FINAL TRANSCRIPT

VersaBank

Fourth Quarter 2023 and Annual Financial Results

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CORPORATE PARTICIPANTS

David Taylor
VersaBank — President, Chief Executive Officer

Shawn Clarke
VersaBank — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

David Feaster
Raymond James — Analyst

Ian Gillespie

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to VersaBank's Fourth Quarter and Year-End Fiscal 2023 Financial Results Conference Call.

This morning, VersaBank issued a news release reporting its financial results for the fourth quarter and fiscal year ended October 31, 2023. The news release along with the bank's financial statements, MD&A, and supplemental financial information are available on the Bank's website in the Investor Relations section, as well as on SEDAR+ and EDGAR.

Please note that in addition to the telephone dial-in, VersaBank is webcasting this morning's conference call. The webcast is listen-only. If you are listening to the webcast but wish to ask a question in the Q&A session following Mr. Taylor's presentation, please dial into the conference line, the details of which are included in this morning's news release and on the Bank's website.

For those participating in today's call by telephone, the accompanying slide presentation is available on the Bank's website. Also, today's call will be archived for replay both by telephone and via the internet, beginning approximately one hour following completion of the call. Details on how to access the replay are available in this morning's news release.

I would like to remind our listeners that the statements about future events made on this call are forward-looking in nature and are based on certain assumptions and analysis made by VersaBank Management. Actual results could differ materially from our expectations due to various material risks and uncertainties associated with VersaBank's businesses. Please refer to VersaBank's forward-looking statement advisory in today's presentation.

I would now like to turn the call over to David Taylor, President and Chief Executive Officer of VersaBank. Please go ahead, Mr. Taylor.

David Taylor — President, Chief Executive Officer, VersaBank

Good morning, everyone and thank you for joining us for today's call. With me is Shawn Clarke, our Chief Financial Officer.

Before I begin, I'd like to remind you that our financial results are reported and will be discussed on this call in our reporting currency of Canadian dollars. For those interested, we provide U.S. dollar translations for most of our financial numbers in our standard Investor presentation, which will be updated and available on our website shortly.

Now for the results. Another record quarter capped off another record year for our Bank as we realized the significant and increasing operating leverage in our branchless, business-to-business, partner-based digital banking model with the continued growth in our loan portfolio. Ninety-four percent year-over-year growth in net income was more than triple that of our healthy 29 percent growth in our loan portfolio, and that drove an 86 percent increase in average return on common equity to nearly 14 percent.

Looking more closely at our fourth quarter performance, our results once again showed the predictability and momentum of our business. Those of you that have followed VersaBank for some time will have heard me say that the $4 billion mark for total assets was the point at which we'd begin to see the operating leverage in our digital banking model. That can clearly be seen in Q4 numbers. With total assets crossing the $4 billion mark during Q4, ending the quarter and the year at $4.2 billion, we are seeing the outsized positive impact on efficiency, profitability, and a return on equity.

Continued steady growth in our loan portfolio due primarily to the continued strength of our point of sale receivable purchase program drove very healthy sequential revenue growth of 9 percent, which contributed to 20 percent growth year-over-year. We achieved this growth while holding non-interest expenses flat. In reality, it was down a bit, which drove our digital banking efficiency ratio to 45 percent from 51 percent. As I noted last quarter, this level of efficiency already leads the vast majority of North American banks. Fourth quarter return on common equity saw a big jump up to 13.58 percent, up 243 basis points sequentially and 626 basis points year-over-year.

This was always my vision for our branchless business-to-business, partner-based digital bank. Our ability to grow revenue while holding non-interest expenses is the engine that drives and will increasingly continue to drive earnings growth, return on equity, and value for our shareholders. Importantly, we are really just beginning to realize the true efficiency of our model.

Our highlights for fiscal 2023 year very much mirrored those for the fourth quarter. Our digital banking efficiency ratio for 2023 improved to 43 percent from 55 percent as we grew revenue by 31 percent, while holding non-interest expenses to just a 1 percent increase. That with the benefit of solid profitable growth from our cyber security subsidiary translated into an 86 percent increase in net income and a 99 percent increase in earnings per share. Return on common equity for the year improved substantially to 11.75 percent from 6.61 percent.

