accretive to VersaBank's earnings per share within first year after closing
- Expected to be well capitalized on closing with a Total Capital ratio >10%
- Will be renamed VersaBank USA on closing

1. Subject to any adjustments at closing. 2. Subject to regulatory approval in U.S. and Canada).

Submitted requisite approval filings in U.S. and awaiting decision of
U.S. regulatory authorities – expected Autumn 2023

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

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Near-Term Targets

Total Assets

>\$4B

>\$5B

Efficiency Ratio

<42%

<35%

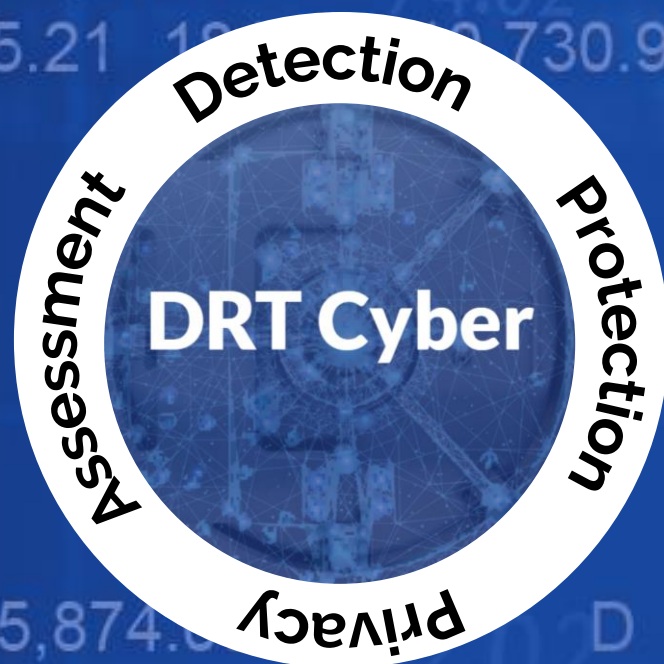
ROCE

>14%

>20%

DRT Cyber: “Free Option” on Digital Banking Valuation

**One of North America's
Premiere IT Security
Assurance Services Firms**



Comprehensive Suite of Services:

- External network, web and mobile app penetration testing
- Physical social engineering engagements
- Supervisory control & data acquisition (SCADA) system assessments
- Various aspects of training

> 400 Clients Across North America

- Large retailers & financial service providers
- Police service organizations
- Energy, public utilities & infrastructure firms

Significant opportunities to cross-sell and up-sell

Also provides technology development for Digital Banking operations

Profitable, with solid growth in revenue and EBITDA in fiscal 2022

Why VersaBank? Why Now?

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At inflection point for operating leverage, earnings growth and ROCE generation based on expected continued strong growth in Canada and entry into the U.S

Proposed acquisition of national, chartered US bank provides access to **\$1.8T** market for highly unique Receivables Purchase Program (proven out in Canada)

Highly risk-mitigated model based on structuring of both deposits and loans

Current valuation substantially below book value and well below US peers

Profitable cybersecurity services subsidiary is a "free option"

Positioned to perform well in a challenging economic environment

Banking on the Future!



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