



Basel III Pillar 3 Disclosures
July 31, 2025

VERSABANK

Basel III Pillar 3 Disclosures

For the quarter ended July 31, 2025

Overview

VersaBank is a North American bank (federally chartered in Canada and the United States) with a difference. VersaBank was the world's first fully digital financial institution and today employs a cloud-based, branchless, business-to-business model based on its proprietary state-of-the-art technology that enables it to profitably address underserved segments of the banking industry. The Bank's model is based on obtaining its deposits and providing financing digitally through third-party financial intermediaries (referred to as "partners") who themselves engage with the actual depositors and borrowers. This provides VersaBank with significant operating leverage, which drives efficiency and return on common equity, and significantly reduces risk.

VersaBank's recent and expected continued growth is the result of its unique Receivable Purchase Program ("RPP"), which invests in cash flow streams generated by loans and leases originated and owned by companies that provided financing at the point of sale to consumers and small business for "big ticket" purchases. In September 2024, following its acquisition of a US bank, the Bank broadly launched its RPP in the US, which has been highly successful in Canada for nearly 15 years, to the underserved multi-trillion-dollar US market.

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.

The Bank's Credit risk – General information about credit risk (CRA) and Operational risk – General qualitative information on the Bank's operational risk framework (ORA) are disclosed in the Bank's Audited Consolidated Audit Financial Statements and Management's Discussion and Analysis for the year ended October 31, 2024, available online at www.versabank.com/investor-relations.

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)		July 31 2025	April 30 2025	January 31 2025	October 31 2024	July 31 2024
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	\$ 507,212	\$ 507,222	\$ 500,158	\$ 373,503	\$ 384,496
2	Tier 1	507,212	507,222	500,158	373,503	398,143
3	Total capital	617,079	615,770	613,021	481,176	504,112
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	3,740,088	3,551,398	3,422,768	3,323,595	3,273,524
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.56%	14.28%	14.61%	11.24%	11.75%
6	Tier 1 ratio (%)	13.56%	14.28%	14.61%	11.24%	12.16%
7	Total capital ratio (%)	16.50%	17.34%	17.91%	14.48%	15.40%
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	5,698,707	5,276,975	5,172,540	5,062,129	4,664,205
14	Basel III leverage ratio (row 2 / row 13)	8.90%	9.61%	9.67%	7.38%	8.54%

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CC1: Composition of capital for SMSBs

(in thousands of Canadian dollars)		July 31 2025	April 30 2025	January 31 2025
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	\$ 328,580	\$ 332,339	\$ 333,029
2	Retained earnings	200,409	196,284	188,568
3	Accumulated other comprehensive income	(847)	(317)	(302)
6	Common Equity Tier 1 capital before regulatory adjustments	528,142	528,306	521,295
Common Equity Tier 1 capital: regulatory adjustments				
28	Total regulatory adjustments to Common Equity Tier 1	(20,930)	(21,084)	(21,137)
29	Common Equity Tier 1 capital (CET1)	507,212	507,222	500,158
Additional Tier 1 capital: regulatory adjustments				
44	Additional Tier 1 capital (AT1)	-	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	507,212	507,222	500,158
Tier 2 capital: instruments and provisions				
47	Directly issued capital instruments subject to phase out from Tier 2	103,830	103,590	108,630
50	Eligible Stage 1 and Stage 2 allowance	6,037	4,958	4,233
51	Tier 2 capital before regulatory adjustments	109,867	108,548	112,863
Tier 2 capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	109,867	108,548	112,863
59	Total capital (TC = T1 + T2)	617,079	615,770	613,021
60	Total risk weighted assets	3,740,088	3,551,398	3,422,768
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.56%	14.28%	14.61%
62	Tier 1 (as a percentage of risk weighted assets)	13.56%	14.28%	14.61%
63	Total capital (as a percentage of risk weighted assets)	16.50%	17.34%	17.91%
OSFI target				
69	Common Equity Tier 1 capital target ratio	7.0%	7.0%	7.0%
70	Tier 1 capital target ratio	8.5%	8.5%	8.5%
71	Total capital target ratio	10.5%	10.5%	10.5%

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LR2: Leverage Ratio Common Disclosure Template

(in thousands of Canadian dollars)		July 31 2025	April 30 2025	January 31 2025
On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	\$ 5,477,489	\$ 5,047,133	\$ 4,971,732
4	(Asset amounts deducted in determining Tier 1 capital)	(20,930)	(21,084)	(21,137)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	5,456,559	5,026,049	4,950,595
Derivative exposures				
6	Replacement cost associated with all derivative transactions	-	-	-
7	Add-on amounts for PFE associated with all derivative transactions	2,617	-	-
11	Total derivative exposures (sum of lines 6 and 7)	2,617	-	-
Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	638,813	694,300	621,370
18	(Adjustments for conversion to credit equivalent amounts)	(399,282)	(443,374)	(399,425)
19	Off-balance sheet items (sum of lines 17 and 18)	239,531	250,926	221,945
Capital and total exposures				
20	Tier 1 Capital	507,212	507,222	500,158
21	Total Exposures (sum of lines 5, 11 and 19)	5,698,707	5,276,975	5,172,540
Leverage ratio				
22	Basel III leverage ratio	8.90%	9.61%	9.67%

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CVA1: The reduced basic approach for Credit Valuation Adjustment (BA-CVA)

(in thousands of Canadian dollars, except percentages)

		a	b
		Components	Capital requirements under BA-CVA
1	Aggregation of systematic components of CVA risk	298	
2	Aggregation of idiosyncratic components of CVA risk	290	
3	Total		253