The vast majority of our 2023 growth was driven by the continued solid performance of our Canadian point of sale receivable purchase program. We continue to expect solid growth for the foreseeable future. We're also seeing continued incremental growth from the limited U.S. launch of our receivable purchase program. While still off a small base, this growth is indicative of the uniqueness and attractiveness of this offering. The real opportunity in the U.S., however, remains the broad national rollout of our solutions in what remains an underserved market. It will supercharge our expected growth. We continue to advance the approval process for our proposed acquisition of U.S.-based Stearns Bank Holdingford, which will provide the U.S. license to enable us to undertake this broad rollout.

We understand and respect the protracted nature of the process and remain encouraged by our interactions with the regulators to date. Should we receive the approval we are seeking, we know it will be well worth the wait.

I'd now like to turn the call over to Shawn to review our financial results in detail. Shawn?

Shawn Clarke — Chief Financial Officer, VersaBank

Thank you, David, and good morning, everyone.

Before I begin, I will remind you that our full financial statements and MD&A for the fourth quarter and the full year are available on our website under the Investors section, as well as on SEDAR and EDGAR, and as David mentioned, all of the following numbers are reported in Canadian dollars as per our financial statements, unless otherwise noted.

Starting with the balance sheet, total assets at the end of the fourth quarter of fiscal 2023 grew to a new high of just over $4.2 billion, up 29 percent from $3.3 billion at the end of Q4 of last year and up 6 percent sequentially from $4 billion at the end of Q3 of this year. Cash and securities at the end of Q4 were $230 million or 7 percent of total assets, which is unchanged from both Q4 last year and Q3 of this year. Our total loan portfolio at the end of the fourth quarter expanded to another record balance of $3.85 billion, an increase of 29 percent year-over-year and 5 percent sequentially. Book value per share increased 13 percent year-over-year and 3 percent sequentially to a record $14.00. These increases were the result of higher retained earnings as well as fewer shares outstanding due to our share repurchase program, offset partially by dividends paid.

Our CET ratio at the end of the quarter was 11.33 percent, down from 12 percent at the end of Q4 of last year and up from 11.15 percent from Q3 of this year. Our leverage ratio was 8.30 percent, down from 9.84 percent at the end of Q4 last year and down from 8.53 percent at the end of Q3 of this year. Both our CET-1 and leverage ratios remain well above our internal targets.

Turning to the income statement, total consolidated revenue for the quarter increased 20 percent year-over-year and 9 percent sequentially to another record of $29.2 million. The increase was driven primarily by higher net interest income from our digital banking operations primarily due to the strong growth of our loan portfolio. Consolidated non-interest expense was $12.4 million for the quarter, down from $13.8 million for Q4 of last year and down from $12.9 million for Q3 of this year.

The year-over-year decrease was a function of lower salary and benefit expenses as well as lower costs incurred in the current quarter attributable to the regulatory process associated with VersaBank's proposed acquisition of a U.S. financial institution. The sequential decrease was due primarily to certain costs specific to Q3 that were not repeated in Q4.

Consolidated net income for Q4 increased 94 percent year-over-year and 25 percent sequentially to $12.5 million. Consolidated earnings per share for Q4 increased 104 percent year-over-year and 24 percent sequentially to another record $0.47, benefitting in part from a lower number of shares outstanding due to our share repurchase program. During the 2023 fiscal year, we purchased and cancelled over 1.3 million common shares, bringing the total number of shares purchased as of the end of fiscal 2023 to just over 1.5 million. Our Q4 profitability contributed to by far the best year in the history of the Bank with fiscal 2023 net income increasing 86 percent compared to 2022, to $42.2 million, while EPS increased 99 percent to $1.57.

