# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 40-F

☐ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

**or**

☒ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended: **October 31, 2025**

Commission File Number: **001-40805**

# VersaBank

(Exact name of registrant as specified in its charter)

| **Canada** | **6029** | **Not Applicable** |
|---|---|---|
| (Province or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code) | (I.R.S. Employer Identification No.) |

**140 Fullarton Street, Suite 2002**
**London, Ontario N6A 5P2**
**Canada**
**(519) 645-1919**
(Address and telephone number of registrant's principal executive offices)

**Cogency Global Inc.**
**122 East 42nd Street, 18th Floor**
**New York, NY 10168**
**(800) 221-0102**
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| **Title of Each Class:** | **Trading Symbol** | **Name of Each Exchange On Which Registered:** |
|---|---|---|
| **Common Shares, no par value** | **VBNK** | **The Nasdaq Global Select Market** |
| **Common Shares, no par value** | **VBNK** | **Toronto Stock Exchange** |

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report: **31,945,535 common shares**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

☐

## EXPLANATORY NOTE

Versabank (the "Bank") is a Canadian issuer that is permitted, under the multijurisdictional disclosure system adopted in the United States, to prepare this Annual Report on Form 40-F (this "Annual Report") pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in accordance with Canadian disclosure requirements, which are different from those of the United States. The Bank is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"). Equity securities of the Bank are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder.

## PRINCIPAL DOCUMENTS

The following documents are filed as part of this Annual Report:

*A. Annual Information Form*

For the Bank's Annual Information Form for the year ended October 31, 2025, see Exhibit 99.1 of this Annual Report.

*B. Audited Annual Financial Statements*

For the Bank's Audited Consolidated Financial Statements as at and for the year ended October 31, 2025, including the Report of Independent Registered Public Accounting Firm with respect thereto, see Exhibit 99.2 of this Annual Report.

*C. Management's Discussion and Analysis*

For the Bank's Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2025 ("MD&A"), see Exhibit 99.3 of this Annual Report.

## CONTROLS AND PROCEDURES

*A. Certifications*

The required disclosure is included in Exhibits 99.5 and 99.6 of this Annual Report.

*B. Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at October 31, 2025, an internal evaluation was conducted under the supervision of and with the participation of the Bank's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Bank's "disclosure controls and procedures" as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Bank's disclosure controls and procedures were effective in ensuring that the information required to be disclosed in the reports that the Bank files with or submits to the Securities and Exchange Commission (the "Commission") is recorded, processed, summarized and reported, within the required time periods and that the information required to be disclosed by the Bank in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Bank's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Chief Executive Officer and the Chief Financial Officer believe that the Bank's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Bank's disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

*C. Management's Annual Report on Internal Control over Financial Reporting*

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank.

A Disclosure Committee, consisting of members of senior management, assists the Chief Executive Officer and the Chief Financial Officer in their responsibilities related to the evaluation of the effectiveness of the Bank's internal control systems and processes. Management's evaluation of controls can only provide reasonable, not absolute, assurance that all internal control issues that may result in material misstatement, if any, have been detected.

Management assessed the effectiveness of the Bank's internal control over financial reporting as at October 31, 2025, based on the criteria set forth in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as at October 31, 2025, the Bank's internal control over financial reporting was effective.

*D. Attestation Report of the Registered Public Accounting Firm*

This Annual Report does not include an attestation report on the internal control over financial reporting of the Bank's independent registered public accounting firm due to an exemption established by the JOBS Act for "emerging growth companies."

*E. Changes in Internal Control over Financial Reporting*

During the year ended October 31, 2025, there were no changes to the Bank's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## AUDIT COMMITTEE FINANCIAL EXPERT

The Bank's board of directors has determined that Paul G. Oliver, Peter M. Irwin and Robbert-Jan Brabander are serving on its audit committee and are "independent" (as defined by Rule 10A-3 of the Exchange Act and Rule 5605(a)(2) of the Nasdaq Marketplace Rules) and that Paul G. Oliver, Peter M. Irwin and Robbert-Jan Brabander are "audit committee financial experts" (as that term is defined in paragraph 8(b) of General Instruction B to Form 40-F). For a description of Paul G. Oliver's, Peter M. Irwin's and Robbert-Jan Brabander's relevant experience in financial matters, see the biographical descriptions for Paul G. Oliver, Peter M. Irwin and Robbert-Jan Brabander under "Audit Committee" in the Bank's Annual Information Form for the year ended October 31, 2025, which is filed as Exhibit 99.1 to this Annual Report.

The SEC has indicated that the designation of each of Paul G. Oliver, Peter M. Irwin and Robbert-Jan Brabander as audit committee financial experts does not make them an "expert" for any purpose, impose any duties, obligations or liability on them that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee.

## CODE OF ETHICS

The Bank has adopted a code of ethics (the "Code of Conduct," as the term is defined in paragraph 9(b) of General Instruction B to Form 40-F), which is applicable to all of its directors, managers, officers and employees (including its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing functions). The full text of the Code of Conduct is available on the Bank's website at https://www.versabank.com/codes-and-commitments.

None of the information provided on the Bank's website is incorporated into, or deemed to be a part of, this Annual Report, and any references to the Bank's website are intended to be inactive textual references only.

In the past fiscal year, the Bank has not granted any waiver, including an implicit waiver, from any provision of its Code of Conduct.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES

The required disclosure is included under the heading “Auditor Fees” and “Pre-Approval Policies and Procedures” in the Bank’s Annual Information Form for the year ended October 31, 2025, filed as Exhibit 99.1 to this Annual Report, and is incorporated herein by reference.

## OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under the heading “Off-Balance Sheet Arrangements” on page [28] of the Bank’s MD&A, set forth in Exhibit 99.3, is incorporated by reference herein.

## CONTRACTUAL OBLIGATIONS

The disclosure provided under the heading “Contractual Obligations” on page [29] of the Bank’s MD&A, set forth in Exhibit 99.3, is incorporated by reference herein.

## IDENTIFICATION OF THE AUDIT COMMITTEE

The Bank has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Bank’s audit committee members consist of Paul G. Oliver, Peter M. Irwin and Robbert-Jan Brabander. See “Directors and Officers” and “Audit Committee” in the Bank’s Annual Information Form for the fiscal year ended October 31, 2025, which is filed as Exhibit 99.1 to this Annual Report.

## RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Bank’s Compensation Recoupment Policy is filed as Exhibit 97.1 to this annual report on Form 40-F.

## DIFFERENCES IN NASDAQ AND CANADIAN CORPORATE GOVERNANCE REQUIREMENTS

The Bank is a foreign private issuer and its common shares are listed on the Nasdaq Global Select Market (“Nasdaq”).

Nasdaq Rule 5615(a)(3) permits a foreign private issuer to follow its home country practice in lieu of the requirements of the Rule 5600 Series, the requirement to distribute annual and interim reports set forth in Rule 5250(d), and the Direct Registration Program requirement set forth in Rules 5210(c) and 5255; provided, however, that such a company shall comply with the Notification of Material Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640), have an audit committee that satisfies Rule 5605(c)(3), and ensure that such audit committee’s members meet the independence requirement in Rule 5605(c)(2)(A)(ii).

The Bank does not follow Rule 5605(b)(1), which requires companies to have a majority of the board of directors comprised of independent directors, as defined in Rule 5605(a)(2). In lieu of following Rule 5605(b)(1), the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5605(b)(2), which requires that independent directors hold regularly scheduled meetings at which only independent directors are present (“executive meetings”). In lieu of following Rule 5605(b)(2), the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5605(d)(1), which requires companies to adopt a formal written compensation committee charter and have a compensation committee review and reassess the adequacy of the charter on an annual basis. In lieu of following Rule 5605(d)(1), the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5605(d)(2), which requires companies to have a compensation committee comprised of at least two members, with each member being Independent Director as defined under Rule 5605(a)(2). In lieu of following Rule 5605(d)(2), the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5605(e)(1), which requires independent director involvement in the selection of director nominees, by having a nominations committee comprised solely of independent directors. In lieu of following Rule 5605(e)(1), the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5605(e)(2), which requires companies to adopt a formal written charter or board resolution, as applicable, addressing the director nomination process and such related matters as may be required under the federal securities laws. In lieu of following Rule 5605(e)(2), the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5610, which requires companies to adopt a code of conduct applicable to all directors, officers and employees, which shall be publicly available and comply with the definition of a "code of ethics" set out in Section 406(c) of the Sarbanes-Oxley Act of 2002 and any regulations promulgated thereunder by the SEC. In lieu of following Rule 5610, the Bank follows the rules of the Toronto Stock Exchange.

The Bank does not follow Rule 5620(c) (shareholder quorum) but instead follows its home country practice, as described below:

- Shareholder Meeting Quorum Requirements: The Nasdaq minimum quorum requirement under Rule 5620(c) for a shareholder meeting is 33-1/3% of the outstanding shares of common stock. In addition, a registrant listed on Nasdaq is required to state its quorum requirement in its by-laws. The Bank's quorum requirement is set forth in its by-laws. A quorum for a meeting of shareholders of the Bank is two shareholders or proxyholders that hold or represent, as applicable, not less than 25 percent of the issued and outstanding shares entitled to be voted at the meeting.

The foregoing is consistent with the laws, customs and practices in Canada.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act. Please see "Caution Regarding Forward Looking Information" in the Annual Information Form of the Bank for the year ended October 31, 2025, filed as Exhibit 99.1 to this Annual Report for a discussion of risks, uncertainties, and assumptions that could cause actual results to vary from those forward-looking statements.

## UNDERTAKING

The Bank undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

## DISCLOSURE PURSUANT TO SECTION 13(r) OF THE SECURITIES EXCHANGE ACT OF 1934

In accordance with Section 13(r) of the Exchange Act, we are required to disclose certain Iran-related activities. We maintain a robust economic sanctions compliance program which monitors compliance with economic sanctions requirements in the jurisdictions in which we operate and we believe we have been in compliance with relevant economic sanctions legislation throughout fiscal year 2025.

## CONSENT TO SERVICE OF PROCESS

The Bank has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises. Any change to the name or address of the Bank's agent for service shall be communicated promptly to the SEC by amendment to Form F-X referencing the file number of the Bank.

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Bank certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

VERSABANK
By: /s/ Brent T. Hodge
Name: Brent T. Hodge
Title: SVP, General Counsel & Corporate Secretary

Date: December 10, 2025

**INDEX TO EXHIBITS**

| Exhibit No. | Exhibit |
|---|---|
| 97.1 | Compensation Recoupment Policy |
| 99.1 | Annual Information Form for the year ended October 31, 2025. |
| 99.2 | Consolidated Financial Statements as at and for the years ended October 31, 2025 and 2024. |
| 99.3 | Management's Discussion and Analysis of Operations and Financial Condition for the year ended October 31, 2025. |
| 99.4 | Consent of Ernst & Young LLP. |
| 99.5 | Certifications of the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated December 10, 2025. |
| 99.6 | Certifications of the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated December 10, 2025. |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definitions Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101) |

**Exhibit 97.1**

**COMPENSATION RECOUPMENT POLICY**

**BOARD REVIEWED:** January 22, 2024

**BOARD APPROVED:** December 12, 2023

**POLICY OBJECTIVE**

This VersaBank Compensation Recoupment Policy (the " **Policy**") has been adopted by VersaBank (the " **Company**") effective December 1, 2023. This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act as defined below and Section 5608 of the Nasdaq Listing Rules (the "**Listing Rule**").

**DEFINITIONS**

For the purposes of this Policy, the following terms shall have the meanings set forth below.

"**Committee**" means the Conduct Review, Governance & HR Committee of the Board of Directors ("the **Board**") or any successor committee thereof. If there is no Conduct Review, Governance & HR Committee of the Board, references herein to the "Committee" shall refer to the Company's committee of independent directors that is responsible for executive compensation decisions, or in the absence of such a compensation committee, the independent members of the Board.

"**Covered Compensation**" means any Incentive-based Compensation "received" by a Covered Executive during the applicable Recoupment Period; *provided* that:

i. such Incentive-based Compensation was received by such Covered Executive (A) on or after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and

ii. such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is "**received**" by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

"**Covered Executive**" means any current or former Executive Officer.

"**Effective Date**" means October 2, 2023.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**Executive Officer**" means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function such as sales, administration or finance, (v) any other officer who performs a policy-making function for the Company (including any officer of the Company's parent(s) or subsidiaries if they perform policy-making functions for the Company) and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. The determination as to an individual's status as an Executive Officer shall be made by the Committee and such determination shall be final, conclusive and binding on such individual and all other interested persons.

"**Financial Reporting Measure**" means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, (ii) stock price measure or (iii) total shareholder return measure and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above. For the avoidance of doubt, any such measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

"**Financial Restatement**" means a restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

i. an error in previously issued financial statements that is material to the previously issued financial statements; or

ii. an error that would result in a material misstatement if the error were (A) corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure; or (6) adjustment to provisional amounts in connection with a prior business combination.

"**Incentive-based Compensation**" means any compensation including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on or were otherwise calculated by reference to Incentive-based Compensation including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon.

"**Nasdaq**" means the NASDAQ Global Select Market, or any successor thereof.

"**Recoupment Period**" means the three (3) fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period that results from a change in the Company's fiscal year within or immediately following those three (3) completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

"**Recoupment Trigger Date**" means the earlier of (i) the date that the Board or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

**POLICY DETAILS, MEASURES AND LIMITS**

Recoupment of Erroneously Awarded Compensation.

In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the " **Awarded Compensation**") exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the "**Adjusted Compensation**"), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pre-tax basis (such excess amount, the "**Erroneously Awarded Compensation**").

If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is stock price or total shareholder return or any measure derived wholly or in part from either of such measures and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined on a pre-tax basis based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return or the derivative measure thereof upon which such Covered Compensation was received.

For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

Notwithstanding anything to the contrary in Sections 0 through 0 hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i), (ii), or (iii) are satisfied and (y) the Board's committee of independent directors responsible for executive compensation decisions or, in the absence of such a committee, a majority of the independent directors serving on the Board has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

i. the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 0, the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to the Nasdaq;

ii. recovery of the Erroneously Awarded Compensation would violate Canadian law to the extent such law was adopted prior to November 28, 2022 *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first obtained an opinion of home country counsel of Canada, that is acceptable to the Nasdaq, that recovery would result in such a violation, and the Company must provide such opinion to the Nasdaq; or

iii. recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans as defined under Section 409A of the Code shall be made in compliance with Section 409A of the Code.

Administration

This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, heirs, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law, including Section 10D of the Exchange Act, and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and the Listing Rule, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

Amendment/Termination

Subject to Section 10D of the Exchange Act and the Listing Rule, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

Interpretation

Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and the Listing Rule and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith. The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

Other Compensation Clawback/Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company or any of its affiliates that may be in effect from time to time, any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided*, *however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

Exempt Compensation

Notwithstanding anything to the contrary herein, the Company has no obligation under this Policy to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

Miscellaneous

Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective, including, without limitation, compensation received under the Company's incentive compensation plans and any successor plans thereto.

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of Canada, without giving effect to any choice of law or conflict of law rules or provisions (whether of Canada or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Canada.

If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

**REPORTING**

On an annual basis, the Chief Human Resources Officer ("CHRO") will submit a report to the Conduct Review, Governance & Human Resources Committee, confirming that this policy has been observed and detailing any instances in which this policy was applied.

**ACCOUNTABILITY, DELEGATION OF AUTHORITY AND OWNERSHIP**

The CHRO is responsible for monitoring compliance and ensuring that the reporting requirements are completed as required under this policy.

The Conduct Review, Governance & Human Resources Committee has oversight of this policy.

**POLICY EXCEPTIONS**

In the event of non-compliance with this policy, the CHRO will report the non-compliance to the President & CEO and provide an action plan to remedy the non-compliance.

**REVIEW CYCLE**

At a minimum, all policies must be reviewed on a periodic basis as scheduled in the Policy Template and Approval Policy. Any changes to the policy will be recommended by the CHRO to the Conduct Review, Governance & Human Resources Committee. The Conduct Review, Governance & Human Resources Committee will subsequently submit their recommendations to the Board for official policy amendment and approval.

**HISTORIC BOARD APPROVALS OF POLICY**



# ANNUAL INFORMATION FORM

**For the fiscal year ended October 31, 2025**

## DECEMBER 10, 2025

# ANNUAL INFORMATION FORM

All information is as of October 31, 2025, and all dollar amounts are expressed in Canadian dollars, unless otherwise stated.
Unless otherwise stated, year references refer to the fiscal year ending in the referenced year.

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VersaBank's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings and with Canadian securities regulators or the United States of America (the "U.S.") Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. The statements in this Annual Information Form that relate to the future are forward-looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are out of VersaBank's control. Risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements as 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 and U.S. economy in general and the strength of the local economies within Canada and the U.S. in which VersaBank conducts operations; trade laws and tariffs; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada and the U.S. Federal Reserve; global commodity prices; the effects of competition in the markets in which VersaBank 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 pertaining to 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 both on global supply chains and markets; the impact of outbreaks of disease or illness that affect local, national or international economies; the possible effects on our business of terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; the proposed Structural Realignment (as described herein); and VersaBank's anticipation of and success in managing the risks implicated by the foregoing.

The foregoing list of important factors is not exhaustive. Additional risks and uncertainties regarding VersaBank are described in its Management's Discussion and Analysis for the year ended October 31, 2025 (the "2025 MD&A"), which is available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The forward-looking information contained in the Annual Information Form is presented to assist VersaBank shareholders and others in understanding VersaBank's business structure and may not be appropriate for any other purposes. Except as required by securities law, VersaBank does not undertake to update any forward-looking statement that is contained in this Annual Information Form or made from time to time by VersaBank or on its behalf.

Non-GAAP and other financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of VersaBank to which these measures relate. These measures may not be comparable to similar financial measures disclosed by other issuers. VersaBank uses these financial measures to assess its performance and as such believes these financial measures are useful in providing readers with a better understanding of how management assesses VersaBank's performance.

For additional disclosure regarding these financial measures and financial ratios and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-GAAP and Other Financial Measures" section in the 2025 MD&A which is incorporated by reference herein. The 2025 MD&A is available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar.

**OTHER FINANCIAL MEASURES**

**Net Interest Margin** is calculated as net interest income divided by average total assets. Net interest margin does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

## CORPORATE STRUCTURE

### INCORPORATION

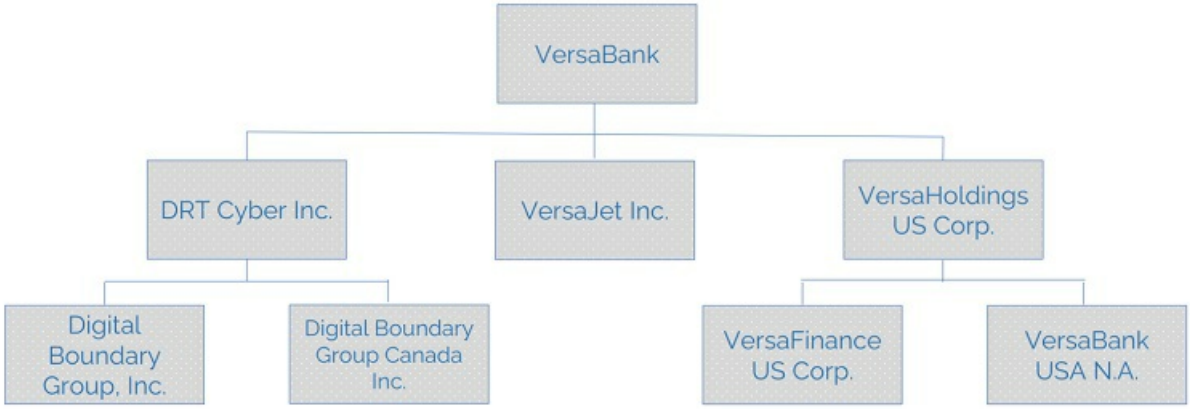
VersaBank (or, the "Bank") is a Schedule I bank governed by the *Bank Act* (Canada) (the "*Bank Act*"). VersaBank was originally incorporated as a trust company, Pacific & Western Trust Corporation ("PW Trust"), under *The Business Corporations Act* (Saskatchewan) in 1979. In 2002, PW Trust was granted a Schedule I bank license and continued under the *Bank Act* as Pacific & Western Bank of Canada ("PW Bank"). PW Bank completed an initial public offering in 2013 and changed its name to "VersaBank" in 2016. With the approval of the Minister of Finance (Canada) (the "Minister"), VersaBank merged with its parent holding company, PWC Capital Inc., pursuant to letters patent of amalgamation under the *Bank Act* in 2017 (the "Amalgamation"). VersaBank is a reporting issuer with securities regulators in Canada and the U.S. VersaBank's common shares trade on the Toronto Stock Exchange ("TSX") and the Nasdaq under the symbol VBNK.

