



VersaBank

Choice Through Innovation

Q1 2024 Conference Call Presentation

March 6, 2024

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Post Conference Call Q&A

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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 and the impact of the crisis on global supply chains; the impact of pandemics 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 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.

David Taylor

President &
Chief Executive Officer



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Q1 2024 Highlights

22% YoY growth in total assets to record **\$4.3 B**

28% YoY growth in POS Financing portfolio

35% YoY growth in net income / **41%** YoY growth in EPS – both records¹

Realizing **significant & increasing operating leverage** in efficient Digital Banking model

Digital Banking efficiency ratio **improved to a record 40%**

ROCE **improved to 13.41%**









Continued YoY growth at DRTC

1. In the first quarter of 2017 the Bank recognized an \$8.8 million deferred tax asset derived from the tax loss carryforwards assumed pursuant to the amalgamation of





Q1 2024 Key Metrics & Highlights: Record Results

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Consolidated

| | YoY | Sequential |
|---------------------|--|--|
| Total Revenue |  11% |  1% |
| Net Income |  35% |  2% |
| EPS |  41% |  2% |
| Net Interest Margin |  35 bps |  6 bps |

Digital Banking

| | | |
|------------------------------|---|---|
| Cost of Funds |  104 bps |  13 bps |
| Net Interest Margin on Loans |  40 bps |  6 bps |

Cybersecurity Services (DBG only)

| | | |
|--------------|---|--|
| Revenue |  24% |  17% |
| Gross Profit |  31% |  18% |

Digital Banking: Strong loan portfolio growth driving total assets to a record: \$4.3 B

Record quarterly Net Income and EPS

Digital Banking Efficiency Ratio (ex. DRTC): 40%

- YoY improvement of 200 bps (5%)
- Sequential improvement of 500 bps (11%)

Ave. Return on Common Equity (ROCE): 13.41%

- YoY increase of 262 bps (24%)
- Sequential decrease of 17 bps (1%)

Realizing significant operating leverage inherent in Digital Banking model

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

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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 in second calendar quarter, subject to Canadian regulatory (OSFI) approval

1. Subject to any adjustments at closing.

Platform for significant growth in the United States

John Asma

Chief Financial Officer



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Q1 2024: Continued Strong Financial Performance

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Balance Sheet

| | At January 31 | | | |
|-----------------------------|---------------|----------|------------|-------------------|
| | 2024 | 2023 | YoY Change | Sequential Change |
| Total Assets | \$4.31 B | \$3.53 B | 22% | 3% |
| Loan Portfolio | \$3.98 B | \$3.24 B | 23% | 3% |
| Cash and Securities | \$0.26 B | \$0.25 B | 4% | -13% |
| Book Value per Common Share | \$14.46 | \$12.77 | 13% | 3% |
| CET1 Ratio | 11.39% | 11.19% | 20bps | 6bps |
| Leverage Ratio | 8.44% | 9.21% | -77bps | 14bps |

- 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 above targets

Q1 2024: Continued Strong Financial Performance Consolidated

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Consolidated Income Statement

| | 3 Months Ended January 31 | | | |
|--------------------------|------------------------------|--------|---------------|----------------------|
| (000's) | 2024 | 2023 | YoY Change | Sequential Change |
| Revenue | 28,851 | 25,918 | 11% | -1% |
| Non-Interest Expenses | 12,024 | 12,335 | -3% | -3% |
| Net Income | 12,699 | 9,417 | 35% | 2% |
| Earnings Per Share | 0.48 | 0.34 | 41% | 2% |

- YoY revenue growth driven by higher NII from Digital Banking operations due mainly to robust POS portfolio growth
- YoY revenue growth also benefitted from higher contribution of DRTC
- EPS benefitted from lower number of shares due to fiscal 2023 buyback program

