



VersaBank

Choice Through Innovation

Q4 2023 Conference Call Presentation

December 13, 2023

Follow us



Post Conference Call Q&A

2

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, 2023. 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



Versa**Bank**

Choice Through Innovation



Versa**Bank**
Choice Through Innovation

Q4 2023 Highlights

29% YoY growth in loan portfolio to record **\$3.85 B**

30% YoY growth in POS Loans & Leases

Record revenue

Record net interest income

Record EPS

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

Digital Banking efficiency ratio **at 45%**

ROCE **improved to 13.58%**









Continued growth at DRTC

Well Positioned to Continue to Drive Growth in Profitability and Outsized Increases in Efficiency and ROCE




Q4 2023 Key Metrics & Highlights: Record Results

6

Consolidated

	YoY	Sequential
Total Revenue	 20%	 9%
Net Income	 94%	 25%
EPS	 104%	 24%
Net Interest Margin	 27 bps	 3 bps

Digital Banking

Cost of Funds	 141 bps	 24 bps
Net Interest Margin on Loans	 34 bps	-

Cybersecurity Services (DBG only)

Revenue	 46%	 21%
Gross Profit	 45%	 50%

Digital Banking: Strong loan portfolio growth to another record: \$3.85B

Record quarterly revenue, NII and EPS

Digital Banking Efficiency Ratio (ex. DRTC): 45%

- YoY decrease of 629 bps (12%)
- Sequential increase of 139 bps (3%)

Ave. Return on Common Equity (ROCE): 13.58%

- YoY increase of 626 bps (85%)
- Sequential increase of 243 bps (22%)

Realizing significant operating leverage inherent in Digital Banking model

FY 2023 Key Metrics & Highlights: Record Results

7

Consolidated

Total Revenue



YoY

32%

Net Income



86%

EPS



99%

Net Interest Margin



2 bps

Digital Banking

Cost of Funds



169 bps

Net Interest Margin
on Loans



23 bps

Cybersecurity Services (DBG only)

Revenue



9%

Gross Profit



38%

Digital Banking: Strong loan portfolio growth to another record: \$3.85B

Record annual revenue, NII and EPS

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

- YoY decrease of 1,193 bps (22%)

Ave. Return on Common Equity (ROCE): 11.75%

- YoY increase of 514 bps (78%)

Realizing significant operating leverage inherent in Digital Banking model

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

8

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%
- 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



Versa**Bank**
Choice Through Innovation

Q4 2023: Continued Strong Financial Performance

10

Balance Sheet

	At October 31			
	2023	2022	YoY Change	Sequential Change
Total Assets	\$4.20 B	\$3.27 B	29%	6%
Loan Portfolio	\$3.85 B	\$2.99 B	29%	5%
Cash and Securities	\$0.30 B	\$0.23 B	30%	11%
Book Value per Common Share	\$14.00	\$12.37	13%	3%
CET1 Ratio	11.33%	12.00%	-67bps	18bps
Leverage Ratio	8.30%	9.84%	-154bps	-23bps

- 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

Q4 2023: Continued Strong Financial Performance Consolidated

11

Consolidated Income Statement

	3 Months Ended October 31				Year Ended October 31		
(000's)	2023	2022	YoY Change	Sequential Change	2023	2022	Change
Revenue	29,173	24,252	20%	9%	108,635	82,392	32%
Non-Interest Expenses	12,441	13,774	-10%	-3%	50,381	49,393	2%
Net Income	12,479	6,429	94%	25%	42,162	22,658	86%
Earnings Per Share	0.47	0.23	104%	24%	1.57	0.79	99%