VersaBank's head and registered office is Suite 2002 – 140 Fullarton Street, London, Ontario N6A 5P2.

On August 30, 2024, VersaBank, through its wholly owned subsidiary, VersaHoldings US Corp. ("VersaHoldings"), acquired Stearns Bank Holdingford, National Association ("SBH"), a nationally chartered U.S. bank associated in Minnesota. Upon closing, SBH was renamed VersaBank USA National Association ("VersaBank USA"). VersaBank USA continues to operate under a national charter and is regulated by the Office of the Comptroller of the Currency (the "OCC").

## INTERCORPORATE RELATIONSHIPS

Information regarding the intercorporate relationships among the Bank and its subsidiaries is outlined below.




DRT Cyber Inc. ("DRTC") was incorporated pursuant to the laws of the State of Delaware, U.S. on September 6, 2019. It was formed to provide cyber security solutions to safeguard its clients high value–assets. VersaBank owns 100% of the voting shares of DRTC.

Digital Boundary Group Canada Inc. (formerly 2021945 Ontario Inc.) was incorporated pursuant to the laws of Ontario on January 30, 2003. DRTC owns 100 % of the voting shares of Digital Boundary Group Canada Inc.

Digital Boundary Group, Inc. ("DBG") was incorporated pursuant to the laws of Michigan on August 9, 2006. DRTC owns 100 % of the voting shares of DBG.

VersaHoldings US Corp. was incorporated pursuant to the laws of the State of Delaware, U.S. on December 22, 2021. VersaBank owns 100% of the voting shares of VersaHoldings.

VersaFinance US Corp. was incorporated pursuant to the laws of the State of Delaware, U.S. on December 22, 2021. VersaHoldings owns 100% of the voting shares of VersaFinance US Corp.

VersaBank USA National Association was acquired on August 30, 2024 and is a national bank chartered under the laws of the United States and regulated by the national Office of the Comptroller of the Currency (OCC). VersaHoldings owns 100% of the voting shares of VersaBank USA National Association.

VersaJet Inc. was incorporated pursuant to the laws of the Northwest Territories on September 7, 2016. VersaJet Inc. is a management company with assets comprised of parts, systems and equipment that directly support flight operations. VersaBank owns 100% of the voting shares of VersaJet Inc.

## GENERAL DEVELOPMENT OF THE BUSINESS

### THREE YEAR HISTORY

The following summary highlights select financial metrics and developments for the Bank's three most recent fiscal year periods, starting with the least recent period:

In 2023, the Bank generated annual interest income of $229.3 million, net interest income ("NII") of $100.1 million, and net interest margin [1] ("NIM") of 2.68% on an average credit asset balance of $3.42 billion. The Bank's increased credit activities resulted in net income of $42.2 million. During the year and following the year end, VersaBank declared quarterly common share dividends of $0.025 per share. Total assets at the end of fiscal 2023 were $4.20 billion.

On August 16, 2023, the Bank's Normal Course Issuer Bid ("NCIB") which commenced on August 15, 2022, expired. At the time of expiry, the Bank had repurchased 1,516,658 shares under the NCIB.

On September 15, 2023, 40,000 options, which were granted to the Bank's President & Chief Executive Officer on October 31, 2013, under a legacy plan, were exercised for $7.00 per share.

In 2024, the Bank generated annual interest income of $285.4 million, NII of $102.7 million, and NIM of 2.27% on an average credit asset balance of $4.04 billion. The increase in the Bank's credit activities resulted in the Bank generating net income of $39.7 million. During the year and following the year end, VersaBank declared quarterly common share dividends of $0.025 per share. Total assets at the end of fiscal 2024 were $4.84 billion.

[1] This is a non-GAAP measure. See definition in "Non-GAAP and Other Financial Measures".

On April 17, 2024, the Bank received shareholder approval to renew its evergreen Long Term Incentive Plan ("LTIP") for an additional three years. The LTIP was last approved by Shareholders at the Annual and Special Meeting of Shareholders on April 21, 2021.

On April 30, 2024, the Bank redeemed all of its outstanding 10.00% subordinated debentures (Non-Viability Contingent Capital ("NVCC")) issued by way of private placement on March 14, 2019 in the aggregate principal amount of $5,000,000 (the "Debentures"). The Debentures were redeemed at a redemption price of $1,000 principal amount of Debentures equal to the aggregate of (i) $1,000 and (ii) all accrued and unpaid interest on the Debentures being $25 (collectively, the "Redemption Price").

On August 30, 2024, the Bank closed its previously announced acquisition of SBH, a national bank chartered under the laws of the United States and regulated by the OCC. The Bank acquired 100% of the outstanding shares of SBH from Stearns Financial Services, Inc. for cash consideration of approximately US$14.0 million (CAD$19.3 million). As part of the acquisition, VersaBank acquired approximately US$61.1 million in assets and assumed approximately US$54.1 million in deposits and other liabilities. Upon closing, SBH was renamed VersaBank USA National Association.

On October 31, 2024, the Bank redeemed all of its 1,461,460 outstanding, Non-Cumulative Series 1 preferred shares, NVCC using cash on hand. The amount paid on redemption for each share was $10.00, and in aggregate $14.6 million.

On December 18, 2024, the Bank completed a treasury offering (the "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 additional 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 $114.2 million corresponding to the common share offering and less tax effected issue costs in the amount of CAD $1.8 million. The Bank's issue costs are subject to current and future tax deductions and as such the Bank has recognized a deferred tax asset corresponding to same.

In 2025, the Bank generated annual interest income of $295.7 million, NII of $116.2 million, and NIM of 2.52% on an average credit asset balance of $4.7 billion. The Bank's increased credit activities resulted in the Bank generating net income of $28.5 million. During the year and following the year end, VersaBank declared quarterly common share dividends of $0.025 per share. Total assets at the end of fiscal 2025 were $5.8 billion.

On April 28, 2025, the Bank received approval from the Toronto Stock Exchange ("TSX") to proceed with an NCIB for its common shares on both the TSX and Nasdaq Global Select Market ("Nasdaq") exchanges. Pursuant to the NCIB, VersaBank may purchase for cancellation up to 2,000,000 of its common shares which represented approximately 8.99% of its public float. At the time, VersaBank's directors and management believed that the market price of VersaBank's common shares did not reflect the value of the business and its future prospects, and further, reflected a material discount to book value and as such the purchase of common shares for cancellation was a prudent corporate measure and represented an attractive investment for the Bank.

On May 29, 2025, VersaBank announced its intention to realign its corporate structure with the standard framework of a U.S. bank (the “Structural Realignment”), under which the parent holding company would be domiciled in the United States. The proposed Structural Realignment is intended to realize additional shareholder value and further mitigate risk. The proposed Structural Realignment has and is anticipated to involve significant one-time costs; however, in the longer term, it is anticipated that there will be a reduction in corporate costs, relative to the current and less efficient corporate structure. The proposed Structural Realignment is subject to approval by the Bank’s shareholders, the OCC, the Federal Reserve, the Minister of Finance (Canada), the TSX and the Nasdaq.

On August 14, 2025, VersaBank expanded its Receivable Purchase Program (“RPP”) in both the United States and Canada through the launch of a securitized financing solution for point-of-sale and other financing companies ("RPP Securitized Financing"). VersaBank's RPP Securitized Financing strategy includes investment in the senior-level tranches of target securitized credit assets, and the establishment of its own platform, offering securitization of assets originated and owned by its financing partners. This strategy is intended to capitalize on the current demand from larger point-of-sale and other financing companies for lower-cost securitized financing amidst the current interest rate environment.

On August 26, 2025, VersaBank’s wholly owned subsidiary, VersaBank USA, launched an internal pilot program in the United States for its USDVBs, the US-dollar version of its proprietary Real Bank Deposit Tokens™ ("RBDTs™") (the "USDVB Pilot Program"). The launch of the USDVB Pilot Program was a critical milestone in VersaBank USA's preparations to commercialize its USDVB in the United States. At this time, the product was referred to as Digital Deposit Receipts and was subsequently renamed in October 2025. For the purposes of this AIF, reference to the product will be under its current name of RBDT™.

On September 16, 2025, VersaBank commenced a refresh of its previously completed pilot program for its RBDTs™ in Canada (the "CADVB Pilot Refresh"). The CADVB Pilot Refresh will be integrated with the Bank's recently initiated USDVB Pilot Program. The integration of the two pilot programs is intended to demonstrate VersaBank's ability to conduct high-speed, low-cost, highly encrypted and secure cross-border payment transactions using RBDTs™ as a 1:1 representation of actual deposits with the Bank. VersaBank expects both the CADVB Pilot Refresh and the USDVB Pilot Program to be completed by the end of calendar 2025 with commercial launch to occur as soon as possible thereafter, subject to regulatory obligations.

On October 27, 2025, VersaBank unveiled branding for its proprietary Digital Deposit Receipts to RBDTs™. The brand reflects the critical advantage of the Bank's RBDTs™ compared to stablecoins being issued by a federally licensed bank (in both Canada and the United States), which is anticipated to enable legally permitted interest payments and deposit insurance, which non-bank issued stablecoins cannot provide. The brand also reinforces the critical functional foundation that RBDTs™ are actual cash deposits with the Bank that are reflected on the blockchain.

During the two years ended October 31, 2025, 44,928 options, which were granted under the Bank’s LTIP, had been exercised for $15.90 per share. As of October 31, 2025, there were 779,734 options outstanding under the LTIP.

**GENERAL SUMMARY**

VersaBank is a Canadian Schedule I chartered bank regulated by OSFI in Canada. Its wholly owned subsidiary, VersaBank USA, is a federally chartered bank in the U.S. regulated by the OCC. VersaBank has a branchless, digital 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 in a significantly risk mitigated manner. Because VersaBank obtains substantially all of its deposits and undertakes the majority of its financing electronically through financial intermediary partners, it benefits from significant operating leverage that drives efficiency and return on its common equity. In March 2022, VersaBank launched its unique RPP funding solution for point-of-sale finance companies, which has been highly successful in Canada for nearly 15 years, in the underserved multi-trillion-dollar U.S. market. VersaBank also owns Minneapolis, MN-based, DRTC, a North American leader in the provision of cyber security services designed to address the rapidly growing volume of cyber threats challenging financial institutions, multi-national corporations, and government entities.

Following the Bank's acquisition of SBH on August 30, 2024, the Bank has established four reportable operating segments, those being Digital Banking Canada, Digital Banking USA, DRTC and RBDT. The four operating segments are strategic business operations providing distinct products and services to different markets and are separately managed as a function of the distinction in the nature of each business. The following summarizes the operations of each of the reportable segments:

Digital Banking Canada: The Bank employs a branchless business-to-business (partner-based) model using its proprietary financial technology to address underserved segments in the Canadian and U.S. banking markets. VersaBank obtains its deposits and provides the majority of its financing electronically via innovative deposit and financing solutions for financial intermediaries.

Digital Banking USA: The Bank employs a business-to-business (partner-based) model, using its proprietary financial technology to address underserved segments of the U.S. banking market. VersaBank USA obtains its deposits and provides the majority of its financing electronically via innovative deposit and financing solutions for financial intermediaries.

DRTC (Cybersecurity): 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 RBDTs™.

**DIGITAL BANKING CANADA**

*Financing and Lending*

Receivable Purchase Program ("RPP")

VersaBank invests in the cashflows from its network of origination partners, who offer point-of-sale loans and leases to consumers and commercial clients in various markets throughout Canada and the U.S. through its RPP Program. This business continues to indicate strong potential for growth and enhanced profitability, and further, has been structured such that the risk profile remains within the Bank's risk appetite as a function primarily of the cash reserves retained from the Bank's origination partners. Accordingly, VersaBank continues to allocate considerable resources to the development of innovative enhancements to maintain its competitive advantage and increase the rate of growth of this portfolio. RPP assets at October 31, 2025, were $4.0 billion.

Multi-Family Residential Loans and Other (“MROL”)

Multi-Family Residential Loans and Other are originated through a well-established network of mortgage brokers and syndication partners and through direct contact with VersaBank’s clients. These credit assets are well-secured by real estate assets primarily located in Ontario and, to a lesser extent, other Canadian provinces. VersaBank is reducing the non-core portion of this portfolio and focusing on the more attractive insured segments. The Bank’s MROL portfolio, at October 31, 2025, was $1 billion.

*Funding*

VersaBank has established three core low-cost diversified funding (deposit) channels that provide it with a significant cost of funds advantage: deposit brokers (previously referred to as “personal deposits”), licensed insolvency trustee firms (previously referred to as “commercial deposits”), and cash reserves retained from VersaBank’s RPP origination partners that are classified as other liabilities. Deposit brokers, consisting predominately of guaranteed investment certificates, are sourced primarily through a well-established and diversified deposit broker network that the Bank continues to grow and expand across Canada. Licensed insolvency trustee firms are sourced primarily through a customized banking solution made available to insolvency professionals in Canada. VersaBank developed innovative software that integrates banking services through a proprietary application programming interface (“API”) with market-leading software platforms used to administer insolvency and restructuring proceedings.

*Capital*

As at October 31, 2025, VersaBank’s common equity tier 1 ratio was 12.92% versus 11.24% as at October 31, 2024, which reflects the Bank’s treasury offering and significant growth in assets in fiscal 2025 as described previously. VersaBank, like most smaller Canadian banks, uses the Standardized Approach to calculate its risk-weighted assets. VersaBank’s financing operations focus on transactions with lower-than-average risk (as demonstrated by its long history of low provision for credit losses). VersaBank believes that the Standardized Approach does not accurately reflect the intrinsic risk in its credit asset portfolio and, consequently, VersaBank’s leverage ratio is one of the most conservative in the industry, being more than twice the average leverage ratio of the major Canadian Schedule I banks, which use the Advanced Internal Ratings-Based Approach to calculate their risk-weighted assets.

*Credit Quality*

VersaBank’s business strategy involves taking lower credit risk but achieving higher NIM by providing innovative, technology-based solutions and superior service in niche markets that are not well-served by the larger financial institutions. VersaBank consistently leads the Canadian bank industry with very low credit losses.

**DIGITAL BANKING USA**

On August 30, 2024, VersaBank, through its wholly owned subsidiary, VersaHoldings, purchased 100% of the outstanding shares of SBH (renamed VersaBank USA), acquiring approximately US$61.1 million in assets and assuming approximately US$54.1 million in deposits and other liabilities. The assets acquired were substantially comprised of an equipment financing portfolio which will be wound down in the normal course. VersaBank USA is now in the final stages of expanding its U.S. credit offerings to include a RPP that will leverage VersaBank's extensive experience operating the RPP program for more than a decade in Canada during which time VersaBank has provided funding of just under CA $10.5 billion. The U.S. RPP is structured similarly to the Canadian RPP and will rely on a cash reserve funded from a percentage of the purchase price held back from VersaBank USA's origination partners in order to mitigate risk to levels aligned with the Bank's established risk appetite. The U.S. RPP is anticipated to be a key driver of long-term sustainable growth for VersaBank and is expected to be funded substantially via wholesale deposits sourced primarily via the U.S. brokered certificate of deposit ("CD") markets. VersaBank USA's credit assets, at October 31, 2025, were USD $315 million.

**DRTC (CYBERSECURITY)**

The Bank, through its wholly owned subsidiary, DRTC, offers leading in-depth cybersecurity protocols, banking and financial technology development, software and supporting systems for the purpose of mitigating exposure to the myriad of cybersecurity risks that businesses, governments, and other organizations face in the normal course of their operations. Early in its planning phase, the Bank recognized an opportunity to leverage its excess capacity and scale its operations to address large-market opportunities in the cybersecurity space, and further develop innovative solutions to address the rapidly growing volume of cyber threats challenging, not only financial institutions, but also multi-national corporations and government entities on a daily basis. DRTC is headquartered in Minneapolis, Minnesota and services clients globally. We believe DRTC's VersaVault® product is the world's first digital bank vault built for clients holding digital assets, designed to provide impenetrable world-class security, privacy of secured keys and client-centric access flexibility. On November 30, 2020, DRTC acquired DBG. With offices in London, Ontario, and Dallas, Texas, DBG provides corporate and government clients with a suite of IT security assurance services that range from external network, web and mobile app penetration testing through to physical social engineering engagements along with supervisory control and data acquisition ("SCADA") system assessments, as well as various aspects of training. As a subsidiary of DRTC, DBG has and will continue to strengthen the Bank's Business Development Partner Network and propel the growth and expansion of DRTC's existing business.

In furtherance of the Bank's strategic initiatives and in light of current U.S. regulatory requirements, management intends to divest of certain impermissible activities/assets housed within DRTC, which includes cybersecurity services and DBG. Certain members of management hold convertible preferred shares in DRTC. In accordance with the by-laws of DRTC, the convertible preferred shares will convert automatically, upon a change of control event, into an aggregate 28% common share ownership stake in DRTC.

**DIGITAL METEOR**

DRTC is a wholly owned subsidiary of VersaBank focused on delivering secure and innovative digital asset solutions within regulated financial environments. The company leverages proprietary intellectual property and blockchain technology to create products that complement VersaBank's digital banking strategy. Its principal activities include the development of RBDTs™, which are encrypted digital representations of fiat currency deposits held with a bank. DRTC also provides VersaVault®, a secure digital vault designed for organizations requiring high-assurance storage of sensitive data, documents, and blockchain-based assets, addressing regulated custody requirements for digital assets. Operating with a strong emphasis on compliance and security, DRTC has previously achieved SOC 2 Type 1 certification for VersaVault® and ensures that RBDTs™ meet stringent regulatory standards.

**SPECIALIZED SKILLS AND KNOWLEDGE / COMPETITIVE CONDITIONS**

The Canadian financial services industry is highly developed and competitive. While many of Canada's financial institutions carry on full-service banking businesses, VersaBank is highly specialized and has a relatively narrow but focused product offering. Further, the Bank believes that its products are ideally suited to the niche markets that it has chosen to operate in and, accordingly, its products are in high demand.

VersaBank competes with a variety of Canadian financial institutions, both large and small, in the various markets in which it participates. VersaBank utilizes custom and in-house designed software that provides a significant advantage in speed of delivery, versatility, and efficiency. VersaBank's highly skilled team of software experts and financing professionals consistently provides innovative financing and deposit solutions via a digital platform with the capability to quickly and efficiently respond to changes in the marketplace. VersaBank also has in place a well-developed credit adjudication function that has resulted in it consistently achieving industry leading credit performance.

**NEW SERVICES**

VersaBank did not start offering any new services in 2025.

**SUPERVISION AND REGULATION**

VersaBank's activities are governed by the *Bank Act*. In accordance with the *Bank Act,* banks may engage in and carry on the business of banking and such business generally as it pertains to the business of banking. OSFI is responsible for the administration of the *Bank Act*. The Superintendent issues guidelines regarding disclosure of a bank's financial information. The Superintendent is required to make an annual examination of each bank and to monitor each bank's financial condition.