The primary driver of growth in our loan portfolio was once again our point of sale financing business, which increased 30 percent year-over-year and 4 percent sequentially to $2.9 billion. I should note here that the completion of a planned portfolio sale early in the quarter had the effect of reducing quarter-over-quarter POS financing portfolio growth by approximately 2 percent. Our point of sale portfolio represented 75 percent of our total loan portfolio at the end of Q4, down just slightly from Q3 of this year.

Our commercial real estate portfolio expanded 24 percent year-over-year and 10 percent sequentially to $898 million at the end of Q4. This increase was due primarily to increased loan origination activity in select markets that are aligned with the Bank's conservative loan origination strategy in this space. I should note here that our commercial portfolio is 90 percent composed of loans and mortgages which are financing residential properties, predominantly multi-unit in nature, and we continue to have very little exposure to commercial use properties.

Turning to the income statement for our digital banking operations, net interest margin on loans, that is excluding cash and securities, was 2.69 percent. That was 34 basis points or 11 percent lower on a year-over-year basis but unchanged sequentially. Net interest margin overall, including the impact of cash, securities, and other assets, decreased 27 basis points year-over-year or 10 percent, and decreased 3 basis points or 1 percent sequentially to 2.54 percent. Q4 net interest margin was again dampened by a spike in market rates for term deposits relative to Government of Canada rates during the quarter. I will note that despite some volatility in the term deposit rates over the course of the year, net interest margin was essentially in line with that of last year.

Non-interest expenses for digital banking for Q4 were $11.4 million, down slightly from $11.5 million for Q4 of last year and up from $10.8 million for Q3 of this year. The sequential increase was a function primarily of higher fees related to intercompany technology and cyber security services, which were disproportionately high in Q4 and are expected to return to normalized levels in Q1 of fiscal 2024.

Cost of funds for Q4 was 3.86 percent, up 141 basis points year-over-year and up 24 basis points sequentially. The bulk of the year-over-year increase is a result of the higher interest rate environment, although the increase in our cost of funds since the Bank of Canada began increasing its benchmark rate at the beginning of fiscal 2021 remains significant below the policy rate increase of 475 basis points. Cost of funds was somewhat elevated in Q4 due to the spike in market rates for term deposits, as previously discussed.

Our provision for credit losses, or PCLs, in Q4 remained very low at just 0.02 percent of average loans compared with a 12-quarter average of 0.00 percent.

Turning now to DRTC, as a reminder, beginning in Q1 this year, revenue for DRTC includes income from digital banking operations associated with the delivery of various technology development services in addition to the contribution from our cyber security services business, Digital Boundary Group, or DBG. Let me start with DBG standalone results.

DBG's revenue for Q4 increased 21 percent year-over-year and 46 percent sequentially to $3.4 million, driven by continued growth in service engagements. Gross profit increased 50 percent year-over-year and 45 percent sequentially to $2.6 million as DBG continues to realize efficiencies in the business. DBG remained profitable on a standalone basis within DRTC.

Total DRTC revenue, including revenue derived from services provided in the digital banking operations, increased 108 percent year-over-year and 83 percent sequentially to $3.7 million. DRTC's net income of $1.2 million was an improvement over a net loss of $486,000 a year ago and a net loss of $99,000 in Q3 of this year.

With that, I would now like to turn the call back to David for some closing remarks. David?

David Taylor — President, Chief Executive Officer, VersaBank

Thank you, Shawn.

Those of you who read the entirety of our news release this morning will know that with the conclusion of fiscal 2023, we are undertaking a strategic realignment of certain roles within our Senior Management Team to ensure we are prepared to move forward immediately and aggressively, should we receive the relevant regulatory approvals to broadly launch our RPP financing solution in the United States.

My partner on these calls for the last several years, Shawn Clarke, will move from his current role of CFO to the newly created role of Chief Operating Officer. During this decade and a half with VersaBank, Shawn has made tremendous contributions to our growth and success in a variety of capacities, including roles in corporate development, technology, risk, and of course finance, including holding the titles of Chief Risk Officer, Senior Vice President Operations, as well as Chief Operating Officer of a subsidiary of the Bank. In addition to his normal course CFO duties over the course of the past years, he has been integral to the development of the business plan and implementation strategy for the RPP in the United States, as well as the U.S. regulatory approval process. As COO, he will help lead our charge into the United States.

