



Interim Consolidated Financial Statements
July 31, 2026
(Unaudited)

VERSABANK

Consolidated Balance Sheets (Unaudited)

(thousands of Canadian dollars)

As at	July 31 2026	October 31 2025	July 31 2025
Assets			
Cash	\$ 490,049	\$ 581,710	\$ 460,312
Securities (note 4)	134,178	80,923	160,136
Credit assets, net of allowance for credit losses (note 5)	6,161,542	5,066,378	4,778,316
Property and equipment	28,267	23,936	24,104
Goodwill	12,301	12,301	12,301
Intangible assets	7,386	10,560	10,838
Other assets (note 6)	41,515	32,667	31,482
	\$ 6,875,238	\$ 5,808,475	\$ 5,477,489
Liabilities and Shareholders' Equity			
Deposits	\$ 5,909,865	\$ 4,860,863	\$ 4,627,410
Subordinated notes payable (note 7)	103,793	103,516	102,148
Other liabilities (note 8)	296,015	311,423	219,789
	6,309,673	5,275,802	4,949,347
Shareholders' equity:			
Share capital (note 9)	334,898	325,910	326,040
Contributed surplus	1,025	2,473	2,540
Retained earnings	229,972	203,728	200,409
Accumulated other comprehensive income (loss), net of taxes	(330)	562	(847)
	565,565	532,673	528,142
	\$ 6,875,238	\$ 5,808,475	\$ 5,477,489

The accompanying notes are an integral part of these interim Consolidated Financial Statements.

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Consolidated Statements of Income and Comprehensive Income (Unaudited)

(thousands of Canadian dollars, except per share amounts)

	for the three months ended		for the nine months ended	
	July 31 2026	July 31 2025	July 31 2026	July 31 2025
Interest income:				
Credit assets	\$ 83,404	\$ 68,814	\$ 236,741	\$ 201,671
Other	6,333	5,173	17,272	16,538
	89,737	73,987	254,013	218,209
Interest expense:				
Deposits and other	51,314	42,856	143,317	130,537
Subordinated notes	1,650	1,352	4,363	4,137
	52,964	44,208	147,680	134,674
Net interest income	36,773	29,779	106,333	83,535
Non-interest income	2,036	1,804	7,283	6,014
Total revenue	38,809	31,583	113,616	89,549
Provision for (recovery of) credit losses (note 5)	(229)	1,181	899	3,094
	39,038	30,402	112,717	86,455
Non-interest expenses:				
Salaries and benefits	12,088	10,099	33,673	27,868
General and administrative	10,701	9,717	33,468	21,926
Premises and equipment	2,373	1,833	6,053	5,070
	25,162	21,649	73,194	54,864
Income before income taxes	13,876	8,753	39,523	31,591
Income tax provision (note 10)	3,816	2,171	10,869	8,337
Net income	\$ 10,060	\$ 6,582	\$ 28,654	\$ 23,254
Other comprehensive income (loss):				
Item that may subsequently be reclassified to net income: Foreign exchange gain (loss) on translation of foreign operations	397	(530)	(892)	(717)
Comprehensive income	\$ 10,457	\$ 6,052	\$ 27,762	\$ 22,537
Basic and diluted income per common share (note 11)	\$ 0.31	\$ 0.20	\$ 0.89	\$ 0.74

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Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(thousands of Canadian dollars)

	for the three months ended		for the nine months ended	
	July 31 2026	July 31 2025	July 31 2026	July 31 2025
Common shares (note 9):				
Balance, beginning of the period	\$ 331,264	\$ 329,799	\$ 325,910	\$ 215,610
Purchased and cancelled during the period	-	(3,759)	-	(3,759)
Issued during the period	3,634	-	8,988	114,879
Share issue cost adjustment	-	-	-	(690)
Balance, end of the period	\$ 334,898	\$ 326,040	\$ 334,898	\$ 326,040
Contributed surplus:				
Balance, beginning of the period	\$ 980	\$ 2,540	\$ 2,473	\$ 2,485
Stock-based compensation (note 9)	45	-	(1,448)	55
Balance, end of the period	\$ 1,025	\$ 2,540	\$ 1,025	\$ 2,540
Retained earnings:				
Balance, beginning of the period	\$ 220,721	\$ 196,284	\$ 203,728	\$ 181,238
Adjustment for purchased and cancelled common shares	-	(1,650)	-	(1,650)
Net income	10,060	6,582	28,654	23,254
Dividends paid on common shares	(809)	(807)	(2,410)	(2,433)
Balance, end of the period	\$ 229,972	\$ 200,409	\$ 229,972	\$ 200,409
Accumulated other comprehensive income (loss), net of taxes:				
Balance, beginning of the period	\$ (727)	\$ (317)	\$ 562	\$ (130)
Other comprehensive income (loss)	397	(530)	(892)	(717)
Balance, end of the period	\$ (330)	\$ (847)	\$ (330)	\$ (847)
Total shareholders' equity	\$ 565,565	\$ 528,142	\$ 565,565	\$ 528,142

The accompanying notes are an integral part of these interim Consolidated Financial Statements.

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Consolidated Statements of Cash Flows (Unaudited)

(thousands of Canadian dollars)

	for the nine months ended	
	July 31 2026	July 31 2025
Cash provided by (used in):		
Operations:		
Net income	\$ 28,654	\$ 23,254
Adjustments to determine net cash flows:		
Items not involving cash:		
Provision for credit losses	899	3,094
Stock-based compensation	11	75
Income tax provision	10,869	8,337
Interest income	(254,013)	(218,209)
Interest expense	147,680	134,674
Impairment of assets	2,260	-
Amortization	3,115	2,199
Accretion of discount on securities	(1,828)	(448)
Foreign exchange rate change on assets and liabilities	1,329	2,277
Interest received	246,524	217,524
Interest paid	(152,283)	(145,424)
Income taxes paid	(7,340)	(9,886)
Change in operating assets and liabilities:		
Credit assets	(1,089,656)	(542,286)
Deposits	1,053,799	493,670
Change in other assets and liabilities	(23,390)	26,222
	(33,370)	(4,927)
Investing:		
Foreign exchange forward contract settlement	(5,319)	3,451
Disposal of Stablecorp shares	1,035	-
Sale (purchase) of securities	(51,427)	132,539
Purchase of property and equipment	(5,835)	(664)
	(61,546)	135,326
Financing:		
Issuance of common shares, net of issue costs	7,530	114,189
Purchase and cancellation of common shares	-	(5,409)
Dividends paid	(2,410)	(2,433)
Repayment of lease obligations	(564)	(169)
	4,556	106,178
Change in cash	(90,360)	236,577
Effect of exchange rate changes on cash	(1,301)	(1,519)
Cash, beginning of the period	581,710	225,254
Cash, end of the period	\$ 490,049	\$ 460,312

The accompanying notes are an integral part of these interim Consolidated Financial Statements.

