VersaBank

Choice Through Innovation

Q2 2024 Conference Call Presentation

June 5, 2024

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Post Conference Call Q&A

For those wishing to ask questions during the Q&A, please access today's call through the telephone dial-in:

Toll-free:	1 (888) 664-6392 (Canada/US)
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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 wars or conflicts and the impact of the crisis on global supply chains; the impact of pandemics and VersaBank'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.

David Taylor

President &
Chief Executive Officer

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Q2/YTD Highlights

Q2 2024

18% YoY growth in total assets to record **$4.4 B**

23% YoY growth in POS Financing portfolio

15% YoY growth in net income

18% YoY growth in EPS

H1 2024

25% YoY growth in net income

29% YoY growth in EPS

Realizing **significant & increasing operating leverage** in efficient Digital Banking model

Digital Banking efficiency ratio **improved to a record 38% (Q2)**

ROCE **improved YoY to 12.36%**

Continued YoY growth at DRTC

Q2 2024 Key Metrics & Highlights

Consolidated		YoY		Sequential
Total Revenue	↑	7%	↓	1%
Net Income	↑	15%	↓	7%
EPS	↑	18%	↓	6%
Net Interest Margin	↓	33 bps	↓	3 bps
Digital Banking				
Cost of Funds	↑	94 bps	↑	22 bps
Net Interest Margin on Loans	↓	47 bps	↓	11 bps
Cybersecurity Services (DBG only)				
Revenue	↑	8%	↓	3%
Gross Profit	↑	5%	↓	6%

Digital Banking: Strong loan portfolio growth driving total assets to a record: $4.4 B

- Q2 is a seasonally softer quarter for POS

Digital Banking Efficiency Ratio (ex. DRTC): 38%

- YoY improvement of 522 bps (12%)
- Sequential improvement of 125 bps (3%)

Ave. Return on Common Equity (ROCE): 12.36%

- YoY increase of 29 bps (2%)
- Sequential decrease of 105 bps (8%)

DRT Cyber: Q2 is a seasonally softer quarter

Realizing significant operating leverage inherent in Digital Banking model
Continued YoY growth in Cybersecurity Services business

John Asma

Chief Financial Officer

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Q2 2024: Continued Strong Financial Performance

Balance Sheet

	At April 30			
	2024	2023	YoY Change	Sequential Change
Total Assets	$4.39 B	$3.73 B	18%	2%
Loan Portfolio	$4.02 B	$3.42 B	18%	1%
Cash and Securities	$0.30 B	$0.26 B	15%	16%
Book Value per Common Share	$14.88	$13.19	13%	3%
CET1 Ratio	11.63%	11.21%	42bps	24bps
Leverage Ratio	8.55%	8.83%	-28bps	11bps

- Total loan portfolio expanded to another record balance
- Book Value per Share increased as a function of higher retained earnings (from net income growth), partially offset by dividends paid
- Book Value per Share benefitted from lower number of shares due to buyback program