Taking on the CFO role will be John Asma, who has served as our Treasurer for the past year and a half and who previously served in a variety of senior executive roles with the Bank, including Senior Vice President and Treasurer, Senior Vice President - Structured Finance and Treasurer, Senior Vice President - Credit and Treasurer, and in his recent tenure as Treasurer, John has been instrumental in enhancing our return on treasury balances while further mitigating risk and enhancing liquidity, as well as expanding our base of business development. John's financial acumen and discipline will serve the Bank well as we increasingly realize the operating leverage of our business.

Finally, Chintan Shah, who has been a valuable member of our treasury team for the last two and a half years, most recently as Assistant Treasurer, will become Treasure. Chintan has spent the majority of his career in the treasury function and has worked closely with John towards that group's many accomplishments over the past several years. I have the utmost confidence in his ability to take on the Bank's treasury role and continue to drive the success of this critical aspect of our business.

Twenty twenty-three was by far the best year in the history of our Bank. It is demonstrative of the execution of the plan that I put in place years ago with the recognition that technology could be used efficiently to address underserved banking markets, leveraging intermediaries to limit costs and mitigate risks, and drive outsized returns on common equity and value for our shareholders. It marks a new chapter in the evolution of our growth trajectory.

As we look ahead into 2024, we remain comfortable with our highly stable low cost funding sources, very sticky deposits derived through our wealth management partners, all of which are term deposits, and our low cost bankruptcy trustee partners. Each has excellent visibility into deposit maturities with very limited risk on expected withdrawals.

I will note here that we may see some fluctuations in our net interest margin in 2024 based on cost of funds. As Shawn noted earlier, net interest margin, and in turn revenue, were again this quarter dampened by a period of elevated rates in the term deposit receipt market. It appears to be a function of a continuing uncertainty around the banking sector in North America, which has an impact on smaller banks, therefore it may be the case that we see more volatility going forward.

All other things being equal, we expect interest margin for the year to be in the range of this year's number. The number will depend to some degree on the success of our continuing effort to add low cost funding sources, as well as the low capital requirement opportunities we might pursue that would drive return on equity but dampen net interest margin. Importantly, with the momentum in the efficiency of our business, and the fluctuations in interest margin will only have a small impact on our profitability, and I will note here that we continue to have by far the largest net interest margin among the publicly traded banks in Canada.

In terms of insolvency deposits, as expected, recent data shows consumer insolvencies up 26 percent and business insolvencies up 42 percent compared to last year. This increased activity should drive the continued expansion of our low cost deposits and of course will support net interest margin. Should we receive the regulatory approval that will enable us to broadly roll out the RPP in the United States, we are well prepared to begin the low cost deposit taking in U.S. dollars to fund that program.

Last quarter, I discussed our near term asset milestones and how we reached those milestones will increasingly benefit from the inherent operating leverage of our business. Having surpassed the $4 billion milestone in the fourth quarter of 2023, we are now focused on our net milestone, $5 billion, and the additional outsized growth and efficiency profitability and return on equity that our model will generate. That $5 billion milestone represents 19 percent growth from the $4.2 billion as at the end of fiscal 2023. As I noted earlier, during 2023 we grew assets by 29 percent driven primarily by our point of sale receivable purchase program business. Accordingly, we expect to achieve this next milestone during 2024 calendar year based on just the continued growth of our existing business, as always barring any major unexpected economic shocks.

We are seeing some signs of potential slowdown in the broader economy due to the current interest rate environment; however, we are seeing resiliency in the sectors in which we participate, hence our confidence in the outlook for next year. Should we receive regulatory approval for our U.S. acquisition and be able to broadly launch our RPP in 2024, that would present potentially significant incremental growth, depending on the timing, and that could push as well past the $5 billion milestone.

