VersaBank

Choice Through Innovation

NASDAQ: VBNK
TSX: VBNK

Investor Presentation

June 2024

Banking on the Future!

Advisory

The Bank occasionally makes forward-looking statements about its objectives, operations and targeted financial results. These statements may be written or verbal and may be included in such things as press releases, corporate presentations, annual reports and other disclosure documents and communications. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the Canadian economy in general and the strength of the local economies within Canada in which the Bank conducts operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; global commodity prices; the effects of competition in the markets in which the Bank operates; inflation; capital market fluctuations; the timely development and introduction of new products in receptive markets; the impact of changes in the laws and regulations regulating financial services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and savings habits; the impact of the COVID-19 pandemic and the Bank's anticipation of and success in managing the risks implicated by the foregoing. When relying on forward-looking statements to make decisions, investors and others should carefully consider these factors and other uncertainties or potential events. For a detailed discussion of certain key factors that may affect our future results, please see our MD&A for the quarter ended April 30, 2024.The Bank makes no undertaking to update any forward-looking statement that is made from time to time by the Bank.

A Better Banking Model FOUNDED on Technology

- ~~excessive lending risk~~
- ~~loan losses~~
- ~~people / collections~~
- ~~deposit risk~~
- ~~economic exposure~~
- ~~interest rate exposure~~
- ~~inefficiency~~

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A Fully Digital North American Bank

Highly efficient: Branchless, partner (B2B) model

Innovative, value-added deposit & lending solutions for underserved markets

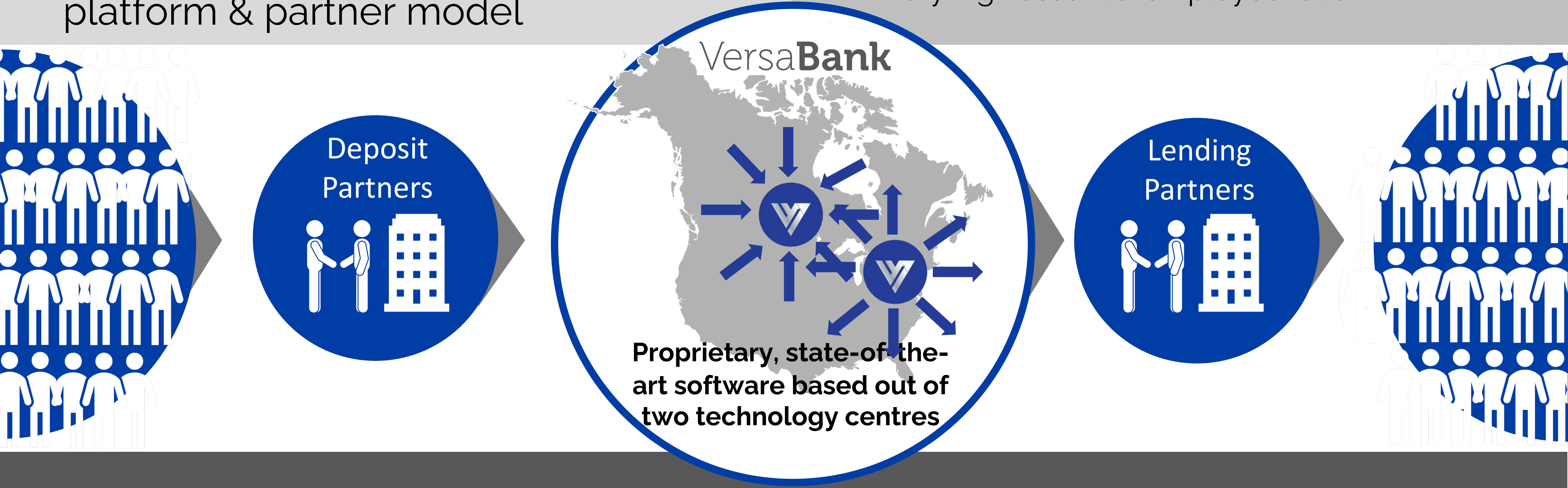
- Operating leverage of a technology company with the intrinsic value of a bank
- Highly risk-mitigated model: Very sticky deposits/History of virtually no loan losses
- Track record of significant earnings growth
- Poised for outsized long-term growth through entry to U.S. market
- Additional "free option" through cybersecurity services subsidiary

At a **significant inflection point** for operating leverage, driving outsized growth in earnings and ROCE

