



# VersaBank

Choice Through Innovation

NASDAQ: VBNK  
TSX: VBNK

## Investor Presentation

March 2024

# 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 quarter ended January 31, 2024. The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.



# A Better Banking Model FOUNDED on Technology

- ~~excessive lending risk~~
- ~~loan losses~~
- ~~people/collections~~
- ~~deposit risk~~
- ~~economic exposure~~
- ~~interest rate exposure~~
- ~~inefficiency~~

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VersaBank!



VersaBank

Choice Through Innovation

## A Fully Digital North American Bank

Highly efficient:  
Branchless, partner  
(B2B) model

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

Operating leverage of a technology company with the intrinsic value 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

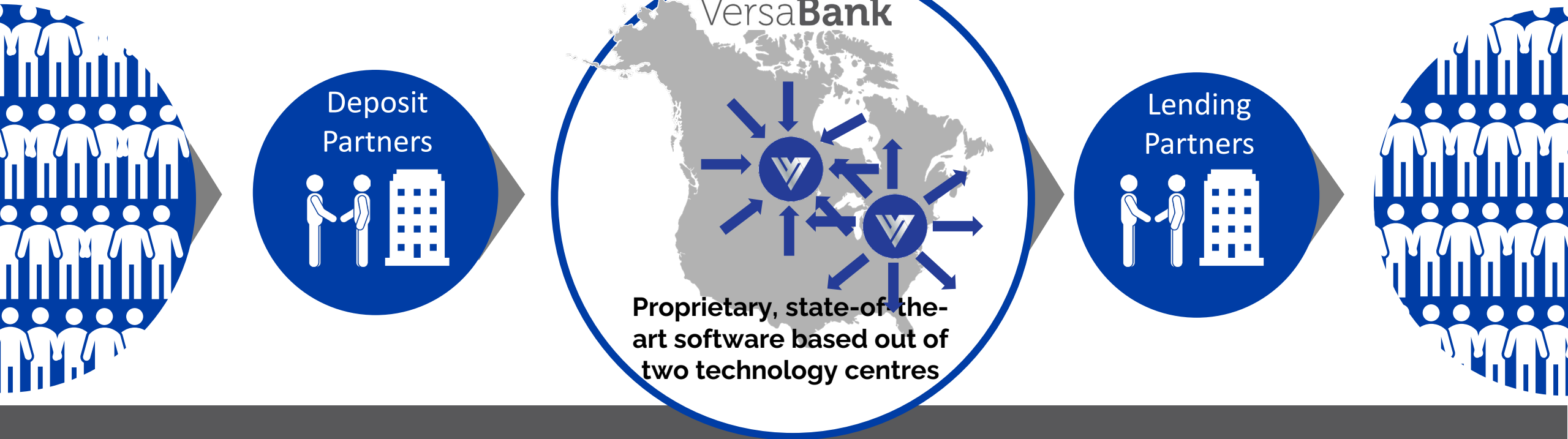
At a **significant inflection point** for operating leverage, driving outsized growth in earnings and ROCE

# Branchless, Digital, 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



**Q1 2024 Digital Banking efficiency ratio improved to a record 40%**  
and is poised for continued outsized improvements