At the same time, we expect only a modest increase in non-interest expenses for 2024, more or less in line with inflation, excluding any costs that could be related to the closing of our acquisition, and that, by virtue of the simple, straightforward math I described in our last call, translates into a disproportionate improvement in efficiency and expansion on our return on equity. Provisions for credit losses should of course remain de minimis, the result of our highly mitigated lending practices, in particular the hold-back model for our point-of-sale receivable purchase program for loans and leases.

Finally, we are seeing solid momentum in our cyber security services subsidiary, which we expect to continue throughout the next year. Our strong reputation for results, along with increased visibility efforts, are driving growth in our client base, while engagement with existing clients expands as they see the unique value we have to offer. As just one example this year, we've began working with a major North American financial institution and quickly became one of their top tier cyber security testing partners. There remains a tremendous opportunity in this rapidly growing market, and we expect continued growth and success going forward.

To conclude, 2024 is expected to be a year that takes our efficiency, profitability and return on equity to even higher levels, further demonstrating the strength and scalability of our business model. We will see more of each revenue dollar drop to the bottom line as we continue to mitigate risk throughout every aspect of our business. This is a recipe for delivering sustainable long term shareholder value.

With that, I would like to open the call for questions. Operator?

Q & A

Operator

Ladies and gentlemen, we will now begin the question and answer session. (Operator Instructions) Our first question comes from the line of David Feaster from Raymond James. Please go ahead.

David Feaster – Analyst, Raymond James

Hi, good morning, everybody.

David Taylor — President, Chief Executive Officer, VersaBank

Good morning, David.

David Feaster – Analyst, Raymond James

I just wanted to start on kind of the pulse of the market and the growth outlook. If I'm hearing you correctly, it's great to hear the update of the $5 billion target. Given the starting point and the growth that you're seeing, it seems obviously pretty achievable. I'm just curious—you know, it sounds like that's exclusive of the Stearns deal. I'm just kind of curious how you think about the growth trajectory and the contribution from the U.S. RPP program that you've been rolling out as a part of that.

David Taylor — President, Chief Executive Officer, VersaBank

Just purely based on Canada, the quarter we've just completed would have been about 6 percent prior to the sale of that (inaudible) million portfolio. We're running Canada at about 6 percent a quarter and there's no—I don't see any dampening of that. We're finding it's a lot of home improvement loans, folks looking for more energy efficient furnaces and other devices to save costs. It doesn't appear that just the Canadian market will deliver anything much less than, say, about a 25 percent growth in said products, 6 and a bit per quarter.

We have got three customers now in the United States, and the product is very keenly being sought after. It looks like despite not having the U.S. banking license at this point, that will be additional growth on top of the Canadian market. We're in a fairly unstable world and, as I said in the talk, you could see a shock or two, and consumers tend to stop buying at that point and cocoon a little bit, but presently that's the run rate, 6 percent or so per quarter in Canada and some further growth in the United States.

David Feaster – Analyst, Raymond James

Yes, that's great, and again the U.S. license is kind of icing on the cake above that. But could you maybe talk about the loan sale and kind of the drivers behind that, what you sold and what drove that sale?

David Taylor — President, Chief Executive Officer, VersaBank

Yes, we were—somebody requested the repurchase of receivables that were recently sold to us due to some internal background requirements, and the actual yield on that portfolio was somewhat anemic compared with the rest of our portfolio. It made sense from our perspective to increase profitability, and it made sense for them in that they wanted to repay the loans that were originally put on. It was a win-win. We don't do much of that, it was just an anomaly, somebody asked for it. We looked at the numbers and said, gee, that makes sense.

David Feaster – Analyst, Raymond James

Okay, that's great. The CRE growth was a little bit higher, kind of accelerated in the quarter, and just kind of reading your commentary and listening to you, it sounds like you're a bit more cautious on the CRE space. I'm curious, what drove the higher pace of growth there, and just how do you think about credit quality and underwriting at this point, just given the higher rate environment and where LTV and debt service is at these higher rates?