Branchless, Digital, Partner (B2B) Model Based on Proprietary Banking Technology

Significant **operating leverage** derived from **scalability** of technology platform & partner model

- All deposits/loans managed digitally
- No direct interaction with end users
- Very high asset-to-employee ratio



Q2 2024 efficiency ratio improved to a record 38% and is poised for continued improvement

Ultra Low-Risk Digital Model

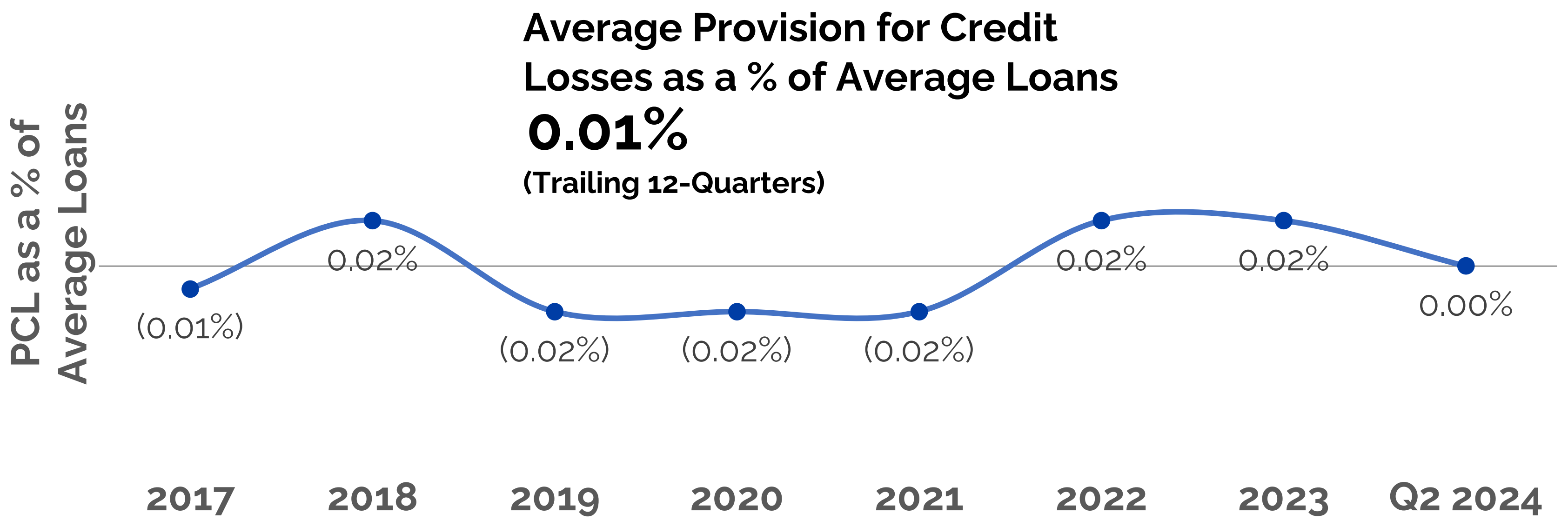
Organization-Wide Focus on Risk Mitigation

- Technology-based approach to risk analysis/monitoring
- Rigorous, multi-step, multi-executive approval process
- Continuous, real-time monitoring of credit performance
- Top-tier asset quality
- High-liquidity ratio & access to vast supply of low-cost funds
- Low operational risk: branchless, digital model & industry leading security

Very Sticky Deposits

- Insolvency Professionals: Long-term relationships based on unique, high-value add, integrated technology
- Wealth Management: 100% term deposit receipts/Depositors have no direct access to deposits
- 98% insured (All Wealth Management deposits insured)

30+ Years with No Material Loan Losses



Deposits: Unlimited Low-Cost, Very Stable Sources

>220 Partners Provide Access to Millions of Depositors

Insolvency Professionals (>100 Offices)

- Proprietary, high-value add, technology-based solution
- Grown to >100 partners & C$642M/US$479M in <10 years

Deloitte. GrantThornton BDO MNP LTD DAVID SKLAR & ASSOCIATES INC.