The Bank is also subject to regulation under the *Financial Consumer Agency of Canada Act* (the "*FCAC Act*"). The Financial Consumer Agency of Canada (the "Agency"), among other things, enforces consumer-related provisions of the federal statutes that govern financial institutions. The Commissioner of the Agency must report to the Minister on all matters connected with the administration of the *FCAC Act* and consumer provisions of other federal statutes. The Bank is also subject to provincial and territorial laws of general application.

The Bank is a member institution of the Canada Deposit Insurance Corporation ("CDIC"). Subject to limits, CDIC insures certain deposits held at its member institutions.

Banks, in Canada, have broad powers to invest in the securities of other corporations and entities, but the *Bank Act* imposes limits upon substantial investments. Under the *Bank Act*, a bank has a substantial investment in a body corporate when (i) the voting shares beneficially owned by the bank and by entities controlled by the bank carry voting rights in excess of 10% of all of the voting rights in the body corporate or (ii) the total of the shares of the body corporate that are beneficially owned by the bank and entities controlled by the bank represent more than 25% of the total shareholders' equity of the body corporate. A Canadian chartered bank is permitted to have a substantial investment in entities whose activities are consistent with those of certain prescribed permitted substantial investments. In general, a bank will be permitted to acquire and hold a substantial investment in an entity that carries on a financial service activity which the bank could have carried on itself, whether that entity is regulated or not. Further, a bank may invest in entities that carry on commercial activities that are related to the promotion, sale, delivery or distribution of a financial product or service, or that relate to certain information services. A bank may also invest in entities that invest in real property, act as mutual funds or mutual fund distributors or that service financial institutions, and a bank may have downstream holding companies to hold these investments. In certain cases, the approval of the Superintendent is required prior to making the investment. Banks may, by way of temporary investment, acquire control of, or acquire or increase a substantial investment in, an entity for a two-year period. This time period may be extended upon application to the Superintendent. In prescribed circumstances, Banks may also invest in reliance upon the Specialized Financing Entity rules set out in the *Bank Act* and in the Specialized Financing (Banks) Regulations. Other than for authorized types of insurance, banks may offer insurance products only through duly authorized subsidiaries and not through their branch systems. Banks are prohibited from engaging in direct automobile leasing.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the "*Act*") is applicable to the Bank's business in Canada. The *Act* implements specific measures designed to detect and deter money laundering and the financing of terrorist activities. Further, the *Act* sets out obligations related to deterring and detecting money laundering and terrorist financing from a global perspective, in order to minimize the possibility that the Bank could become a party to these activities. The Bank has enterprise-wide anti-money laundering and anti-terrorist financing policies and procedures which assist in reducing the risk of facilitating money laundering and terrorist financing activities.

VersaBank USA is subject to regulation in the U.S., primarily, by the OCC. Additionally, VersaHoldings, VersaBank, and VersaBank's significant shareholder, GBH Inc. (described further below), are considered U.S. bank holding companies and subject to regulation by the Federal Reserve System under the Bank Holding Company Act of 1956.

**EMPLOYEES AND PRINCIPAL PROPERTIES**

As at October 31, 2025, VersaBank had 131 full-time equivalent employees. VersaBank is a digital, branchless bank with a business-to-business model. Its head office is in London, Ontario, and it has two digital technology facilities, one located at the London International Airport and the other located on the University of Saskatchewan's campus in Innovation Place.

**RISK FACTORS**

The risks faced by VersaBank are described under the headings " *Enterprise Risk Management*" and "*Factors that May Affect Future Results*" in VersaBank's 2025 MD&A, which is incorporated herein by reference. Additional risks are described in VersaBank's Management Proxy Circular dated April 24, 2025, which is incorporated herein by reference. Both documents are available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar.

## COMMON SHARES

Holders of Common Shares of VersaBank ("Common Shares") are entitled to receive, as and when declared by the Board, dividends. VersaBank's Board of Directors (the "Board") declared the initial quarterly cash dividend on Common Shares at its meeting on November 28, 2017.

During fiscal 2023, 2024 and 2025, VersaBank maintained its quarterly dividend at $0.025 per share. Prior to this the Bank increased its quarterly dividend paid on Common Shares in each year since the Bank declared and paid its first quarterly dividends in fiscal 2018. VersaBank expects to continue paying quarterly cash dividends at a rate of $0.025 per share on the last day of January, April, July, and October in each year; however, the declaration of a dividend, and the amount thereof, are at the discretion of the Board. Although it is management's intention that dividends be paid on Common Shares, holders of Common Shares should not assume that dividends will be paid in the future.

## PREFERRED SHARES

### *Series 1 Preferred Shares*

All of the Bank's issued and outstanding Series 1 Preferred Shares were redeemed on October 31, 2024.

For the five-year period commencing on November 1, 2019, holders of Series 1 Preferred Shares of VersaBank ("Series 1 Preferred Shares") were entitled to receive, as and when declared by the Board, fixed non-cumulative preferential cash dividends at the rate of $0.6772 per share per annum, or $0.1693 per share per quarter. Such dividends were paid quarterly on the last day of January, April, July, and October in each year.

The Series 1 Preferred Shares were listed and posted for trading on the TSX on October 30, 2014. The initial dividend payment on the Series 1 Preferred Shares was made by VersaBank on January 31, 2015, in the amount of $0.176 per share. Thereafter, until the five-year rate reset on October 31, 2019, VersaBank paid quarterly cash dividends to holders of Series 1 Preferred Shares at a rate of $0.175 per share.

Additional information regarding the Series 1 Preferred Shares is described within the Short Form Prospectus dated October 22, 2014 (the "Series 1 Prospectus"), which is incorporated herein by reference. The Series 1 Prospectus is available on SEDAR+ at www.sedarplus.ca.

**DIVIDEND SUMMARY**

The following dividends were declared for each of the three most recently completed financial years: [2]

| Share Class | F2025 | F2024 | F2023 |
|---|---|---|---|
| Common Shares | $3,235,072 | $2,596,481 | $2,610,374 |
| Series 1 Preferred Shares | $0 | $989,701 | $989,701 |

## CAPITAL STRUCTURE

VersaBank is authorized to issue an unlimited number of Common Shares and an unlimited number of non-voting preferred shares of VersaBank, issuable in series ("Preferred Shares"). Below is a summary of VersaBank's share capital. This summary is qualified in its entirety by VersaBank's by-laws and the actual terms and conditions of such shares.

**COMMON SHARES**

VersaBank commenced trading on the TSX on August 27, 2013, under the ticker symbol PWB. On May 17, 2016, the Bank's common shares began trading on the TSX under the ticker symbol VB. VersaBank completed an initial public offering in the U.S. and commenced trading on the Nasdaq on September 24, 2021, under the symbol VBNK. On January 25, 2022, the Bank's common shares began trading on the TSX under the ticker symbol VBNK, replacing the previous ticker symbol VB. On August 17, 2022, VersaBank commenced an NCIB to purchase up to 1.7 million common shares for cancellation for an aggregate amount not to exceed $17.8 million during the period of August 17, 2022, through August 16, 2023. The NCIB expired on August 16, 2023. On April 30, 2025, VersaBank commenced an NCIB to purchase up to 2 million common shares for cancellation for an aggregate amount not to exceed $32.1 million during the period April 30, 2025, through April 29, 2026.

There were 31,945,535 Common Shares outstanding as at October 31, 2025.

Holders of Common Shares are entitled to vote at all meetings of shareholders, except for meetings at which only holders of another specified class or series of shares of VersaBank are entitled to vote separately as a class or series.

Holders of Common Shares are entitled to receive dividends as and when declared by the Board, subject to the preference of the Preferred Shares.

In the event of the dissolution, liquidation or winding-up of VersaBank, subject to the prior rights of the holders of Preferred Shares, and after payment of all outstanding debts, the holders of Common Shares will be entitled to receive the remaining property and assets of VersaBank.

[2] Amounts rounded to nearest dollar.

**PREFERRED SHARES**

Preferred Shares may be issued, at any time or from time to time, in one or more series with such rights, privileges, restrictions and conditions as the Board may determine, subject to the *Bank Act*, VersaBank's by-laws and any required regulatory approval.

Except with respect to amendments to the rights, privileges, restrictions, or conditions of the Preferred Shares, as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Preferred Shares, the holders of the Preferred Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of VersaBank.

Each series of Preferred Shares ranks on a parity basis with every other series of Preferred Shares with respect to dividends and return of capital. The Preferred Shares are entitled to a preference over the Common Shares, and any other shares ranking junior to the Preferred Shares, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of VersaBank.

Preferred Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions, and conditions attached to the Preferred Shares as a class over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined by the Board in the case of such series of Preferred Shares.

VersaBank's Board has authorized the issuance of an unlimited number of Series 1 Preferred Shares, an unlimited number of non-cumulative floating rate Series 2 Preferred Shares ("Series 2 Preferred Shares"), an unlimited number of Series 3 Preferred Shares, and an unlimited number of non-cumulative floating rate Series 4 Preferred Shares ("Series 4 Preferred Shares").

At this time, only Series 1 Preferred Shares have been issued by the Bank. The following is a summary of the rights, privileges, restrictions, and conditions of, or attaching to, the Series 1 and Series 2 Preferred Shares.

***Series 1 Preferred Shares***

During the initial five-year period ending October 31, 2019, holders of Series 1 Preferred Shares were entitled to receive preferential, non-cumulative, cash dividends, as and when declared by the Board, payable quarterly on the last day of January, April, July, and October in each year, at 7.00% per annum. Thereafter, the dividend rate reset every five years at a level of 543 basis points over the then 5-year Government of Canada bond yield. On November 1, 2019, in accordance with the Series 1 Prospectus, the dividend rate reset to 6.772% per annum.

The Series 1 Preferred Shares were not redeemable prior to October 31, 2019. On October 31, 2019, VersaBank did not, in accordance with its option, redeem any of the outstanding Series 1 Preferred Shares for cash. VersaBank may, at its option, redeem for cash all, or any part, of the then outstanding Series 1 Preferred Shares on October 31 every five years after October 31, 2019, at a price equal to $10.00 per share together with all declared and unpaid dividends to the date fixed for redemption. All such redemptions are subject to the provisions of applicable securities law, the rules of the TSX and the *Bank Act*, and to the prior consent of the Superintendent.

The Series 1 Preferred Shares were redeemed by VersaBank, at its option, for cash on October 31, 2024, at a price equal to $10.00 per share together with all declared and unpaid dividends to the date fixed for redemption. The redemption was subject to the provisions of applicable securities law, the rules of the TSX and the *Bank Act*, and to the prior consent of the Superintendent.

***Series 2 Preferred Shares***

The Series 2 Preferred Shares are part of VersaBank's authorized share capital, but no shares in this series have been issued as at October 31, 2025. If issued, holders of Series 2 Preferred Shares will be entitled to receive quarterly floating dividends, as and when declared by the Board, equal to the 90-day Government of Canada Treasury Bill rate plus 543 basis points. Additional information regarding the Series 2 Preferred Shares, including voting rights, provisions for exchange, conversion, exercise, redemption and retraction, dividend rights, and rights upon dissolution or winding-up is described within the Series 1 Prospectus.

**CONSTRAINTS**

The *Bank Act* contains restrictions on the issue, transfer, acquisition, and beneficial ownership of all shares of a chartered bank. For example, if a bank has equity of $12 billion or more, no person shall be a major shareholder of the bank, which includes a shareholder which owns, directly or indirectly, more than 20% of its outstanding voting shares of any class or more than 30% of its outstanding non-voting shares of any class. VersaBank does not meet this equity threshold and thus this restriction does not currently apply to VersaBank.

Further, no person shall have a significant interest in any class of shares of a bank unless the person first receives the approval of the Minister. Ownership, directly or indirectly, of more than 10% of any class of shares of a bank constitutes a significant interest. As of October 31, 2025, GBH Inc. (formerly 340268 Ontario Limited) owned approximately 26.64% of the Common Shares of the Bank. Approval from the Minister for GBH Inc. to have a significant interest in the common shares of VersaBank was obtained in conjunction with the closing of the Amalgamation.

VersaBank monitors the above constraints on shareholdings through various means including completion of Declaration of Ownership Forms for shareholder certificate transfer requests. If any person contravenes the above constraints on shareholdings, neither such person, nor any entity controlled by the particular person, may exercise any voting rights until the shares to which the constraint relates are disposed of. Additionally, the terms and conditions of the Series 1 Preferred Shares, the Series 2 Preferred Shares, the Series 3 Preferred Shares, and the Series 4 Preferred Shares include specific mechanics by which VersaBank is permitted to facilitate a sale of shares on behalf of such persons that are prohibited from taking delivery of shares issued upon a conversion.

The *Bank Act* prohibits the registration of a transfer or issue of any shares of VersaBank to, and the exercise, in person or by proxy, of any voting rights attached to any share of VersaBank that is beneficially owned by, His Majesty in right of Canada or of a province or any agent or agency of His Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

Under the Bank Act, VersaBank is prohibited from redeeming or purchasing any of its shares or its subordinated debt, unless the consent of the Superintendent has been obtained. In addition, the *Bank Act* prohibits VersaBank from purchasing or redeeming any shares or paying any dividends if there are reasonable grounds for believing that VersaBank is, or the payment would cause VersaBank to be, in contravention of the *Bank Act* requirement to maintain, in relation to VersaBank's operations, adequate capital and appropriate forms of liquidity and to comply with any regulations or directions of the Superintendent in relation thereto.

On April 7, 2021, the Bank received an investment-grade Long Term Credit Rating of “A” for the Bank overall and “A-” for the issue of the NVCC-compliant fixed-to-floating rate subordinated notes (“Notes”) up to U.S. $100 million from Egan-Jones Ratings Company, a U.S. Nationally Recognized Statistical Rating Organization (“NRSRO”) and U.S. National Association of Insurance Commissioners (“NAIC”) recognized Credit Rating Provider. “A” ratings have high level of creditworthiness with low sensitivity to evolving conditions.

An explanation of the categories of each rating as at October 31, 2025, has been obtained from the respective rating agency’s website and is outlined in Appendix A, and more details may be obtained from the relevant rating agency.

A credit rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision or withdrawal at any time by the credit rating agency.

**TRADING PRICE AND VOLUME**

The following VersaBank securities are listed and posted for trading on the TSX with the respective trading symbols indicated:

Common Shares - VBNK

The following chart provides a summary of trading on the TSX in CAD for fiscal 2025:

| COMMON SHARES | | | |
|---|---|---|---|
| Month | High | Low | Trading Volume |
| Oct 2025 | $17.67 | $16.31 | 510,940 |
| Sep 2025 | $17.95 | $15.11 | 601,281 |
| Aug 2025 | $16.24 | $13.92 | 626,744 |
| Jul 2025 | $16.46 | $15.43 | 309,825 |
| Jun 2025 | $16.27 | $14.18 | 590,664 |
| May 2025 | $16.56 | $15.13 | 347,247 |
| Apr 2025 | $16.21 | $12.18 | 776,796 |
| Mar 2025 | $18.06 | $14.00 | 949,721 |
| Feb 2025 | $20.72 | $17.64 | 518,640 |
| Jan 2025 | $20.53 | $18.86 | 657,190 |
| Dec 2024 | $25.56 | $18.63 | 1,444,978 |
| Nov 2024 | $25.75 | $20.85 | 757,912 |

VersaBank's common shares are listed and posted for trading on the Nasdaq under the trading symbol VBNK.

The following chart provides a summary of trading on the Nasdaq in USD:

| COMMON SHARES | | | |
|---|---|---|---|
| Month | High | Low | Trading Volume |
| Oct 2025 | $12.69 | $11.67 | 1,435,280 |
| Sep 2025 | $13.00 | $10.85 | 1,735,920 |
| Aug 2025 | $11.79 | $10.10 | 2,236,869 |
| Jul 2025 | $11.94 | $11.27 | 882,822 |
| Jun 2025 | $11.83 | $10.37 | 1,674,428 |
| May 2025 | $12.00 | $10.95 | 578,157 |
| Apr 2025 | $11.65 | $8.51 | 2,093,915 |
| Mar 2025 | $12.61 | $9.76 | 2,579,996 |
| Feb 2025 | $14.46 | $12.36 | 1,574,820 |
| Jan 2025 | $14.33 | $13.15 | 1,617,586 |
| Dec 2024 | $18.16 | $12.98 | 4,256,721 |
| Nov 2024 | $18.38 | $14.71 | 714,713 |



**DIRECTORS**

The names, municipalities of residence, positions held with VersaBank, and principal occupations of its directors, as of December 10, 2025, are as follows:

| Name | Office Held and Time as Director | Principal Occupation |
|---|---|---|
| The Honourable Frank J.C. Newbould, K.C.<br>Toronto, Ontario | Chair<br><br>Director since April 24, 2025 | Counsel, Thornton Grout Finnigan LLP<br>Former Judge, Ontario Superior Court of Justice |
| David R. Taylor<br>Ilderton, Ontario | President<br><br>Director since January 18, 1993 | President of VersaBank |
| Gabrielle Bochynek(3)<br>Stratford, Ontario | Director since April 24, 2019 | Principal, Human Resources & Labour Relations, The Osborne Group |
| Robbert-Jan Brabander (1)(2)(4)<br>Richmond Hill, Ontario | Director since November 4, 2009 | Managing Director of Bells & Whistles Communications, Inc. and former Chief Financial Officer & Treasurer of General Motors of Canada Limited |
| David A. Bratton (3)<br>London, Ontario | Director since September 23, 1993 | Retired, former President of Bratton Consulting Inc. |
| Peter M. Irwin (1)(2)<br>Toronto, Ontario | Director since January 1, 2021 | Retired, former Managing Director at CIBC World Markets Inc. |

| Name | Office Held and Time as Director | Principal Occupation |
|---|---|---|
| Richard H. L. Jankura (2)<br>London, Ontario | Director since May 6, 2022 | Retired, former Chief Financial Officer of Jones Healthcare Group |
| Arthur R. Linton (4)<br>Kitchener, Ontario | Director since April 22, 2020 | Independent Corporate Director and Lawyer |
| Susan T. McGovern (4)<br>Aurora, Ontario | Interim Chief Executive Officer and Vice-Chair<br><br>Director since May 6, 2011 | Executive Advisor in the Ontario Ministry of Finance |
| Paul G. Oliver (1)(3)<br>Markham, Ontario | Director since June 2, 2005 | Retired, former senior partner of PricewaterhouseCoopers LLP |

(1) Member of the Audit Committee
(2) Member of the Risk Oversight Committee
(3) Member of the Conduct Review, Governance & HR Committee
(4) Member of the Innovation and Technology Committee

Directors are elected annually and hold office until the next annual meeting of shareholders.

**EXECUTIVE OFFICERS**

The names, municipalities of residence, positions held with VersaBank, and principal occupations of its executive officers, as of December 10, 2025, are as follows:

| Name | Office Held | Principal Occupation |
|---|---|---|
| David R. Taylor<br>Ilderton, Ontario | President | President of VersaBank |
| Susan T. McGovern<br>Aurora, Ontario | Interim Chief Executive Officer | Executive Advisor in the Ontario Ministry of Finance |
| Tammie Ashton<br>London, Ontario | Executive Vice President | Executive Vice President of VersaBank |
| John Asma<br>London, Ontario | Chief Financial Officer | Chief Financial Officer of VersaBank |
| Garry Clement<br>Osgoode, Ontario | Chief Anti-Money Laundering Officer | Chief Anti-Money Laundering Officer of VersaBank |
| Michael R. Dixon<br>London, Ontario | Senior Vice President | Senior Vice President of VersaBank |
| Brent T. Hodge<br>London, Ontario | Senior Vice President, General Counsel and Corporate Secretary | Senior Vice President, General Counsel and Corporate Secretary of VersaBank |
| Saad Inam<br>London, Ontario | Chief Credit Officer | Chief Credit Officer of VersaBank |

| Name | Office Held | Principal Occupation |
|---|---|---|
| Joanne Johnston<br>Saskatoon, Saskatchewan | Chief Internal Auditor | Chief Internal Auditor of VersaBank |
| Nick Kristo<br>London, Ontario | Senior Vice President | Senior Vice President of VersaBank |
| Wooi Koay<br>London, Ontario | Chief Information Officer | Chief Information Officer of VersaBank |
| Elizabeth Kuranoff<br>Delaware, Ontario | Chief Compliance Officer | Chief Compliance Officer of VersaBank |
| Graham Monck<br>Clinton, Ontario | Chief Risk Officer | Chief Risk Officer of VersaBank |
| David Thoms<br>London, Ontario | Senior Vice President, Receivable Purchase Program | Senior Vice President, Receivable Purchase Program of VersaBank |
| Jonathan Taylor<br>Salt Spring Island, British Columbia | Chief Human Resources Officer | Chief Human Resources Officer of VersaBank |

As at December 10, 2025, there were 31,945,535 issued and outstanding Common Shares. The directors and executive officers of VersaBank as a group beneficially own, directly or indirectly, or have control or direction over 1,744,777 Common Shares, representing approximately 5.46% of the total number of Common Shares outstanding.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of VersaBank, there are no material interests, direct or indirect, of any director or executive officer of VersaBank, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of VersaBank's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the last three financial years ended October 31, 2025.