David Taylor — President, Chief Executive Officer, VersaBank

The CRE growth was probably just the result of the accelerated construction during the warmer summer months, it would be just a natural result of the construction loans that we'd have in place drawing down more rapidly during the summer. My view on the market is that it's one that deserves a lot of caution going into, and we're emphasizing government-insured construction mortgages now. In Canada, there's a government insurance company called CMHC, and they have a wonderful program for insuring residential construction mortgages, and we're planning in 2024 to take full advantage of that.

I don't see much else in 2024. Non-insured mortgages, for example, I'd just as soon stay in the comfort of the CMHC. Additionally, there's a much more favorable risk weighting—the assets are risk-weighted at zero versus 70, 100, 150 percent on some of the other asset categories. It's a very efficient use of capital, and we're still providing financing for our customers who are trying to make up the need, the tremendous need for residential units in Canada. You're probably aware, we've had a lot of immigration into Canada, it's a very popular country, but it's created a huge demand for residential units, and our customers are developers that we've been banking, in my case personally, 46 years. They're doing their best to sort of fill that need, and we're thinking the CMHC vehicle is the best way to do that.

David Feaster – Analyst, Raymond James

That makes sense. Maybe switching gears to DRT Cyber, nice to see the uptick in revenues and expense control was really impressive. I know there was some timing issues with last quarter, but I'm just curious how the pipeline's trending. You talked about the major win that you had here in the States, but I'm just curious how the pipeline is at DRT Cyber and just how you think about that business going forward.

David Taylor — President, Chief Executive Officer, VersaBank

The pipeline has increased quite significantly in the last while. The month of November, I've just seen the number and it's way up over the previous—the last year in November. In the last quarter or so, we've seen kind of a significant increase in demand for our product. I'm not sure why that is, maybe just nervousness of these terrible (inaudible) that are hacking everybody, and we have a premium product particularly in the area of penetration testing and app testing. In the last quarter or so, we saw a big increase and it looks like it's continuing right on.

David Feaster – Analyst, Raymond James

How do you think about expansion of that business? Are there any other new products or innovations, or just add-on services that you're looking to expand into?

David Taylor — President, Chief Executive Officer, VersaBank

Yes, there's a few that we developed off the shelf, that would be Raven, our anti-spam software filter that prevents employees in the corporation sending emails to those that have gone on the unsubscribe list, for example, also it screens incoming spam emails. We like that product. It was in-house development and we're rolling that one out.

We have our machine learning capability that we are actively promoting our customers use. It's the early warning that some hacker is trying to find their way in, gives some, as you'd expect, a kind of alarm bell that something unusual is taking the system. We're trying to get our customers to use that. Those that have us test periodically, that's fine, but it'd be nice if they also had their system with Big Brother looking over it all the time too, so we've got that product to roll out.

There's other products that are right now presently unutilized, that being the VersaVault. We think that has tremendous applicability in the digital world. Tactically, we're keeping that one sort of unoccupied with digital assets while we're in the process of our bank application. I'm expecting sometime in the future, not too distant future, we'll hopefully see the green light on that. Then it might be the DRTC should become the property of some other entity with a strong relationship to the Bank, and then products like VersaVault can come back to life. Right now, it's probably incompatible with a bank, but I'm sure there's other—as a standalone company, DRTC would have quite a bit more value than sitting as a sub of a bank, because then those other products could be utilized.

David Feaster – Analyst, Raymond James

Absolutely. Terrific. I appreciate the questions. Thank you.

David Taylor — President, Chief Executive Officer, VersaBank

Thank you, David. Look forward to seeing you in sunny Florida one of these nice days.

David Feaster – Analyst, Raymond James

Absolutely, it's gorgeous out.

David Taylor — President, Chief Executive Officer, VersaBank

I'm planning to head down there just before Christmas, so hopefully in the new year we can catch up.

David Feaster – Analyst, Raymond James

Let's do it. Thank you.

Operator

Thank you. (Operator Instructions) We have our next question coming from the line of Ian Gillespie. Please go ahead.