Both CET1 and leverage ratios remain above targets

Q2 2024: Continued Strong Financial Performance Consolidated

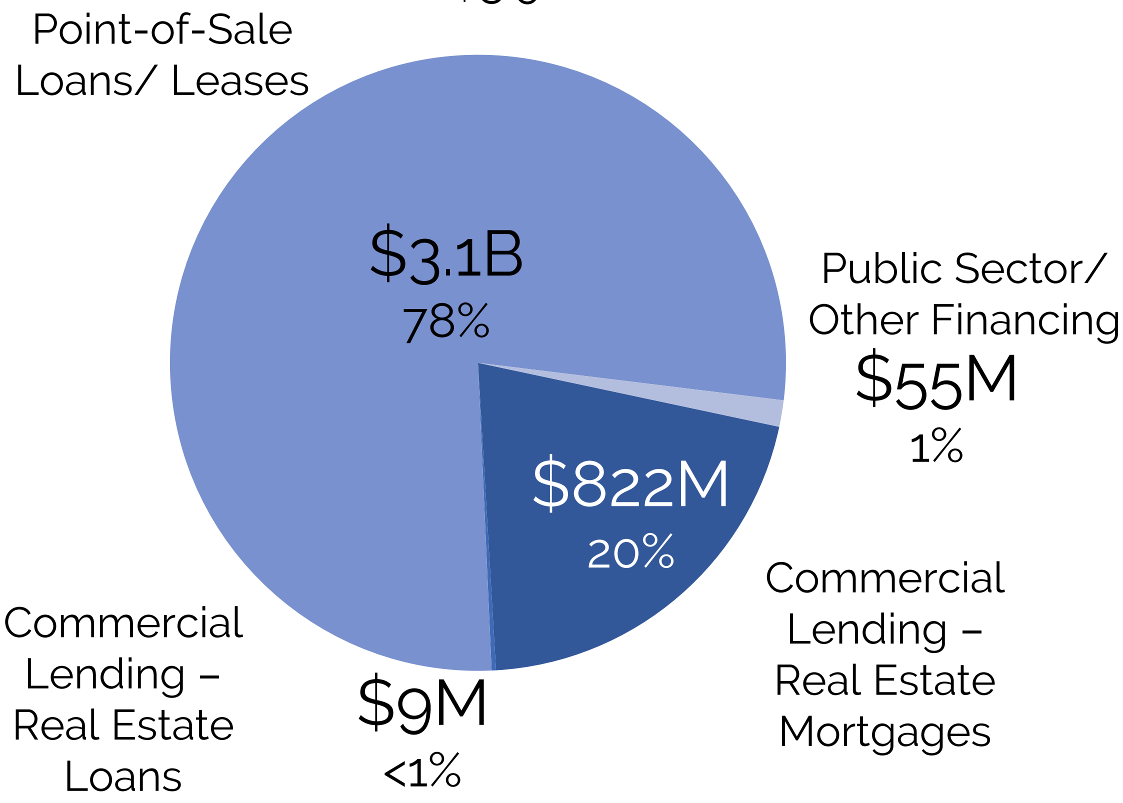
Consolidated Income Statement

	3 Months Ended April 30			
(000's)	2024	2023	YoY Change	Sequential Change
Revenue	28,501	26,685	7%	-1%
Non-Interest Expenses	12,185	12,726	-4%	1%
Net Income	11,828	10,263	15%	-7%
Earnings Per Share	0.45	0.38	18%	-6%

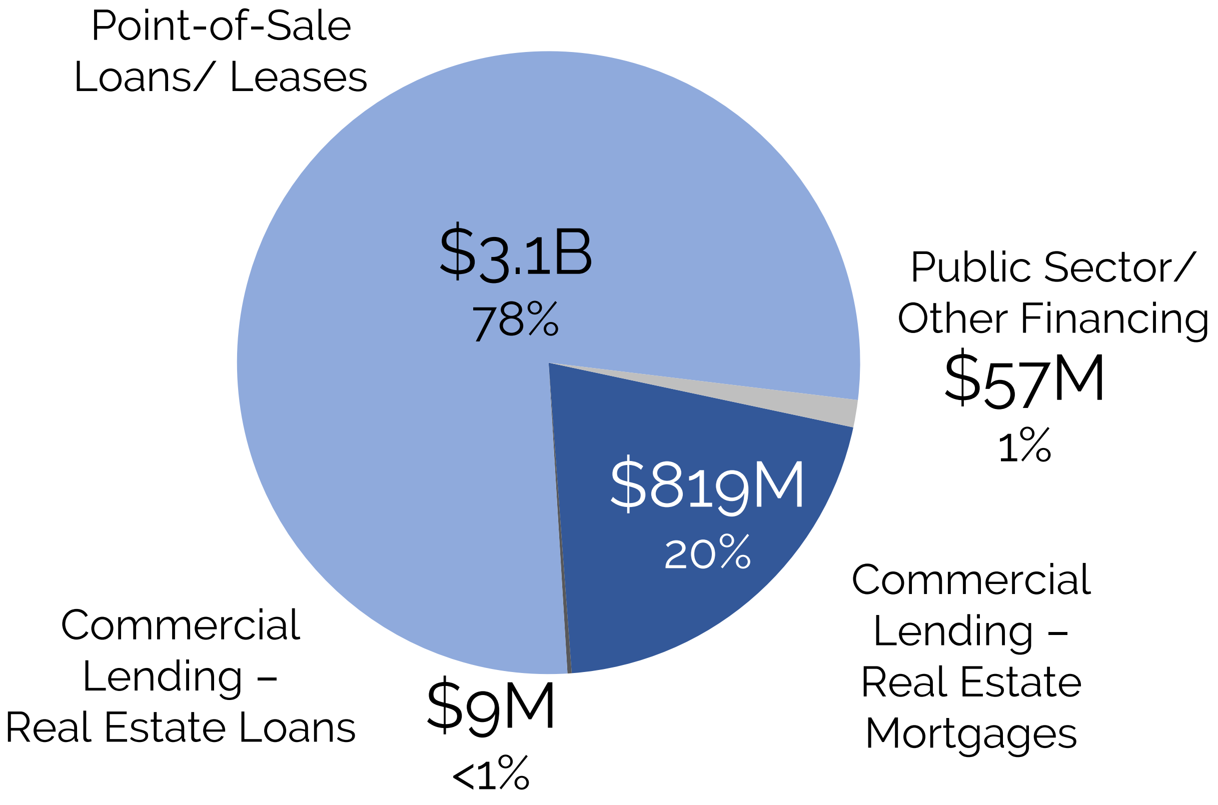
- YoY revenue growth driven by higher NII from Digital Banking operations due mainly to robust POS portfolio growth
- YoY revenue growth also benefitted from higher contribution of DRTC
- EPS benefitted from lower number of shares due to fiscal 2023 buyback program