## TRANSFER AGENT AND REGISTRAR

VersaBank's current registrar and transfer agent is Odyssey Trust Company ("Odyssey"), 1230 – 300 5 th Avenue SW, Calgary, AB T2P 3C4.

## MATERIAL CONTRACTS

Other than the underwriting agreement dated December 16, 2024, entered into with Raymond James & Associates, Inc., Keefe, Bruyette & Woods, Inc. and Roth Canada, Inc., as underwriters in respect of the Offering (the "Underwriting Agreement"), and contracts entered into in the ordinary course of business, there have been no other material contracts entered into by the Bank during its most recently completed financial year. A copy of the Underwriting Agreement is available under the Bank's profile on SEDAR+ at www.sedarplus.ca.

## EXPERTS

Ernst & Young LLP are the current auditors of VersaBank. Ernst & Young LLP have confirmed with respect to VersaBank that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to VersaBank under all relevant U.S. professional and regulatory standards.

## AUDIT COMMITTEE

### AUDIT COMMITTEE MANDATE

The Mandate of the Audit Committee is attached to this Annual Information Form as Appendix B.

### COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee are:

(1) Paul G. Oliver (Chair)
(2) Peter M. Irwin
(3) Robbert-Jan Brabander

Each member of the Audit Committee is both independent and financially literate, as such terms are defined in Canadian securities legislation.

### RELEVANT EDUCATION AND EXPERIENCE

Mr. Oliver is a retired senior partner of PricewaterhouseCoopers LLP in the Financial Services Industry Practice. His practice focused on assurance, financial reporting, and business advisory services, covering a broad range of organizations, with a focus in the regulated financial services industry. Mr. Oliver was admitted to the Institute of Chartered Accountants in England and Wales in 1968. He was elected a Fellow of the Institute of Chartered Accountants of Ontario in 2003, after having been admitted to membership in 1971. Mr. Oliver is also a Certified Director of the Institute of Corporate Directors.

Mr. Irwin is a retired Canadian financial services executive with over 30 years of industry experience in a variety of roles, including investment banking, capital markets, corporate development, merchant banking, and private equity. A Managing Director at CIBC World Markets Inc. prior to his retirement in January 2017, he has worked with a wide range of corporate and government issuers and investors in the Canadian and international financial markets in many different areas. Mr. Irwin earned an Honours B.A. in Business Administration from the Ivey School of Business, Western University, in 1980.

Mr. Brabander is a businessman and former finance executive with over 20 years of industry experience in a variety of roles, including financial analysis, acquisitions and divestitures, treasury risk management, capital planning, foreign currency exposure, corporate financial accounting and reporting, and tax planning and management. He currently owns and operates a small telecommunications company in the greater Toronto area. Mr. Brabander earned a Master of Science in Economics from Erasmus University Rotterdam in 1988.

**PRE-APPROVAL POLICIES AND PROCEDURES**

The Board has approved an Audit Services Policy which provides that the Audit Committee shall pre-approve non-audit services and audit and non-audit related fees to be provided by the external auditor on a case-by-case basis.

**AUDITOR FEES**

Audit Fees

Audit fees paid to Ernst & Young LLP during the year ended October 31, 2025, for VersaBank were $3,091,000 and during the year ended October 31, 2024, were $1,053,000. Audit fees were for professional services rendered by Ernst & Young LLP for the audit of VersaBank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees paid to Ernst & Young LLP during the year ended October 31, 2025, for VersaBank were $164,000 and during the year ended October 31, 2024, for VersaBank were $136,000. Audit-related fees were for assurance and services reasonably related to the performance of the audit of the consolidated financial statements.

Tax Fees

Fees paid to Ernst & Young LLP for tax related services during the year ended October 31, 2025, for VersaBank were $254,000 and during the year ended October 31, 2024, for VersaBank were $268,050. Tax fees were for tax compliance, tax advice and tax-planning professional services.
Ernst & Young LLP fees are exclusive of any information technology infrastructure costs and administrative support charges and applicable taxes. No other fees were paid to Ernst & Young LLP during the years ended October 31, 2025, or October 31, 2024.

All Other Fees

Non-audit-related fees paid to Ernst & Young LLP during the year ended October 31, 2025, for VersaBank were $82,000 and during the year ended October 31, 2024, for VersaBank was $195,000. Non-audit-related fees were for other advisory services.

ADDITIONAL INFORMATION

Additional information regarding VersaBank may be found on SEDAR+ at www.sedarplus.ca, EDGAR at www.sec.gov/edgar, or at www.versabank.com.

Information, including directors' and officers' remuneration and indebtedness, principal holders of VersaBank's securities, and securities authorized for issuance under equity compensation plans will be contained in the Management Proxy Circular for the Annual Meeting of Shareholders being held on or about April 1, 2026. All or a portion of any incentive-based compensation payable to the Bank's executive officers may be deferred in accordance with the Bank's Compensation Recoupment Policy. Additional financial information is provided in VersaBank's consolidated financial statements and MD&A for the year ended October 31, 2025.

THE DEFINITION OF A “RATING”:

**In general terms, ratings are opinions that reflect the creditworthiness of an issuer, a security, or an obligation. Creditworthiness is determined by assessing coverage of the estimated loss via current and forward-looking measurements that assess an issuer's ability and willingness to make payments on ultimate obligations (including principal, interest, dividend or other types of distributions) per the terms of an obligation. Ratings for structured finance vehicles reflect an opinion of the ability of the pooled assets to fund repayment to investors according to each security's stated payment obligation. Ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by Egan-Jones, which information is not audited or verified by Egan-Jones. Ratings are not buy, hold or sell recommendations and do not address the market price of a security. Ratings may be upgraded, downgraded, placed under review, confirmed and discontinued.**

**Long Term Credit Ratings**

**AAA**
Egan-Jones expects AAA ratings to have the highest level of creditworthiness with the lowest sensitivity to evolving credit conditions.

**AA**
Egan-Jones expects AA ratings to have a higher level of creditworthiness with very low sensitivity to evolving credit conditions.

**A**
Egan-Jones expects A ratings to have the high level of creditworthiness with low sensitivity to evolving credit conditions.

**BBB**
Egan-Jones expects 'BBB' ratings to have the moderate level of creditworthiness with moderate sensitivity to evolving credit conditions.

**BB, B, CCC, CC, and C**
Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB**
Egan-Jones expects BB ratings to have a low level of creditworthiness with high sensitivity to evolving credit conditions.

**B**
Egan-Jones expects B ratings to have a lower level of creditworthiness with higher sensitivity to evolving credit conditions.

**CCC**
Egan-Jones expects CCC ratings to have a lowest level of creditworthiness with highest sensitivity to evolving credit conditions.

**CC**
Egan-Jones expects CC ratings to have the lowest level of creditworthiness and some expectation of recovery.

**C**
Egan-Jones expects C ratings to have the lowest level of creditworthiness and little expectation of recovery.

**D**
Egan-Jones expects D ratings to have the no determinable level of creditworthiness with uncertain recovery expectations.

**Plus (+) or minus (-)**
The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

**NR**
This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that Egan-Jones's does not rate a particular obligation as a matter of policy.

EJR derives its "watch" assignments from the difference between the current and projected ratings. No difference between the two results in a "stable" watch, a higher projected rating results in a "positive" or "POS" watch and a lower projected rating results in a "negative" or "NEG" watch. The absence of a projected rating results in a "developing" or "DEV" watch. The addition of a POS or NEG is at the discretion of the analyst or Rating Committee and usually results from the direction the rate is expected to move over time.

For structured finance ratings, EJR will assign the "(sf)" modifier to any related ratings. Where applicable, a "AAA" rating in structured finance would be denoted by a "AAA(sf)"; the "(sf)" symbol only indicates that the security is a structured finance instrument. The following asset types are generally considered SF transactions and would therefore be assigned the "sf" modifier: asset-backed securities (ABS), residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized debt obligations (CDOs), insurance securitizations, and asset-backed commercial paper (ABCP) programs. The list presented here is not intended to be all inclusive or an exhaustive list of SF securities that would carry the "(sf)" symbol.

Egan-Jones Ratings Company ("EJR") is not licensed as a nationally-recognized statistical rating organization ("NRSRO") in respect of "asset-backed securities" (as defined by the Securities and Exchange Commission) and any rating issued by EJR in respect of asset-backed securities is not issued or maintained by EJR in its capacity as an NRSRO.

**Short-Term Credit Ratings**

**A-1**
A-1 ratings have the highest short-term creditworthiness.

**A-2**
A-2 ratings have a higher short-term creditworthiness.

**A-3**
A-3 ratings have moderate short-term creditworthiness.

**B**
B ratings have a low short-term creditworthiness.

**C**
C ratings have the lowest short-term creditworthiness.

**D**
D ratings have no discernable short-term creditworthiness.

**Purpose**

The Audit Committee is responsible for assisting the Bank's Board of Directors (the "Board") in its oversight of (i) the integrity of the Bank's financial statements, public documents, and other financial filings; (ii) the qualifications, performance and independence of the external auditors; (iii) the performance of the Bank's Chief Financial Officer and internal audit function; and (iv) internal controls that are appropriately designed and operate effectively.

**Organization of the Audit Committee**

The Audit Committee shall be comprised of not less than three directors, one of whom shall serve as the Chair of the Committee. Each member of the Audit Committee must be independent, financially literate, and unaffiliated directors [i] [ii] [iii].

**Meetings of the Audit Committee**

In order for the Committee to transact business, a majority of the members of the Committee must be present. The Committee shall meet at least once each quarter and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate.

There shall be an in-camera session at each quarterly Committee meeting with only independent directors present.

Committee members are expected to devote the appropriate amount of time necessary to review meeting materials such that they are able to engage in informed discussion and make informed decisions.

**Reporting to the Board**

The Committee shall present a verbal summary report of matters discussed at each of its meetings at the next following meeting of the Board of Directors with respect to its activities with such recommendations as are deemed desirable in the circumstances. In addition, the Committee may call a meeting of the Board of Directors to consider any matter that is of concern to the Committee.

**Resources and Authority**

The Audit Committee has the authority to engage and compensate any outside advisor that is determined to be necessary to permit them to carry out these duties, provided such compensation does not exceed $10,000 in any fiscal year. Should the compensation of an outside advisor exceed $10,000 in any fiscal year the prior approval of the Board will be required.

**Duties and Responsibilities of the Audit Committee**

The members of the Audit Committee are charged with the following duties:

1. **Financial Statements, Public Documents & Other Financial Filings**

   a) Review such documents as needed to comply with regulatory requirements relevant to the Audit Committee, and report to the Board of Directors where approval of the documents by the Board is required.
   b) Review new accounting policies and amendments to existing accounting policies before recommending them to the Board of Directors for approval.
   c) Approve the interim quarterly financial statements and MD&A.
   d) Concur with the annual financial statements and the annual MD&A before recommending them to the Board of Directors for approval.
   e) Review and approve the interim quarterly and annual Basel III Pillar 3 Disclosures Report before public disclosure.
   f) Review the interim and annual earnings press releases before public disclosure.
   g) Review the Annual Information Form before recommending it to the Board of Directors for approval.
   h) Review the Monthly Reporting Package for the most recent quarter for which interim quarterly financial statements for the Bank are being issued.
   i) Review quarterly, management's assessment of the appropriateness of the expected credit loss allowance.
   j) Review such investments and transactions that could adversely affect the well-being of the Bank as the auditor or auditors or any officer may bring to the attention of the Committee.

2. **Disclosure**

   a) Concur with the Mandate of the Disclosure Committee before recommending it to the Board of Directors for approval.
   b) Review and approve the Corporate Disclosure Policy and all amendments thereto before recommending it to the Board of Directors for approval.
   c) Review the Disclosure Controls and Procedures.

3. **Internal Audit**

   a) Review and concur in the appointment, replacement or dismissal of the Chief Internal Auditor.
   b) Concur with the Mandate of the Internal Audit Function before recommending it to the Board of Directors for approval.
   c) Annually approve a comprehensive risk-based audit plan as submitted by the Chief Internal Auditor.
   d) Ensure there are no unjustified scope or resource restrictions or limitations on the Internal Audit function.
   e) Receive communications from the Chief Internal Auditor about the Internal Audit Function including its performance relative to its plan.

f) Review the Internal Audit NIE Variance Report and the Professional Fees Paid to Internal Audit Co-Source Partners Report following the Finance department's review and concurrence.
g) Review all internal audit reports as submitted by the Chief Internal Auditor.
h) Participate in discussions with the Chief Internal Auditor and senior management about the 'essential conditions', described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
i) Receive updates from the Chief Internal Auditor on the status of management's implementation of the recommendations within the internal audit reports.
j) Meet with the Chief Internal Auditor and with management to discuss the effectiveness of the internal control procedures established.
k) Annually, review the Mandate of the Internal Audit Function and evaluate the effectiveness of the Chief Internal Auditor and contribute to his or her Annual Performance Appraisal.
l) Meet with the Chief Internal Auditor in camera at the conclusion of each regularly scheduled meeting of the Committee.

**4. External Audit**

a) Concur with the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services before recommending them to the Board of Directors.
b) Meet with the external auditor to review the Audit Planning Memorandum and annually approve the Audit Planning Memorandum.
c) Concur with the compensation of the external auditor before recommending it to the Board of Directors for approval.
d) Pre-approve services and expenditures to the external auditor, in accordance with the Audit Services Policy.
e) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditor regarding financial reporting.
f) Meet with the external auditor or auditors to discuss the annual financial statements and the returns and transactions referred to in this Mandate.
g) Annually review all amounts paid to the external auditor and other accounting firms in the previous year.
h) Identify, evaluate by performing annual assessments and periodic comprehensive assessments and, where appropriate, recommend to the shareholder(s), replacement of the external auditor.
i) Annually report to the Board on the effectiveness of the external auditor.
j) Concur with hiring policies regarding partners, employees and former partners and employees of the present and former external auditor before recommending them to the Board of Directors for approval.
k) Concur with the hiring of a partner, employee or former partner or employee of the present or former external auditor before recommending it to the Board of Directors for approval.
l) Meet with the external auditor in-camera at the conclusion of each regularly scheduled meeting of the Committee.

5. **Capital Management**

a) Review, at least annually, the Bank's policies and procedures with respect to capital management and receive management reports regarding adherence to same.
b) Review and recommend to the Board for approval the annual Internal Capital Adequacy Assessment Process document of the Bank.
c) Annually, prepare and submit to the Board of Directors an Annual Report which includes a statement from the Chief Internal Auditor that the Capital Management policy is being complied with.

**6. Complaints and Confidential Reporting**

a) Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.
b) Establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or audit matters.

**7. Anti-Money Laundering and Anti-Terrorist Financing**

a) Oversee the Bank's Anti-Money Laundering and Anti-Terrorist Financing ("AML/ATF") program and monitor its effectiveness on a regular basis.
b) Be satisfied that the Chief Anti-Money Laundering Officer ("CAMLO") has the necessary resources to carry out CAMLO responsibilities.
c) Review and recommend to the Board for approval, the Bank's AML/ATF Policy, and all changes to the Policy.
d) At least annually, conduct a review of the AML/ATF Policy.
e) Receive information from the Bank's CAMLO on the inherent money laundering ("ML") and terrorist-financing ("TF") risks associated with the Bank's activities at least once every two years.
f) Receive information from the CAMLO on self-assessments of the ML and TF risk controls implemented by the Bank at least annually.
g) Receive an annual report from the CAMLO on compliance with the Bank's AML/ATF policy.
h) Receive a quarterly AML Risk Rating Report Summary from the CAMLO.
i) Receive reports from the CAMLO as to transactions reported to FINTRAC or submitted to any law enforcement agency.
j) Receive information from the CAMLO on significant changes to AML/ATF legislative requirements.
k) The Committee shall have unfettered access to the CAMLO.
l) Receive results of the Chief Internal Auditor's independent effectiveness testing of the Bank's AML/ATF program at least once every two years.
m) Report to the Board of Directors on information and reports received from the CAMLO and the Chief Internal Auditor.
n) Annually, review the mandate of the CAMLO and evaluate the effectiveness of the CAMLO and contribute to his or her Annual Performance Appraisal.
o) Meet with the CAMLO in-camera at least bi-annually.

**8. Internal Controls**

a) Require management to implement and maintain appropriate internal control procedures.
b) Review, evaluate and approve the internal control policies and procedures at least annually, and receive management reports regarding adherence to same to ensure internal controls are appropriately designed and operate effectively.

**9. Other Duties**

a) Annually, evaluate the effectiveness of the Chief Financial Officer and contribute to his or her Annual Performance Appraisal.
b) Regarding matters falling under the Mandate of the Audit Committee, be aware of increased reputational risk to the Bank which can potentially impact the Bank's image in the community or lower public confidence in it, resulting in the loss of business, legal action or increased regulatory oversight.
c) Review regulatory reviews regarding matters falling under the Mandate of the Audit Committee and the status of management's responses to any noted issues.
d) On an annual basis review the policies relating to matters falling under the Mandate of the Audit Committee and report to the Board of Directors.
e) Institute and oversee special investigations as needed.
f) Perform other activities related to the Mandate as requested by the Board of Directors.
g) Confirm annually to the Board of Directors that all responsibilities outlined in the Mandate have been carried out.
h) Taking into account the recommendation of the Conduct Review, Governance, and Human Resources Committee, elect and approve the Chair of the Audit Committee.

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[i] A director is independent if he or she meets the independence criteria as set out in the Bank's Director Independence Policy, including the subsection entitled "Additional Considerations for Audit Committee Members".

[ii] Financially literate means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that can reasonably be expected to be raised by the financial statements.

[iii] If the death, disability or resignation of a member has resulted in a vacancy of the Committee that the Board is required to fill, a Committee member appointed to fill such vacancy is exempt from the requirement for a period ending on the later of the next annual meeting and the date that is six months from the day the vacancy was created, so long as the Board has determined that a reliance on this exemption will not materially adversely affect the ability of the Committee to act independently and to satisfy its other requirements.

Exhibit 99.2




# Consolidated Financial Statements
## Years ended October 31, 2025 and 2024

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of VersaBank

**Opinion on the Consolidated Financial Statements**
We have audited the accompanying consolidated balance sheets of VersaBank (the Bank) as of October 31, 2025 and 2024, the related consolidated statements of income and comprehensive income, statements of changes in shareholders' equity, and cash flows for the years ended October 31, 2025 and 2024, and the related notes (collectively referred to as, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the year ended October 31, 2025 and 2024, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**Basis for Opinion**
These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting and Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Bank's auditor since 2023.

