



**Basel III Pillar 3 Disclosures
January 31, 2024**

VERSABANK

Basel III Pillar 3 Disclosures

For the quarter ended January 31, 2024

Overview

VersaBank (the “Bank”) adopted an electronic branchless model in 1993, becoming the world’s first branchless financial institution and obtains its deposits and the majority of its loans and leases digitally. It holds a Canadian Schedule 1 chartered bank licence and is regulated by the Office of the Superintendent of Financial Institutions (“OSFI”). In addition to its core Digital Banking operations, VersaBank has established cybersecurity services and banking and financial technology development operations through its wholly owned subsidiary, DRT Cyber Inc. (“DRTC”). VersaBank’s Common Shares trade on the Toronto Stock Exchange and Nasdaq under the symbol VBNK. Its Series 1 Preferred Shares trade on the Toronto Stock Exchange under the symbol VBNK.PR.A.

VersaBank is focused on increasing earnings by concentrating on underserved markets that support more attractive pricing for its products, leveraging existing distribution channels to deliver its financial products to these chosen markets and expanding its diverse deposit gathering network that provides efficient access to a range of low-cost deposit sources in order to maintain a low cost of funds.

Basis of preparation

This document represents the Basel III Pillar 3 disclosures for the Bank. These disclosures are made pursuant to the Office of the Superintendent of Financial Institutions (OSFI) requirements, which are based on global standards established by the Bank of International Settlements, Basel Committee on Banking Supervision (BCBS). The Bank follows the Pillar 3 Disclosure requirements for Small and Medium-Sized Banks (SMSBs) and is classified as a Category 2 SMSB.

The amounts disclosed in this document are based on the Bank’s condensed consolidated interim financial statements, which reflect the financial position and results of operations of the Bank consolidated with the financial position and results of operations of its subsidiaries. The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34. The condensed consolidated interim financial statements follow the same accounting policies and methods of computation as in the Bank’s most recent annual financial statements including the accounting requirements specified by OSFI, and reflect, where necessary, management’s best estimates and judgments.

This report is unaudited and is reported in thousands of Canadian dollars, unless otherwise noted.

The report is available in the Regulatory section of the Bank’s website at www.versabank.com and on OSFI’s Financial Data for Banks website ([Financial data - Office of the Superintendent of Financial Institutions \(osfi-bsif.gc.ca\)](http://Financial%20data%20-%20Office%20of%20the%20Superintendent%20of%20Financial%20Institutions%20(osfi-bsif.gc.ca)))

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KM1: Key Metrics (at consolidated group level)

(in thousands of Canadian dollars)		January 31 2024	October 31 2023	July 31 2023	April 30 2023	January 31 2023
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	\$ 363,798	350,812	339,894	331,614	326,411
2	Tier 1	377,445	364,459	353,541	345,261	340,058
3	Total capital	485,309	476,005	460,065	454,622	447,472
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	3,194,696	3,095,092	3,047,172	2,957,933	2,917,048
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	11.39%	11.33%	11.15%	11.21%	11.19%
6	Tier 1 ratio (%)	11.81%	11.78%	11.60%	11.67%	11.66%
7	Total capital ratio (%)	15.19%	15.38%	15.10%	15.37%	15.34%
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	4,472,569	4,388,595	4,146,868	3,908,397	3,693,052
14	Basel III leverage ratio (row 2 / row 13)	8.44%	8.30%	8.53%	8.83%	9.21%

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CC1: Composition of capital for SMSBs

(in thousands of Canadian dollars)	January 31 2024	October 31 2023	July 31 2023
Common Equity Tier 1 capital: instruments and reserves			
1	\$ 217,469	\$ 217,337	\$ 216,883
2	157,845	146,043	134,461
3	73	131	52
6	375,387	363,511	351,396
Common Equity Tier 1 capital: regulatory adjustments			
28	(11,589)	(12,699)	(11,502)
29	363,798	350,812	339,894
Additional Tier 1 capital: regulatory adjustments			
44	13,647	13,647	13,647
45	377,445	364,459	353,541
Tier 2 capital: instruments and provisions			
47	105,478	109,033	103,827
50	2,386	2,513	2,697
51	107,864	111,546	106,524
Tier 2 capital: regulatory adjustments			
57	-	-	-
58	107,864	111,546	106,524
59	485,309	476,005	460,065
60	3,194,696	3,095,092	3,047,172
Capital ratios			
61	11.39%	11.33%	11.15%
62	11.81%	11.78%	11.60%
63	15.19%	15.38%	15.10%
OSFI target			
69	7.0%	7.0%	7.0%
70	8.5%	8.5%	8.5%
71	10.5%	10.5%	10.5%

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LR2: Leverage Ratio Common Disclosure Template

	January 31 2024	October 31 2023	July 31 2023
(in thousands of Canadian dollars)			
On-balance sheet exposures			
1			
1			
4			
5			
Other off-balance sheet exposures			
17			
18			
19			
Capital and total exposures			
20			
21			
Leverage ratio			
22			