Q2 2024: Continued Strong Financial Performance
Digital Banking Operations – Record Loan Portfolio: $4.02 B

Q1 2024
Total: $3.98 B



Q2 2024
Total: $4.02 B



Point-of-Sale Portfolio: Up 23% YoY & up 1% sequentially
Commercial Real Estate Portfolio: Up 1% YoY & flat sequentially

Q2 2024: Continued Strong Financial Performance Digital Banking Operations

Digital Banking Operations: Income Statement

	3 Months Ended April 30			
	2024	2023	YoY Change	Seq Change
Cost of Funds	4.21%	3.27%	94 bps	22 bps
Non-Interest Expenses	10,014	10,673	-6%	-4%
Net Interest Income	26,242	24,609	7%	-1%
Net Interest Margin on Loans	2.52%	2.99%	-47 bps	-11 bps
Net Interest Margin	2.45%	2.78%	-33 bps	-3 bps

- NIM decrease due primarily to:
  - Strong growth of the POS portfolio (composed of lower-risk weighted, lower yielding but higher “ROCE” assets than real estate portfolio)
  - Strategy of transition of some higher yielding, higher risk-weighted real estate loans to lower yielding, lower risk-weighted real estate loans as part of strategy to capitalize on opportunities for lower-risk loans with a higher return on capital deployed