London, Canada
December 9, 2025

# VERSABANK

Consolidated Balance Sheets
As at October 31, 2025 and 2024

(thousands of Canadian dollars)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash (note 4) | $ | 581,710 | $ | 225,254 |
| Securities (note 5) | | 80,923 | | 299,300 |
| Credit assets, net of allowance for credit losses (note 6) | | 5,066,378 | | 4,236,116 |
| Property and equipment (note 7) | | 23,936 | | 23,885 |
| Goodwill (note 8) | | 12,301 | | 12,301 |
| Intangible assets (note 9) | | 10,560 | | 12,054 |
| Other assets (note 10) | | 32,667 | | 29,574 |
| | $ | 5,808,475 | $ | 4,838,484 |
| **Liabilities and Shareholders' Equity** | | | | |
| Deposits (note 11) | $ | 4,860,863 | $ | 4,144,673 |
| Subordinated notes payable (note 12) | | 103,516 | | 102,503 |
| Other liabilities (note 13) | | 311,423 | | 192,105 |
| | | 5,275,802 | | 4,439,281 |
| Shareholders' equity: | | | | |
| Share capital (note 14) | | 325,910 | | 215,610 |
| Contributed surplus | | 2,473 | | 2,485 |
| Retained earnings | | 203,728 | | 181,238 |
| Accumulated other comprehensive income | | 562 | | (130) |
| | | 532,673 | | 399,203 |
| | $ | 5,808,475 | $ | 4,838,484 |

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

On behalf of the Board:



**David R. Taylor**
President



**Hon. Frank J. C. Newbould**
Chair of the Board

# VERSABANK

Consolidated Statements of Income and Comprehensive Income
Years ended October 31, 2025 and 2024

(thousands of Canadian dollars, except per share amounts)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Interest income: | | | | |
| Credit assets | $ | 273,533 | $ | 264,881 |
| Other | | 22,147 | | 20,538 |
| | | 295,680 | | 285,419 |
| Interest expense: | | | | |
| Deposits and other | | 174,010 | | 177,094 |
| Subordinated notes | | 5,502 | | 5,670 |
| | | 179,512 | | 182,764 |
| Net interest income | | 116,168 | | 102,655 |
| Non-interest income | | 8,473 | | 8,978 |
| Total revenue | | 124,641 | | 111,633 |
| Provision for (recovery of) credit losses (note 6(b)) | | 4,413 | | (268) |
| | | 120,228 | | 111,901 |
| Non-interest expenses: | | | | |
| Salaries and benefits | | 37,984 | | 32,784 |
| General and administrative | | 33,727 | | 19,169 |
| Premises and equipment | | 7,024 | | 5,155 |
| | | 78,735 | | 57,108 |
| Income before income taxes | | 41,493 | | 54,793 |
| Income tax provision (note 16) | | 13,035 | | 15,045 |
| Net income | $ | 28,458 | $ | 39,748 |
| Other comprehensive income (loss): | | | | |
| Items that may subsequently be reclassified to net income: | | | | |
| Foreign exchange gain (loss) on translation of foreign operations | | 692 | | (261) |
| Comprehensive income | $ | 29,150 | $ | 39,487 |
| Basic and diluted income per common share (note 17) | $ | 0.90 | $ | 1.49 |

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

# VERSABANK

Consolidated Statements of Changes in Shareholders' Equity
Years ended October 31, 2025 and 2024

(thousands of Canadian dollars)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Common shares (note 14): | | | | |
| Balance, beginning of the year | $ | 215,610 | $ | 214,824 |
| Options exercised during the year | | 108 | | 786 |
| Purchased and cancelled during the year | | (6,137) | | - |
| Issued during the period | | 114,772 | | - |
| Share issue cost adjustment | | 1,557 | | - |
| Balance, end of the year | $ | 325,910 | $ | 215,610 |
| Preferred shares (note 14): | | | | |
| *Series 1 preferred shares* | | | | |
| Balance, beginning of the year | $ | - | $ | 13,647 |
| Redemption of preferred shares | | - | | (13,647) |
| Balance, end of the year | $ | - | $ | - |
| Total share capital | $ | 325,910 | $ | 215,610 |
| Contributed surplus: | | | | |
| Balance, beginning of the year | $ | 2,485 | $ | 2,513 |
| Stock-based compensation (note 15) | | 61 | | 168 |
| Tax adjustment relating to cancelled common shares | | (73) | | - |
| Part VI tax | | - | | (196) |
| Balance, end of the year | $ | 2,473 | $ | 2,485 |
| Retained earnings: | | | | |
| Balance, beginning of the year | $ | 181,238 | $ | 146,043 |
| Adjustment for purchased and cancelled common shares | | (2,990) | | - |
| Transfer of transaction costs on redemption of Series 1, preferred shares (note 14) | | - | | (965) |
| Tax adjustment related to prior years | | 257 | | - |
| Net income | | 28,458 | | 39,748 |
| Dividends paid on common and preferred shares | | (3,235) | | (3,588) |
| Balance, end of the year | $ | 203,728 | $ | 181,238 |
| Accumulated other comprehensive income (loss), net of taxes: | | | | |
| Balance, beginning of the year | $ | (130) | $ | 131 |
| Other comprehensive income (loss) | | 692 | | (261) |
| Balance, end of the year | $ | 562 | $ | (130) |
| Total shareholders' equity | $ | 532,673 | $ | 399,203 |

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

# VERSABANK

Consolidated Statements of Cash Flows
Years ended October 31, 2025 and 2024

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Net income | $ 28,458 | $ 39,748 |
| Adjustments to determine net cash flows: | | |
| Items not involving cash: | | |
| Provision for (recovery of) credit losses | 4,413 | (268) |
| Stock-based compensation | 81 | 348 |
| Income tax provision | 13,035 | 15,045 |
| Interest income | (295,680) | (285,419) |
| Interest expense | 179,512 | 182,764 |
| Impairment of assets | - | 415 |
| Amortization | 3,101 | 2,634 |
| Accretion of discount on securities | (150) | (373) |
| Foreign exchange rate change on assets and liabilities | 3,061 | (1,560) |
| Interest received | 293,416 | 276,883 |
| Interest paid | (186,917) | (167,657) |
| Income taxes paid | (14,429) | (19,719) |
| Change in operating assets and liabilities: | | |
| Credit assets | (829,788) | (307,844) |
| Deposits | 723,842 | 523,278 |
| Change in other assets and liabilities | 122,496 | 14,430 |
| | 44,451 | 272,705 |
| Investing: | | |
| Acquisition of Stearns Bank Holdingford N.A., net of cash acquired | - | (12,116) |
| Foreign exchange forward settlement | (5,315) | - |
| Sale of securities | 218,527 | (126,889) |
| Purchase of property and equipment | (954) | (18,578) |
| | 212,258 | (157,583) |
| Financing: | | |
| Issuance of common shares, net of issue costs | 114,772 | 607 |
| Purchase and cancellation of common shares | (9,127) | - |
| Redemption of subordinated notes payable (note 12) | - | (5,000) |
| Redemption of preferred shares (note 14) | - | (14,615) |
| Dividends paid | (3,235) | (3,588) |
| Repayment of lease obligations | (367) | (736) |
| | 102,043 | (23,332) |
| Change in cash | 358,752 | 91,790 |
| Effect of exchange rate changes on cash | (2,296) | 1,222 |
| Cash, beginning of year | 225,254 | 132,242 |
| Cash, end of year | $ 581,710 | $ 225,254 |

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

## 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 Office of the Comptroller of the Currency ("OCC") charter and is regulated by the OCC (note 26). 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:

These Consolidated Financial Statements have been prepared in accordance with the *Bank Act (Canada).* OSFI has instructed that the financial statements are to be prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies used in the preparation of these consolidated financial statements, including the accounting requirements of OSFI, are summarized below.

a) Statement of compliance:

These Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

b) Date authorized for issuance:

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of the Bank on December 09, 2025.

c) Basis of measurement:

These Consolidated Financial Statements have been prepared on the historical cost basis except for assets and liabilities acquired in a business combination which are measured at fair value at the date of acquisition, securities (see note 5), the investment in Canada Stablecorp Inc. (see note 10), and derivatives (see note 18), which are also measured at fair value in the Consolidated Balance Sheets.

d) Functional and presentation currency:

These Consolidated Financial Statements are presented in Canadian dollars which is the Bank's functional currency. Functional currency is also determined for each of the Bank's subsidiaries and items included in the financial statements of the subsidiaries are measured using their functional currency (see note 3 m) – Foreign currency translation).

**2. Basis of preparation – continued:**

e) Use of estimates and judgments:

In preparing these Consolidated Financial Statements, management has exercised judgment 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 increases in credit risk on financial assets since initial recognition and in the selection of relevant forward-looking information as described in note 3e – Financial instruments. Estimates are applied in the determination of the allowance for expected credit losses on financial assets, the fair value of stock options granted, the fair value of derivatives, the impairment test applied to intangible assets and goodwill, the measurement of deferred income taxes and the revaluation of fixed assets. It is reasonably possible, on the basis of 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 policies:**

The material accounting policies used in the preparation of these Consolidated Financial Statements were applied consistently to all years and are summarized below:

a) Principles of consolidation:

The Bank currently holds 100% of the common shares of DRT Cyber Inc., VersaHoldings US Corp. and VersaJet Inc. DRT Cyber Inc. holds 100% of the common shares of Digital Boundary Group Canada Inc. and Digital Boundary Group Inc. (“Digital Boundary Group” or “DBG”). VersaHoldings US Corp. holds 100% of the common shares of VersaFinance US Corp and 100% of the common shares of VersaBank USA. The Consolidated Financial Statements include the accounts of these subsidiaries. All significant intercompany accounts and transactions have been eliminated.

b) Segment reporting:

The Bank’s management has established four reportable operating segments, those being Digital Banking Canada, Digital Banking USA, DRTC, and Digital Meteor. Details of the Bank’s segment reporting are set out in note 25.

**3. Material accounting policies – continued:**

c) Business combinations

The Bank applies IFRS 3: *Business Combinations* ("IFRS 3") in its accounting for business combinations using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration if applicable, at the acquisition date. A contingent consideration is a financial instrument and, as such, is remeasured each period thereafter with the adjustment recorded to acquisition-related fair value changes in the consolidated statements of income and comprehensive income. Acquisition-related costs are recognized as an expense in the income statement in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred, including, if applicable, any amount of any non-controlling interest in the acquiree, over the net of the recognized amounts of the identifiable assets acquired and the liabilities assumed.

d) Revenue recognition:

Interest income on cash, securities and credit assets is recognized in net interest income using the effective interest rate method over the expected life of the instrument. Interest income earned but not yet collected on cash, securities and credit assets is included in the respective cash, securities and credit assets categories on the Consolidated Balance Sheets.

Interest income is recognized on impaired credit assets and is accrued using the rate of interest used to discount the future cash flows for purposes of measuring the impairment loss. Credit asset fees integral to the yield on the credit asset are amortized to interest income using the effective interest rate method; otherwise, the fees are recorded in non-interest income.

The Bank's non-interest income stream is substantially derived from the operations of DRTC and its wholly owned subsidiaries. DRTC generates professional services revenue primarily from fees charged for IT security assurance services, supervisory control and data acquisition system assessments, as well as IT security training. Revenue is recognized when service is rendered and performance obligations have been satisfied and no material uncertainties remain as to the collection of receivables.

e) Financial instruments:

*Classification and measurement*

Under IFRS 9: *Financial Instruments* ("IFRS 9"), all financial assets, with the exception of equity and derivatives, must be classified at initial recognition as a function of the financial asset's contractual cash flow characteristics and the business model under which the financial asset is managed. These financial assets are initially measured at fair value, and are classified and subsequently measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income. Financial assets are required to be reclassified when the business model under which they are managed has changed. Any reclassifications are applied prospectively from the reclassification date. All financial liabilities are measured at amortized cost unless elected otherwise.

**3. Material accounting policies – continued:**

e) Financial instruments:

*Debt instruments*

Financial assets that are debt instruments are categorized into one of the following measurement categories:
- amortized cost;
- fair value through other comprehensive income ("FVOCI");
- fair value through profit and loss ("FVTPL").

The characterization of a debt instrument's cashflows is determined through a solely payment of principal and interest ("SPPI") test. The SPPI test is conducted to identify whether the contractual cash flows of a debt instrument are in fact solely payments of principal and interest and are consistent with a basic lending arrangement. In the context of the SPPI test, "Principal" is defined as the fair value of the debt instrument at origination or initial recognition, which may change over the life of the instrument as a function of a number of variables including principal repayments, prepayments, or amortization of a premium/discount. In the context of the SPPI test "Interest" is defined as the consideration for the time value of money and credit risk. The rationale for the SPPI test is to ensure that debt instruments that include structural features that are incongruent with a basic lending arrangement, such as conversion options, are classified as, and measured at FVTPL.

The Bank's credit assets are categorized and measured as amortized cost. Debt instruments with contractual cash flows that meet the SPPI test and are managed on a hold to collect basis are measured at amortized cost. These financial instruments are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for credit losses. The effective interest rate is the rate that discounts estimated future cashflows through the expected life of the instrument to the gross carrying amount of the instrument. Amortized cost is calculated as a function of the effective interest rate, taking into account any discount or premium on acquisition, transaction costs and fees. Amortization of these costs is included in interest income in the consolidated statement of income.

The Bank's securities are measured at fair value and categorized as FVOCI.

**3. Material accounting policies – continued:**

e) Financial instruments – continued:

*Equity instruments*

Equity instruments are measured at fair value and categorized as FVTPL unless an irrevocable designation is made at initial recognition to categorize as FVOCI. Gains or losses from changes in the fair value of equity financial instruments designated at FVOCI, including any related foreign exchange gains or losses, are recognized in other comprehensive income ("OCI"). Amounts recognized in OCI are not to be subsequently reclassed to profit or loss, with the exception of dividends. Dividends received are recorded in non-interest income in the consolidated statement of income. Cumulative gains or losses upon derecognition of the equity instrument will be transferred within equity from accumulated OCI to retained earnings.

The Bank has made an irrevocable election to designate its investment in Canada Stablecorp Inc. as FVOCI and it is recorded at fair value.

*Allowance for expected credit losses*

The Bank must maintain an allowance for expected credit losses ("ECL") that is adequate, in management's opinion, to absorb all credit related losses in the Bank's lending and treasury portfolios. The Bank's allowance for expected credit losses is estimated using the ECL methodology and is comprised of expected credit losses recognized on all financial assets that are debt instruments, classified either as amortized cost or as FVOCI, and on all credit asset commitments and financial guarantees that are not measured at FVTPL.

Expected credit losses represent unbiased and probability-weighted estimates that are modeled as a function of a range of possible outcomes as well as the time value of money, and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, or more specifically forward-looking information ("FLI") (see Forward-looking information below).

The Bank's ECL or impairment model estimates 12 months of expected credit losses for performing credit assets that have not experienced a significant increase in credit risk, ("SICR") since initial recognition. Additionally, the ECL model estimates lifetime expected credit losses on performing credit assets that have experienced a SICR since initial recognition. Further, individual allowances are estimated for credit assets that are determined to be credit impaired.

Credit assets or other financial instruments that have not experienced a SICR since initial recognition are designated as stage 1, while credit assets or other financial instruments that have experienced a SICR since initial recognition are designated as stage 2, and credit assets or other financial instruments that are determined to be credit impaired are designated as stage 3. Subsequent to the initial stage designation, the Bank's credit assets or other financial instruments may transfer between stages due to these credit assets or financial instruments experiencing a significant change in credit risk.

**3. Material accounting policies – continued:**

e) Financial instruments – continued:

*Assessment of significant increase in credit risk*

At each reporting date, the Bank assesses whether or not there has been a SICR for credit assets since initial recognition by comparing, at the reporting date, the risk of default occurring over the remaining expected life against the risk of default at initial recognition. The determination of a SICR is a function of the credit asset's internal risk rating assignment, internal watchlist status, credit asset review status and delinquency status all of which are updated as necessary in response to changes including, but not limited, to changes in macroeconomic and/or market conditions, changes in a obligor's credit risk profile, and changes in the strength of the underlying security, including guarantor status, if a guarantor exists.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SICR. As a result, qualitative factors may be considered to supplement such a gap. Examples include changes in adjudication criteria for a particular group of obligors or asset categories or changes in portfolio composition.

With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of a credit asset or other financial instrument has increased since initial recognition when contractual payments are more than 30 days delinquent. The Bank chose to use 60 days delinquency as an appropriate indicator of increased credit risk as it serves as a stable early warning indicator that the cashflows associated with the credit asset or other financial instrument under consideration may be uncertain and may not be realized by the Bank under the contractual repayment terms.

*Expected credit loss model - Estimation of expected credit losses*

Expected credit losses are an estimate of a credit asset's expected cash shortfalls discounted at the effective interest rate, where a cash shortfall is the difference between the contractual cash flows that are due to the Bank and the cash flows that the Bank actually expects to receive. The ECL calculation is a function of the credit risk parameters; probability of default, loss given default, and exposure at default associated with each credit asset, sensitized to future market and macroeconomic conditions through the incorporation of FLI derived from multiple economic forecast scenarios, including baseline, upside, and downside scenarios.

**3. Material accounting policies – continued:**

e) Financial instruments – continued:

For clarity:

- The probability of default ("PD") for a credit asset or a financial instrument is an estimate of the likelihood of default of that instrument over a given time horizon;
- The loss given default ("LGD") for a credit asset or financial instrument is an estimate of the loss arising in the case where a default of that instrument occurs at a given time or over a given period; and,
- The exposure at default ("EAD") for a credit asset or financial instrument is an estimate of the Bank's exposure derived from that instrument at a future default date.

The Bank's ECL model develops contractual cashflow profiles for credit assets as a function of a number of underlying assumptions and a broad range of input variables. The expected cashflow schedules are subsequently derived from the contractual cashflow schedules, adjusted for incremental default amounts, forgone interest, and recovery amounts. The finalized contractual and expected cashflow schedules are subsequently discounted at the effective interest rate to determine the expected cash shortfall or expected credit losses for each individual credit asset or financial instrument.

Individual allowances are estimated for credit assets or other financial instruments that are determined to be credit impaired and that have been designated as stage 3. A credit asset or other financial instrument is classified as credit impaired when the Bank becomes aware that, before taking into consideration collateral or credit enhancements, all of, or a portion of the contractual cashflows associated with the credit asset or other financial instrument may be impacted and as a result may not be realized by the Bank under the repayment schedule set out in the contractual terms associated with the credit asset or other financial instrument. Credit assets or other financial instruments for which interest or principal is contractually past due 90 days are automatically recognized as stage 3, however in estimating expected credit losses for stage 3 credit assets or other financial instruments, management takes into consideration whether the credit asset or other financial instrument is fully secured or is in the process of collection and whether collection efforts are reasonably expected to result in repayment of the credit asset or other financial instrument. The ECL model requires the 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 origination which is reflected in the Bank's stage 2 grouping. Impaired credit assets require recognition of lifetime losses and are reflected in the Bank's stage 3 grouping.

**3. Material accounting policies – continued:**

e) Financial instruments – continued:

*Forward-looking information*

IFRS 9: *Financial Instruments* ("IFRS 9") requires consideration of past events, current market conditions and reasonable, supportable information about future economic conditions that is available without undue cost and effort in the estimation of the expected credit losses for credit assets or other financial instruments. More specifically, under IFRS 9 expected credit losses represent an unbiased, probability-weighted estimate of the present value of cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of a default occurring in a given time period used as the weights). Additionally, IFRS 9 stipulates that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. The estimation and application of forward-looking information is an attempt to capture the impact of future economic conditions and requires judgement.

The Bank incorporates the impact of future economic conditions, or more specifically forward-looking information into the estimation of expected credit losses at the credit risk parameter level. This is accomplished via the credit risk parameter models and proxy datasets that the Bank utilizes to develop PD and LGD term structure forecasts for its credit assets. 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 risk parameters under multiple macroeconomic scenarios that consider both market-wide and idiosyncratic factors and influences. These systems are used in conjunction with the Bank's internally developed ECL models. Given that the Bank has experienced very limited historical losses and, therefore, does not have available statistically significant loss data inventory for use in developing forward-looking expected credit loss trends, the use of unbiased, third-party forward-looking credit risk parameter modeling systems is particularly important for the Bank in the context of the estimation of expected credit losses.