# Ultra Low-Risk Digital Model

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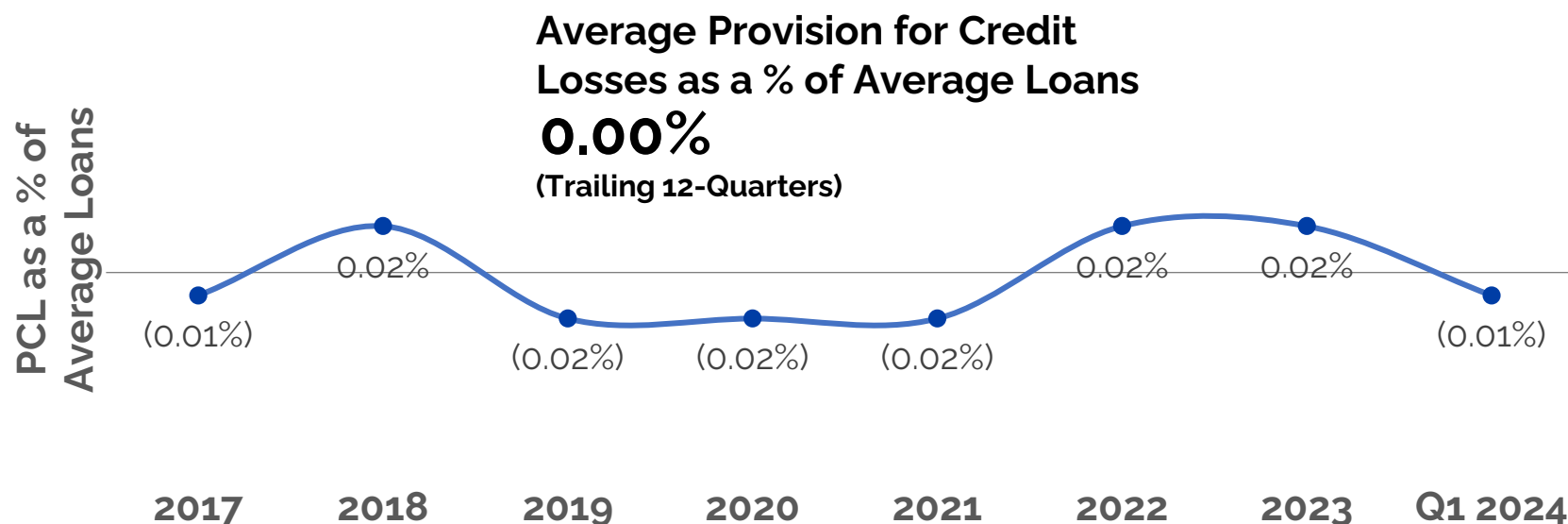
## Organization-Wide Focus on Risk Mitigation

- 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)

## 30+ Years with No Material Loan Losses



# 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 to >100 partners & C\$642M/US\$479M in <10 years



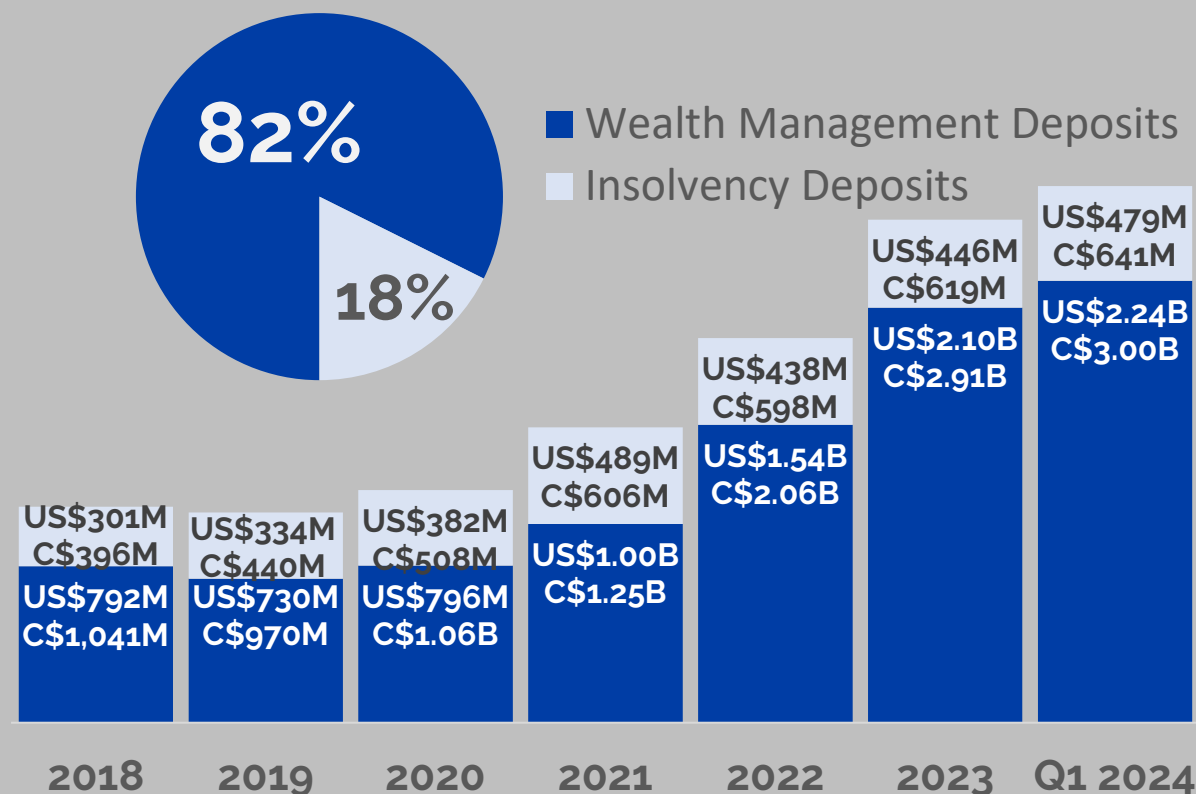
### Wealth Management (>120 Partners)