Wealth Management (>120 Partners)

- Extensive network of providing exposure to vast majority of Canadian depositors
- Competitively positioned for inexpensive deposits as a federally licensed bank

Investment Planning Counsel IPC INVESTMENT CORPORATION GMP Securities NBCN Scotia Capital RBC Dominion Securities CIBC World Markets

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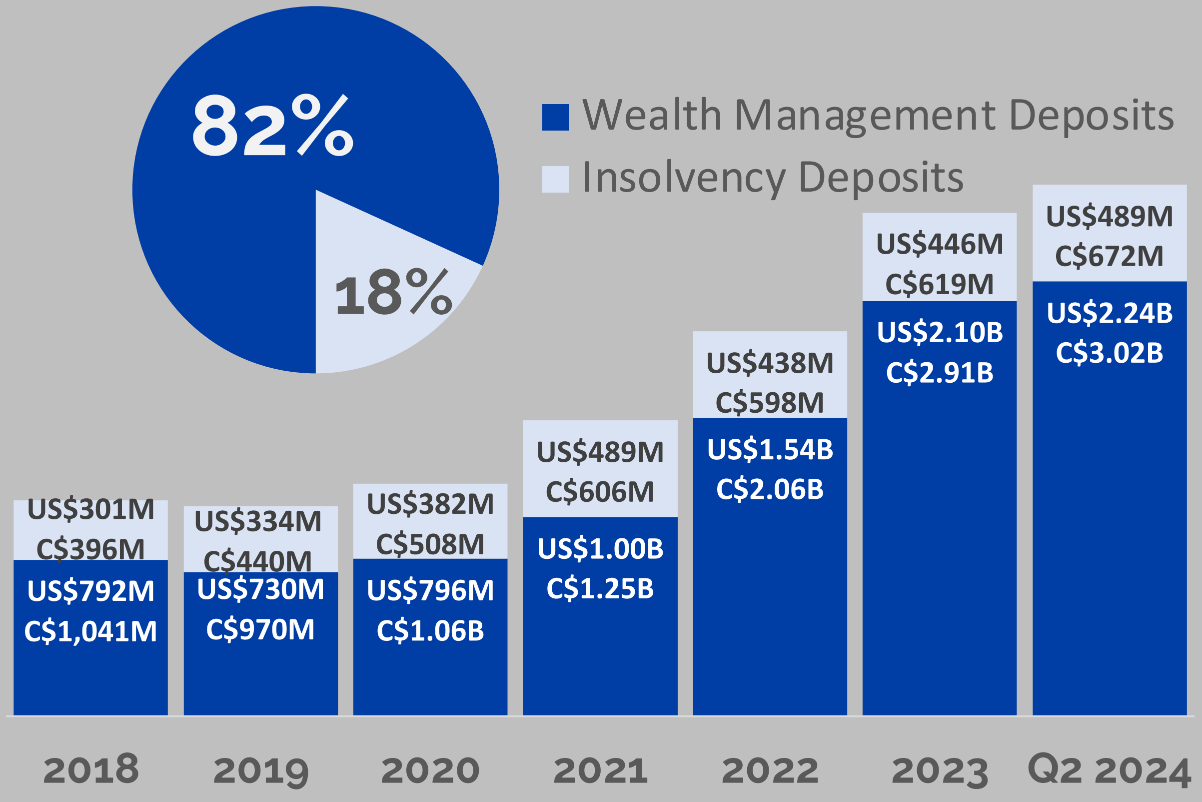
- Objective to minimize cost of deposit funding
- All Wealth Management deposits are term deposits
- Very "sticky" deposit base

Deposit Composition (Q2 2024)



Loans: Very Low Risk Lending Channels

>275 Partners Provide Access to Hundreds of Millions of Borrowers

Point-of-Sale Financing (Loans and Leases)

- Reliable, attractive alternative financing option for POS lenders, providing convenience for their consumers
- Very low-risk:
  - Default risk resides substantially with partner
  - Only partner with established POS lenders
- Dominant position in Canada

High growth opportunity in United States

Residential Land & Construction Financing

- Highly profitable legacy business
- Restricted to large, long-established developers
- Low loan-to-value/low risk-weighted loans
- **No commercial real estate exposure**