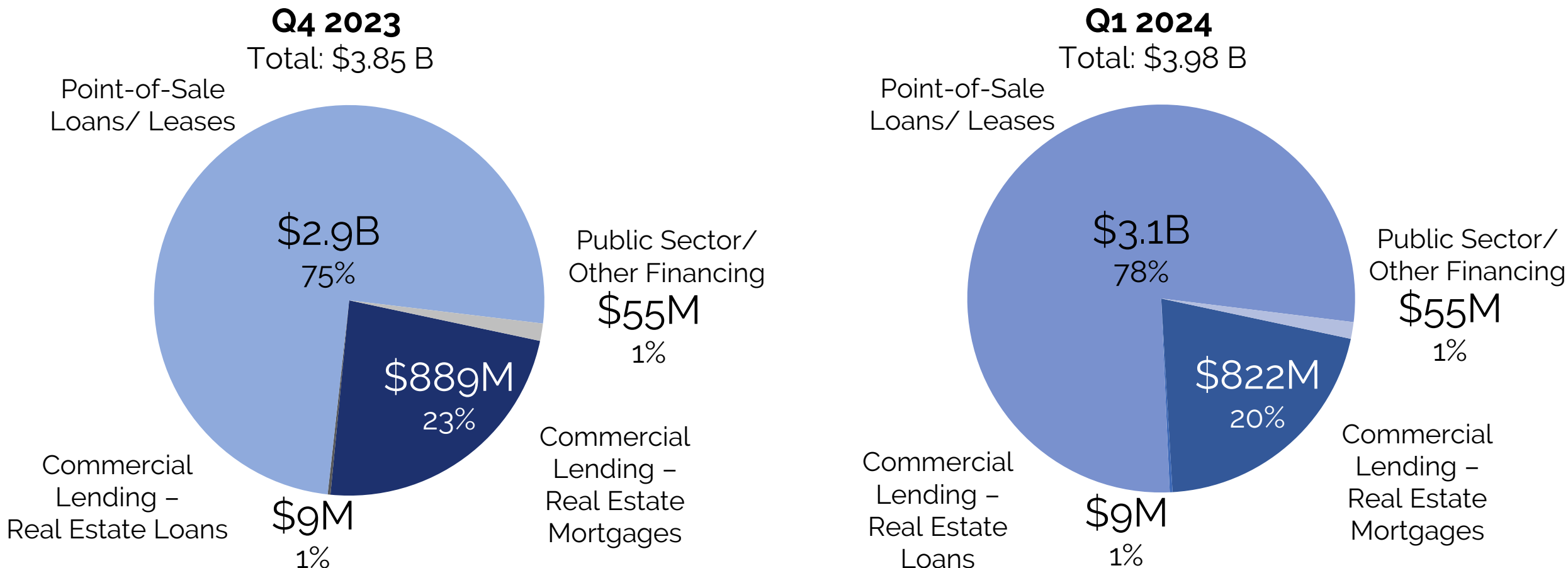
1. In the first quarter of 2017 the Bank recognized an \$8.8 million deferred tax asset derived from the tax loss carryforwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. Quarterly net income for January 31, 2017, excluding the \$8.8 million deferred tax asset was \$3.1 million, or \$0.12/share.

Another quarter of record¹ net income and EPS

Q1 2024: Continued Strong Financial Performance

Digital Banking Operations – Record Loan Portfolio: \$3.98 B

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Point-of-Sale Portfolio: Up 28% YoY & up 7% sequentially
Commercial Real Estate Portfolio: Up 9% YoY & down 7% sequentially

Q1 2024: Continued Strong Financial Performance

Digital Banking Operations

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Digital Banking Operations: Income Statement

| | 3 Months Ended January 31 | | | |
|------------------------------|------------------------------|--------|------------|------------|
| | 2024 | 2023 | YoY Change | Seq Change |
| Cost of Funds | 3.99% | 2.95% | 104 bps | 13 bps |
| Non-Interest Expenses | 10,415 | 10,169 | 2% | -9% |
| Net Interest Income | 26,568 | 24,274 | 9% | 1% |
| Net Interest Margin on Loans | 2.63% | 3.03% | -40 bps | -6 bps |
| Net Interest Margin | 2.48% | 2.83% | -35 bps | -6 bps |

- NIM decrease due primarily to:
 - Strong growth of the POS portfolio (composed of lower-risk weighted, lower yielding but higher "ROCE" assets than CRE portfolio)
 - Planned transition of some higher yielding, higher risk-weighted CRE loans to lower yielding, lower risk-weighted CRE loans as part of strategy to capitalize on opportunities for lower-risk loans with a higher return on capital deployed