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Notes to Interim Consolidated Financial Statements (Unaudited)

Three & nine month periods ended July 31, 2026, and 2025

1. Reporting entity:

In Canada, VersaBank (the “Bank”) operates as a Schedule I bank under the Bank Act (Canada) and is regulated by the Office of the Superintendent of Financial Institutions Canada (“OSFI”). Following its acquisition of Stearns Bank Holdingford N.A. and renaming it VersaBank USA N.A. (“VersaBank USA”), on August 30, 2024, in the United States, the Bank, through its wholly owned subsidiary, VersaBank USA, holds a national charter and is regulated by the Office of the Comptroller of the Currency (“OCC”). The Bank, whose shares trade on the Toronto Stock Exchange and Nasdaq, provides primarily commercial lending and banking services to select niche markets in Canada and the United States, as well as cybersecurity services through the operations of its wholly owned subsidiary DRT Cyber Inc., (“DRTC”). The Bank is incorporated and domiciled in Canada, and maintains its registered office at Suite 2002, 140 Fullarton Street, London, Ontario, Canada, N6A 5P2.

2. Basis of preparation:

a) Statement of compliance:

These Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and do not include all the information required for full annual financial statements. These interim Consolidated Financial Statements should be read in conjunction with the Bank’s audited Consolidated Financial Statements for the year ended October 31, 2025.

The Interim Consolidated Financial Statements for the nine months ended July 31, 2026, and 2025 were approved by the Audit Committee of the Board of Directors on September 1, 2026.

b) Basis of measurement:

These Interim Consolidated Financial Statements have been prepared on the historical cost basis except securities (note 4), the investment in Stablecorp Digital Currencies Inc. (note 6) and derivative instruments (note 12), which are measured at fair value in the Consolidated Balance Sheets.

c) Functional and presentation currency:

These Interim Consolidated Financial Statements are presented in Canadian dollars, which is the Bank’s functional currency. The functional currency is also determined for each of the Bank’s subsidiaries, and items included in the interim financial statements of the subsidiaries are measured using their functional currency. Digital Boundary Group Inc. and VersaBank USA, both US operations of the Bank, have functional currencies other than the Canadian dollar.

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d) Use of estimates and judgements:

In preparing these Interim Consolidated Financial Statements, management has exercised judgement and developed estimates in applying accounting policies and generating reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting periods. Areas where judgement was applied include assessing significant changes in credit risk on credit assets and in the selection of relevant forward-looking information in assessing the Bank's allowance for expected credit losses on its credit assets as described in note 5 – Credit assets. Estimates are applied in the determination of the allowance for expected credit losses on credit assets, the fair value of stock options granted as described in note 9, the fair value of derivatives, the fair value of the investment in Stablecorp Digital Currencies Inc. as described in note 6, the impairment test applied to intangible assets and goodwill, and the measurement of deferred income taxes. It is reasonably possible, based on existing knowledge, that actual results may vary from those expected in the development of these estimates. This could result in material adjustments to the carrying amounts of assets and/or liabilities affected in the future.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are applied prospectively once they are known.

3. Material Accounting Policy Information and future accounting changes:

The accounting policies applied by the Bank in these interim Consolidated Financial Statements are the same as those applied by the Bank as at and for the year ended October 31, 2025, and are detailed in note 3 of the Bank's 2025 audited Consolidated Financial Statements.

4. Securities:

As at July 31, 2026, the Bank held securities totaling \$134.2 million (October 31, 2025 - \$80.9 million), including accrued interest, comprised of US Treasury Bills with a carrying value of \$122.5 million, Government of Canada Treasury Bills with a carrying value of \$3.2 million and other securities with a carrying value of \$8.5 million.

5. Credit assets, net of allowance for credit losses:

VersaBank organizes its Credit Asset portfolios into the following two broad asset categories: Structured Receivable Program (previously referred to as "Receivable Purchase Program") and Multi-Family Residential Loans and Other. These categories have been established in VersaBank's proprietary, internally developed asset management system and have been designed to catalogue individual lending assets as a function primarily of their key risk drivers, the nature of the underlying collateral, and the applicable market segment.

The **Structured Receivable Program ("SRP")** category is composed of investments in the expected cash flow streams derived primarily from consumer and small business loans and leases that are originated and owned throughout their lifetime by VersaBank's SRP partners, as well as asset-backed securities that have similar underlying assets as those held in the SRP portfolio.

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Notes to Interim Consolidated Financial Statements (Unaudited)

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The **Multi-Family Residential Loans and Other (“MROL”)** category is composed of two major sub-segments: Multi-Family Residential Loans, which consist of CMHC-insured (zero-risk weighted for regulatory capital purposes) loans and uninsured loans to real estate developers to finance the construction phase of development of multi-family, student residence, condominium and retirement home properties, as well as term and bridge loans to real estate developers secured by completed aforementioned properties and units. It also includes public sector and infrastructure loans and leases. The majority of these loans are business-to-business loans with the underlying credit risk exposure being primarily residential in nature, given that the vast majority of the loans are related to properties that are designated primarily for residential use. The portfolio benefits from diversity in its underlying security in the form of a broad range of such collateral properties.

Summary of credit assets, net of allowance for credit losses:

(thousands of Canadian dollars)

	July 31 2026	October 31 2025	July 31 2025
Structured receivable program	\$ 5,207,241	\$ 4,043,007	\$ 3,720,442
Multi-family residential loans and other	934,191	1,007,232	1,041,076
	6,141,432	5,050,239	4,761,518
Allowance for credit losses	(8,114)	(7,279)	(6,037)
Accrued interest	28,224	23,418	22,835
Total credit assets, net of allowance for credit losses	\$ 6,161,542	\$ 5,066,378	\$ 4,778,316

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Notes to Interim Consolidated Financial Statements (Unaudited)

Three & nine month periods ended July 31, 2026, and 2025

The following table provides a summary of credit asset amounts, ECL allowance amounts, and expected loss ("EL") rates by credit asset category:

As at July 31, 2026				
(thousands of Canadian dollars)	Stage 1	Stage 2	Stage 3	Total
Structured receivable program	\$ 5,177,081	\$ 23,559	\$ 6,601	\$ 5,207,241
<i>ECL allowance</i>	2,868	14	3,799	6,681
EL %	0.06%	0.06%	57.55%	0.13%
Multi-family residential loans and other	\$ 677,944	\$ 248,148	\$ 8,099	\$ 934,191
<i>ECL allowance</i>	1,143	290	-	1,433
EL %	0.17%	0.12%	0.00%	0.15%
Total credit assets	\$ 5,855,025	\$ 271,707	\$ 14,700	\$ 6,141,432
<i>Total ECL allowance</i>	4,011	304	3,799	8,114
Total EL %	0.07%	0.11%	25.84%	0.13%

As at October 31, 2025				
(thousands of Canadian dollars)	Stage 1	Stage 2	Stage 3	Total
Structured receivable program	\$ 4,017,931	\$ 17,516	\$ 7,560	\$ 4,043,007
<i>ECL allowance</i>	3,187	72	2,172	5,431
EL %	0.08%	0.41%	28.73%	0.13%
Multi-family residential loans and other	\$ 854,692	\$ 113,227	\$ 39,313	\$ 1,007,232
<i>ECL allowance</i>	1,493	354	1	1,848
EL %	0.17%	0.31%	0.00%	0.18%
Total credit assets	\$ 4,872,623	\$ 130,743	\$ 46,873	\$ 5,050,239
<i>Total ECL allowance</i>	4,679	426	2,174	7,279
Total EL %	0.10%	0.33%	4.64%	0.14%

The Bank's maximum exposure to credit risk is the carrying value of its financial assets. The Bank holds security against the majority of its credit assets in the form of mortgage interests over property, other registered securities over assets, guarantees and/or cash reserves related to investments in receivables included in the SRP portfolio (see note 8).