- 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 (Q1 2024)



# Loans: Very Low Risk Lending Channels

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**>275 Partners Provide Access to  
Hundreds of 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

**High growth opportunity in United States**

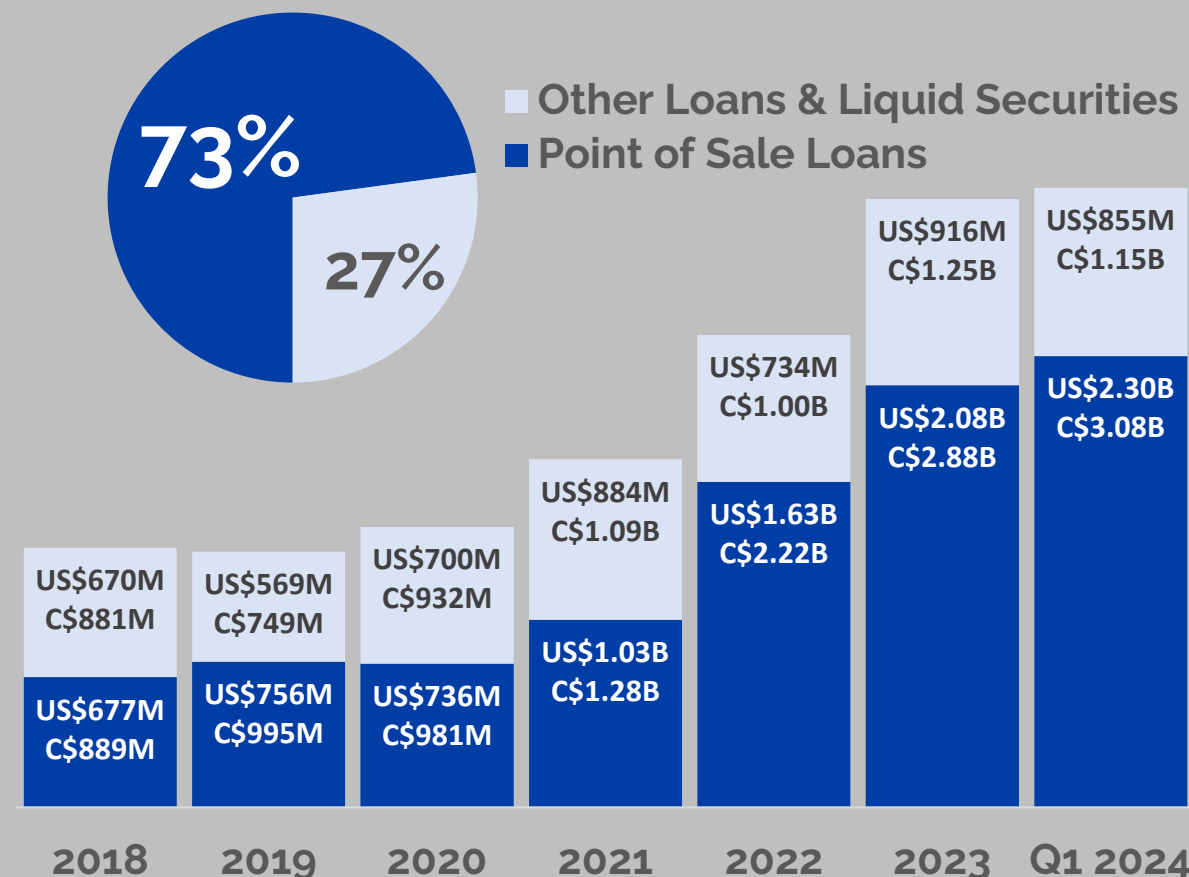
## Residential Land & Construction Financing

