



Versa**Bank**

Choice Through Innovation

**2024 Annual and Special Meeting**

April 17, 2024

**Banking on the Future!**



Versa**Bank**

Choice Through Innovation

**Hon. Thomas A. Hockin**

Chair

# Board of Directors

**Honourable Thomas A. Hockin**

Chair

**Susan McGovern**

Director and Vice-Chair

**Gabrielle Bochynek**

Director

**Robbert-Jan Brabander**

Director

**David Bratton**

Director

**Peter Irwin**

Director

**Rick Jankura**

Director

**Art Linton**

Director

**Paul Oliver**

Director

**David Taylor**

President & CEO

# Senior Management

## Officers of the Bank:

### **David Taylor**

President & Chief Executive Officer

### **Tel Matrundola**

Executive Vice President

### **John Asma**

Chief Financial Officer

### **Tammie Ashton**

Chief Risk Officer

### **Shawn Clarke**

Chief Operating Officer

### **Garry Clement**

Chief Anti-Money Laundering Officer

### **Michael Dixon**

SVP, Point-of-Sale Financing

### **Brent Hodge**

SVP, General Counsel, Corporate Secretary & Chief Compliance Officer

### **Nick Kristo**

Chief Credit Officer

### **Wooi Koay**

Chief Information Officer

### **Jon Taylor**

Chief Human Resources Officer

### **Jim Gardiner**

Real Estate Credit Officer

### **Saad Inam**

Vice President, Credit

### **Nancy McCutcheon**

Vice President, TIB Business Development

### **Andy Min**

Vice President, Finance & Corporate Accounting

### **Chris Pellarin**

Head of Commercial Lending

### **Deborah Savage**

Vice President, Investment Risk Control

### **Chintan Shah**

Treasurer

### **David Thoms**

Vice President, Structured Finance

### **Barbara Todres**

Vice President, Deposit Services

### **Joanne Johnston**

Chief Internal Auditor

## Additional Senior Management:

### **Gurpreet Sahota**

President, DRT Cyber Inc.

### **Lawrence Chamberlain**

Investor Relations



# Appointment of Auditors



## Director Nominees

**Honourable Thomas A. Hockin**

**David Taylor**

**Gabrielle Bochynek**

**Robbert-Jan Brabander**

**David Bratton**

**Peter Irwin**

**Richard Jankura**

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**Paul Oliver**

# Renewal of the Bank's Omnibus Long-Term Incentive Plan





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**David Taylor**

President & CEO

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, 2023 and 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.