Allowance for credit losses

The Bank must maintain an allowance for expected credit losses that is adequate, in management's opinion, to absorb all credit related losses in the Bank's lending and treasury portfolios. The expected credit loss methodology requires recognition of credit losses based on 12 months of expected losses for performing credit assets, which is reflected in the Bank's Stage 1 grouping. The Bank recognizes lifetime expected losses on credit assets that have experienced a significant increase in credit risk since its origination, which is reflected in the Bank's Stage 2 grouping. Impaired credit assets require recognition of lifetime losses and are reflected in Stage 3 grouping.

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Three & nine month periods ended July 31, 2026, and 2025

Forward-looking Information

The Bank has sourced credit risk modeling systems and forecast macroeconomic scenario data from Moody's Analytics, a third-party service provider for the purpose of computing forward-looking credit risk parameters under multiple macroeconomic scenarios that consider both market-wide and idiosyncratic factors and influences. The macroeconomic indicator data utilized by the Bank for the purpose of sensitizing probability of default and loss given default term structure data to forward economic conditions include, but are not limited to: real GDP, the national unemployment rate, long term interest rates, the consumer price index, the S&P/TSX Index and the price of oil. These specific macroeconomic indicators were selected in an attempt to ensure that the spectrum of fundamental macroeconomic influences on the key drivers of the credit risk profile of the Bank's assets, including: corporate, consumer and real estate market dynamics; corporate, consumer and SME borrower performance; geography; as well as collateral value volatility, are appropriately captured and incorporated into the Bank's forward macroeconomic sensitivity analysis.

Canada's economy is expected to improve through the second half of 2026. Recent data suggests that the economy is beginning to recover from a weak start to the year, with modest improvement expected as temporary factors unwind. However, trade uncertainty, tariff-sensitive sectors, soft business investment, and slower population growth continue to restrain momentum. The outlook remains modest for the balance of 2026, with gradual improvement expected as businesses adapt and uncertainty around the Canada-United States-Mexico Agreement review eases. Inflation is expected to remain elevated in the near term before easing gradually. Headline inflation continues to reflect higher energy prices and gasoline-related pressures, while inflation excluding gasoline and core measures remains more contained. The Bank of Canada is expected to maintain a cautious policy stance through the balance of 2026, with persistent inflation risks limiting the scope for rate adjustments. The housing market is expected to remain a headwind to the economy through fiscal 2026. Housing activity has been weaker than expected, with slower population growth, affordability pressures, uncertainty, and still-elevated borrowing costs limiting demand. House prices are expected to face continued downward pressure in 2026 before stabilizing gradually, while residential construction activities are expected to slow as developers contend with high costs, weaker demand, and elevated inventories. Mortgage resets and rising credit stress continue to pressure some households, keeping activity subdued into 2027.

Management developed ECL estimates using credit risk parameter term structure forecasts sensitized to individual baseline, upside and downside forecast macroeconomic scenarios, each weighted at 100%, and subsequently computed the variance of each to the Bank's reported ECL as at July 31, 2026 in order to assess the alignment of the Bank's reported ECL with the Bank's credit risk profile, and further, to assess the scope, depth and ultimate effectiveness of the credit risk mitigation strategies that the Bank has applied to its lending portfolios (see Expected Credit Loss Sensitivity below).

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Three & nine month periods ended July 31, 2026, and 2025

Expected credit loss sensitivity:

The following table presents the sensitivity of the Bank's estimated ECL to a range of individual macroeconomic scenarios, that in isolation may not reflect the Bank's actual expected ECL exposure, as well as the variance of each to the Bank's reported ECL as at July 31, 2026:

(thousands of Canadian dollars)

	Reported ECL	100% Upside	100% Baseline	100% Downside
Allowance for expected credit losses	\$ 8,114	\$ 7,553	\$ 8,019	\$ 8,875
Provision (recovery) from reported ECL		(561)	(95)	761
Variance from reported ECL (%)		(7%)	(1%)	9%

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Notes to Interim Consolidated Financial Statements (Unaudited)

Three & nine month periods ended July 31, 2026, and 2025

The following table provides a reconciliation of the Bank's ECL allowance by lending asset category for the three months ended July 31, 2026:

(thousands of Canadian dollars)	Stage 1		Stage 2		Stage 3		Total
Structured receivable program							
Balance at beginning of period	\$	3,243	\$	64	\$	3,392	\$ 6,699
Transfer in (out) to Stage 1		-		-		-	-
Transfer in (out) to Stage 2		-		-		-	-
Transfer in (out) to Stage 3		-		-		-	-
Net remeasurement of loss allowance		(375)		(50)		407	(18)
Credit asset originations		-		-		-	-
Derecognitions and maturities		-		-		-	-
Provision for (recovery of) credit losses		(375)		(50)		407	(18)
Write-offs		-		-		-	-
Recoveries		-		-		-	-
Balance at end of period	\$	2,868	\$	14	\$	3,799	\$ 6,681
Multi-family residential loans and other							
Balance at beginning of period	\$	1,361	\$	281	\$	1	\$ 1,643
Transfer in (out) to Stage 1		(59)		59		-	-
Transfer in (out) to Stage 2		21		(21)		-	-
Transfer in (out) to Stage 3		-		-		-	-
Net remeasurement of loss allowance		(213)		(68)		(1)	(282)
Credit asset originations		74		51		-	125
Derecognitions and maturities		(43)		(12)		-	(55)
Provision for (recovery of) credit losses		(220)		9		(1)	(212)
Write-offs		-		-		-	-
Recoveries		-		-		-	-
Foreign currency impact		2		-		-	2
Balance at end of period	\$	1,143	\$	290	\$	-	\$ 1,433
Total balance at end of period	\$	4,011	\$	304	\$	3,799	\$ 8,114

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Notes to Interim Consolidated Financial Statements (Unaudited)

Three & nine month periods ended July 31, 2026, and 2025

The following table provides a reconciliation of the Bank's ECL allowance by lending asset category for the three months ended July 31, 2025:

(thousands of Canadian dollars)	Stage 1	Stage 2	Stage 3	Total
Structured receivable program				
Balance at beginning of period	\$ 2,360	\$ 611	\$ 29	\$ 3,000
Transfer in (out) to Stage 1	-	-	-	-
Transfer in (out) to Stage 2	-	-	-	-
Transfer in (out) to Stage 3	-	-	-	-
Net remeasurement of loss allowance	336	(529)	1,174	981
Credit asset originations	-	-	-	-
Derecognitions and maturities	-	-	-	-
Provision for (recovery of) credit losses	336	(529)	1,174	981
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Balance at end of period	\$ 2,696	\$ 82	\$ 1,203	\$ 3,981
Multi-family residential loans and other				
Balance at beginning of period	\$ 1,400	\$ 557	\$ 1	\$ 1,958
Transfer in (out) to Stage 1	(236)	236	-	-
Transfer in (out) to Stage 2	234	(234)	-	-
Transfer in (out) to Stage 3	-	-	-	-
Net remeasurement of loss allowance	15	435	-	450
Credit asset originations	501	-	-	501
Derecognitions and maturities	(77)	(675)	-	(752)
Provision for (recovery of) credit losses	438	(238)	-	200
Write-offs	(102)	-	-	(102)
Recoveries	-	-	-	-
Foreign currency impact	4	(3)	-	1
Balance at end of period	\$ 1,738	\$ 317	\$ 1	\$ 2,056
Total balance at end of period	\$ 4,434	\$ 399	\$ 1,204	\$ 6,037