The Bank utilizes macroeconomic indicator data derived from multiple macroeconomic scenarios comprised of baseline, upside, and downside scenarios in order to mitigate volatility in the estimation of expected credit losses as well as to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. More specifically, the macroeconomic indicators set out in the macroeconomic scenarios are used as inputs for the credit risk parameter models utilized by the Bank to sensitize the individual PD and LGD term structure forecasts to the respective macroeconomic trajectory set out in each of the scenarios. The weighted average of the individual, sensitized PD and LGD values that comprise each individual term structure forecast is subsequently computed to define unbiased PD and LGD term structure forecasts, which in turn are applied as inputs to the Bank's internal ECL model in the estimation of expected credit losses for the Bank's credit assets. Macroeconomic indicator data derived from the baseline, upside and downside scenarios referenced above is also utilized in the development of credit risk parameter proxy datasets and applied to the Bank's consumer credit asset and small and medium enterprise ("SME") credit asset portfolios.

**3. Material accounting policies – continued:**

e) Financial instruments – continued:

The macroeconomic indicator data utilized by the Bank for the purpose of sensitizing PD and LGD 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 price of oil, and the S&P/TSX Index. 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 balance sheet, including: corporate, consumer and real estate market dynamics; corporate, consumer and SME borrower performance; geography; as well as collateral value volatility, are all appropriately captured and incorporated into the Bank's forward macroeconomic sensitivity analysis.

*Modified financial instruments*

If the terms of a financial instrument are modified or an existing financial instrument is replaced with a new one, an assessment is made to determine if the financial instrument should be derecognized.

Where the modification does not result in derecognition, the date of origination continues to be used to determine SICR. Where modification results in derecognition, the modified financial instrument is considered to be a new instrument.

*Fair value of financial instruments*

Estimates of fair value are developed using a variety of valuation methods and assumptions. The Bank follows a fair value hierarchy to categorize the inputs used to measure fair value for its financial instruments. The fair value hierarchy is based on quoted prices in active markets (Level 1), models using inputs other than quoted prices but with observable market data (Level 2), or models using inputs that are not based on observable market data (Level 3).

Valuation models may require the use of inputs, transaction values derived from models and input assumptions sourced from pricing services. Valuation inputs are either observable or unobservable. The Bank makes use of external, readily observable market inputs when available and may include certain prices and rates for shorter-dated Canadian yield curves and banker's acceptances. Unobservable inputs may include credit spreads, probability of default and recovery rates.

f) Property and equipment:

Property and equipment is carried at cost less accumulated amortization and impairment. Amortization on property and equipment is primarily calculated using the straight-line method over the useful life of the equipment which typically ranges between 5 and 20 years.

**3. Material accounting policies – continued:**

f) Property and equipment – continued:

Property and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amounts may not be recoverable. Amortization expense and impairment write-downs are included in premises and equipment expense in the Consolidated Statements of Comprehensive Income.

g) Goodwill and intangible assets:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the value allocated to the tangible and intangible assets, less liabilities assumed, based on their fair values. Goodwill is not amortized but rather tested for impairment annually or more frequently if events or a change in circumstances indicate that the asset might be impaired. Impairment is determined for goodwill by assessing if the carrying value of cash generating units ("CGUs") which comprise the CGU segment, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in profit or loss in the reporting year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Intangible assets acquired in a business acquisition are recorded at their fair value. In subsequent reporting periods, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded on a straight-line basis over the expected useful life of the intangible asset. At each reporting date, the carrying values of intangible assets are reviewed for indicators of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU's. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. The recoverable amount of an asset or CGU is the higher of fair value less costs to sell and value in use. In assessing fair value less cost to sell the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

**3. Material accounting policies – continued:**

g) Goodwill and intangible assets – continued:

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years.

The Bank develops proprietary cybersecurity, banking and financial services technology. Any research or early-stage scoping activities are expensed as incurred in the period. The Bank recognizes internally generated intangible assets on the development of proprietary technology when it has determined that there is technical feasibility and resources available to complete a product, demonstrated an existence of an established market for the product as well as support to generate future revenues or derive future economic benefits from the product. As these intangible assets are not yet available for use, the Bank tested these assets for impairment annually by comparing the carrying amount with the recoverable amount. Recoverable amount is determined by fair value less cost to sell method.

h) Income taxes:

Current income taxes are calculated based on taxable income for the reporting period. Taxable income differs from accounting income because of differences in the inclusion and deductibility of certain components of income which are established by taxation authorities. Current income taxes are measured at the amount expected to be recovered or paid using statutory tax rates at the reporting period end.

The Bank follows the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities arise from temporary differences between financial statement carrying values and the respective tax base of those assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when temporary differences are expected to be recovered or settled.

Deferred income tax assets are recognized in the Consolidated Financial Statements to the extent that it is probable that the Bank will have sufficient taxable income to enable the benefit of the deferred income tax asset to be realized. Unrecognized deferred income tax assets are reassessed for recoverability at the end of each reporting period.

Current and deferred income taxes are recorded in income for the period, except to the extent that the tax arose from a transaction that is recorded either in Other Comprehensive Income or Equity, in which case the income tax on the transaction will also be recorded either in Other Comprehensive

**3. Material accounting policies – continued:**

h) Income taxes – continued:

Income or Equity. Accordingly, current and deferred income taxes are presented in the Consolidated Financial Statements as a component of income, or as a component of Other Comprehensive Income.

i) Employee benefits:

i) Short-term benefits:

Short-term employee benefit obligations are recognized as employees render their services and are measured on an undiscounted basis.

A liability is recognized for the amount expected to be paid under a short-term cash bonus plan if the Bank has an obligation to make such payments as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Share-based payment transactions:

*Equity-settled stock options*

Employee stock options are measured using the Black-Scholes pricing model which is used to estimate the fair value of the options at the date of grant. Inputs to the Black-Scholes model include the closing share price on the grant date, the exercise price, the expected option life, the expected dividend yield, the expected volatility and the risk-free interest rate. Once the expected option life is determined, it is used in formulating the estimates of expected volatility and the risk-free rate. Expected future volatility is estimated using a historical volatility look-back period that is consistent with the expected life of the option.

The fair value of options which vest immediately are recognized in full as of the grant date, whereas the fair value of options which vest over time are recognized over the vesting period using the graded method which incorporates management's estimates of the options which are not expected to vest. The effect of a change in the estimated number of options expected to vest is a change in estimate and the cumulative effect of the change is recognized prospectively once the estimate is revised. The fair value of stock options granted is recorded in salaries and benefits expense in the Consolidated Statements of Income and in Contributed Surplus in the Consolidated Balance Sheets. When employee stock options are exercised, the consideration received and the estimated fair value previously recorded in Contributed Surplus is recorded as Share Capital. The Bank's stock option plan is described in note 15.

**3. Material accounting policies – continued:**

j) Share capital:

The Bank's share capital consists of common shares and preferred shares. Costs directly incurred with raising new share capital are charged against equity. Other costs are expensed as incurred.

k) Contributed surplus:

Contributed surplus consists of the fair value of stock options granted since inception, less amounts reversed for exercised stock options. If granted options vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

l) Leases:

At inception of a contract, the Bank assesses whether a contract is, or contains a lease arrangement based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset and/or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this methodology most closely reflects the expected pattern of consumption of the associated future economic benefits. The lease term includes periods covered by an option to extend if there is reasonable certainty that the Bank will exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or the remeasured amount is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank elects to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

**3. Material accounting policies – continued:**

m) Foreign currency translation:

Transactions in foreign currencies are translated into the respective functional currencies of the Bank and its subsidiaries at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the reporting date. Foreign currency differences are recognized in profit and loss. Investments classified as fair value through other comprehensive income denominated in a foreign currency are translated into Canadian dollars at the exchange rate at the reporting date. All resulting changes are recognized in other comprehensive income.

*Foreign operations*

The assets and liabilities of Digital Boundary Group Inc. and VersaBank USA, both US operations of the Bank, have functional currencies other than the Canadian dollar, and are translated into Canadian dollars at the exchange rate at the reporting date. The income and expenses of these operations are translated into Canadian dollars at the exchange rate at the date of transaction and the foreign currency differences are recognized in other comprehensive income. All other US operations are recognized as having functional currency based on the Canadian dollar.

n) Derivative instruments:

Derivatives are measured at FVTPL except to the extent that they are designated in a hedging relationship.

Derivatives are reported as other assets when they have a positive fair value and as other liabilities when they have a negative fair value. Derivatives may be embedded in other financial instruments. Derivatives embedded in other financial instruments are valued as separate derivatives when: the economic characteristics and risks associated are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a derivative if it was a stand-alone, independent instrument; and the combined contract is not held for trading or designated at fair value through profit or loss. For financial statement disclosure purposes, embedded derivatives are combined with the host contract.

Derivative contracts which do not qualify for hedge accounting are marked-to-market and the resulting net gains or losses are recognized in non-interest income in the Consolidated Statement of Income and Comprehensive Income.

*Hedge accounting*

The Bank has elected, as permitted, to apply the hedge accounting requirements of IAS 39: *Financial Instruments: Recognition and Measurement* ("IAS 39"). Derivative contracts which do not qualify for hedge accounting are marked-to-market and the resulting net gains or losses are recognized in non-interest income in the Consolidated Statement of Income and Comprehensive Income.

**3. Material accounting policies – continued:**

n) Derivative instruments - continued:

To meet the criteria for hedge accounting, the Bank documents all relationships between hedging instruments and hedged items, how hedge effectiveness is assessed, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking hedging instruments to specific assets or liabilities on the Consolidated Balance Sheet or net investment in foreign subsidiaries. The Bank also formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of the hedged items.

There are three main types of hedges: (i) fair value hedges, (ii) cash flow hedges and (iii) net investment hedges.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Bank will assess whether the hedging relationship meets the hedge effectiveness requirements (including an analysis of sources of hedge ineffectiveness and how the hedge effectiveness is assessed). In order to qualify for hedge accounting, a hedging relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was also highly effective in the previous designated period (i.e., three month). A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of between 80% to 125%.

Interest rate swap agreements are entered into for asset liability management purposes. The Bank has a fair value hedge outstanding. In a fair value hedge, the change in the fair value of the hedging instrument is recognized in non-interest income in the Consolidated Statements of Income and Comprehensive Income. The change in the fair value of the hedged item attributable to hedge risk is recorded as part of the carrying value of the hedged item (basis adjustment) and is also recognized in non-interest income in the Consolidated Statements of Income and Comprehensive Income. The Bank utilizes fair value hedges primarily to convert fixed rate financial assets to floating rate financial assets. The primary financial instruments designated in fair value hedging relationships are interest rate swap agreements entered into for hedging purposes. If the derivative expires or is sold, terminated, no longer meets the criteria for hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any basis adjustment up to that point made to a hedged item for which the effective interest method is used is amortized to the Consolidated Statements of Income and Comprehensive Income as part of the recalculated effective interest rate of the item over its remaining term. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the Consolidated Statements of Income and Comprehensive Income.

**3. Material accounting policies – continued:**

n) Derivative instruments - continued:

In fair value hedges, ineffectiveness arises to the extent that the change in fair value of the hedging items differs from the change in fair value of the hedge risk in the hedged item. Any hedge ineffectiveness is measured and recorded in non-interest income in the Consolidated Statements of Income and Comprehensive Income.

The Bank also has net investment hedges outstanding. The bank applies hedge accounting under IAS 39 for foreign currency risk on its net investments in VersaBank USA operations. To manage this risk, the Bank has designated a specific foreign exchange forward contract as a hedge of the net investment in its foreign subsidiary. 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. Change in fair value of the hedging instrument is recognized in other comprehensive income (OCI) to the extent that the hedge is effective. These gains and losses are accumulated in OCI until the net investment is disposed of, at which point they are reclassified to profit or loss as part of the gain or loss on disposal.

Any ineffective portion of the hedge is recognized immediately in profit or loss. Hedge effectiveness is assessed by comparing changes in the fair value or cash flows of the hedging instrument and the net investment. The Bank ensures compliance with IAS 39 hedge accounting criteria, confirming that all hedging relationships are documented at inception and that hedge effectiveness is regularly monitored and reviewed.

Forming part of the net investment hedges is a hedge, which has been designated in addition to the foreign exchange forward contract designated to completely hedge the investment in VersaBank USA. This hedge is achieved by allocating a portion of the subordinated debt raised by the Bank in April, 2021. The allocated portion of the subordinated debt (liability) and the investment (asset) move in equal and opposite directions, with the liability serving as a hedge against rate fluctuations that could impact the valuation of the investment asset.

o) Future accounting standard pronouncements:

The following accounting standards amendments issued by the IASB were effective and adopted for the Bank's fiscal year beginning on November 1, 2024 (the Bank's fiscal 2025 year end):

i) Amendments to IAS 1: *Classification of Liabilities as Current or Non-current* - In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1: *Presentation of Financial Statements* ("IAS 1") to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

**3. Material accounting policies – continued:**

o) Future accounting standard pronouncements - continued:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a credit asset agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments must be applied retrospectively.

The amendments noted above did not have a material impact on the Bank's financial results.

The following accounting standards amendments issued by the IASB will be effective for the Bank's fiscal year beginning on November 1, 2026 (the Bank's fiscal 2027 year end):

In May 2024, the International Accounting Standards Board (IASB) introduced amendments to IFRS 9: *Financial Instruments* ("IFRS 9") and IFRS 7: *Financial Instruments: Disclosures* ("IFRS 7") These amendments provide clarification on the classification of financial assets that include environmental, social, and governance (ESG)-linked features and establish additional disclosure requirements.

We are in the process of evaluating the potential impact on our Consolidated Financial Statements.

The following accounting standards issued by the IASB will be effective for the Bank's fiscal year beginning on November 1, 2027 (the Bank's fiscal 2028 year end):

IFRS 18: *Presentation and Disclosure in Financial Statements* ("IFRS 18") will replace IAS 1: *Presentation of Financial Statements* ("IAS 1"), which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes. Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature. IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows. Management will undertake a comprehensive review of the potential impact to the Bank's disclosure presentation under IFRS 18 and will update the readers as management establishes the new presentation and additional disclosures to conform with IFRS 18.

**4. Cash:**

Cash is comprised of deposits with regulated financial institutions, the Federal Reserve Bank and the Federal Home Loan Bank. As of October 31, 2025, the Bank has pledged $6.5 million of cash ( October 31, 2024 - $3.5 million) to fulfil the collateral requirements of derivative contracts and $9.1 million of cash ( October 31, 2024 - $14.0 million) against off-balance sheet letters of credit. Please refer to Note 23b.

**5. Securities:**

As at October 31, 2025, the Bank held securities totaling $ 80.9 million ( October 31, 2024 - $299.3 million), including accrued interest, comprised of US Treasury Bills with a carrying value of $74.3 million, Government of Canada Treasury Bills with a carrying value of $ 2.2 million and other securities with a carrying value of $4.4 million.

**6. Credit assets, net of allowance for credit losses:**

VersaBank organizes its Credit Asset portfolios into the following two broad asset categories: Receivable Purchase Program (previously referred to as “Receivable Purchase Program/Point-of-Sale Loans & Leases” or “Point-of-Sale Loans & Leases”) and Multi-Family Residential Loans and Other (the amalgamation of what was previously referred to as “Commercial Real Estate Mortgages”, “Commercial Real Estate Loans”, and “Public Sector and Other Financing”). 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 **Receivable Purchase Program (“RPP”)** 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 RPP partners as well as asset-backed securities that have similar underlying assets noted in the RPP portfolio.

The **Multi-Family Residential Loans and Other (** “**MROL**”**)** category is composed of two major sub-segments: Multi-Family Residential Loans, which consists of CMHC-insured (zero-risk weighted) 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 the 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.

**6. Credit assets – continued:**

a) Portfolio analysis:

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Receivable purchase program | $ 4,043,007 | $ 3,307,328 |
| Multi-family residential loans and other | 1,007,232 | 910,314 |
| | 5,050,239 | 4,217,642 |
| Allowance for credit losses | (7,279) | (3,303) |
| Accrued interest | 23,418 | 21,777 |
| Total credit assets, net of allowance for credit losses | $ 5,066,378 | $ 4,236,116 |

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

| | As at October 31, 2025 | | | |
|---|---|---|---|---|
| (thousands of Canadian dollars) | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Receivable purchase program** | $ 4,017,931 | $ 17,516 | $ 7,560 | **$ 4,043,007** |
| *ECL allowance* | *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** |
| *ECL allowance* | *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** |
| *Total ECL allowance* | *4,679* | *426* | *2,174* | ***7,279*** |
| Total EL % | 0.10% | 0.33% | 4.64% | **0.14%** |

| | As at October 31, 2024 | | | |
|---|---|---|---|---|
| (thousands of Canadian dollars) | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Receivable purchase program** | $ 3,294,675 | $ 12,653 | $ - | **$ 3,307,328** |
| *ECL allowance* | *783* | - | - | ***783*** |
| EL % | 0.02% | 0.00% | 0.00% | **0.02%** |
| **Multi-family residential loans and other** | $ 737,125 | $ 173,121 | $ 68 | **$ 910,314** |
| *ECL allowance* | *2,213* | *306* | *1* | ***2,520*** |
| EL % | 0.30% | 0.18% | 1.47% | **0.28%** |
| **Total credit assets** | $ 4,031,800 | $ 185,774 | $ 68 | **$ 4,217,642** |
| *Total ECL allowance* | *2,996* | *306* | *1* | ***3,303*** |
| Total EL % | 0.07% | 0.16% | 1.47% | **0.08%** |

**6. Credit assets – continued:**

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 (holdbacks) related to receivables purchased included in the RPP Financing portfolio (note 13).

*Allowance for credit losses*

The Bank maintains an allowance for expected credit losses that is adequate, in management's opinion, to absorb all credit related losses in the Bank's credit asset and treasury portfolios. Under IFRS 9: *Financial Instruments* ("IFRS 9") the Bank's allowance for expected credit losses is estimated using the expected credit loss methodology and is comprised of expected credit losses recognized on both performing credit assets, and non-performing, or impaired credit assets even if no actual loss event has occurred.

The expected credit loss methodology requires the 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 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.

*Assessment of significant increase in credit risk ("SICR")*

At each reporting date, the Bank assesses whether there has been a SICR for credit assets since initial recognition by comparing, at the reporting date, the risk of default occurring over the remaining expected life against the risk of default at initial recognition.

SICR is a function of the credit asset's internal risk rating assignment, internal watchlist status, credit asset review status and delinquency status which are updated as necessary in response to changes including, but not limited to, changes in macroeconomic and/or market conditions, changes in a borrower's credit risk profile, and changes in the strength of the underlying security, including guarantor status, if a guarantor exists. Notwithstanding the above, the assessment of a significant increase in credit risk will require experienced credit judgement.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SICR. As a result, qualitative factors may be considered to supplement such a gap. Examples include changes in adjudication criteria for a particular group of borrowers or asset categories or changes in portfolio composition as well as changes in Canadian and US macroeconomic trends attributable to changes in monetary policy, inflation, employment rates, consumer behaviour and geo-political risks.

**6. Credit assets – continued:**

*Expected credit loss model - Estimation of expected credit losses*

Expected credit losses are an estimate of a credit asset's expected cash shortfalls discounted at the effective interest rate, where a cash shortfall is the difference between the contractual cash flows that are due to the Bank and the cash flows that the Bank actually expects to receive.

*Forward-looking information*

The Bank incorporates the impact of future economic conditions, or more specifically forward-looking information into the estimation of expected credit losses at the credit risk parameter level. This is accomplished via the credit risk parameter models and proxy datasets that the Bank utilizes to develop PD and LGD term structure forecasts for its credit assets. 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. These systems are used in conjunction with the Bank's internally developed ECL models. Given that the Bank has experienced very limited historical losses and, therefore, does not have available statistically significant loss data inventory for use in developing internal, forward-looking expected credit loss trends, the use of unbiased, third-party forward-looking credit risk parameter modeling systems is particularly important for the Bank in the context of the estimation of expected credit losses.