# F2023

## Another Year of Record Financial Performance

## Realizing the Significant Operating Leverage in the Model

**29%** YoY growth in total assets to record \$4.20 B

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

**30%** YoY growth in POS business





**↑ 99%** Earnings Per Share


**↑ 86%** Net income

**Strong, profitable growth** in  
Cybersecurity Services business

**Steady Progress on US  
Acquisition**

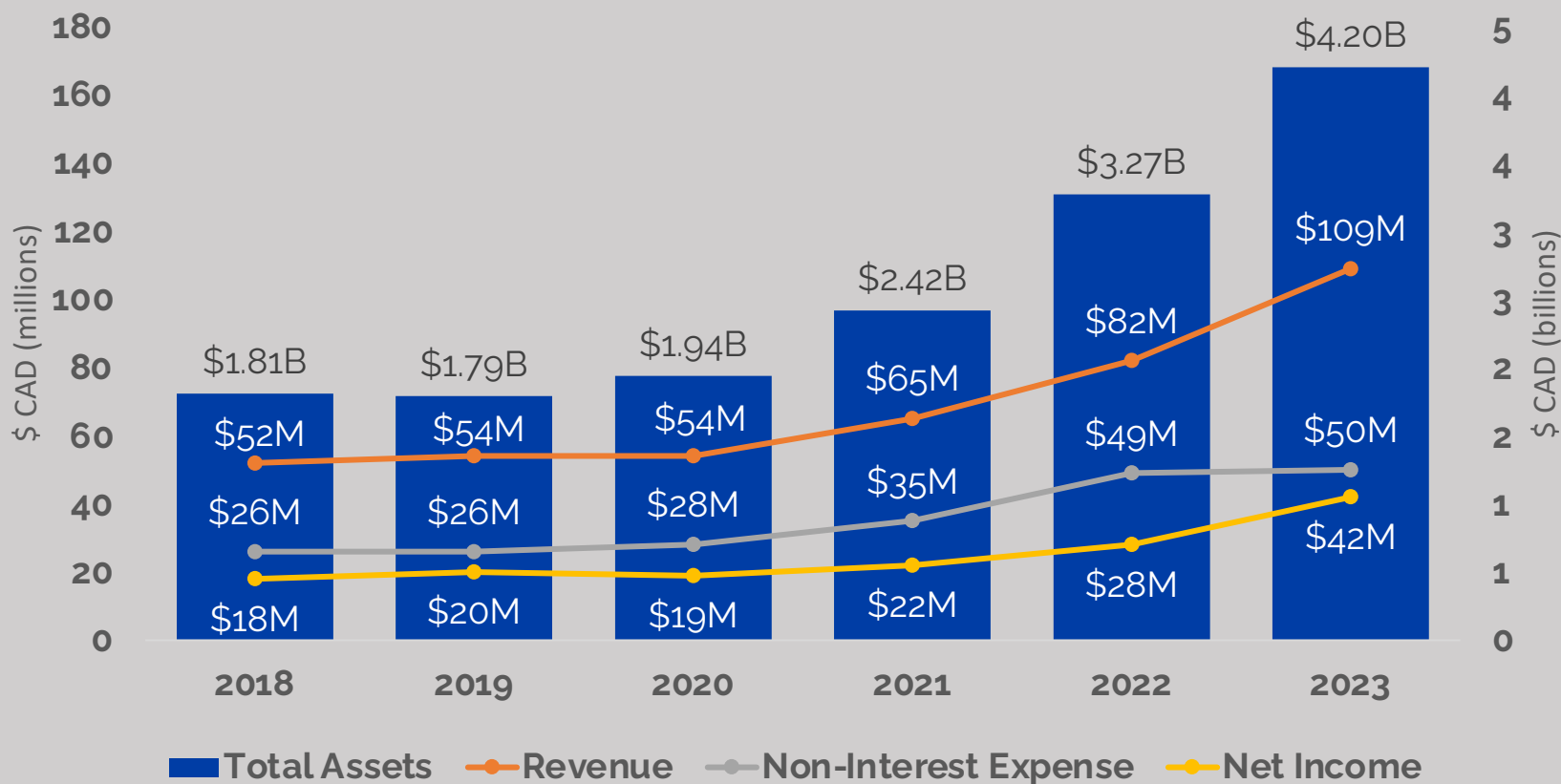
# FY 2023 Key Metrics & Highlights: Record Results<sup>1</sup>

|                |  |
|----------------|--|
| Total Assets   | \$4.20B  |
| Loan Portfolio | \$3.85B  |
| Loan Growth    |  YoY 29%   |
| Total Revenue  |  YoY 32%   |
| Net Income     |  YoY 86%   |
| EPS            |  YoY 99% |

|                                     |   |
|-------------------------------------|---|
| Digital Banking Efficiency Ratio    | 43%<br> YoY 1,193 bps (22%)  |
| Ave. Return on Common Equity (ROCE) | 11.75%<br> YoY 514 bps (78%) |