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Three & nine month periods ended July 31, 2026, and 2025

The following table provides a reconciliation of the Bank's ECL allowance by lending asset category for the nine months ended July 31, 2026:

(thousands of Canadian dollars)	Stage 1	Stage 2	Stage 3	Total
Structured receivable program				
Balance at beginning of period	\$ 3,187	\$ 72	\$ 2,172	\$ 5,431
Transfer in (out) to Stage 1	-	-	-	-
Transfer in (out) to Stage 2	-	-	-	-
Transfer in (out) to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(319)	(58)	1,627	1,250
Credit asset originations	-	-	-	-
Derecognitions and maturities	-	-	-	-
Provision for (recovery of) credit losses	(319)	(58)	1,627	1,250
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Balance at end of period	\$ 2,868	\$ 14	\$ 3,799	\$ 6,681
Multi-family residential loans and other				
Balance at beginning of period	\$ 1,493	\$ 354	\$ 2	\$ 1,848
Transfer in (out) to Stage 1	(206)	206	-	-
Transfer in (out) to Stage 2	165	(165)	-	-
Transfer in (out) to Stage 3	1	-	(1)	-
Net remeasurement of loss allowance	(419)	(35)	(1)	(455)
Credit asset originations	278	126	-	404
Derecognitions and maturities	(107)	(193)	-	(300)
Provision for (recovery of) credit losses	(288)	(62)	(2)	(351)
Write-offs	(56)	-	-	(56)
Recoveries	-	-	-	-
Foreign currency impact	(6)	(2)	-	(8)
Balance at end of period	\$ 1,143	\$ 290	\$ -	\$ 1,433
Total balance at end of period	\$ 4,011	\$ 304	\$ 3,799	\$ 8,114

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The following table provides a reconciliation of the Bank's ECL allowance by lending asset category for the nine months ended July 31, 2025:

(thousands of Canadian dollars)	Stage 1	Stage 2	Stage 3	Total
Structured receivable program				
Balance at beginning of period	\$ 783	\$ -	\$ -	\$ 783
Transfer in (out) to Stage 1	-	-	-	-
Transfer in (out) to Stage 2	-	-	-	-
Transfer in (out) to Stage 3	-	-	-	-
Net remeasurement of loss allowance	1,913	82	1,203	3,198
Credit asset originations	-	-	-	-
Derecognitions and maturities	-	-	-	-
Provision for (recovery of) credit losses	1,913	82	1,203	3,198
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Balance at end of period	\$ 2,696	\$ 82	\$ 1,203	\$ 3,981
Multi-family residential loans and other				
Balance at beginning of period	\$ 2,213	\$ 306	\$ 1	\$ 2,520
Transfer in (out) to Stage 1	(633)	633	-	-
Transfer in (out) to Stage 2	380	(380)	-	-
Transfer in (out) to Stage 3	-	(43)	43	-
Net remeasurement of loss allowance	(322)	530	(43)	165
Credit asset originations	541	(29)	-	512
Derecognitions and maturities	(91)	(691)	-	(782)
Provision for (recovery of) credit losses	(124)	20	-	(104)
Write-offs	(361)	-	-	(361)
Recoveries	-	-	-	-
Foreign currency impact	12	(10)	-	2
Balance at end of period	\$ 1,738	\$ 317	\$ 1	\$ 2,056
Total balance at end of period	\$ 4,434	\$ 399	\$ 1,204	\$ 6,037

Credit quality:

The Bank assigns a risk rating to each credit asset comprising its credit asset portfolios. A risk rating is assigned or updated as a function of each new credit application, annual review or an amendment to a facility. The Bank updates client risk ratings to reflect any significant deterioration or improvement in credit quality. The risk rating considers the credit risk attributes of the credit asset, structure, individual client circumstances as well as local, regional and global macroeconomic and market conditions.

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The Bank aggregates its risk rating assignments into the following three broad categories:

- i) Satisfactory – The client and credit asset valuation are of acceptable credit quality.
- ii) Watchlist – The client or the credit asset valuation exhibits potential credit weakness or a downward trend which, if not mitigated, will potentially weaken the Bank's position. The credit asset requires close supervision.
- iii) Classified – The collection of the minimum scheduled payments and/or the full repayment of the credit asset is uncertain.

As of July 31, 2026, 97% (October 31, 2025 – 97%) of the Bank's credit assets were categorized Satisfactory. There was no material change in the Bank's processes for managing credit risk during the current quarter.

6. Other assets:

(thousands of Canadian dollars)

	July 31 2026	October 31 2025	July 31 2025
Accounts receivable	\$ 7,760	\$ 7,371	\$ 10,532
Prepaid expenses and other	23,717	17,880	15,775
Right-of-use assets	3,186	2,424	2,596
Deferred income tax asset	4,587	4,039	1,626
Derivative instruments (note 12)	2,265	-	-
Investment (note 6a)	-	953	953
	\$ 41,515	\$ 32,667	\$ 31,482

a) In February 2021, the Bank acquired an 11% investment in Stablecorp Digital Currencies Inc. for cash consideration of \$953,000. The Bank has made an irrevocable election to designate this investment at fair value through other comprehensive income at initial recognition and any future changes in the fair value of the investment will be recognized in other comprehensive income (loss). In December 2025, the Bank divested its position in Stablecorp Digital Currencies Inc. for cash consideration of \$1,035,000. The disposal generated a gain of \$82,000, recognized in the income statement. The gain represents the excess of the consideration received over the carrying amount of the investment at the date of disposal.

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7. Subordinated notes payable:

(thousands of Canadian dollars)

	July 31 2026	October 31 2025	July 31 2025
Issued April 2021, unsecured, non-viability contingent capital compliant, subordinated notes payable, principal amount of US \$75.0 million, maturing May 2031. The notes bore interest at a fixed contractual rate of 5.00% until April 30, 2026, after which the coupon rate reset to 5.92%, based on a CORRA-derived reference rate plus 3.61%, payable quarterly in arrears. The effective interest rate was 5.38% during the fixed-rate period and 6.31% during the three-month floating-rate period ending July 31, 2026.	\$ 103,793	\$ 103,516	\$ 102,148
	\$ 103,793	\$ 103,516	\$ 102,148

8. Other liabilities:

(thousands of Canadian dollars)

	July 31 2026	October 31 2025	July 31 2025
Accounts payable and other	\$ 9,082	\$ 12,518	\$ 11,057
Current income tax liability	2,558	126	-
Deferred income tax liability	16	33	73
Derivative instruments (note 12)	-	416	423
Lease obligations	3,449	2,668	2,866
Cash collateral and amounts held in escrow	4,964	4,996	5,566
Cash reserves on structured receivable program	275,946	290,666	199,804
	\$ 296,015	\$ 311,423	\$ 219,789

9. Share capital:

a) Common shares:

At July 31, 2026, there were 32,419,079 (October 31, 2025 - 31,945,535) common shares outstanding.