Opportunistic based on economy/market

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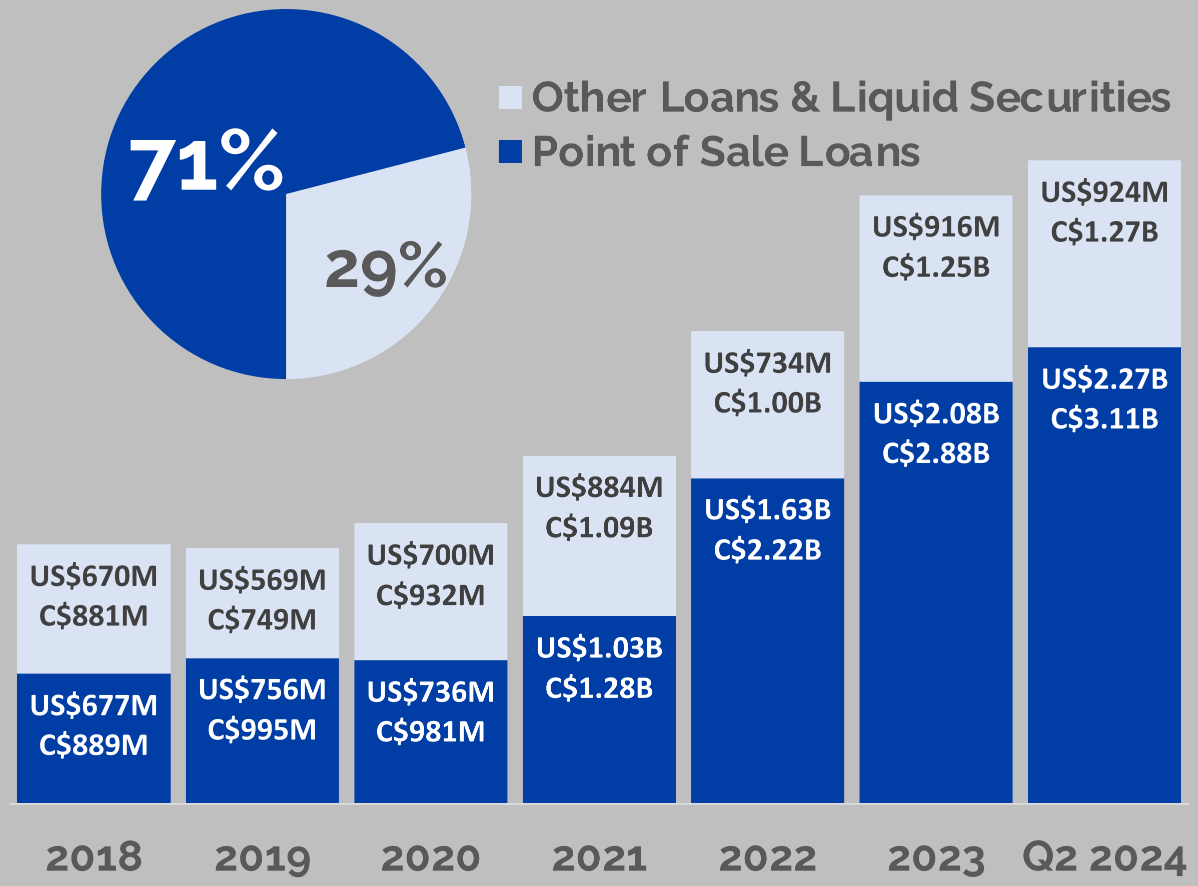
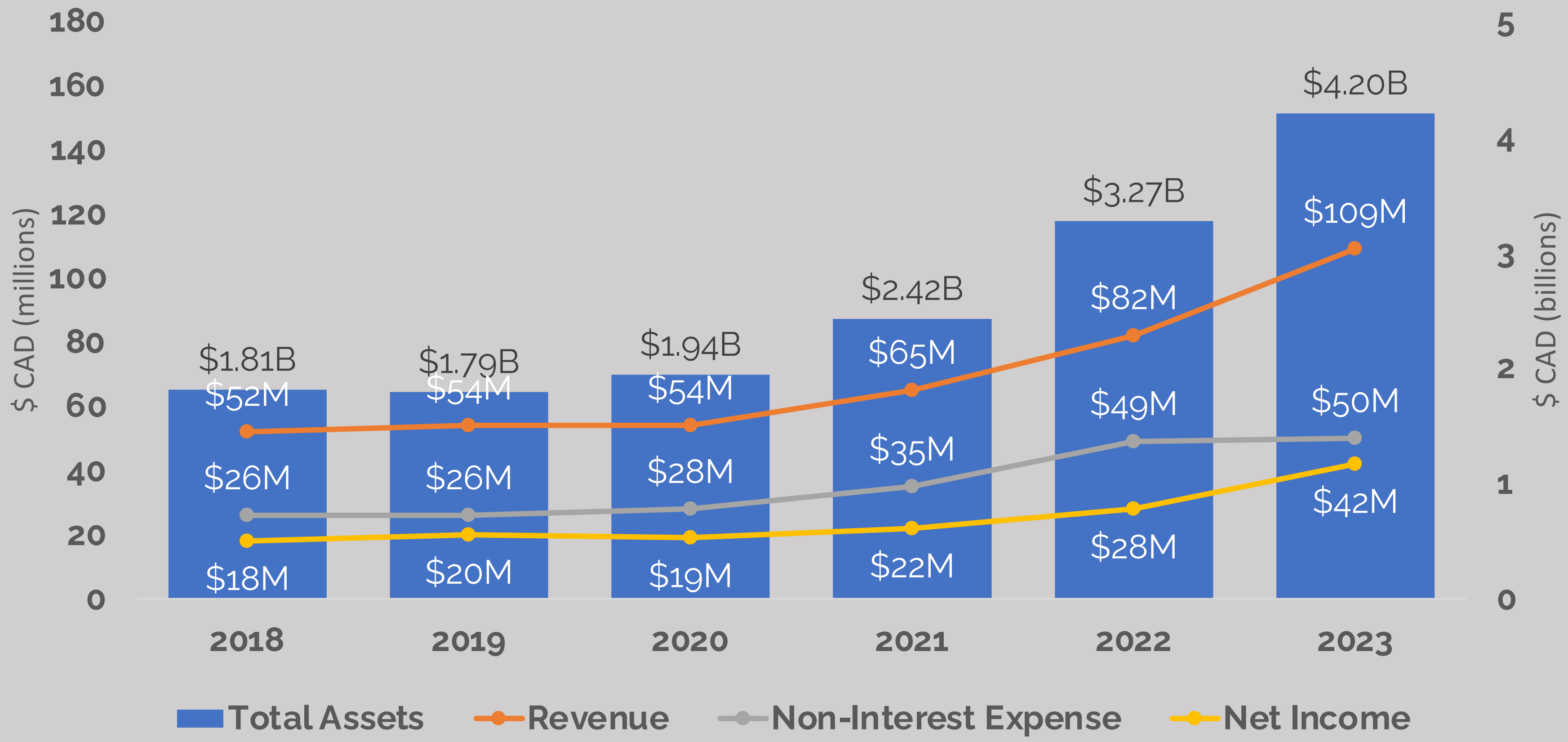
- Low-cost deposits enable low-risk lending
- 30-year history of virtually no loan losses