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

**Opportunistic based on economy/market**

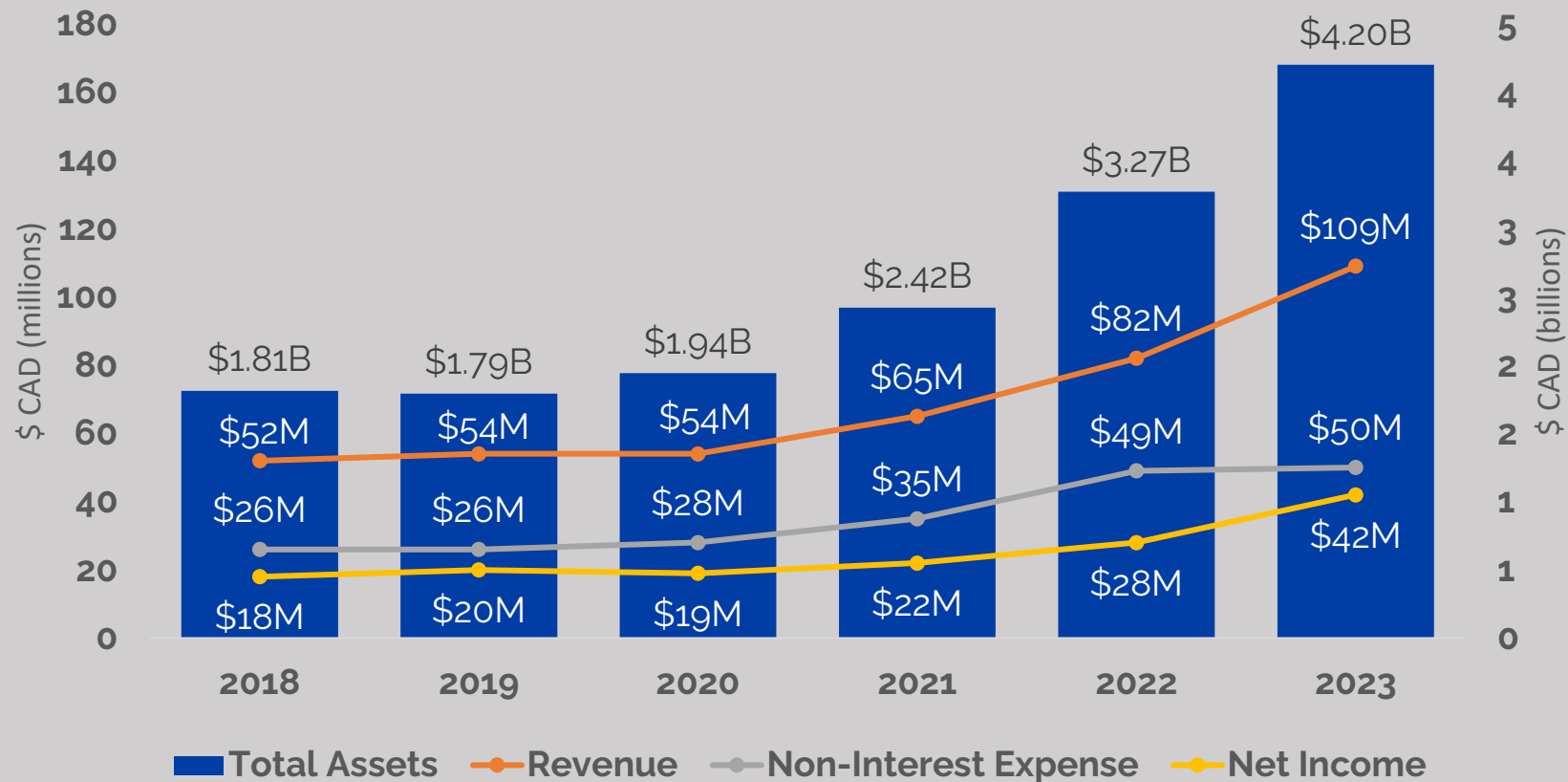
- Low-cost deposits enable low-risk lending
- 30-year history of virtually no loan losses

