Basel III Pillar 3 Disclosures
July 31, 2026

Overview

VersaBank ("VersaBank" or the "Bank") is a North American bank (federally chartered in Canada and the United States) with a difference. VersaBank was one of the world's first fully digital financial institutions. Today VersaBank 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 business model is based on obtaining its deposits and providing financing digitally through other 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 the Bank's risk.

VersaBank's recent and expected continued growth is primarily the result of its unique Structured Receivable Program ("SRP") (formerly referred to as the Receivable Purchase Program, or "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 businesses for "big ticket" value purchases. In September 2024, following its acquisition of a US bank, VersaBank broadly launched its SRP, which has been highly successful in Canada for over 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 for 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 interim consolidated 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 interim consolidated financial statements were prepared in accordance with International Accounting Standard (IAS) 34. The interim consolidated 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 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.

KM1: Key Metrics (at consolidated group level)

(in thousands of Canadian dollars)		July 31 2026	April 30 2026	January 31 2026	October 31 2025	July 31 2025
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	$ 540,934	$ 527,758	$ 516,815	$ 509,650	$ 507,212
2	Tier 1	540,934	527,758	516,815	509,650	507,212
3	Total capital	628,283	631,623	623,825	619,890	617,079
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	4,717,516	4,285,370	4,031,913	3,943,657	3,740,088
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	11.47%	12.32%	12.82%	12.92%	13.56%
6	Tier 1 ratio (%)	11.47%	12.32%	12.82%	12.92%	13.56%
7	Total capital ratio (%)	13.32%	14.74%	15.47%	15.72%	16.50%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	7,079,302	6,647,106	6,326,404	6,014,710	5,698,707
14	Basel III leverage ratio (row 2 / row 13)	7.64%	7.94%	8.17%	8.47%	8.90%

CC1: Composition of capital for SMSBs

	(in thousands of Canadian dollars)	July 31 2026	April 30 2026	January 31 2026
	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	$ 335,923	$ 332,244	$ 330,353
2	Retained earnings	229,972	220,721	213,998
3	Accumulated other comprehensive income	(330)	(727)	(1,275)
6	Common Equity Tier 1 capital before regulatory adjustments	565,565	552,238	543,076
	Common Equity Tier 1 capital: regulatory adjustments			
28	**Total regulatory adjustments to Common Equity Tier 1**	(24,631)	(24,480)	(26,261)
29	**Common Equity Tier 1 capital (CET1)**	540,934	527,758	516,815
	Additional Tier 1 capital: regulatory adjustments			
44	Additional Tier 1 capital (AT1)	-	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	540,934	527,758	516,815
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	83,034	102,180	101,715
50	Eligible Stage 1 and Stage 2 allowance	4,315	1,685	5,295
51	Tier 2 capital before regulatory adjustments	87,349	103,865	107,010
	Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	87,349	103,865	107,010
59	Total capital (TC = T1 + T2)	628,283	631,623	623,825
60	Total risk weighted assets	4,717,516	4,285,370	4,031,913
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.47%	12.32%	12.82%
62	Tier 1 (as a percentage of risk weighted assets)	11.47%	12.32%	12.82%
63	Total capital (as a percentage of risk weighted assets)	13.32%	14.74%	15.47%
	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%

LR2: Leverage Ratio Common Disclosure Template

	(in thousands of Canadian dollars)	July 31 2026	April 30 2026	January 31 2026
	On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	$6,875,238	$6,440,700	$6,146,010
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)			
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)			
4	(Asset amounts deducted in determining Tier 1 capital)	(24,631)	(24,480)	(26,261)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	6,850,607	6,416,220	6,119,749
	Derivative exposures			
6	Replacement cost associated with all derivative transactions	3,172	7,216	-
7	Add-on amounts for PFE associated with all derivative transactions	4,131	4,032	3,319
11	Total derivative exposures (sum of lines 6 and 7)	7,303	11,248	3,319
	Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	643,746	612,630	585,899
18	(Adjustments for conversion to credit equivalent amounts)	(422,354)	(392,992)	(382,563)
19	Off-balance sheet items (sum of lines 17 and 18)	221,392	219,638	203,336
	Capital and total exposures			
20	Tier 1 Capital	540,934	527,758	516,815
21	Total Exposures (sum of lines 5, 11 and 19)	7,079,302	6,647,106	6,326,404
	Leverage ratio			
22	Basel III leverage ratio	7.64%	7.94%	8.17%

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

(in thousands of Canadian dollars)

		a	b
		Components	Capital requirements under BA-CVA
1	Aggregation of systematic components of CVA risk	494	
2	Aggregation of idiosyncratic components of CVA risk	493	
3	**Total**		321