On December 18, 2024, the Bank completed a treasury offering of 5,660,378 common shares at a price of USD \$13.25 per share, the equivalent of CAD \$18.95 per share, for gross proceeds of USD \$75.0 million. On December 24, 2024, the underwriters of the aforementioned offering exercised their full over-allotment option to purchase an additional 849,056 shares (15% of the 5,660,378 common shares issued via the base offering referenced above) at a price of USD \$13.25 per share, or CAD \$19.07 per share, for gross proceeds of USD \$11.2 million. Total net cash proceeds from the common share offering were CAD \$116.0 million. The Bank's share capital increased by CAD \$116.3 million corresponding to the Common Share Offering and less tax effected issue costs in the amount of CAD \$6.2 million.

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On April 28, 2026, the Bank received approval from the Toronto Stock Exchange ("TSX") to renew its Normal Course Issuer Bid ("NCIB") for its common shares. Pursuant to the NCIB, VersaBank may purchase for cancellation up to 2,000,000 of its common shares, representing approximately 9.14% of its public float. As of April 16, 2026, the public float comprised 21,876,251 common shares and there were 32,167,347 issued and outstanding Common Shares in total. The average daily trading volume ("ADTV") of VersaBank's Common Shares on the TSX for the six-month period of October 1, 2025 to March 31, 2026 (the "Preceding Six-Month Period") was 26,510 shares. Daily purchases under the NCIB will be limited to 25% of the ADTV, which is 6,627 common shares, other than block purchase exceptions. During the Preceding Six-Month Period, 11,929,689 VersaBank common shares were traded on all exchanges. Of that total, 3,313,798 shares were traded on the TSX, and the remaining 8,615,891 shares were traded on other exchanges including the Nasdaq.

The ability to make purchases commenced on April 30, 2026, and will terminate on April 29, 2027, or such an earlier date as VersaBank may complete its purchases pursuant to the NCIB. The purchases will be made by VersaBank through the facilities of the TSX and the Nasdaq and in accordance with the rules of the TSX or the Nasdaq, as applicable, and the prices that VersaBank will pay for any common shares will be the market price of such shares at the time of acquisition. VersaBank will make no purchases of common shares other than open market purchases. All shares purchased under the NCIB will be cancelled.

For the three and nine month periods ended July 31, 2026, the Bank did not purchase or cancel any common shares under its normal course issuer bid. As no shares were repurchased, there was no impact on Common Share capital or retained earnings for the period as a result of the NCIB. For the three and nine month periods ended July 31, 2025, the Bank purchased and cancelled 351,142 common shares for \$5.4 million, reducing the Bank's Common Share Capital value by \$3.8 million and retained earnings by \$1.7 million.

For the three and nine month periods ended July 31, 2026, the Bank issued 223,382 and 473,544 common shares in connection with the exercise of stock options during the period for proceeds of \$3.6 million and \$7.5 million, respectively. For the three and nine month periods ended July 31, 2025, the Bank issued nil and 6,775 common shares in connection with the exercise of stock options during the period for proceeds of \$nil and \$0.1 million, respectively.

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b) Stock options

Stock option transactions during the three and nine month periods ended July 31, 2026, and 2025:

	for the three months ended				for the nine months ended			
	July 31, 2026		July 31, 2025		July 31, 2026		July 31, 2025	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	504,658	\$ 15.90	801,354	\$ 15.90	779,734	\$ 15.90	819,125	\$ 15.90
Granted	-	-	-	-	-	-	-	-
Exercised	(223,382)	15.90	-	-	(473,544)	15.90	(6,775)	15.90
Forfeited/cancelled	-	-	(29,415)	15.90	(24,914)	15.90	(40,411)	15.90
Expired	-	-	-	-	-	-	-	-
Outstanding, end of period	281,276	\$ 15.90	771,939	\$ 15.90	281,276	\$ 15.90	771,939	\$ 15.90

For the three and nine month periods ended July 31, 2026, the Bank recognized \$5,000 (July 31, 2025 - \$nil) and \$11,000 (July 31, 2025 - \$75,000) in compensation expense related to the estimated fair value of options granted.

10. Income tax provision:

Income tax provision for the three and nine month periods ended July 31, 2026 was \$3.8 million (July 31, 2025 - \$2.2 million) and \$10.9 million (July 31, 2025 - \$8.3 million). The Bank's combined statutory federal and provincial income tax rate in Canada is approximately 27% (2025 - 27%). The Bank's effective rate reflects the statutory rate adjusted for certain items not being taxable or deductible for income tax purposes.

11. Income per common share:

(thousands of Canadian dollars, except shares outstanding and per share amounts)

	for the three months ended		for the nine months ended	
	July 31 2026	July 31 2025	July 31 2026	July 31 2025
Net income	\$ 10,060	\$ 6,582	\$ 28,654	\$ 23,254
Weighted average number of common shares outstanding	32,275,242	32,368,728	32,112,165	31,302,938
Income per common share:	\$ 0.31	\$ 0.20	\$ 0.89	\$ 0.74

12. Derivative instruments:

Designated Hedges

At July 31, 2026, the Bank had an outstanding contract established for asset liability management purposes to swap between fixed and floating interest rates with an amortizing notional amount currently totaling \$18.8

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million (October 31, 2025 - \$20.2 million), of which \$18.8 million (October 31, 2025 - \$20.2 million) has been designated as an accounting hedge. The Bank enters into interest rate swap contracts for its own account exclusively and does not act as an intermediary in this market. The maturity date of the amortizing interest rate swap is March 1, 2034. At July 31, 2026, fair value of \$100,000 (asset) (October 31, 2025 - \$340,000 (liability)) relating to this contract was included in other assets (liabilities) and the offsetting amount included in the carrying values of the liabilities (assets) to which they relate. Approved counterparties are limited to major Canadian chartered banks. The carrying amount of the hedged item recognized in credit assets was \$19.0 million (October 31, 2025 - \$20.9 million). The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item is \$1.7 million (October 31, 2025 - \$1.9 million).

As at July 31, 2026, the Bank utilized a foreign exchange forward contract to mitigate foreign exchange risk on its net investments in VersaBank USA in a designated hedge. This hedging strategy is aimed at minimizing foreign exchange risk related to fluctuations between VersaBank's functional currency, CAD, and the foreign currency of its net investment, USD. Changes in the fair value of these derivatives, attributable to the effective portion of the hedge, are recognized in other comprehensive income, while the ineffective portion, if any, is recorded in profit or loss. As of July 31, 2026, the outstanding foreign exchange forward contract had a notional value of USD \$138.6 million (October 31, 2025 — USD \$138.6 million) and a fair value of \$1,800,000, (asset) (October 31, 2025 - \$61,400 (liability)), hedging a portion of the USD \$188.7 million investment in VersaBank USA. For the three and nine month periods ended July 31, 2026, a loss of \$1,526,679 (July 31, 2025 — gain of \$811,231) and a loss of \$1,568,259 (July 31, 2025 — loss of \$1,046,993) was recognized in other comprehensive income, representing the effective portion of the hedge. Since there was no hedge ineffectiveness, there was no impact on profit or loss from this hedge. The hedge was assessed as highly effective, supporting the Bank's risk management strategy to stabilize the financial impact of foreign exchange movements.

As at July 31, 2026, an accounting hedge exists for the remaining USD \$50.1 million of the USD \$188.7 million investment in VersaBank USA. This is achieved through the allocation of part of the USD \$75.0 million subordinated debt raised by the Bank in April 2021. Both the credit asset (liability) and the investment (asset) move in equal and opposite directions, with the liability serving as a hedge against foreign exchange rate fluctuations that may affect the valuation of the investment asset.