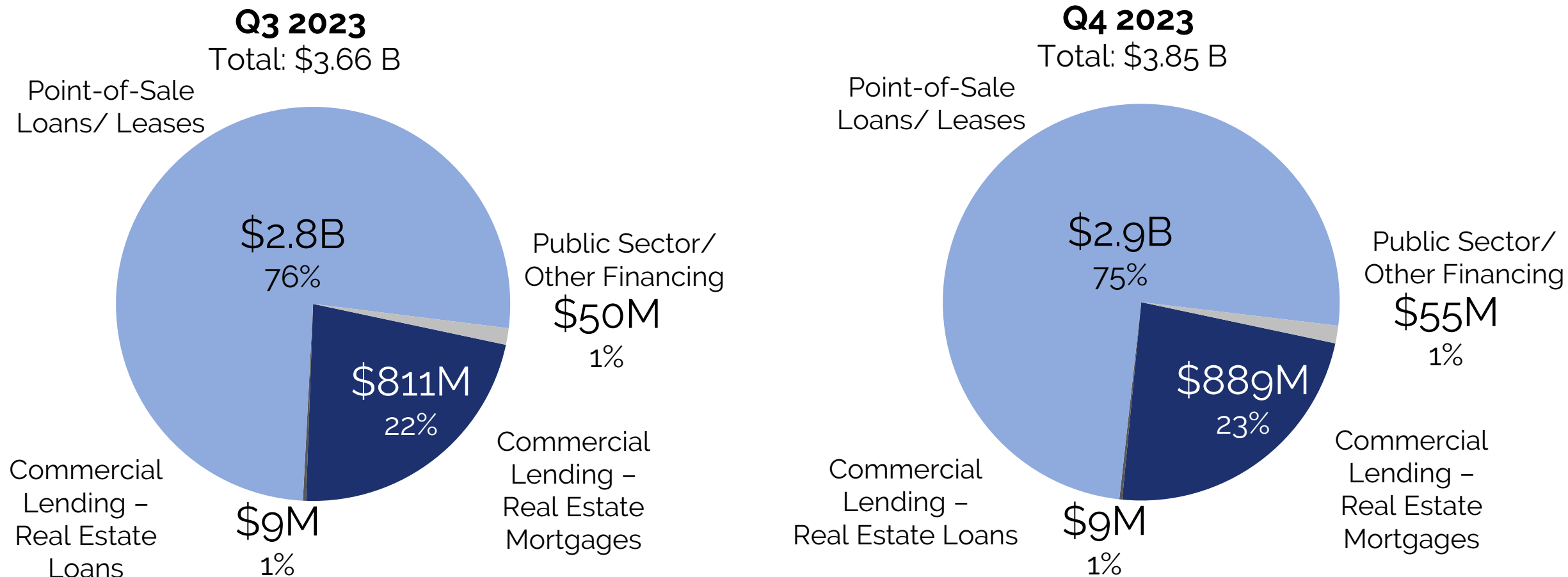
- Revenue growth driven by higher NII from Digital Banking operations due mainly to strong POS portfolio growth
- YoY revenue also benefitted from higher contribution of DRTC
- EPS benefitted from lower number of shares due to buyback program
- Net income dampened by temporary NIM compression due to 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 EPS

Q4 2023: Continued Strong Financial Performance

Digital Banking Operations – Record Loan Portfolio: \$3.85 B

12



Point-of-Sale Portfolio: Up 30% YoY & up 4% sequentially
Commercial Real Estate Portfolio: Up 24% YoY & 10% sequentially

Q4 2023: Continued Strong Financial Performance

Digital Banking Operations

13

Digital Banking Operations: Income Statement

	3 Months Ended October 31				Year Ended October 31		
	2023	2022	YoY Change	Seq Change	2023	2022	Change
Cost of Funds	3.86%	2.45%	141 bps	24 bps	3.46%	1.77%	169 bps
Non-Interest Expenses	11.4	11.5	-1%	6%	43.0	42.4	1%
Net Interest Income	26.2	22.5	17%	5%	100.1	76.7	31%
Net Interest Margin on Loans	2.69%	3.03%	-34 bps	-	2.85%	3.08%	-23 bps
Net Interest Margin	2.54%	2.81%	-27 bps	-3 bps	2.68%	2.70%	-2 bps

- NIM on loans dampened by higher rates paid on term deposits during the quarter and periodically during the year due to elevated rates in the term deposit market in Canada