Loan Composition (Q2 2024)



Momentum in Profitability and Long-Term Earnings Capacity



Expect continued steady growth in Canada with significant potential upside from entry into the U.S. market

H1 2024 Key Metrics & Highlights: Record Results[1]

Total Assets		$4.39B
Loan Portfolio		$4.02B
Loan Growth	YoY ↑	18%
Total Revenue	YoY ↑	9%
Net Income	YoY ↑	25%
EPS	YoY ↑	29%

Digital Banking Efficiency Ratio	39%	YoY ↓ 396 bps (9%)
Ave. Return on Common Equity (ROCE)	12.89%	YoY ↑ 151 bps (13%)

1. In the first quarter of 2017 the Bank recognized an $8.8 million deferred tax asset derived from the tax loss carryforwards assumed pursuant to the amalgamation of VersaBank with PWC Capital Inc. Quarterly net income for January 31, 2017, excluding the $8.8 million deferred tax asset was $3.1 million, or $0.12/share.

Realizing significant operating leverage inherent in Digital Banking model:
Driving outsized growth in profitability and ROCE

Digital Banking Growth Strategy: Momentum for the Future

Goal: Maximize ROCE Through Growth in Total Assets, Balancing Net Interest Margin and Low-Capital Deployment Opportunities

1
Grow Loan Portfolio
via Point-of-Sale/RPP programs in Canada and U.S.

- **Expand Point-of-Sale Financing portfolio:** Add new partners & increase volumes with existing partners
- **Grow Recently Launched U.S. Receivable Purchase Program** (U.S. version of Point-of-Sale Financing solution)

2
Minimize Cost of Funding
to Maximize Net Interest Margin

- **Expand insolvency deposits**: Higher volumes with existing partners & adding new partners
- **Expand wealth management deposits** by adding new partners
- **Introduce commercial deposit offerings to new markets**