Economic Hedges

As at July 31, 2026, the Bank entered into a foreign exchange forward contract to mitigate foreign exchange risk on its net investment in VersaFinance US Corp. This hedging arrangement was established during 2025. The hedge is intended to reduce exposure to fluctuations between VersaBank's functional currency, CAD, and the currency of the net investment, USD. Changes in the fair value of the instrument attributable to the portion of the hedge are recognized in profit or loss. As at July 31, 2026, the outstanding foreign exchange forward contract had a notional value of USD \$14.0 million (October 31, 2025 — USD \$14.0 million) and a fair value of \$185,000 (asset) (October 31, 2025 — \$1,500 (liability)). The contract economically hedges a portion of the USD \$14.0 million investment in VersaFinance US Corp, which is designed to significantly offset the FX impact of translating USD-denominated assets and liabilities within

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VersaFinance US Corp into CAD. For the three and nine month periods ended July 31, 2026, a loss of \$474,965 (July 31, 2025 — gain of \$nil) and a loss of \$559,096 (July 31, 2025 — gain of \$nil) was recognized in profit or loss, representing the total impact of the economic hedge.

As at July 31, 2026, the Bank utilized a foreign exchange forward contract to mitigate foreign exchange risk associated with the intercompany loan denominated in USD, resulting from intercompany transfer of assets, which aims to minimize foreign exchange risk related to fluctuations between the Bank's functional currency, CAD, and the foreign currency denominated loan. As of July 31, 2026 the outstanding foreign exchange forward contract relating to this intercompany loan had a notional value of USD \$12.1 million (October 31, 2025 — USD 12.1 million) and a fair value of \$160,000 (asset) (October 31, 2025 - \$5,400 (liability)). For the three and nine month periods ended July 31, 2026, a loss of \$410,506 (July 31, 2025 — gain of \$43,232) and a loss of \$456,475 (July 31, 2025 — gain of \$43,232) was recognized in profit or loss, representing the total impact of the economic hedge.

13. Commitments, contingencies and pledged assets:

The amount of credit-related commitments represents the maximum amount of additional credit that the Bank could be obligated to extend.

(thousands of Canadian dollars)

	July 31 2026	October 31 2025	July 31 2025
Credit asset commitments	\$ 600,220	\$ 589,005	\$ 591,162
Letters of credit	43,526	46,849	47,651
	\$ 643,746	\$ 635,854	\$ 638,813

As at July 31, 2026, the Bank had pledged assets with a carrying amount of \$8.1 million (October 31, 2025 — \$20.9 million) as collateral for the foreign exchange swap and forward contract arrangements and letter of credit obligations. The Bank retains substantially all the risks and rewards associated with these assets and accordingly continues to recognize them on the Consolidated Statement of Financial Position. Included in pledged assets as at July 31, 2026 is \$6.0 million (October 31, 2025 — \$9.1 million) of cash collateral securing letter of credit facilities.

14. Related party transactions:

The Bank's related parties include members of the Board of Directors, Senior Executive Officers, represented as key management personnel, and significant minority shareholders. At July 31, 2026, amounts due from key management personnel totaled \$2.6 million (October 31, 2025 — \$2.0 million), while amounts due from corporations controlled by key management personnel and significant minority shareholders totaled \$24.4 million (October 31, 2025 — \$3.6 million). Interest rates on related party loans are based on approved and mutually agreed-upon terms. For the three and nine month periods ended July 31, 2026, interest income earned on the above loans was \$190,000 (July 31, 2025 — \$41,000) and \$287,000 (July 31, 2025 — \$120,000). As at July 31, 2026, there were no provisions for credit losses

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associated with loans issued to related parties (October 31, 2025 — \$nil), and all loans issued to related parties were current.

15. Capital management:

a) Overview:

The Bank's policy is to maintain a strong capital base so as to retain investor, creditor, market and regulator confidence, as well as to support the future growth and development of the business. The impact of the level of capital held on shareholders' return is an important consideration, and the Bank recognizes the need to maintain a balance between the higher returns that may be possible with greater leverage and the advantages and security that may be afforded by a more robust capital position.

Capital is managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and that take into account, amongst other items, forecasted capital requirements, current and anticipated financial market conditions and any capital ratio targets that are communicated to the Bank by Office of the Superintendent of Financial Institutions ("OSFI").

The goal is to maintain adequate regulatory capital for the Bank to be considered well capitalized, protect depositors and provide capacity to support organic growth, as well as to capitalize on strategic opportunities that do not otherwise require access to the public capital markets, all the while providing a satisfactory return to shareholders. The Bank's regulatory capital is comprised of share capital, retained earnings and unrealized gains and losses on fair value through other comprehensive income securities (Common Equity Tier 1 capital) and subordinated notes (Tier 2 capital).

The Bank monitors its capital adequacy and related capital ratios on a daily basis and has stipulated policies, which are approved by the Board of Directors, setting internal targets and thresholds for its capital ratios. These capital ratios consist of the leverage ratio and the risk-based capital ratios.

The Bank makes use of the Standardized Approach for credit risk as prescribed by OSFI and, therefore, may include eligible ECL allowance amounts in its Tier 2 capital, up to a maximum of 1.25% of its credit risk-weighted assets calculated under the Standardized Approach. During the period ended July 31, 2026, there were no material changes in the Bank's management of capital.

b) Risk-based capital ratios:

The Basel Committee on Banking Supervision has published the Basel III rules on capital adequacy and liquidity ("Basel III"). OSFI requires that all Canadian banks must comply with the Basel III standards on an "all-in" basis for the purpose of determining their risk-based capital ratios. Required minimum regulatory capital ratios are a 7.0% Common Equity Tier 1 capital ratio ("CET1"), an 8.5% Tier 1 capital ratio and a 10.5% Total capital ratio, all of which include a 2.5% capital conservation buffer.

OSFI also requires banks to measure capital adequacy in accordance with guidelines for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet credit instruments as specified in the

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Basel III regulations. Based on the deemed credit risk for each type of asset, both on and off-balance sheet assets of the Bank are assigned a weighting ranging from 0% to 400% to determine the Bank's risk-weighted equivalent assets and its risk-based capital ratios.

The Bank's risk-based capital ratios are calculated as follows:

(thousands of Canadian dollars)

	July 31 2026	October 31 2025
Common Equity Tier 1 (CET1) capital		
Directly issued qualifying common share capital	\$ 334,898	\$ 325,910
Contributed surplus	1,025	2,473
Retained earnings	229,972	203,728
Accumulated other comprehensive income (loss)	(330)	562
CET1 before regulatory adjustments	565,565	532,673
Regulatory adjustments applied to CET1	(24,631)	(23,023)
Common Equity Tier 1 capital	\$ 540,934	\$ 509,650
Additional Tier 1 capital		
Directly issued qualifying Additional Tier 1 instruments	\$ -	\$ -
Total Tier 1 capital	\$ 540,934	\$ 509,650
Tier 2 capital		
Directly issued Tier 2 capital instruments	\$ 83,034	\$ 105,135
Tier 2 Capital, net of accumulated amortization and before regulatory adjustments	83,034	105,135
Eligible stage 1 and stage 2 allowance	4,315	5,105
Total Tier 2 capital	\$ 87,349	\$ 110,240
Total regulatory capital	\$ 628,283	\$ 619,890
Total risk-weighted assets	\$ 4,717,516	\$ 3,943,657
Capital ratios		
CET1 capital ratio	11.47%	12.92%
Tier 1 capital ratio	11.47%	12.92%
Total capital ratio	13.32%	15.72%

As of July 31, 2026, and October 31, 2025, the Bank maintained capital levels above all of the minimum Basel III regulatory capital requirements prescribed by OSFI.

