



Basel III Pillar 3 Disclosures
October 31, 2025

VERSABANK

Basel III Pillar 3 Disclosures

For the quarter ended October 31, 2025

Overview

VersaBank (“VersaBank” or the “Bank”) 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 primarily the result of its unique Receivable Purchase Program (“RPP”), which invests in cash flow streams generated by credit assets originated and owned by companies that provide 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, VersaBank broadly launched its RPP, 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), Operational risk – General qualitative information on the Bank's operational risk framework (ORA) and Credit Valuation Adjustment (CVA) risk – General qualitative disclosure related to CVA (CVAA) are disclosed in the Bank's Audited Consolidated Audit Financial Statements and Management's Discussion and Analysis for the year ended October 31, 2025, 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 information section of the Bank's website at www.versabank.com/investor-relations/financial-results/, and additional financial data published on the OSFI website can also be accessed through the below link;
[Financial data for banks - Office of the Superintendent of Financial Institutions](#).

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Item #	Annual Qualitative Requirements	2025 Annual Reports: Management's Discussion and Analysis and Financial Statement
		Section reference
CRA	General qualitative information about credit risk	
	SMSBs must describe their risk management objectives and policies for credit risk, focusing in particular on:	
(a)	How the business model translates into the components of the SMSB's credit risk profile	Credit Risk
(b)	Criteria and approach used for defining credit risk management policy and for setting credit risk limits	Credit Risk
(c)	Structure and organisation of the credit risk management and control function	Credit Risk
(d)	Relationships between the credit risk management, risk control, compliance and internal audit functions	Credit Risk
(e)	Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors	Credit Risk
ORA	General qualitative information on a bank's operational risk framework	
	SMSBs must describe:	
(a)	Their policies, frameworks and guidelines for the management of operational risk.	Operational Risk
(b)	The structure and organisation of their operational risk management and control function.	Operational Risk
(c)	Their operational risk measurement system (ie the systems and data used to measure operational risk in order to estimate the operational risk capital charge).	Operational Risk
(d)	The scope and main context of their reporting framework on operational risk to executive management and to the board of directors.	Operational Risk
(e)	The risk mitigation and risk transfer used in the management of operational risk. This includes mitigation by policy (such as the policies on risk culture, risk appetite, and outsourcing), by divesting from high-risk businesses, and by the establishment of controls. The remaining exposure can then be absorbed by the bank or transferred. For instance, the impact of operational losses can be mitigated with insurance.	Operational Risk
CVAA	General qualitative disclosure requirements related to CVA	
	SMSBs must describe their risk management objectives and policies for CVA risk as follows:	
(a)	An explanation and/or a description of the SMSB's processes implemented to identify, measure, monitor and control the SMSB's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges.	Counterparty Credit Risk and Credit Valuation Adjustment Risk
(b)	Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under [CAR 2024, Chapter 8, paragraph 9].	Counterparty Credit Risk and Credit Valuation Adjustment Risk

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KM1: Key Metrics (at consolidated group level)

(in thousands of Canadian dollars)		October 31 2025	July 31 2025	April 30 2025	January 31 2025	October 31 2024
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	\$ 509,650	\$ 507,212	\$ 507,222	\$ 500,158	\$ 373,503
2	Tier 1	509,650	507,212	507,222	500,158	373,503
3	Total capital	619,890	617,079	615,770	613,021	481,176
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	3,943,657	3,740,088	3,551,398	3,422,768	3,323,595
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	12.92%	13.56%	14.28%	14.61%	11.24%
6	Tier 1 ratio (%)	12.92%	13.56%	14.28%	14.61%	11.24%
7	Total capital ratio (%)	15.72%	16.50%	17.34%	17.91%	14.48%
Basel III Leverage ratio						
Total Basel III leverage ratio exposure						
13	measure	6,014,710	5,698,707	5,276,975	5,172,540	5,062,129
14	Basel III leverage ratio (row 2 / row 13)	8.47%	8.90%	9.61%	9.67%	7.38%

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CC1: Composition of capital for SMSBs

(in thousands of Canadian dollars)		October 31 2025	July 31 2025	April 30 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	\$ 328,383	\$ 328,580	\$ 332,339
2	Retained earnings	203,728	200,409	196,284
3	Accumulated other comprehensive income	562	(847)	(317)
6	Common Equity Tier 1 capital before regulatory adjustments	532,673	528,142	528,306
Common Equity Tier 1 capital: regulatory adjustments				
28	Total regulatory adjustments to Common Equity Tier 1	(23,023)	(20,930)	(21,084)
29	Common Equity Tier 1 capital (CET1)	509,650	507,212	507,222
Additional Tier 1 capital: regulatory adjustments				
44	Additional Tier 1 capital (AT1)	-	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	509,650	507,212	507,222
Tier 2 capital: instruments and provisions				
47	Directly issued capital instruments subject to phase out from Tier 2	105,135	103,830	103,590
50	Eligible Stage 1 and Stage 2 allowance	5,105	6,037	4,958
51	Tier 2 capital before regulatory adjustments	110,240	109,867	108,548
Tier 2 capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	110,240	109,867	108,548
59	Total capital (TC = T1 + T2)	619,890	617,079	615,770
60	Total risk weighted assets	3,943,657	3,740,088	3,551,398
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.92%	13.56%	14.28%
62	Tier 1 (as a percentage of risk weighted assets)	12.92%	13.56%	14.28%
63	Total capital (as a percentage of risk weighted assets)	15.72%	16.50%	17.34%
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

	October 31 2025	July 31 2025	April 30 2025
(in thousands of Canadian dollars)			
On-balance sheet exposures			
On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	\$ 5,808,475	\$ 5,477,489	\$ 5,047,133
4 (Asset amounts deducted in determining Tier 1 capital)	(23,023)	(20,930)	(21,084)
5 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	5,785,452	5,456,559	5,026,049
Derivative exposures			
6 Replacement cost associated with all derivative transactions	-	-	-
7 Add-on amounts for PFE associated with all derivative transactions	3,975	2,617	-
11 Total derivative exposures (sum of lines 6 and 7)	3,975	2,617	-
Other off-balance sheet exposures			
17 Off-balance sheet exposure at gross notional amount	635,854	638,813	694,300
18 (Adjustments for conversion to credit equivalent amounts)	(410,571)	(399,282)	(443,374)
19 Off-balance sheet items (sum of lines 17 and 18)	225,283	239,531	250,926
Capital and total exposures			
20 Tier 1 Capital	509,650	507,212	507,222
21 Total Exposures (sum of lines 5, 11 and 19)	6,014,710	5,698,707	5,276,975
Leverage ratio			
22 Basel III leverage ratio	8.47%	8.90%	9.61%

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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	329	
2	Aggregation of idiosyncratic components of CVA risk	316	
3	Total		207