Basel III Pillar 3 Disclosures
January 31, 2025

Overview

VersaBank is a North American bank (federally chartered in Canada and the United States) with a difference. VersaBank was the world's first fully digital financial institution and today 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 model is based on obtaining its deposits and providing financing digitally through 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 risk.

VersaBank's recent and expected continued growth is the result of its unique Receivable Purchase Program ("RPP"), which invests in cash flow streams generated by loans and leases originated and owned by companies that provided financing at the point of sale to consumers and small business for "big ticket" purchases. In September 2024, following its acquisition of a US bank, the Bank broadly launched its RPP in the US, which has been highly successful in Canada for nearly 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 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, 2024, 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)	January 31 2025	October 31 2024	July 31 2024	April 30 2024	January 31 2024
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	$ 500,158	$ 373,503	$ 384,496	375,153	363,798
2	Tier 1	500,158	373,503	398,143	388,800	377,445
3	Total capital	613,021	481,176	504,112	494,297	485,309
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	3,422,768	3,323,595	3,273,524	3,224,822	3,194,696
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	14.61%	11.24%	11.75%	11.63%	11.39%
6	Tier 1 ratio (%)	14.61%	11.24%	12.16%	12.06%	11.81%
7	Total capital ratio (%)	17.91%	14.48%	15.40%	15.33%	15.19%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	5,172,540	5,062,129	4,664,205	4,547,910	4,472,569
14	Basel III leverage ratio (row 2 / row 13)	9.67%	7.38%	8.54%	8.55%	8.44%

CC1: Composition of capital for SMSBs

	(in thousands of Canadian dollars)	January 31 2025	October 31 2024	July 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	$ 333,029	$ 218,095	$ 217,613
2	Retained earnings	188,568	181,238	177,584
3	Accumulated other comprehensive income	(302)	(130)	141
6	Common Equity Tier 1 capital before regulatory adjustments	521,295	399,203	395,338
	Common Equity Tier 1 capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1	(21,137)	(25,700)	(10,842)
29	Common Equity Tier 1 capital (CET1)	500,158	373,503	384,496
	Additional Tier 1 capital: regulatory adjustments			
44	Additional Tier 1 capital (AT1)	-	-	13,647
45	Tier 1 capital (T1 = CET1 + AT1)	500,158	373,503	398,143
	Tier 2 capital: instruments and provisions			
47	Directly issued capital instruments subject to phase out from Tier 2	108,630	104,370	103,568
50	Eligible Stage 1 and Stage 2 allowance	4,233	3,303	2,401
51	Tier 2 capital before regulatory adjustments	112,863	107,673	105,969
	Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	112,863	107,673	105,969
59	Total capital (TC = T1 + T2)	613,021	481,176	504,112
60	Total risk weighted assets	3,422,768	3,323,595	3,273,524
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.61%	11.24%	11.75%
62	Tier 1 (as a percentage of risk weighted assets)	14.61%	11.24%	12.16%
63	Total capital (as a percentage of risk weighted assets)	17.91%	14.48%	15.40%
	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)	January 31 2025	October 31 2024	July 31 2024
	On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	$ 4,971,732	$ 4,838,484	$ 4,516,436
4	(Asset amounts deducted in determining Tier 1 capital)	(21,137)	(25,700)	(10,842)
5	(sum of lines 1 to 4)	4,950,595	4,812,784	4,505,594
	Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	621,370	701,104	433,661
18	(Adjustments for conversion to credit equivalent amounts)	(399,425)	(451,759)	(275,050)
19	Off-balance sheet items (sum of lines 17 and 18)	221,945	249,345	158,611
	Capital and total exposures			
20	Tier 1 Capital	500,158	373,503	398,143
21	Total Exposures (sum of lines 5, 11, 16 and 19)	5,172,540	5,062,129	4,664,205
	Leverage ratio			
22	Basel III leverage ratio	9.67%	7.38%	8.54%