Ian Gillespie – Analyst

Good morning, David, and congratulations on the quarter, the year, and the realignment of management responsibilities, all super initiatives. A couple of questions. One, you referred to the positive interactions with the U.S. regulator. I am curious whether there is extensive back and forth currently or are they asking for more information, or they have all the information they need and it's just going through their own particular process?

David Taylor — President, Chief Executive Officer, VersaBank

Good question Ian, and thanks. It was quite a vindication of that model I put together about 30 years ago, seeing it finally unfold and it starts to deliver the numbers it should deliver. With respect to your question, there's very little back and forth between us and the U.S. regulators for the last few months. We feel we've answered all the questions they had about our banking business. There's just been some sort of tidy-up in the last while, asking about our major shareholder, that's kind of routine, I understand, for these types of things, where we have a U.S.—or, we would have a U.S. bank holding company, sort of tidy up questions of nothing's changed, sort of thing. For months, we haven't really interacted with the U.S. regular on anything about the Bank.

Ian Gillespie – Analyst

Presumably you've kept OSFI up to date, so that you would be able to pull that trigger as soon as you do receive the go-ahead. Do you have to in any way renegotiate the deal with Stearns Bank just because of the protracted period of time it's taken?

David Taylor — President, Chief Executive Officer, VersaBank

No, there's no requirement for that. Stearns has been working well with us throughout this, longer than we thought originally period of time. We're both keenly interested in putting the deal to bed and looking forward to other transactions that we can do together. We've got some on the drawing board right now. I expect a wonderful relationship going forward with Stearns. Overall, we're just being patient. I know you were once in the government and the regulatory world, and patience is the virtue that you need in these things. If a regulator does want more information, the Bank endeavors to provide it. If it's asked in the morning, it's answered in the afternoon.

Ian Gillespie – Analyst

Presumably you wouldn't anticipate any problems with OSFI at this end?

David Taylor — President, Chief Executive Officer, VersaBank

No, no. I think from OSFI's perspective, it just allows us, the Bank, to diversify and grow in a market that's probably quite conducive to our product. We've got over the last year or so nothing but positive remarks back. OSFI's of course doing the job they always do in asking about this (inaudible), but further—publicly, I can say I've just seen green lights recently.

Ian Gillespie – Analyst

Last question, is there currently an approved NCIB or are you kind of holding off on that until you see what happens?

David Taylor — President, Chief Executive Officer, VersaBank

It's on pause. We submitted the NCIB, but we asked OSFI to pause it, in that we'd like to see the final shake of our capital post closing. These numbers are fairly, I think remarkably significant. I would expect the stock not to stay—maybe I'm being too optimistic? You know, at three quarters of book value, it was a bargain, and obviously turbocharged our earnings APS, we got almost a double. But I can't imagine that stays at that sort of bargain stage for that much longer with the kind of numbers we're posting.

Ian Gillespie – Analyst

That’s great, David. Thank you for that. You’re starting to sound more and more like one of those greedy bankers. All I can say is, keep up the good work.

David Taylor — President, Chief Executive Officer, VersaBank

Yes, I don’t apologize for that while I’ve got my banker hat on, but yesterday we were at the Salvation Army giving some back, of course, it’s Christmas time, and we were doing our part there too. I didn’t have my banker hat on yesterday, but today I’ve got it squarely on my head again.

Ian Gillespie – Analyst

Thanks very much.

Operator

Thank you. This concludes our Q&A session. I’d now like to turn the call back over to Mr. Taylor for final closing remarks.

David Taylor — President, Chief Executive Officer, VersaBank

I’d like to thank everybody for listening in and the good questions that I received. I wish you all a Merry Christmas and Happy Holidays. Stay safe, and we look forward to talking to you at the end of Q1, hopefully we have more good news to share. Should you have any questions in the meantime, we’re just an email away and we’re happy to answer questions on the fly too. Again, happy holidays. Thank you.

Operator

Thank you, sir. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a lovely day.