The Bank utilizes macroeconomic indicator data derived from multiple macroeconomic scenarios in order to mitigate volatility in the estimation of expected credit losses, as well as to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. More specifically, the macroeconomic indicators set out in the macroeconomic scenarios are used as inputs for the credit risk parameter models utilized by the Bank to sensitize the individual PD and LGD term structure forecasts to the respective macroeconomic trajectory set out in each of the scenarios (see Expected Credit Loss Sensitivity below). Currently the Bank utilizes upside, downside and baseline forecast macroeconomic scenarios, and assigns discrete weights to each for use in the estimation of its reported ECL. The Bank has also applied expert credit judgement, where appropriate, to reflect, amongst other items, uncertainty in the Canadian and US macroeconomic environments.

The macroeconomic indicator data utilized by the Bank for the purpose of sensitizing PD and LGD 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 balance sheet, 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.

**6. Credit assets – continued:**

The key assumptions driving the outlook includes global tariff policies, which, while stabilizing, remain uncertain in their size, scope, and timing. Tariffs continue to pose challenges to both the Canadian and U.S. economies, with elevated measures increasing cross-border costs and supply chain pressures. Export demand and investment are expected to remain soft, which may weigh on hiring and consumption growth amid ongoing trade uncertainty and geopolitical tensions. Although a recession is not anticipated, overall GDP growth is expected to remain subdued through this year and in 2026. As economic momentum softens, the Bank of Canada and the U.S. Federal Reserve are expected to maintain accommodative policies, with some rate reductions likely, though the extent of easing may be limited by persistent inflationary pressures. Labour market conditions are expected to weaken modestly, with hiring slowing in response to softer growth. Recent changes to Canadian immigration policy are anticipated to influence labour force growth, which may further influence employment trends. While tariffs may add to cost pressures, overall inflation is expected to moderate gradually, supported by easing commodity prices and weaker global demand.

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 October 31, 2025 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).

*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 October 31, 2025:

(thousands of Canadian dollars)

| | Reported ECL | 100% Upside | 100% Baseline | 100% Downside |
|---|---|---|---|---|
| Allowance for expected credit losses | $ 7,279 | $ 6,742 | $ 7,198 | $ 7,932 |
| Provision (recovery) from reported ECL | | (537) | (80) | 653 |
| Variance from reported ECL (%) | | (7%) | (1%) | 9% |

**6. Credit assets – continued:**

b) Allowance for credit losses:

The following table provides a reconciliation of the Bank's ECL allowance by credit asset category for the year ended October 31, 2025:

| (thousands of Canadian dollars) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Receivable purchase 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 | 2,403 | 72 | 2,172 | 4,648 |
| Credit asset originations | - | - | - | - |
| Derecognitions and maturities | - | - | - | - |
| Provision for (recovery of) credit losses | 2,403 | 72 | 2,172 | 4,648 |
| Write-offs | - | - | - | - |
| Recoveries | - | - | - | - |
| **Balance at end of period** | **$ 3,187** | **$ 72** | **$ 2,172** | **$ 5,431** |
| **Multi-family residential loans and other** | | | | |
| Balance at beginning of period | $ 2,213 | $ 306 | $ 1 | $ 2,520 |
| Transfer in (out) to Stage 1 | (760) | 760 | - | - |
| Transfer in (out) to Stage 2 | 508 | (508) | - | - |
| Transfer in (out) to Stage 3 | (2) | (170) | 172 | - |
| Net remeasurement of loss allowance | (526) | 545 | (170) | (152) |
| Credit asset originations | 613 | 137 | - | 751 |
| Derecognitions and maturities | (129) | (705) | - | (834) |
| Provision for (recovery of) credit losses | (295) | 59 | 1 | (235) |
| Write-offs | (442) | - | - | (442) |
| Recoveries | - | - | - | - |
| FX Impact | 18 | (12) | (0) | 6 |
| **Balance at end of period** | **$ 1,493** | **$ 354** | **$ 2** | **$ 1,848** |
| **Total balance at end of period** | **$ 4,679** | **$ 426** | **$ 2,174** | **$ 7,279** |

**6. Credit assets – continued:**

b) Allowance for credit losses (continued):

The following table provides a reconciliation of the Bank's ECL allowance by credit asset category for the year ended October 31, 2024:

| (thousands of Canadian dollars) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Receivable purchase program** | | | | |
| Balance at beginning of period | $ 100 | $ - | $ - | $ 100 |
| Transfer in (out) to Stage 1 | 56 | (56) | - | - |
| Transfer in (out) to Stage 2 | (124) | 124 | - | - |
| Transfer in (out) to Stage 3 | - | - | - | - |
| Net remeasurement of loss allowance | 751 | (68) | - | 683 |
| Credit asset originations | - | - | - | - |
| Derecognitions and maturities | - | - | - | - |
| Provision for (recovery of) credit losses | 683 | - | - | 683 |
| Write-offs | - | - | - | - |
| Recoveries | - | - | - | - |
| **Balance at end of period** | **$ 783** | **$ -** | **$ -** | **$ 783** |
| | | | | |
| **Multi-family residential loans and other** | | | | |
| Balance at beginning of period | $ 1,845 | $ 568 | $ - | $ 2,413 |
| Transfer in (out) to Stage 1 | 484 | (484) | - | - |
| Transfer in (out) to Stage 2 | (534) | 534 | - | - |
| Transfer in (out) to Stage 3 | (1) | - | 1 | - |
| Net remeasurement of loss allowance | (556) | (235) | - | (791) |
| Credit asset originations | 146 | 12 | - | 158 |
| Derecognitions and maturities | (229) | (89) | - | (318) |
| Provision for (recovery of) credit losses | (690) | (262) | 1 | (951) |
| Write-offs | (4) | - | - | (4) |
| Recoveries | - | - | - | - |
| Acquired Credit Assets | 1,032 | - | - | - |
| FX Impact | 30 | - | - | 1,032 |
| **Balance at end of period** | **$ 2,213** | **$ 306** | **$ 1** | **$ 2,520** |
| | | | | |
| **Total balance at end of period** | **$ 2,996** | **$ 306** | **$ -** | **$ 3,303** |

c) Maturities and yields:

(thousands of Canadian dollars)

| | Floating | Within 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Over 5 years | 2025 Total | 2024 Total |
|---|---|---|---|---|---|---|---|---|
| Total credit assets | $ 819,260 | $ 86,239 | $ 336,196 | $ 417,528 | $2,797,605 | $ 593,411 | $5,050,239 | $4,217,642 |
| Average effective yield | 6.42% | 5.86% | 5.29% | 5.74% | 5.85% | 6.38% | 5.96% | 6.56% |

Average effective yields are based on book values and contractual interest rates, adjusted for the amortization of any deferred income and expenses.

**6. Credit assets – continued:**

d) Impaired credit assets:

At October 31, 2025, the Bank held impaired credit assets amounting to $ 39.2 million ( October 31, 2024 - $nil). Of this balance, $31.5 million was fully repaid on December 1, 2025.

**7. Property and equipment:**

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Cost | $ 36,636 | $ 36,721 |
| Accumulated amortization | (12,700) | (12,836) |
| | $ 23,936 | $ 23,885 |

None of the Bank's property and equipment is subject to title restrictions, nor is any pledged as security for any of the Bank's liabilities. Total amortization expense recorded for property and equipment for the year ended October 31, 2025, totaled $1.6 million (2024 - $1.5 million).

**8. Goodwill:**

Goodwill of $5.8 million relates to the Bank's acquisition of Digital Boundary Group and $ 6.5 million relates to the Bank's acquisition of Stearns Bank Holdingford N.A. (note 26).

For the purpose of conducting an annual test for impairment, the Bank's CGUs relates to the operations of these entities. The Bank considered the fair value less carrying value calculation in assessing impairment. The key assumptions underlying the impairment test of goodwill related to Digital Boundary Group included: five years of projected cash flow, a discount rate of 11.6% (2024 - 12.1%), an average yearly earnings growth rate of 14% (2024 - 13%) and a terminal growth rate of 2.0% (2024 - 2.0%). The key assumptions underlying the impairment test of goodwill related to VersaBank USA included: ten years of projected cash flow, a discount rate of 10.0% (2024 - 10.0%), an average yearly earnings growth rate of 19% (2024 - 17%) and a terminal growth rate of 1.0% (2024 - 1.0%).

The Bank did not recognize an impairment charge on the goodwill related to these entities as the recoverable amount of the CGUs exceeded the carrying value of the goodwill associated with these entities. Sensitivity analysis performed by management suggested that if the average annual growth rate were to decrease by approximately 8% for Digital Boundary Group over each year of the five-year planning horizon the carrying amount would be approximately equal to the recoverable amount of the CGU. For VersaBank USA, sensitivity analysis performed by management suggested that if the average annual growth rate were to decrease by 14% over each year of the ten-year planning horizon the carrying amount would be approximately equal to the recoverable amount of the CGU

**9. Intangible assets:**

As at October 31, 2025, total intangible assets were $ 10.6 million ( October 31, 2024 - $12.1 million) related to the Bank's acquisition of Digital Boundary Group, VersaBank USA and for internally developed software.

The intangible assets related to the Bank's acquisition of Digital Boundary Group were $ 3.9 million ( October 31, 2024 - $3.9 million) and at October 31, 2025, had accumulated amortization of $ 1.9 million ( October 31, 2024 - $1.5 million) and are being amortized over ten years. The amortization expense for these intangible assets totaled $394,000 ( October 31, 2024 - $394,000).

The intangible assets related to the Bank's acquisition of VersaBank USA were $ 2.6 million ( October 31, 2024 - $2.6 million) and at October 31, 2025, had accumulated amortization of $ 269,000 ( October 31, 2024 - $nil) and are being amortized over 10 years. The amortization expense for these intangible assets totaled $269,000 ( October 31, 2024 - $nil).

The intangible assets related to internally developed software were $ 7.1 million ( October 31, 2024 - $7.1 million) and at October 31, 2025, had accumulated amortization of $ 686,000 ( October 31, 2024 - $nil) and are being amortized over 10 years. The amortization expense for these intangible assets totaled $686,000 ( October 31, 2024 - $nil).

**10. Other assets:**

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Accounts receivable | $ 7,371 | $ 10,718 |
| Prepaid expenses and other (note 10a) | 17,880 | 14,399 |
| Right-of-use assets (note 10b) | 2,424 | 2,734 |
| Deferred income tax asset (note 16) | 4,039 | 750 |
| Derivative instruments (note 18) | - | 20 |
| Investment (note 10d) | 953 | 953 |
| | $ 32,667 | $ 29,574 |

a) The Bank, internally through its DRTC segment, has developed proprietary cybersecurity, banking and financial technology products. Costs associated with the development of these products and services have been capitalized in accordance with IAS 38: *Intangible Assets* ("IAS 38"). As at October 31, 2025, capitalized costs were $3.1 million ( October 31, 2024 - $2.5 million). Amortization of these costs has not yet commenced as the products and services associated with same remain in the development stage. The Bank conducted an annual test for impairment on the assets that are not yet ready for use. The Bank considered the fair value less carrying value calculation in assessing impairment. The key assumptions underlying the impairment test included: ten years of projected cash flow, a discount rate of 13.1%, an average yearly earnings growth rate of 32% and a terminal growth rate of 1.0%. The Bank did not recognize an impairment charge on these

**10. Other assets – continued:**

b) intangible assets as the recoverable amount exceeded the carrying value of same. Completed projects related to the DRTC segment were classified under intangible assets and totaled $7.1 million as of October 31, 2025 ( October 31, 2024 - $7.1 million).

c) The right-of-use assets relate to the Bank's office facility leases. Capitalized leases of $ 2.4 million at October 31, 2025, is stated net of accumulated amortization of $3.9 million.

For the year ended October 31, 2025, the amortization expense for the right-of-use assets totaled $ 751,000 (2024 - $695,000).

d) The Bank has an 7.8% investment in Canada Stablecorp Inc. ("Stablecorp"). The Bank has made an irrevocable election to designate this investment at fair value through other comprehensive income ("FVOCI") at initial recognition and any future changes in the fair value of the investment will be recognized in other comprehensive income. Amounts recorded in other comprehensive income will not be reclassified to profit and loss at a later date.

**11. Deposits:**

(thousands of Canadian dollars)

| Maturity period | Demand/ Floating | Within 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Over 5 years | Accrued Interest | 2025 Total | 2024 Total |
|---|---|---|---|---|---|---|---|---|---|
| Total deposits | $ 851,362 | $ 633,824 | $1,733,111 | $ 785,369 | $ 787,895 | $ - | $ 69,302 | $4,860,863 | $4,144,673 |
| Average effective interest rate | 1.39% | 3.70% | 3.61% | 3.88% | 4.15% | | | 3.31% | 4.16% |

Average effective interest rates are based on book values and contractual interest rates.

**12. Subordinated notes payable:**

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Issued April 2021, unsecured, non-viability contingent capital compliant, subordinated notes payable, principal amount of US $75.0 million, fixed effective interest rate of 5.38%, maturing May 2031. The fixed rate applies only until May 1, 2026, at which point the obligation switches to floating rate and the notes are redeemable by the Bank, subject to regulatory approval. | $ 103,516 | $ 102,503 |
| | $ 103,516 | $ 102,503 |

On April 30, 2024, the Bank redeemed its $5.0 million, unsecured, non-viability contingent capital compliant, subordinate note payable using the Bank's general funds.

**13. Other liabilities:**

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Accounts payable and other | $ 12,518 | $ 10,752 |
| Current income tax liability | 126 | 893 |
| Deferred income tax liability (note 16) | 33 | 141 |
| Derivative instruments (note 18) | 416 | - |
| Lease obligations | 2,668 | 3,035 |
| Cash collateral and amounts held in escrow (note 6) | 4,996 | 6,076 |
| Cash reserves on loan and lease receivables (note 6) | 290,666 | 171,208 |
| | $ 311,423 | $ 192,105 |

Lease obligations reflect the Bank's liabilities for right-of-use assets which capture the Bank's multiple leased premises. The portion of the Bank's leasing obligations that were not captured as part of the right-of-use assets continue to be expensed in premises and equipment. The Bank had total cash outflows for these leases of $1.3 million in 2025.

The current leasing arrangements associated with these lease obligations expire between October 2025 and December 2045 with options to renew the leases after the initial lease period. Lease payments are adjusted every three to five years to reflect market rates.

The future lease payments for these non-cancellable lease contracts are $ 611,000 within one year, $2.6 million within five years and $ 54,000 thereafter.

The Bank has entered into a lease agreement that has not yet commenced as of October 31, 2025. The non-cancellable lease, which commenced on November 1, 2025, has a term of 7 years with future lease payments for the non-cancellable lease contract of $ 168,000 within one year, $920,000 within five years and $425,000 thereafter. These amounts are not included in the lease liabilities presented above because the leases have not commenced and therefore no lease liability has been recognized at the reporting date.

**14. Share capital:**

a) Authorized:

The Bank is authorized to issue an unlimited number of voting common shares with no par value.

The Bank is authorized to issue an unlimited number of Series 1 preferred shares with a par value of $ 10.00.

b) Issued and outstanding:

(thousands of Canadian dollars)

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| *Common shares:* | | | | |
| Balance, beginning of the year | 26,002,577 | $ 215,610 | 25,964,424 | $ 214,824 |
| Issued during the year | 6,509,434 | 114,772 | - | - |
| Options exercised during the year | 6,775 | 108 | 38,153 | 786 |
| Purchased and cancelled during the year | (573,251) | (6,137) | | |
| Share issue cost adjustment | - | 1,557 | - | - |
| Outstanding, end of year | 31,945,535 | $ 325,910 | 26,002,577 | $ 215,610 |
| *Series 1 preferred shares:* | | | | |
| Balance, beginning of the year | - | $ - | 1,461,460 | $ 13,647 |
| Redemption of preferred shares | - | - | (1,461,460) | (13,647) |
| Outstanding, end of year | - | $ - | - | $ - |
| Total share capital | | $ 325,910 | | $ 215,610 |

*Common shares*

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 additional 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.

**14. Share Capital – continued:**

On April 28, 2025, the Bank received approval from the Toronto Stock Exchange ("TSX") to proceed with a 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 8.99% of its public float. As of April 21, 2025, the public float comprised 22,237,283 common shares and there were 32,518,786 issued and outstanding Common Shares in total. The average daily trading volume ("ADTV") of VersaBank's Common Shares on the TSX for the six months of October 1, 2024 – March 31, 2025 (the "Preceding Six Month Period") was 37,761 shares. Daily purchases under the NCIB will be limited to 25% of the ADTV, which is 9,440 common shares, other than block purchase exceptions. During the Preceding Six-Month Period, 20,321,293 VersaBank common shares were traded on all exchanges. Of that total, 4,720,219 shares were traded on the TSX, and the remaining 15,601,074 shares were traded on other exchanges including the Nasdaq.

The ability to make purchases commenced on April 30, 2025, and will terminate on April 29, 2026, 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 year ended October 31, 2025, the Bank purchased and cancelled 573,251 Common Shares for $9.2 million, reducing the Bank's Common Share value by $6.1 million, contributed surplus $0.1 million and retained earnings by $ 3.0 million. In the same period, the Bank issued 6,775 Common Shares for proceeds of $ 108,000 related to stock options there were exercised in the period.

For the year ended October 31, 2024, the Bank issued 38,153 Common Shares for $607,000 related to stock options that were exercised in the period.

For the year ended October 31, 2025, the Bank declared and paid dividends of $ 3.2 million or $ 0.10 per common share (2024 - $2.6 million or $0.10 per common share).

*Series 1 Preferred shares*

On October 31, 2024, the Bank redeemed all of its 1,461,460 outstanding Non-Cumulative Series 1 preferred shares (NVCC) using cash on hand. The amount paid on redemption for each share was $10.00, and in aggregate $ 14.6 million. Transaction costs, incurred at issuance in the amount of $965,000, were applied against retained earnings.

**15. Stock-based compensation:**

*Equity-settled stock options*

The Bank has a stock option plan for its employees and officers. Options are granted at an exercise price set at the closing market price of the Bank's common shares on the day preceding the date on which the option is granted and are exercisable within five years of issue. Options are usually granted with graded vesting terms. One third vests on the first anniversary of the grant date, one third vests on the second anniversary of the grant date, and one third vests on the third anniversary of the grant date.

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 819,125 | $ 15.90 | 874,393 | $ 15.90 |
| Granted | 10,000 | 15.90 | - | - |
| Exercised | (6,775) | 15.90 | (38,153) | 15.90 |
| Forfeited/cancelled | (42,616) | 15.90 | (17,115) | 15.90 |
| Expired | - | - | - | - |
| Outstanding, end of period | 779,734 | $ 15.90 | 819,125 | $ 15.90 |

For the year ended October 31, 2025, the Bank recognized stock-based compensation expense of $ 81,000 (2024 - $348,000) related to the estimated fair value of options granted. There were 10,000 stock options granted in the current year. The fair value of the 10,000 stock options granted over the course of the current fiscal year was estimated at the grant dates using the Black-Scholes valuation model and the following input assumptions: risk-free rate of 2.94%, expected option life of 3.5 years, expected volatility of 29.6% and expected annual dividends of 0.67%.The weighted average of the fair value of the stock options granted in the year was estimated at $ 3.33 per share. During the current year, the Bank issued 6,775 (2024 - 38,153) Common Shares for proceeds of $108,000 (2024 - $607,000) related to exercised stock options in the current year.