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c) Leverage ratio:

The leverage ratio, which is prescribed under the Basel III Accord, is a supplementary measure to the risk-based capital requirements and is defined as the ratio of Tier 1 capital to the Bank's total exposures. The Basel III minimum leverage ratio is 3.0%. The Bank's leverage ratio is calculated as follows:

(thousands of Canadian dollars)

	July 31 2026	October 31 2025
On-balance sheet assets	\$ 6,875,238	\$ 5,808,475
Assets amounts adjusted in determining the Basel III Tier 1 capital	(24,631)	(23,023)
Total on-balance sheet exposures	6,850,607	5,785,452
Replacement cost associated with all derivative transactions	\$ 3,172	\$ -
Add-on amounts for PFE associated with all derivative transactions	4,131	3,975
Total derivative exposures	7,303	3,975
Total off-balance sheet exposure at gross notional amount	\$ 643,746	\$ 635,854
Adjustments for conversion to credit equivalent amount	(422,354)	(410,571)
Total off-balance sheet exposures	221,392	225,283
Tier 1 capital	540,934	509,650
Total exposures	7,079,302	6,014,710
Leverage ratio	7.64%	8.47%

As at July 31, 2026, and October 31, 2025, the Bank was in compliance with the leverage ratio prescribed by OSFI.

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16. Interest rate risk position:

The Bank is subject to interest rate risk, which is the risk that a movement in interest rates could negatively impact net interest margin, net interest income and the economic value of assets, liabilities and shareholders' equity. The following table provides the duration difference between the Bank's assets and liabilities and the potential after-tax impact of a 100 basis point shift in interest rates on the Bank's earnings during a 12 month period.

(thousands of Canadian dollars)

	July 31, 2026		October 31, 2025	
	Increase 100 bps	Decrease 100 bps	Increase 100 bps	Decrease 100 bps
Increase (decrease):				
Impact on projected net interest income during a 12 month period	\$ 5,059	\$ (5,076)	\$ 2,582	\$ (2,824)
Duration difference between assets and liabilities (months)	(2.3)		(0.9)	

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17. Fair value of financial instruments:

Fair values are based on management's best estimates of market conditions and valuation policies at a certain point in time. The estimates are subjective and involve particular assumptions and judgement and, as such, may not be reflective of future fair values. The Bank's credit assets and deposits lack an available market as they are not typically exchanged and, therefore, the book value of these instruments is not necessarily representative of amounts realizable upon immediate settlement. See note 21 of October 31, 2025, audited Consolidated Financial Statements for more information on fair values.

(thousands of Canadian dollars)

	July 31, 2026					October 31, 2025				
	Carrying Value	Fair value Level 1	Fair Value Level 2	Fair Value Level 3	Total Fair Value	Carrying Value	Fair value Level 1	Fair Value Level 2	Fair Value Level 3	Total Fair Value
Assets										
Cash										
Amortized cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	490,049	490,049	-	-	490,049	581,710	581,710	-	-	581,710
Securities										
Amortized cost	-	-	-	-	-	-	-	-	-	-
FVOCI	134,178	134,178	-	-	134,178	80,923	80,923	-	-	80,923
FVTPL	-	-	-	-	-	-	-	-	-	-
Credit assets										
Amortized cost	6,161,542	-	-	6,171,345	6,171,345	5,066,378	-	-	5,050,931	5,050,931
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-	-	-
Derivative instruments										
Amortized cost	-	-	-	-	-	-	-	-	-	-
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	2,265	-	2,265	-	2,265	-	-	-	-	-
Other financial assets										
Amortized cost	-	-	-	-	-	-	-	-	-	-
FVOCI	-	-	-	-	-	953	-	-	953	953
FVTPL	-	-	-	-	-	-	-	-	-	-
Liabilities										
Deposits										
Amortized cost	\$ 5,909,865	\$ -	\$ -	\$ 5,887,993	\$ 5,887,993	\$ 4,860,863	\$ -	\$ -	\$ 4,918,431	\$ 4,918,431
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-	-	-
Subordinated notes payable										
Amortized cost	103,793	-	99,957	-	99,957	103,516	-	99,878	-	99,878
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-	-	-
Derivative instruments										
Amortized cost	-	-	-	-	-	-	-	-	-	-
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	416	-	416	-	416
Other financial liabilities										
Amortized cost	293,441	-	-	293,441	293,441	310,874	-	-	310,874	310,874
FVOCI	-	-	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-	-	-

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18. Operating segmentation:

The Bank has established four reportable operating segments: Digital Banking Canada, Digital Banking USA, DRTC, and Digital Meteor. These four operating segments represent strategic business operations that provide distinct products and services to different markets. They are separately managed due to the differences in the nature of each business. The following summarizes the operations of each of the reportable segments:

Digital Banking Canada - The Bank employs a business-to-business model using its proprietary financial technology to address underserved segments in the Canadian banking market. VersaBank obtains its deposits and provides the majority of its credit assets electronically via innovative deposit and lending solutions for financial intermediaries.

Digital Banking USA - The Bank has adopted a business-to-business model, leveraging its proprietary financial technology to address underserved segments of the US banking market. VersaBank USA obtains its deposits and delivers the majority of its credit assets electronically through innovative deposit and lending solutions tailored for financial intermediaries.

DRTC (cybersecurity services and banking and financial technology development) - Leveraging its internally developed IT security software and capabilities, VersaBank established a wholly owned subsidiary, DRTC, to pursue significant large-market opportunities in cybersecurity and to develop innovative solutions to address the rapidly growing volume of cyber threats challenging financial institutions, multi-national corporations and government entities.

Digital Meteor - Through its wholly owned subsidiary, DRTC, VersaBank owns proprietary intellectual property and technology to enable the next generation of digital assets by the banking and financial community, including the Bank's revolutionary Real Bank Tokenized Deposits™ ("RBTD's™") (formerly known as Real Bank Deposit Tokens ("RBDT") and Digital Deposit Receipts ("DDR")). Digital Meteor operates as a business segment within DRTC.

The basis for the determination of the reportable segments is a function primarily of the systematic, consistent process employed by the Bank's chief operating decision maker, the President, and the Chief Financial Officer, in reviewing and interpreting the operations and performance of each segment. The accounting policies applied to these segments are consistent with those employed in the preparation of the Bank's Consolidated Financial Statements, as disclosed in note 3 of the Bank's 2025 audited Consolidated Financial Statements.

Performance is measured based on segment net income, as included in the Bank's internal management reporting. Management has determined that this measure is the most relevant in evaluating segment results and in the allocation of resources.