Q4 2023 cost of funds: 3.86%

- Increased 141 bps (58%) vs Q4 2022
- Increased 24 bps (7%) vs Q3 2023

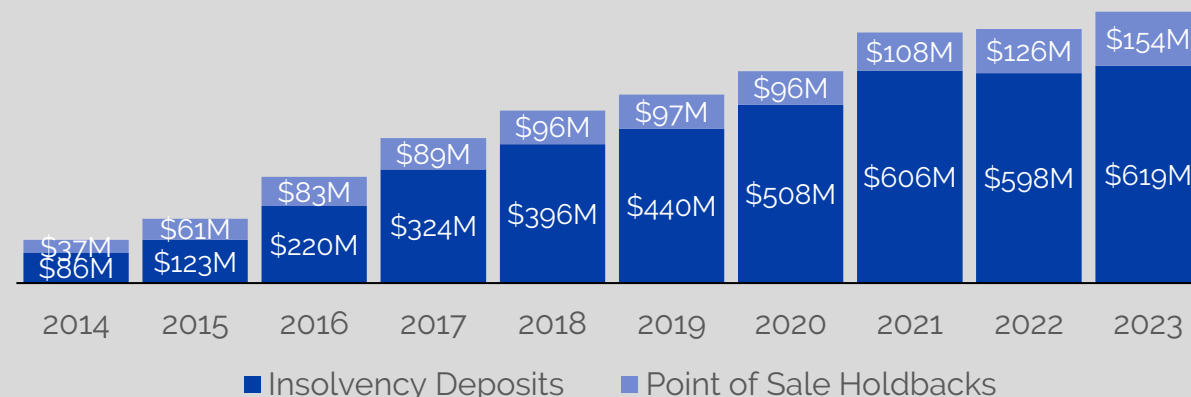
Cost of funds was impacted by higher rates paid on term deposits during the quarter due to elevated rates in the term deposit market in Canada

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)

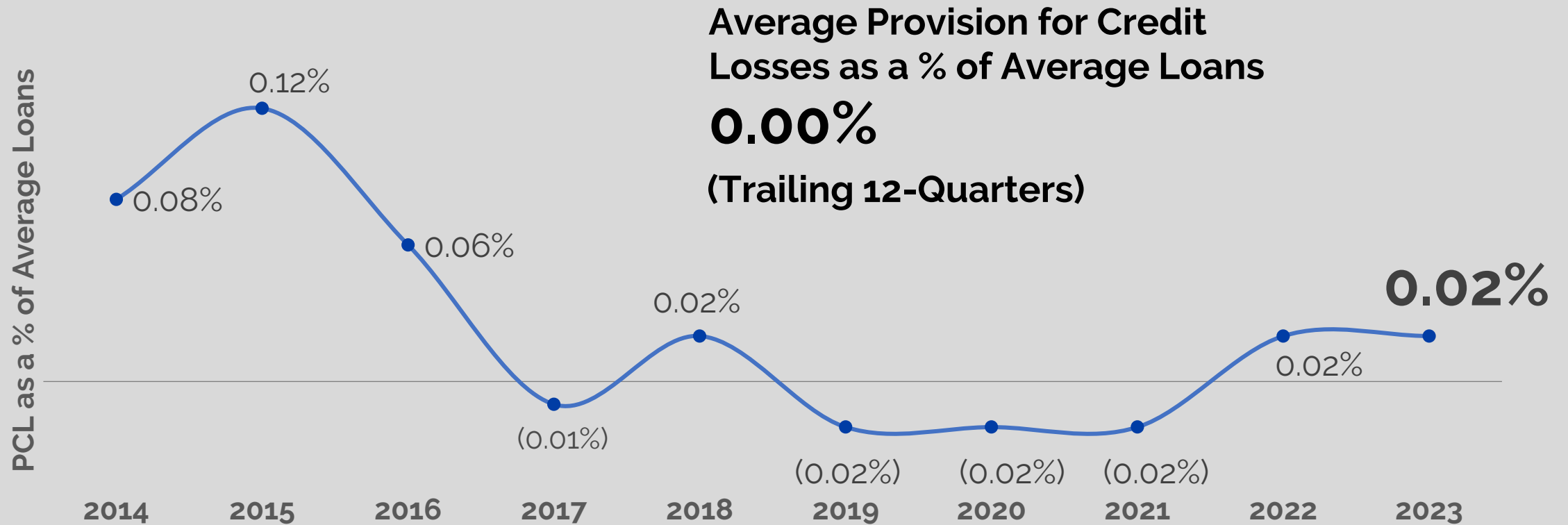


Commercial Deposits



Top Tier Asset Quality & Prudent Approach to Risk Mitigation

15



Q4 2023: Continued Strong Financial Performance

DRTC

16

Cybersecurity Services (DBG): Income Statement

	3 Months Ended October 31				Year Ended October 31		
	2023	2022	YoY Change	Seq Change	2023	2022	Change
Revenue	3.4	2.8	21%	46%	10.6	9.8	9%
Gross Profit	2.6	1.7	50%	45%	7.8	5.6	38%

- 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



Versa**Bank**

Choice Through Innovation

Senior Management Strategic Realignment

18

Shawn Clarke

Chief Financial Officer to Chief Operating Officer (newly created)