Loan Composition (Q1 2024)



# Momentum in Profitability and Long-Term Earnings Capacity









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

# Q1 2024 Key Metrics & Highlights: Record Results<sup>1</sup>

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Total Assets			\$4.31B
Loan Portfolio			\$3.98B
Loan Growth	 YoY	23%	 Seq 3%
Total Revenue	 YoY	11%	 Seq 1%
Net Income	 YoY	35%	 Seq 2%
EPS	 YoY	41%	 Seq 2%

Digital Banking Efficiency Ratio	 YoY	40%	200 bps (5%)
Ave. Return on Common Equity (ROCE)	 YoY	13.41%	262 bps (24%)

Realizing significant operating leverage inherent in Digital Banking model:  
Driving outsized growth in profitability and ROCE

# Digital Banking Growth Strategy: Momentum for the Future

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**Goal: Maximize ROCE Through Growth in Total Assets, Balancing Net Interest Margin and Low-Capital Deployment Opportunities**

1

**Grow Loan Portfolio**  
via Point-of-Sale/RPP  
programs in Canada and U.S.

**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)

2

**Minimize Cost of Funding**  
to Maximize 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

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

# U.S. Receivables Purchase Program (RPP): A New Financing Solution for a High-Growth, 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<sup>(1)</sup>