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The following table sets out the results of each reportable operating segment as at and for the three months ended July 31, 2026, and 2025:

(thousands of Canadian dollars)

for the three months ended	July 31, 2026					
	Digital Banking Canada	Digital Banking USA	Digital Meteor	Eliminations/ DRTC Adjustments		Consolidated
Net interest income	\$ 27,472	\$ 9,301	\$ -	\$ -	\$ -	\$ 36,773
Non-interest income	93	2	413	1,875	(347)	2,036
Total revenue	27,565	9,303	413	1,875	(347)	38,809
Provision for (recovery of) credit losses	5	(234)	-	-	-	(229)
	27,560	9,537	413	1,875	(347)	39,038
Non-interest expenses:						
Salaries and benefits	8,527	1,743	192	1,626	-	12,088
General and administrative	9,288	1,249	28	483	(347)	10,701
Premises and equipment	875	1,009	31	458	-	2,373
	18,690	4,001	251	2,567	(347)	25,162
Income (loss) before income taxes	8,870	5,536	162	(692)	-	13,876
Income tax provision	2,291	1,591	48	(114)	-	3,816
Net income (loss)	\$ 6,579	\$ 3,945	\$ 114	\$ (578)	\$ -	\$ 10,060
Total assets	\$ 5,513,067	\$ 1,355,667	\$ 11,095	\$ 15,999	\$ (20,590)	\$ 6,875,238
Total liabilities	\$ 5,223,535	\$ 1,084,336	\$ 321	\$ 29,407	\$ (27,926)	\$ 6,309,673

for the three months ended	July 31, 2025					
	Digital Banking Canada	Digital Banking USA	Digital Meteor	Eliminations/ DRTC Adjustments		Consolidated
Net interest income	\$ 26,656	\$ 3,123	\$ -	\$ -	\$ -	\$ 29,779
Non-interest income	(37)	(7)	622	1,569	(343)	1,804
Total revenue	26,619	3,116	622	1,569	(343)	31,583
Provision for (recovery of) credit losses	1,201	(20)	-	-	-	1,181
	25,418	3,136	622	1,569	(343)	30,402
Non-interest expenses:						
Salaries and benefits	7,214	1,174	214	1,497	-	10,099
General and administrative	8,636	1,163	47	214	(343)	9,717
Premises and equipment	898	186	373	376	-	1,833
	16,748	2,523	634	2,087	(343)	21,649
Income (loss) before income taxes	8,670	613	(12)	(518)	-	8,753
Income tax provision	2,150	176	(35)	(120)	-	2,171
Net income (loss)	\$ 6,520	\$ 437	\$ 23	\$ (398)	\$ -	\$ 6,582
Total assets	\$ 5,124,771	\$ 348,389	\$ 11,543	\$ 25,015	\$ (32,229)	\$ 5,477,489
Total liabilities	\$ 4,790,738	\$ 155,228	\$ 9,491	\$ 19,410	\$ (25,520)	\$ 4,949,347

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Notes to Interim Consolidated Financial Statements (Unaudited)

Three & nine month periods ended July 31, 2026, and 2025

The following table sets out the results of each reportable operating segment as at and for the nine months ended July 31, 2026, and 2025:

(thousands of Canadian dollars)

for the nine months ended	July 31, 2026					
	Digital Banking Canada	Digital Banking USA	Digital Meteor	DRTC	Eliminations/ Adjustments	Consolidated
Net interest income	\$ 82,347	\$ 23,986	\$ -	\$ -	\$ -	\$ 106,333
Non-interest income	942	(13)	1,690	5,700	(1,036)	7,283
Total revenue	83,289	23,973	1,690	5,700	(1,036)	113,616
Provision for (recovery of) credit losses	1,181	(282)	-	-	-	899
	82,108	24,255	1,690	5,700	(1,036)	112,717
Non-interest expenses:						
Salaries and benefits	22,533	5,546	570	5,024	-	33,673
General and administrative	30,490	2,563	100	1,351	(1,036)	33,468
Premises and equipment	2,747	1,637	133	1,536	-	6,053
	55,770	9,746	803	7,911	(1,036)	73,194
Income (loss) before income taxes	26,338	14,509	887	(2,211)	-	39,523
Income tax provision	6,951	4,170	242	(494)	-	10,869
Net income (loss)	\$ 19,387	\$ 10,339	\$ 645	\$ (1,717)	\$ -	\$ 28,654
Total assets	\$ 5,513,067	\$ 1,355,667	\$ 11,095	\$ 15,999	\$ (20,590)	\$ 6,875,238
Total liabilities	\$ 5,223,535	\$ 1,084,336	\$ 321	\$ 29,407	\$ (27,926)	\$ 6,309,673

for the nine months ended	July 31, 2025					
	Digital Banking Canada	Digital Banking USA	Digital Meteor	DRTC	Eliminations/ Adjustments	Consolidated
Net interest income	\$ 75,866	\$ 7,669	\$ -	\$ -	\$ -	\$ 83,535
Non-interest income	210	(24)	1,533	5,347	(1,052)	6,014
Total revenue	76,076	7,645	1,533	5,347	(1,052)	89,549
Provision for (recovery of) credit losses	3,188	(94)	-	-	-	3,094
	72,888	7,739	1,533	5,347	(1,052)	86,455
Non-interest expenses:						
Salaries and benefits	18,339	3,802	684	5,043	-	27,868
General and administrative	18,619	2,560	434	1,365	(1,052)	21,926
Premises and equipment	2,748	399	544	1,379	-	5,070
	39,706	6,761	1,662	7,787	(1,052)	54,864
Income (loss) before income taxes	33,182	978	(129)	(2,440)	-	31,591
Income tax provision	8,698	305	(33)	(633)	-	8,337
Net income (loss)	\$ 24,484	\$ 673	\$ (96)	\$ (1,807)	\$ -	\$ 23,254
Total assets	\$ 5,124,771	\$ 348,389	\$ 11,543	\$ 25,015	\$ (32,229)	\$ 5,477,489
Total liabilities	\$ 4,790,738	\$ 155,228	\$ 9,491	\$ 19,410	\$ (25,520)	\$ 4,949,347

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Notes to Interim Consolidated Financial Statements (Unaudited)

Three & nine month periods ended July 31, 2026, and 2025

Prior to the year ended October 31, 2025, substantially all Digital Banking operations were based in Canada.

19. Strategic Divestiture of DRTC:

In furtherance of the Bank's strategic initiatives and in consideration of current US regulatory requirements, management has expressed its intention to cease or divest of certain activities, including the cybersecurity assets within DRTC, a subsidiary operating within the cybersecurity and financial technology industry, and Digital Boundary Group, Inc. and Digital Boundary Group Canada Inc. (collectively, the "Digital Boundary Group Entities"), subsidiaries of DRTC operating within the penetration testing industry. The Bank has initiated a process to identify and evaluate alternatives with the objective to maximize the value derived from the divestiture for shareholders.

As of July 31, 2026, the Digital Boundary Group Entities and certain assets in DRTC have not been classified as "held for sale" under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, as certain required criteria have not yet been fully satisfied. While management has not begun actively marketing the Digital Boundary Group Entities and certain assets of DRTC for sale, these subsidiaries and assets are also not yet available for immediate sale in their present condition and continue to be integral to the Bank's ongoing operations. Management will continue to monitor and evaluate the status of the planned divestiture, including the progress of the active sales program. The subsidiaries will be reclassified as "held for sale" and presented in accordance with IFRS 5 once all conditions for such classification are met.

Certain members of management hold convertible preferred shares in DRTC. In accordance with DRTC's by-laws, these shares will automatically convert into an aggregate 28% common share ownership stake in DRTC upon the occurrence of a change-of-control event.

20. Comparative balances:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.