3
Pursue Accretive Acquisitions
to Leverage Scalability of Platform & Enter New Markets

- **Generate capital-efficient, step function growth** in loan portfolio
- **Provide ability to expedite roll out of offerings in new markets**

U.S. Receivables Purchase Program (RPP): A New Financing Solution for a High-Growth, Underserved Market

Strong growth in U.S. Point-of-Sale financing activity driven by technology & increasing consumer preference for non-credit card/non-bank financing options

75% Of consumers more likely to make purchase if seamless POS financing available[1]

$1.8T Estimated POS market in the near term,

20% Forecast annual growth in U.S. point-of-sale financing market [2]

Same attractive, reliable alternative solution that has been highly successful in Canada

Launched in U.S. April 22 (limited basis roll out)

Strong initial demand, especially as conventional sources of financing have waned

Full roll out to commence upon closing of U.S. bank acquisition

Will be serviced via existing technology infrastructure

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(1) The Financial Brand - "Growth of POS financing is Both a Threat and Opportunity in Retail Banking" (07.29.19); (2) Skeps – "POS Financing Competition is Growing" (10.08.20);

Acquisition of OCC-Chartered, National US Bank: Transformational Next Step in Long-Term Growth Strategy

Definitive Agreement to Acquire Minnesota-based Stearns Bank Holdingford

Fully operational national bank focused on small business lending

Expected to add ~US$60 M[1] in total assets

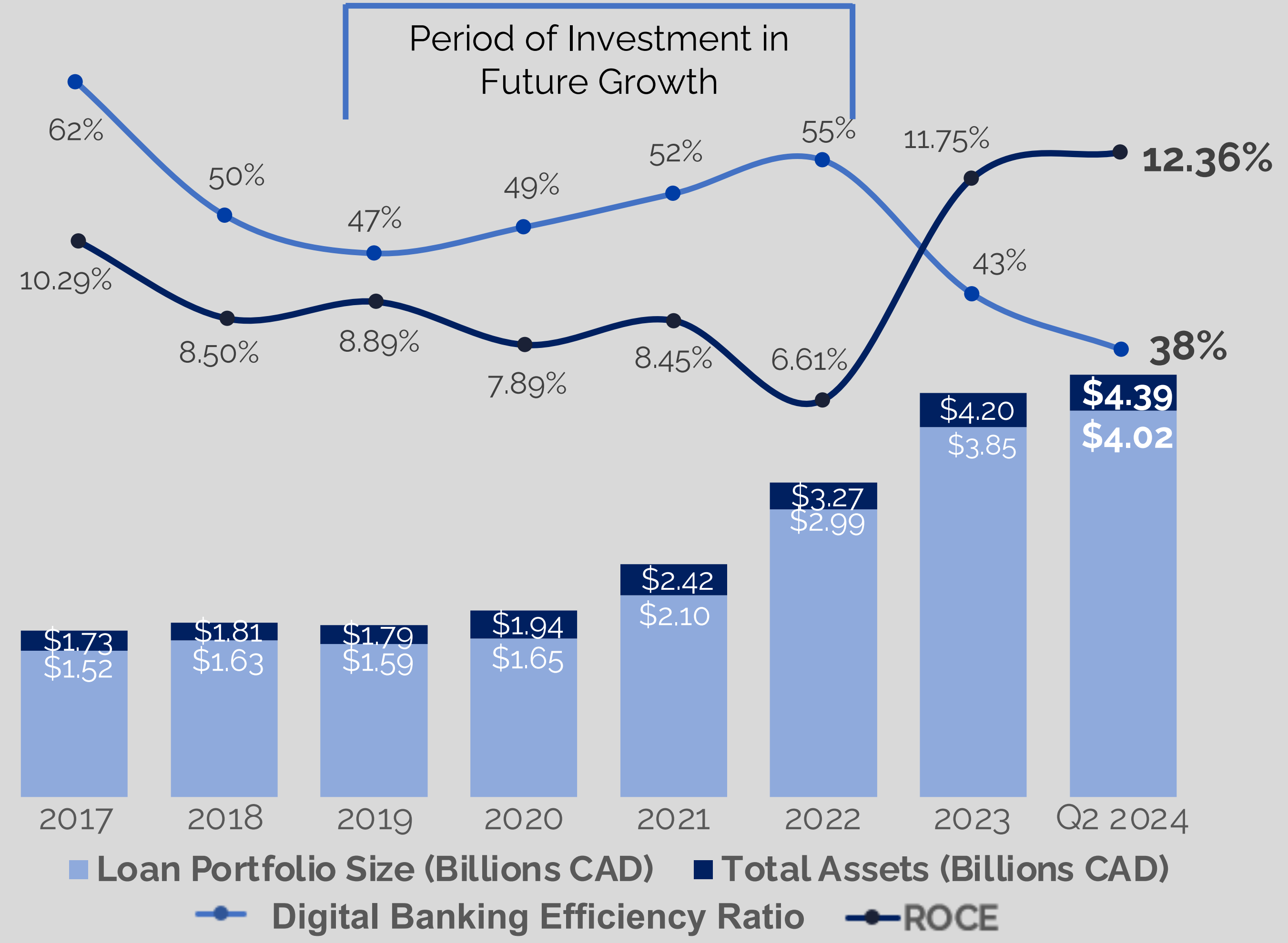
Estimated purchase price of US$13.5 M (CA$18 M)[1]