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

# Momentum in Profitability and Long-Term Earnings Capacity



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

# Q1 2024 Key Metrics & Highlights: Record Results

## Consolidated

Total Revenue



YoY

11%

Net Income



35%

EPS



41%

Net Interest Margin



35 bps

## Digital Banking

Cost of Funds



104 bps

Net Interest Margin  
on Loans



40 bps

## Cybersecurity Services

Revenue<sup>1</sup>



24%

Gross Profit<sup>1</sup>



31%

**Digital Banking: Strong loan portfolio growth to another record: \$3.98B**

**Record net interest income, net income and EPS**

**Efficiency Ratio (excl. DRTC): 40%**

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

**Ave. Return on Common Equity: 13.4%**

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

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

# 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



# U.S. Receivables Purchase Program (RPP): A New Financing Solution for a High-Growth, Underserved Market

**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**

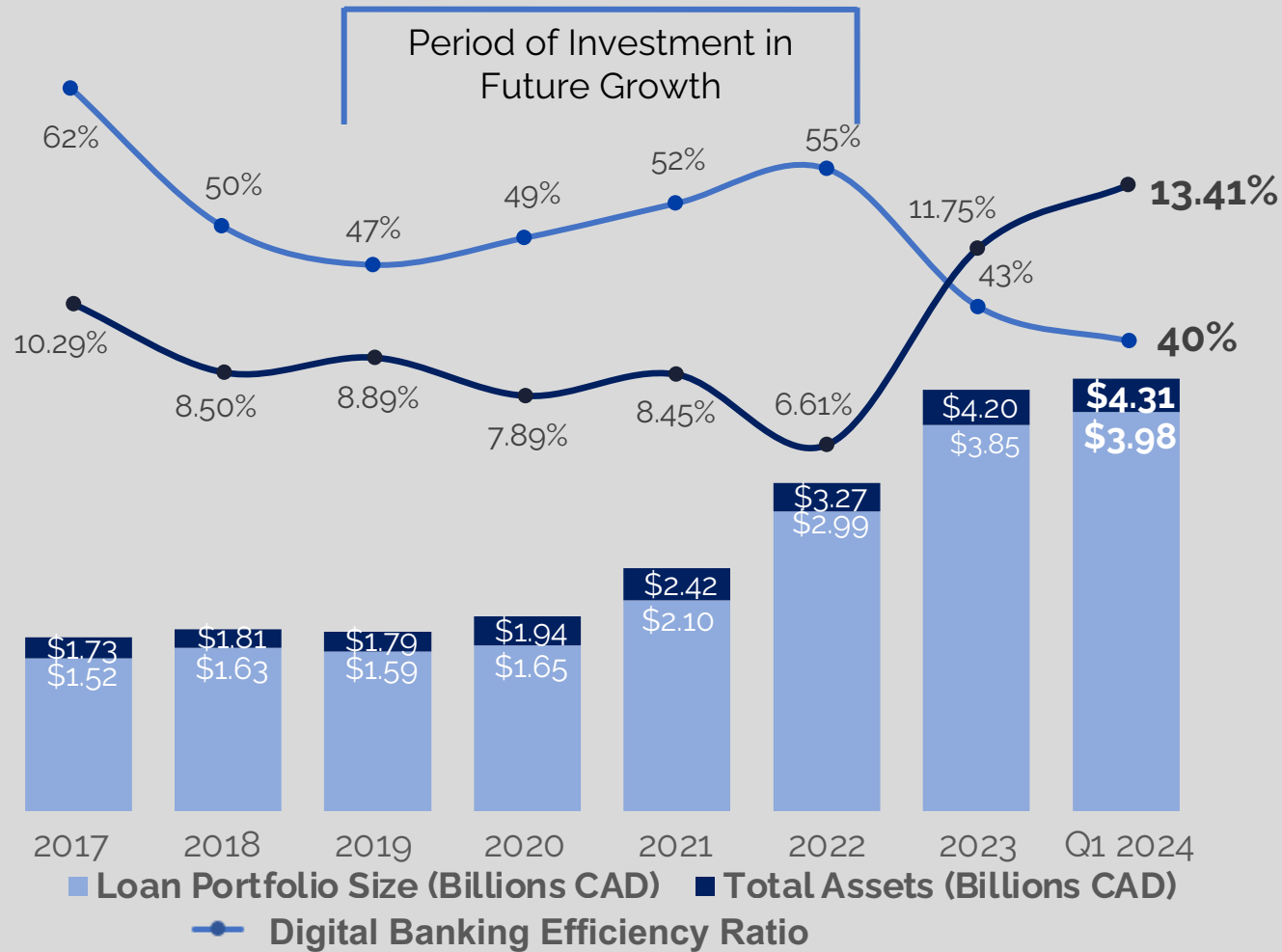
**Launched in U.S. April 22 (limited basis roll out)**

**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**

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



## Next Milestones

Total Assets

> \$5B

> \$6B

Efficiency Ratio

< 40%

< 35%

ROCE

> 16.5%

> 20%

# Why VersaBank? Why Now?

**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



# Our Time Has Arrived!



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