Non-interest expenses down both YoY and sequentially

Cost of Funds

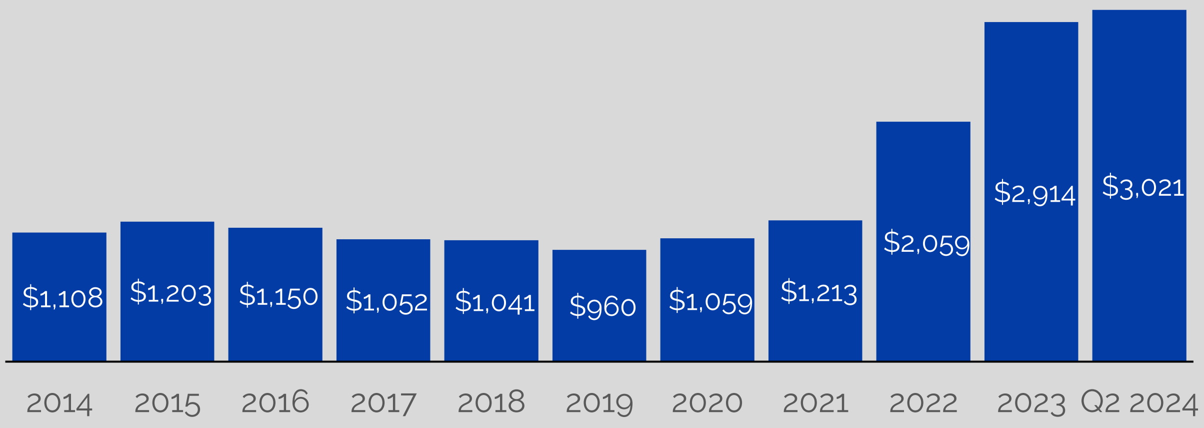
Q2 2024 cost of funds: 4.21%

- Increased 94 bps (29%) vs Q2 2023
- Increased 22 bps (6%) vs Q1 2024

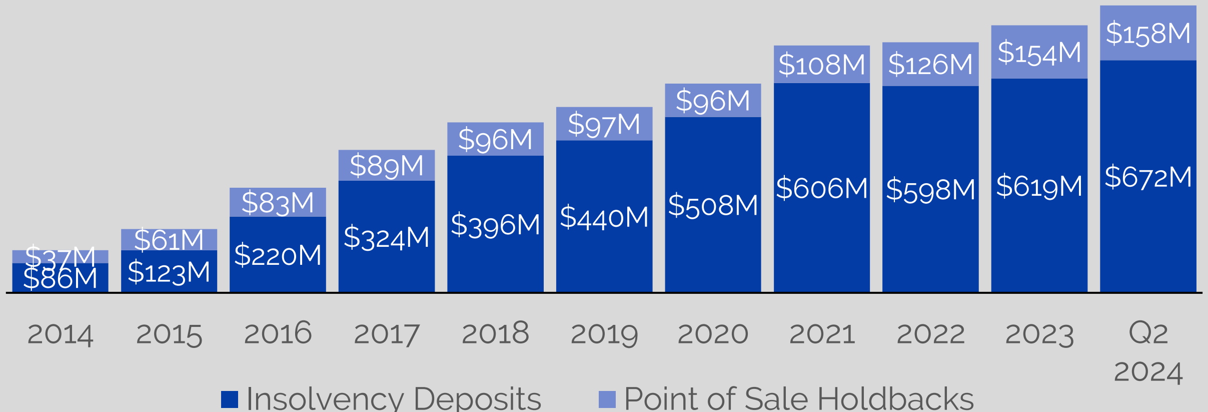
Cost of funds was impacted by:

- Lower relative proportion of lower cost Insolvency Deposits
- Higher rates paid on term deposits during the quarter due to elevated rates in the term deposit market in Canada

Wealth Management (Personal Deposits)



Commercial Deposits



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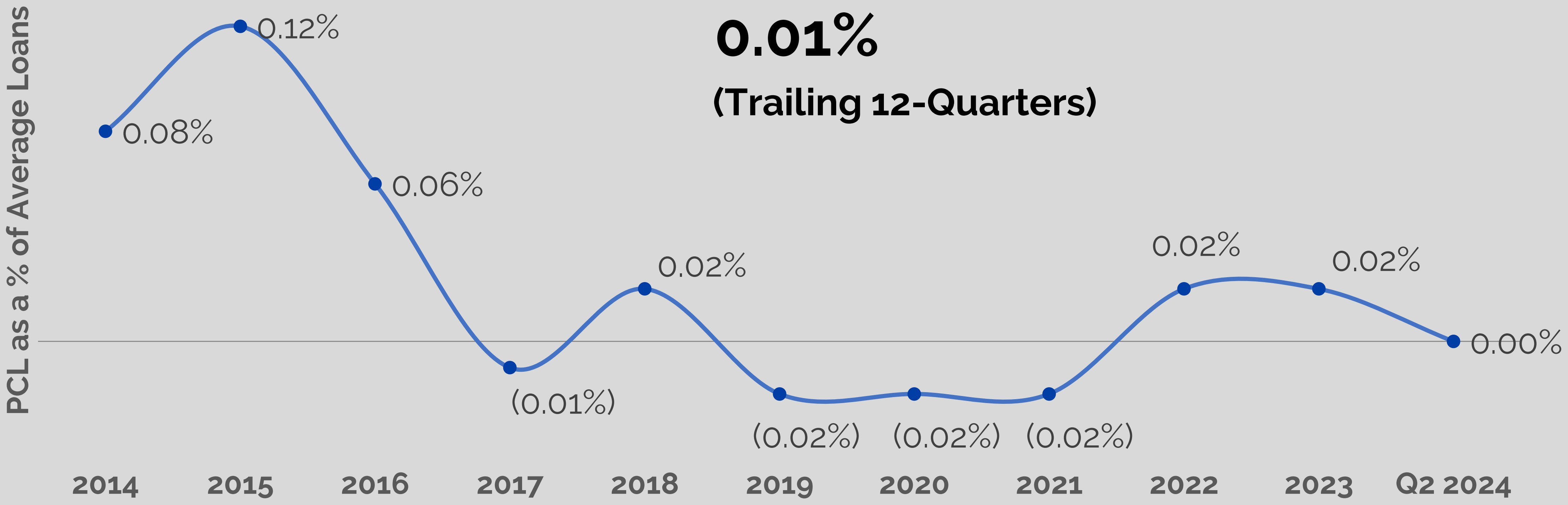
Top Tier Asset Quality & Prudent Approach to Risk Mitigation



Average Provision for Credit Losses as a % of Average Loans

0.01%

(Trailing 12-Quarters)

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Q2 2024: Continued Strong Financial Performance DRTC

Cybersecurity Services (DBG): Income Statement

	3 Months Ended April 30			
	2024	2023	YoY Change	Seq Change
Revenue	2.8	2.6	8%	-3%
Gross Profit	2.0	1.9	5%	-6%

- Revenue changes are a function of engagement activity relative to comparable periods
- Q2 is a seasonally softer quarter
- YoY increase in gross profit driven primarily by improved operational efficiency