Q1 2024 cost of funds: 3.99%

- Increased 104 bps (35%) vs Q1 2023
- Increased 13 bps (3%) vs Q4 2023

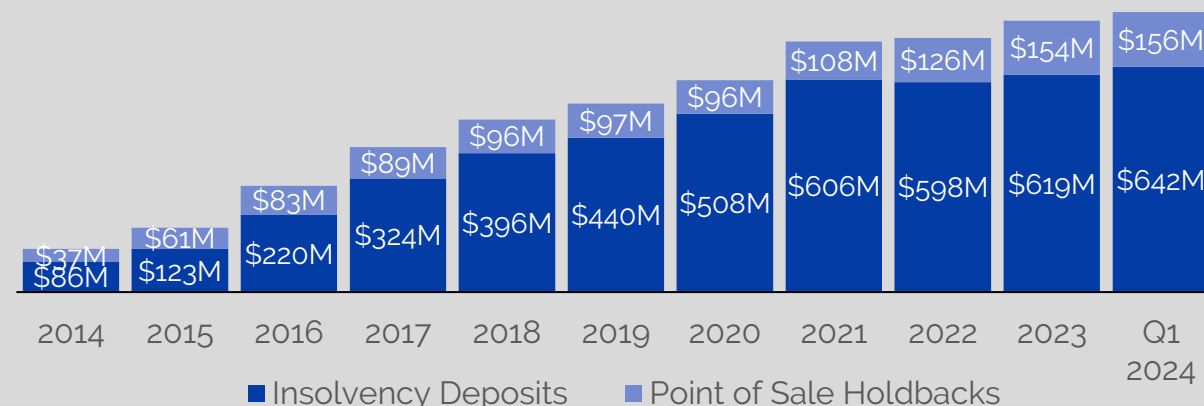
Cost of funds was impacted by:

- Lower relative proportion of lower cost Insolvency Deposits
- Higher rates paid on term deposits during the quarter due to elevated rates in the term deposit market in Canada

Wealth Management (Personal Deposits)

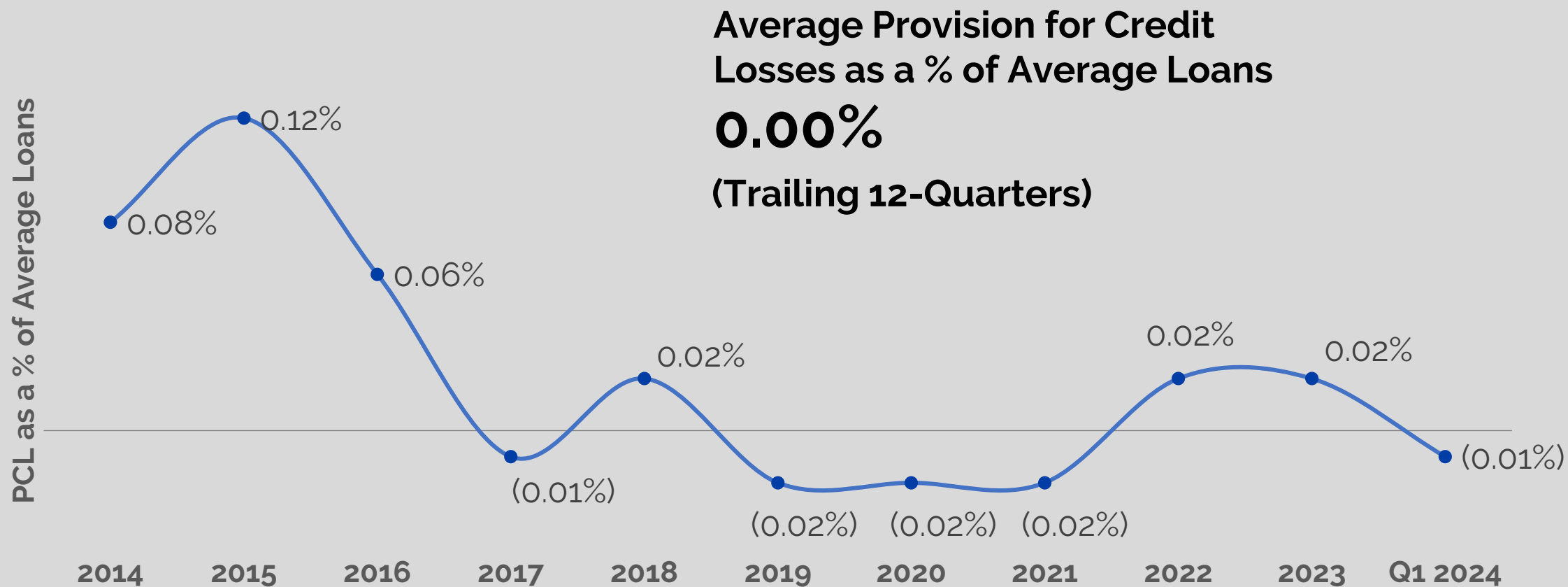


Commercial Deposits



Top Tier Asset Quality & Prudent Approach to Risk Mitigation

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Q1 2024: Continued Strong Financial Performance