- Provides access to US deposits to fuel growth of the US Receivable Purchase Program business (launched in US following success of Point-of-Sale business in Canada)
- Expected to be accretive to VersaBank's earnings per share within first year after closing
- Expected to be well capitalized on closing with a Total Capital ratio >10%
- If favourable, will proceed toward completion in second calendar quarter, subject to Canadian regulatory (OSFI) approval
- Expect decision from US regulators calendar Q2 2024

1. Subject to any adjustments at closing.

Platform for significant growth in the United States

Capitalizing on the Significant Operating Leverage in Our Core Digital Banking Operations



Next Milestones

Total Assets

>$5B >$6B

Efficiency Ratio

<40% <35%

ROCE

>16.5% >20%

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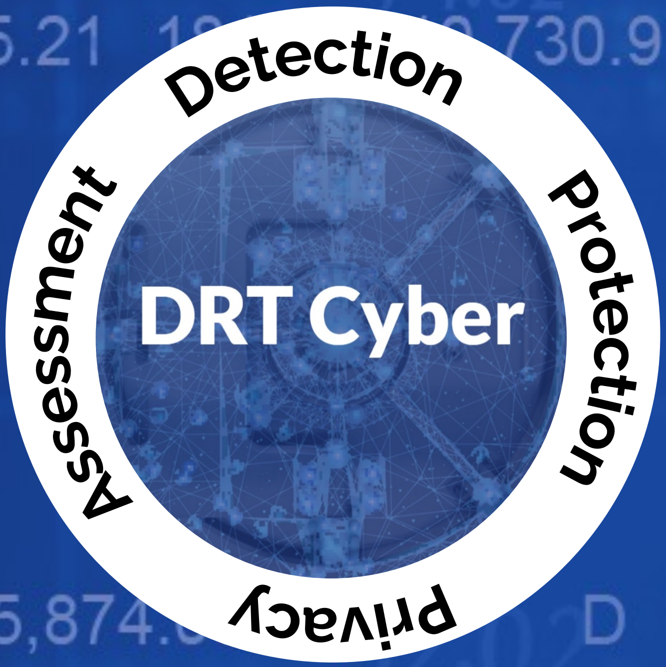
DRT Cyber: "Free Option" on Digital Banking Valuation

One of North America's Premiere IT Security Assurance Services Firms



Comprehensive Suite of Services:

- External network, web and mobile app penetration testing
- Physical social engineering engagements
- Supervisory control & data acquisition (SCADA) system assessments
- Various aspects of training

> 400 Clients Across North America

- Large retailers & financial service providers
- Police service organizations
- Energy, public utilities & infrastructure firms

Significant opportunities to cross-sell and up-sell

Also provides technology development for Digital Banking operations

Profitable, with solid growth in revenue and EBITDA in fiscal 2023 and fH1 2024

Why VersaBank? Why Now?

At inflection point for operating leverage, earnings growth and ROCE generation based on expected continued strong growth in Canada and entry into the U.S

Proposed acquisition of national, chartered US bank provides access to **$1.8T** market for highly unique Receivables Purchase Program (proven out in Canada)

Highly risk-mitigated model based on structuring of both deposits and loans

Current valuation substantially below book value and well below US peers

Profitable cybersecurity services subsidiary is a "free option"

Positioned to perform well in a challenging economic environment

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