Cybersecurity Services component of DRTC (DBG) remains profitable

David Taylor

President &
Chief Executive Officer

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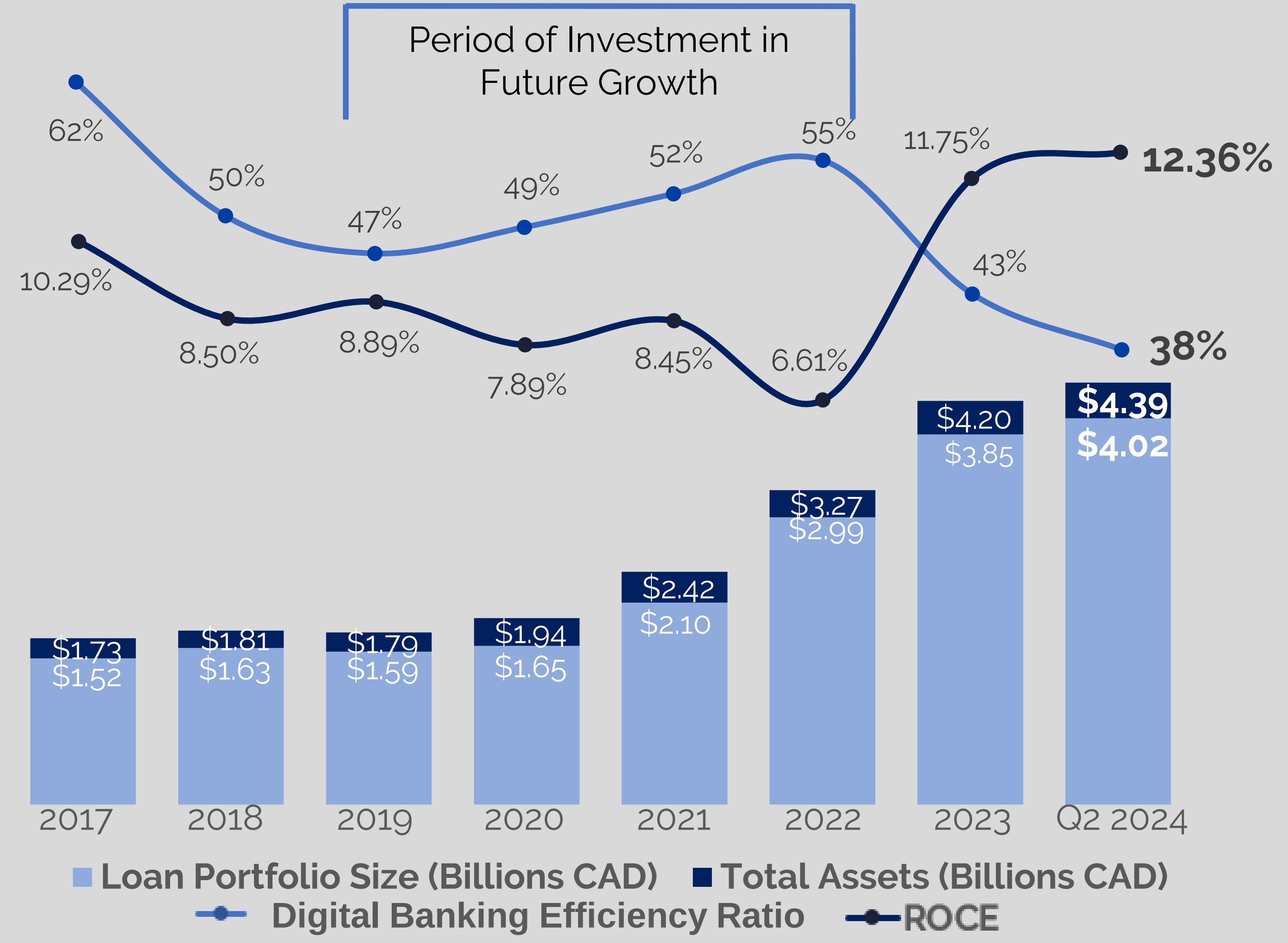
Capitalizing on the Significant Operating Leverage in Our Core Digital Banking Operations



Next Milestones

Total Assets

>$5B   >$6B

Efficiency Ratio

<40%   <35%

ROCE

>16.5%   >20%

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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

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Q&A Session

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Our Time Has Arrived!

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