DRTC

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Cybersecurity Services (DBG): Income Statement

| | 3 Months Ended January 31 | | | |
|--------------|------------------------------|------|---------------|---------------|
| | 2024 | 2023 | YoY Change | Seq Change |
| Revenue | 2.9 | 2.3 | 24% | -17% |
| Gross Profit | 2.1 | 1.6 | 31% | -18% |

- 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



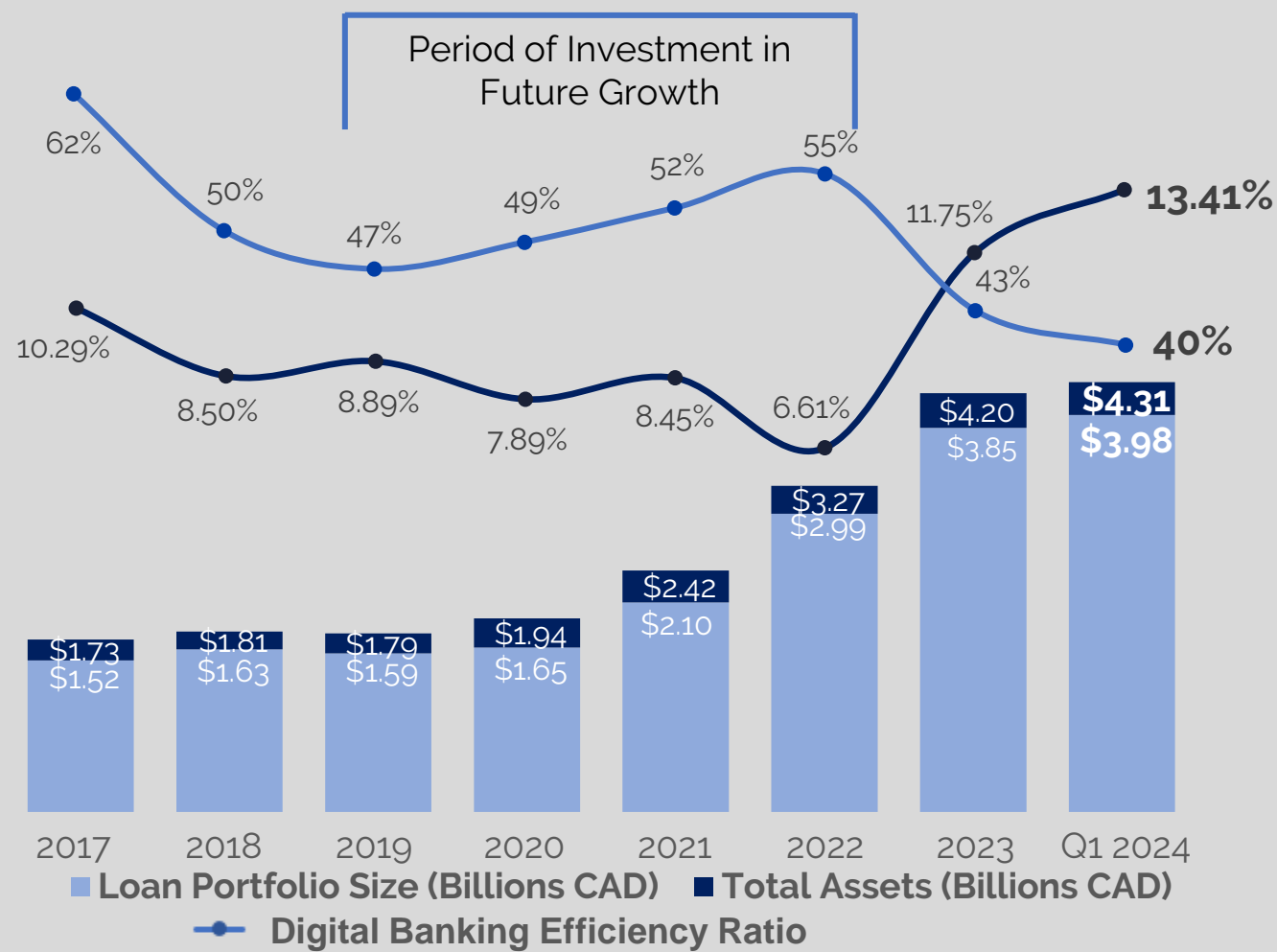
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Capitalizing on the Significant Operating Leverage in Our Core Digital Banking Operations

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Next Milestones

Total Assets

>\$5B

>\$6B

Efficiency Ratio

<40%

<35%

ROCE

>16.5%

>20%



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Q&A Session

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Our Time Has Arrived!



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