John Asma

Treasurer to Chief Financial Officer

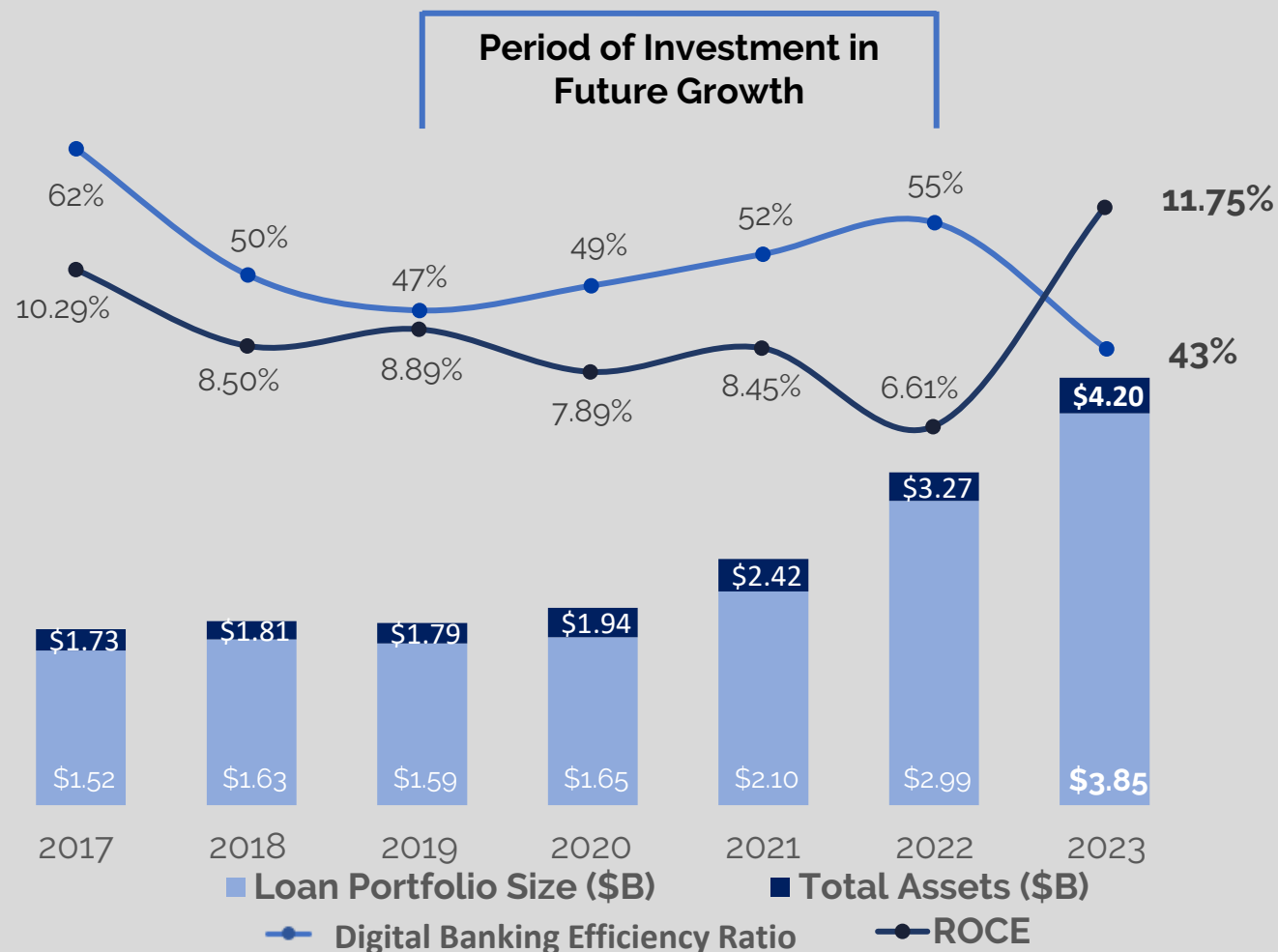
Chintan Shah

Assistant Treasurer to Treasurer

Will enable the Bank to efficiently and effectively deploy its deep internal expertise to fully capitalize on its significant opportunities

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

19



Next Milestones

Total Assets

>\$5B

>\$6B

Efficiency Ratio

<40%

<35%

ROCE

>16.5%

>20%



VersaBank

Choice Through Innovation

Q&A Session

Toll Free Dial In (Canada/US): 1 (888) 664-6392

Local Dial In: (416) 764-8659

Our Time Has Arrived!



Follow us