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

**20%** Forecast annual growth in U.S. point-of-sale financing market <sup>(2)</sup>

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

**Launched in U.S. April 22 (limited basis roll out)**

**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**

# 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 M<sup>1</sup>  
in total assets

Estimated purchase price of  
US\$13.5 M (CA\$18 M)<sup>1</sup>

## Platform for significant growth in the United States

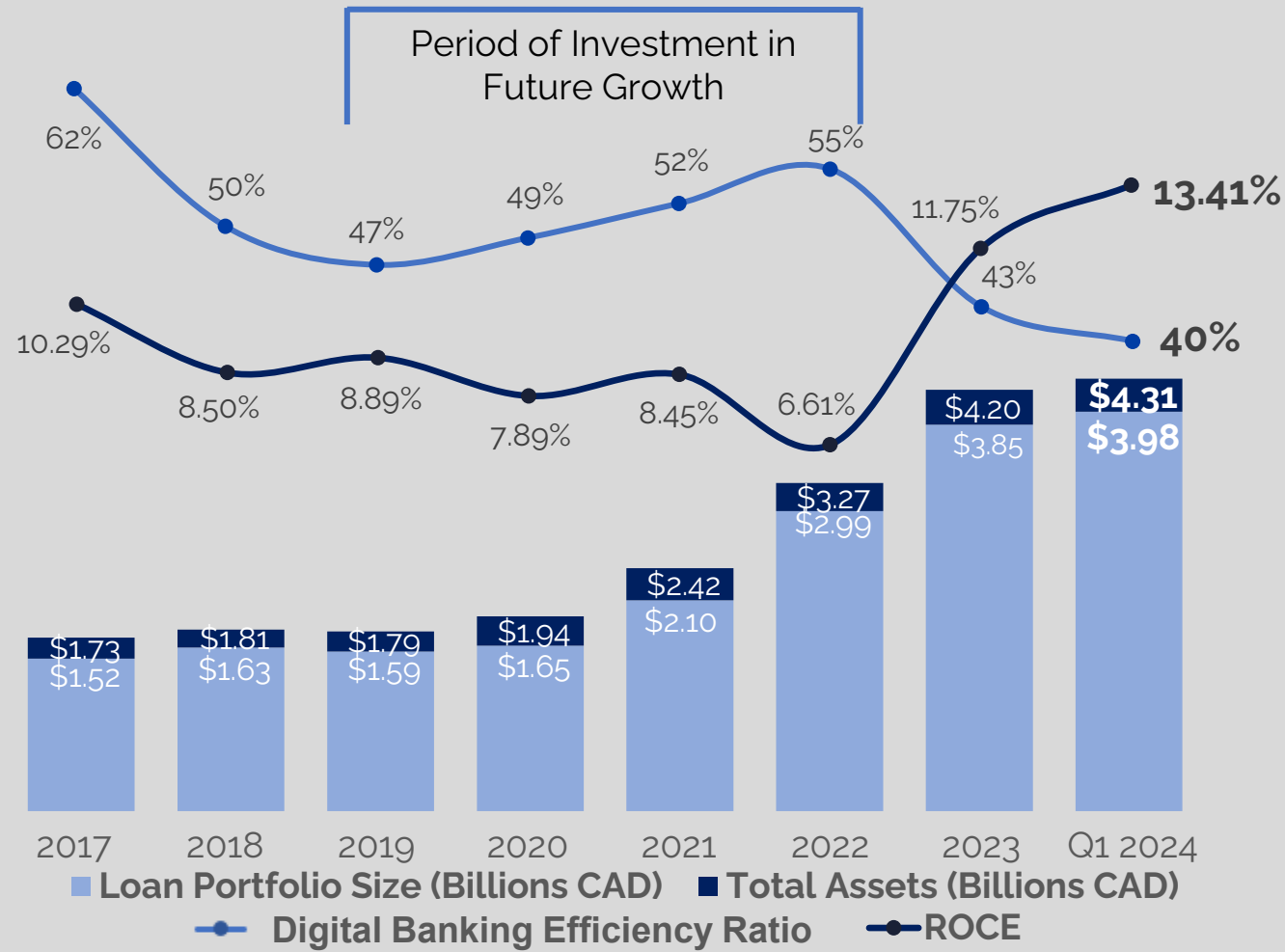
- Provides access to U.S. deposits to fuel growth of the U.S. Receivable Purchase Program business (recently launched in the U.S. following success of Point-of-Sale business in Canada)
- Expected to be accretive to VersaBank's earnings per share within first year after closing
- Expected to be well capitalized 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).

Awaiting decision of U.S. regulatory authorities – expected calendar H1 2024

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

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## Next Milestones

Total Assets

>\$5B

>\$6B

Efficiency Ratio

<40%

<35%

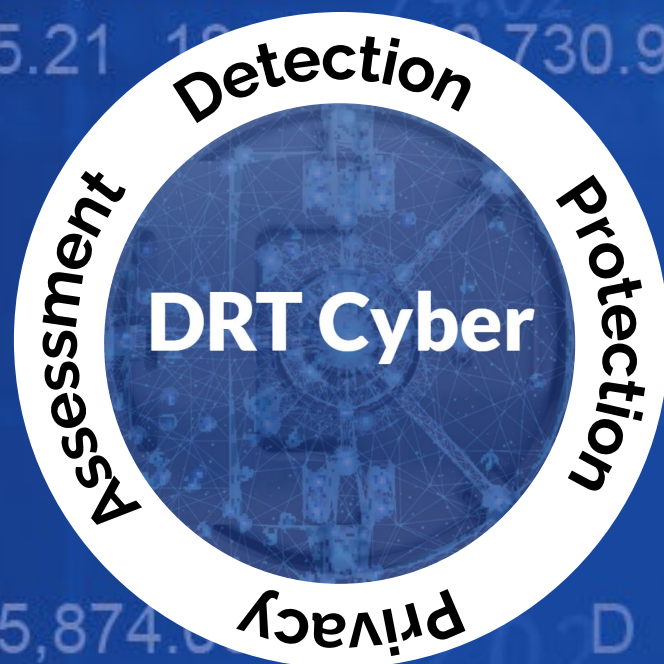
ROCE

>16.5%

>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

# 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

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

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

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**Current valuation substantially below** US comps based on both P/BV & P/E

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**Profitable cybersecurity services** subsidiary is a "free option"

Positioned to perform well in a challenging economic environment

# Banking on the Future!

