Basel III Pillar 3 Disclosures
July 31, 2024

Overview

VersaBank (the "Bank") adopted an electronic business-to-business model in 1993, becoming (to its knowledge) the world's first financial institution with a branchless model. It obtains all of its deposits and conducts the majority of its lending digitally through financial intermediaries who subsequently engage with the actual depositors and borrowers. VersaBank is focused on increasing earnings by concentrating on underserved markets that support more attractive pricing and returns for its products, leveraging existing distribution channels to deliver its financial products to these chosen markets and expanding its diverse deposit gathering network that provides efficient access to a range of low-cost deposit sources in order to maintain a low cost of funds.

In Canada, the Bank holds a Canadian Schedule 1 chartered bank licence and is regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). In the United States, the Bank, through its wholly owned subsidiary, VersaBank USA, will hold a national Office of the Comptroller of the Currency ("OCC") charter following its recently completed acquisition of Stearns Bank Holdingford and is regulated by the OCC.

Basis of preparation

This document represents the Basel III Pillar 3 disclosures for the Bank. These disclosures are made pursuant to the Office of the Superintendent of Financial Institutions (OSFI) requirements, which are based on global standards established by the Bank of International Settlements, Basel Committee on Banking Supervision (BCBS). The Bank follows the Pillar 3 Disclosure requirements for Small and Medium-Sized Banks (SMSBs) and is classified as a Category 2 SMSB.

The amounts disclosed in this document are based on the Bank's condensed consolidated interim financial statements, which reflect the financial position and results of operations of the Bank consolidated with the financial position and results of operations of its subsidiaries. The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34. The condensed consolidated interim financial statements follow the same accounting policies and methods of computation as in the Bank's most recent annual financial statements including the accounting requirements specified by OSFI, and reflect, where necessary, management's best estimates and judgments.

The Bank's Credit risk – General information about credit risk (CRA) and Operational risk – General qualitative information on the Bank's operational risk framework (ORA) are disclosed in the Bank's Audited Consolidated Audit Financial Statements and Management's Discussion and Analysis for the year ended October 31, 2023, 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 section of the Bank's website at www.versabank.com and on OSFI's Financial Data for Banks website (Financial data - Office of the Superintendent of Financial Institutions (osfi-bsif.gc.ca)

KM1: Key Metrics (at consolidated group level)

	(in thousands of Canadian dollars)	July 31 2024	April 30 2024	January 31 2024	October 31 2023	July 31 2023
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	$ 384,496	375,153	363,798	350,812	339,894
2	Tier 1	398,143	388,800	377,445	364,459	353,541
3	Total capital	504,112	494,297	485,309	476,005	460,065
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	3,273,524	3,224,822	3,194,696	3,095,092	3,047,172
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	11.75%	11.63%	11.39%	11.33%	11.15%
6	Tier 1 ratio (%)	12.16%	12.06%	11.81%	11.78%	11.60%
7	Total capital ratio (%)	15.40%	15.33%	15.19%	15.38%	15.10%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	4,664,205	4,547,910	4,472,569	4,388,595	4,146,868
14	Basel III leverage ratio (row 2 / row 13)	8.54%	8.55%	8.44%	8.30%	8.53%

CC1: Composition of capital for SMSBs

	(in thousands of Canadian dollars)	July 31 2024	April 30 2024	January 31 2024
	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	$ 217,613	$ 217,541	$ 217,469
2	Retained earnings	177,584	168,776	157,845
3	Accumulated other comprehensive income	141	139	73
6	Common Equity Tier 1 capital before regulatory adjustments	395,338	386,456	375,387
	Common Equity Tier 1 capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1	(10,842)	(11,303)	(11,589)
29	Common Equity Tier 1 capital (CET1)	384,496	375,153	363,798
	Additional Tier 1 capital: regulatory adjustments			
44	Additional Tier 1 capital (AT1)	13,647	13,647	13,647
45	Tier 1 capital (T1 = CET1 + AT1)	398,143	388,800	377,445
	Tier 2 capital: instruments and provisions			
47	Directly issued capital instruments subject to phase out from Tier 2	103,568	103,095	105,478
50	Eligible Stage 1 and Stage 2 allowance	2,401	2,402	2,386
51	Tier 2 capital before regulatory adjustments	105,969	105,497	107,864
	Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	105,969	105,497	107,864
59	Total capital (TC = T1 + T2)	504,112	494,297	485,309
60	Total risk weighted assets	3,273,524	3,224,822	3,194,696
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.75%	11.63%	11.39%
62	Tier 1 (as a percentage of risk weighted assets)	12.16%	12.06%	11.81%
63	Total capital (as a percentage of risk weighted assets)	15.40%	15.33%	15.19%
	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 2024	April 30 2024	January 31 2024
	On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	$ 4,516,436	$ 4,388,320	$ 4,309,635
4	(Asset amounts deducted in determining Tier 1 capital)	(10,842)	(11,303)	(11,589)
5	(sum of lines 1 to 4)	4,505,594	4,377,017	4,298,046
	Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	433,661	510,509	499,185
18	(Adjustments for conversion to credit equivalent amounts)	(275,050)	(339,616)	(324,662)
19	Off-balance sheet items (sum of lines 17 and 18)	158,611	170,893	174,523
	Capital and total exposures			
20	Tier 1 Capital	398,143	388,800	377,445
21	Total Exposures (sum of lines 5, 11, 16 and 19)	4,664,205	4,547,910	4,472,569
	Leverage ratio			
22	Basel III leverage ratio	8.54%	8.55%	8.44%