**16. Income taxes:**

Income taxes, including both the current and deferred portions, vary from the amounts that would be computed by applying the aggregated statutory federal tax rates and provincial tax rates of 27% (2024 - 27%) to income before income taxes. Income taxes have been computed as follows:

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Income before income taxes | $ 41,493 | $ 54,793 |
| Income tax rate | 27% | 27% |
| Expected income tax provision | 11,203 | 14,794 |
| Tax rate differential on international operations | (50) | (426) |
| Change in unrecognized deferred income taxes | 492 | 1,671 |
| Effect of changes in tax rates | (403) | (89) |
| Other permanent differences | 886 | (174) |
| Adjustments for prior years | 907 | (731) |
| Income taxes | $ 13,035 | $ 15,045 |

Income taxes is comprised of the following:

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Current income taxes | $ 13,263 | $ 12,328 |
| Deferred income taxes | (228) | 2,717 |
| Income taxes | $ 13,035 | $ 15,045 |

**16. Income taxes – continued:**

The components of the recognized deferred income tax assets and liabilities and related changes, as recognized in net income, equity or accumulated comprehensive income, are as follows:

(thousands of Canadian dollars)

| | November 1, 2024 | Recognized in net income | Recognized directly to equity | October 31, 2025 |
|---|---|---|---|---|
| Allowance for credit losses | $ 631 | $ 1,208 | $ - | $ 1,839 |
| Loss carry forwards | 1,559 | 288 | 705 | 2,552 |
| Share issue and financing costs | 17 | (896) | 2,248 | 1,369 |
| Deferred loan fees | 699 | (199) | - | 500 |
| Property and equipment and right-of-use assets | 558 | 49 | - | 607 |
| Other | 45 | 291 | - | 336 |
| Total deferred tax assets | 3,509 | 741 | 2,953 | 7,203 |
| Intangibles assets | 503 | (127) | - | 376 |
| Deposit commissions | 1,895 | 186 | - | 2,081 |
| Property and equipment and right-of-use assets | 48 | 277 | - | 325 |
| Other | 454 | (39) | - | 415 |
| Total deferred tax liabilities | 2,900 | 297 | - | 3,197 |
| Net deferred income tax assets | $ 609 | $ 444 | $ 2,953 | $ 4,006 |

(thousands of Canadian dollars)

| | November 1, 2023 | Recognized in net income | Recognized directly to equity | October 31, 2024 |
|---|---|---|---|---|
| Allowance for credit losses | $ 666 | $ (35) | $ - | $ 631 |
| Loss carry forwards | 1,625 | (66) | - | 1,559 |
| Share issue and financing costs | 446 | (429) | - | 17 |
| Deferred loan fees | 818 | (119) | - | 699 |
| Property and equipment and right-of-use assets | 580 | (22) | - | 558 |
| Other | 1,790 | (1,745) | - | 45 |
| Total deferred tax assets | 5,925 | (2,416) | - | 3,509 |
| Intangibles assets | 598 | (95) | - | 503 |
| Deposit commissions | 1,823 | 72 | - | 1,895 |
| Property and equipment and right-of-use assets | 133 | (85) | - | 48 |
| Other | 44 | 410 | - | 454 |
| Total deferred tax liabilities | 2,598 | 302 | - | 2,900 |
| Net deferred income tax assets | $ 3,327 | $ (2,718) | $ - | $ 609 |

The net deferred taxes are comprised of:

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Deferred tax assets | $ 4,039 | $ 750 |
| Deferred tax liabilities | (33) | (141) |
| Net deferred income tax assets | $ 4,006 | $ 609 |

**16. Income taxes – continued:**

A deferred tax asset in the amount of $0.9 million (2024 - $0.3 million) has been recognized in the financial statements, which utilization is dependent on future taxable earnings in the tax jurisdiction to which it relates. The Bank has forecasted earnings in this tax jurisdiction which will allow for the use of these deferred tax assets.

The Bank was subject to Part VI.1 tax which is a 40% tax on dividends paid on taxable preferred shares under the Income Tax Act (Canada) prior to the redemption of these shares on October 31, 2024. The Part VI.1 tax associated with these dividends paid was $196,000 in fiscal 2024 and the related tax recovery was recorded through equity.

At October 31, 2025, the Bank had US income tax losses which can be carried forward to reduce taxable income in future years in the amount of $1.9 million (2024 - $1.0 million). These loss carry forwards of the Bank have no expiry date. The deferred tax asset of $573,000 (2024 - $293,000) relating to the US income tax losses has been recognized in these statements as it is probable the Bank will have earnings which will allow for the use of these losses.

In addition, the Bank has approximately $14.8 million (2024 - $9.5 million) of capital loss carry forwards which may be applied against future capital gains and for which the deferred tax asset of $2.0 million (2024 - $1.3 million) has been recognized.

A deferred tax liability on taxable temporary differences of approximately $12.6 million (2024 - $6.6 million) relating to the Bank's investment in its subsidiaries was not recognized as the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

**17. Per share amounts:**

*Basic and diluted income per common share*

(thousands of Canadian dollars, except per share amounts)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Net income | $ | 28,458 | $ | 39,748 |
| Preferred share dividends paid | | - | | (988) |
| Net income available to common shareholders | | 28,458 | | 38,760 |
| Weighted average number of common shares outstanding | | 31,506,701 | | 25,965,724 |
| Basic and diluted income per common share: | $ | 0.90 | $ | 1.49 |

The Series 1 NVCC preferred shares are contingently issuable shares and do not have a dilutive impact. The outstanding employee stock options are dilutive but the amounts are de minimis and therefore have no impact on the Bank's income per share amounts.

**18. Derivative instruments:**

*Designated Hedges*

At October 31, 2025, 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 $20.2 million ( October 31, 2024 - $22.0 million), of which $20.2 million ( October 31, 2024 - $22.0 million) qualified for hedge accounting. 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 October 31, 2025, fair value of $340,000 ( October 31, 2024 - $19,000) relating to this contract was included in other liabilities and the offsetting amount included in the carrying values of the assets to which they relate. Approved counterparties are limited to major Canadian chartered banks. The carrying amount of the hedged item recognized in the credit assets was $20.9 million ( October 31, 2024 - $22.4 million). The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item is $1.9 million ( October 31, 2024 - $1.1 million).

As of October 31, 2025, the Bank utilized a foreign exchange forward contract to mitigate foreign exchange risk on its net investments in VersaBank USA. This hedging strategy is aimed at minimizing foreign exchange risk related to fluctuations between the 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 October 31, 2025, the outstanding foreign exchange forward contract had a notional value of USD $ 138.6 million ( October 31, 2024 – USD $66.0 million) and a fair value of $ 61,400 (liability) ( October 31, 2024 - $1,000 (asset)), hedging a portion of the USD $181.3 million investment in VersaBank USA. For the reporting period, a loss of $ 4,222,963 ( October 31, 2024 – loss of $13,000) 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.

*Economic Hedges*

As of October 31, 2025, an accounting hedge exists for the remaining USD $42.7 million of the USD $181.3 million investment in VersaBank USA. This is achieved through the allocation of part of a 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 rate fluctuations that may affect the valuation of the investment asset.

As at October 31, 2025, 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; there were no similar hedges in 2024. 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 hedging instrument attributable to the effective portion of the hedge are recognized in profit or loss; any ineffective portion, if applicable, is also recorded in profit or loss. As at October 31, 2025, the outstanding foreign exchange forward contract had a notional value of USD 14.0 million ( October 31, 2024 — nil) and a fair value of $1,500 (liability) ( October 31, 2024 — nil). The contract hedges a portion of the USD 14 million investment in Versa Finance US Corp.

**18. Derivative instruments – continued:**

For the year ended October 31, 2025, a loss of $160,300 (2024 — nil) was recognized in profit or loss, representing the total impact of the hedge.

As of October 31, 2025, 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 October 31, 2025, the outstanding foreign exchange forward contract relating to this intercompany loan had a notional value of USD $ 12.1 million and a fair value of $5,400 (liability).

**19. Nature and extent of risks arising from financial instruments:**

Risk management involves the identification, ongoing assessment, managing and monitoring of material risks that could adversely affect the Bank. The Bank is exposed to credit risk, liquidity risk, and market risks.

Senior management is responsible for establishing the framework for identifying risks and developing appropriate risk management policies and procedures. The Bank's Board of Directors, either directly or indirectly through its committees, reviews and approves corporate policies, including specific reporting procedures. This enables them to monitor ongoing compliance with policies, delegate limits and review management's assessment of risk in its material risk taking activities. The Bank's Chief Internal Auditor provides a periodic review of policies and procedures to assess their appropriateness, effectiveness and adherence. These reviews also evaluate whether adequate controls are in place to maintain risk levels within the parameters established by the Bank's policies. The Chief Internal Auditor reports directly to the Audit Committee of the Board of Directors. In addition, the Bank has an ongoing risk and compliance management program with the Chief Compliance Officerand the Chief Risk Officer, who report directly to the Risk Oversight Committee.

*Credit risk*

Credit risk is the risk of loss associated with a borrower, guarantor, or counterparty's inability or unwillingness to fulfill its contractual obligations. The Bank is exposed to credit risk primarily as a result of its credit asset-related activities but also, from time to time, as a result of investing in securities and derivative transactions. The Bank manages its credit risk derived from credit asset activity using policies that have been recommended by the Chief Credit Officer and reviewed by the Chief Risk Officer prior to submission to the Risk Oversight Committee, who then recommends the policies to the Board of Directors for approval. These policies consist of approval limits on credit asset amounts, portfolio concentration, industry concentration, asset category, credit assets to any one entity and associated groups, a risk rating policy that provides for risk rating each asset in its total asset portfolio, and early recognition of problem accounts with an action plan for

**19. Nature and extent of risks arising from financial instruments – continued:**

The Bank manages credit risk associated with securities included in its Treasury portfolio by applying policies that have been recommended by the Chief Financial Officer to the Risk Oversight Committee, which then recommends the policies to the Board of Directors for approval. These policies consist of approval procedures and restrictions in the selection of security dealers, restrictions in the nature of securities selected, and in setting securities portfolio concentration limits. The Risk Oversight Committee monitors compliance and reviews these policies on an ongoing basis.

The Risk Oversight Committee, comprised entirely of independent directors, performs the following functions related to credit risk:

- Recommends policies governing management of credit risks to the Board of Directors for approval and reviews credit risk policies on an ongoing basis to ensure they are prudent and appropriate given possible changes in market conditions and corporate strategy.
- Concurs with credits exceeding the levels delegated to management, prior to commitment.
- Monitors and reviews, on a regular basis, watchlist accounts, impaired credit assets and accounts that have gone into arrears and expected credit loss analysis on a quarterly basis.

The Bank assigns a risk rating to each asset comprising its credit asset portfolio. A risk rating is assigned as a function of each new credit application, annual review or an amendment to a facility. The risk rating considers the credit risk attributes of the credit asset, structure and individual borrower circumstances. The Bank aggregates its risk rating assignments into the following three broad categories:

i) Satisfactory – The borrower and credit asset valuation are of acceptable credit quality.

ii) Watchlist – The borrower 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 structural payment and/or the full repayment of the credit asset is uncertain.

As of October 31, 2025, 97% (2024 – 96%) of the Bank's credit assets were categorized Satisfactory.

See note 6 for additional information relating to credit risk associated with credit assets.

There was no material change in the Bank's processes for managing credit risk during the year.

**19. Nature and extent of risks arising from financial instruments – continued:**

*Liquidity risk*

Liquidity risk is the risk that the Bank is unable to meet the demand for cash to fund obligations as they come due. The Bank is exposed to liquidity risk as a result of timing differences in the cash flows of its credit asset-related activities, security investment activities and deposit taking activities. The Bank has established policies to ensure that its cash outflows and inflows are closely matched and that its sources of deposits are diversified between funding sources and over a wide geographic area.

The Risk Oversight Committee recommends policies governing management of liquidity risk to the Board for approval and reviews liquidity policies on an ongoing basis. It receives and reviews quarterly securities portfolio reports and liquidity risk reports from management relating to the Bank's liquidity position. Additionally, an Asset Liability Committee, consisting of members of senior management, monitors liquidity risk, reviews compliance with policies and discusses strategies in this area.

See note 20 for information relating to liquidity risk associated with the Bank's asset and liability gaps in maturities. There was no material change in the Bank's processes for managing liquidity risk during the year.

*Market risk*

Market risk is the risk of a negative impact on the balance sheet and/or income statement resulting from changes or volatility in market factors such as foreign exchange risk, interest rates, or market prices. The Risk Oversight Committee is charged with recommending policies that govern market risk to the Bank's Board of Directors for approval and with reviewing the policies on an ongoing basis.

*Foreign exchange risk*

Foreign exchange risk or currency risk is the risk that transacting in any currency apart from the Bank's base currency can result in gains or losses due to currency fluctuations resulting in the possibility that a foreign denominated transaction's value may decrease due to changes in the relative value of the currency pair. Any appreciation or depreciation in the foreign currency versus the local currency will give rise to foreign exchange risk. The Bank actively manages any material foreign exchange risk exposure derived from the Bank's normal course business activities through, where possible, the establishment of a natural foreign currency hedge or, if necessary, through foreign exchange contracts established with high quality counterparties in order to mitigate the impact of changes in foreign exchange rates on the Bank's financial results and position.

*Interest rate risk*

Interest rate risk is the risk that a movement in interest rates could negatively impact spread, net interest income and the economic value of assets, liabilities and shareholders' equity. The Bank manages interest rate risk by employing a number of methods including income simulation analysis and interest rate sensitivity gap and duration analysis. Management prepares regular reports to the Board to allow for ongoing monitoring of the Bank's interest rate risk position. The Asset Liability Committee reviews the results of these analyses on a monthly basis and monitors compliance with limits set by the board approved corporate policy.

**19. Nature and extent of risks arising from financial instruments – continued:**

The management of interest rate risk also includes, as prescribed by regulators, stress testing the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point (bps) parallel upward and downward shift in all yield curves applicable to the Bank.

The results of an analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a static balance sheet are set out below:

*Interest rate position*

(thousands of Canadian dollars)

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Increase 100 bps | Decrease 100 bps | Increase 100 bps | Decrease 100 bps |
| Increase (decrease): | | | | |
| Impact of projected net interest income during a 12 month period | $ 2,582 | $ (2,824) | $ 5,223 | $ (5,430) |
| Duration difference between assets and liabilities (months) | (0.9) | | (1.6) | |

There was no material change in the Bank's processes for managing interest rate risk during the year.

As at October 31, 2025, the Bank maintained one outstanding derivative established for asset liability management purposes to hedge fair value exposure attributed to interest rate risk (note 18 – Derivative instruments) with an amortizing notional amount currently totaling $20.2 million ( October 31, 2024 - $22.0 million). The Bank also continues to use on-balance sheet strategies to manage its interest rate risk.

**20. Interest rate risk and liquidity risk:**

The Bank is exposed to interest rate risk as a consequence of any mismatch, or gap, between assets and liabilities scheduled to mature or reset on particular dates. The gaps which existed at October 31, 2025 are set out below:

| (thousands of Canadian dollars) | Floating rate | Within 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Over 5 years | Non-interest rate sensitive | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash | $ 581,710 | $ - | $ - | $ - | $ - | $ - | $ - | $ 581,710 |
| Effective rate | 2.92% | | | | | | | |
| Securities | - | 69,778 | 6,771 | - | - | 4,374 | - | 80,923 |
| Effective rate | | 3.86% | 3.77% | | | 5.38% | | |
| Credit assets | 819,260 | 86,239 | 336,196 | 417,528 | 2,797,605 | 593,411 | 16,139 | 5,066,378 |
| Effective rate | 6.42% | 5.86% | 5.29% | 5.74% | 5.85% | 6.38% | | |
| Other | - | - | - | - | - | - | 79,464 | 79,464 |
| Effective rate | | | | | | | | |
| Total Assets | $ 1,400,970 | $ 156,017 | $ 342,967 | $ 417,528 | $ 2,797,605 | $ 597,785 | $ 95,603 | $ 5,808,475 |
| **Liabilities** | | | | | | | | |
| Deposits | $ 851,362 | $ 633,824 | $ 1,733,111 | $ 785,369 | $ 787,895 | $ - | $ 69,302 | $ 4,860,863 |
| Effective rate | 1.39% | 3.70% | 3.61% | 3.88% | 4.15% | | | |
| Subordinated notes* | - | - | - | - | - | 103,516 | - | 103,516 |
| Effective rate | | | | | | 5.38% | | |
| Other | 295,662 | - | - | - | - | - | 15,761 | 311,423 |
| Effective rate | 2.06% | | | | | | | |
| Equity | - | - | - | - | - | - | 532,673 | 532,673 |
| Effective rate | | | | | | | | |
| Total liabilities and equity | $ 1,147,024 | $ 633,824 | $ 1,733,111 | $ 785,369 | $ 787,895 | $ 103,516 | $ 617,736 | $ 5,808,475 |
| Derivative instruments | $ 20,197 | $ - | $ - | $ - | $ - | $ (20,197) | $ - | $ - |
| October 31, 2025 gap | $ 274,143 | $ (477,807) | $ (1,390,144) | $ (367,841) | $ 2,009,710 | $ 474,072 | $ (522,133) | $ - |
| Cumulative | $ 274,143 | $ (203,664) | $ (1,593,809) | $ (1,961,649) | $ 48,061 | $ 522,133 | $ - | $ - |
| October 31, 2024 gap | $ 56,823 | $ (56,584) | $ (1,395,117) | $ (180,491) | $ 1,605,221 | $ 364,838 | $ (394,690) | $ - |
| Cumulative | $ 56,823 | $ 239 | $ (1,394,878) | $ (1,575,369) | $ 29,852 | $ 394,690 | $ - | $ - |

* The fixed rate applies only until May 1, 2026, at which point the obligation switches to floating rate and the notes are redeemable by the Bank, subject to regulatory approval.

## 21. Fair value of financial instruments:

The amounts set out in the table below represent the fair value of the Bank's financial instruments:

(thousands of Canadian dollars)

| | 2025 | | | | | 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 581,710 | 581,710 | | - | 581,710 | 225,254 | 225,254 | | - | 225,254 |
| Securities | | | | | | | | | | |
| Amortized cost | - | - | - | - | - | - | - | - | - | - |
| FVOCI | 80,923 | 80,923 | | - | 80,923 | 299,300 | 299,300 | | - | 299,300 |
| FVTPL | - | - | - | - | - | - | - | - | - | - |
| Credit assets | | | | | | | | | | |
| Amortized cost | 5,066,378 | | - | 5,050,931 | 5,050,931 | 4,236,116 | | - | 4,190,523 | 4,190,523 |
| FVOCI | - | - | - | - | - | - | - | - | - | - |
| FVTPL | - | - | - | - | - | - | - | - | - | - |
| Derivative instruments | | | | | | | | | | |
| Amortized cost | - | - | - | - | - | - | - | - | - | - |
| FVOCI | - | - | - | - | - | - | - | - | - | - |
| FVTPL | - | - | - | - | - | 20 | - | 20 | - | 20 |
| Other financial assets | | | | | | | | | | |
| Amortized cost | - | - | - | - | - | - | - | - | - | - |
| FVOCI | 953 | - | - | 953 | 953 | 953 | - | - | 953 | 953 |
| FVTPL | - | - | - | - | - | - | - | - | - | - |
| **Liabilities** | | | | | | | | | | |
| Deposits | | | | | | | | | | |
| Amortized cost | $4,860,863 | $ - | $ - | $4,918,431 | $4,918,431 | $4,144,673 | $ - | $ - | $4,182,338 | $4,182,338 |
| FVOCI | - | - | - | - | - | - | - | - | - | - |
| FVTPL | - | - | - | - | - | - | - | - | - | - |
| Subordinated notes payable | | | | | | | | | | |
| Amortized cost | 103,516 | | - | 99,878 | 99,878 | 102,503 | | - | 99,152 | 99,152 |
| FVOCI | - | - | - | - | - | - | - | - | - | - |
| FVTPL | - | - | - | - | - | - | - | - | - | - |
| Derivative instruments | | | | | | | | | | |
| Amortized cost | - | - | - | - | - | - | - | - | - | - |
| FVOCI | - | - | - | - | - | - | - | - | - | - |
| FVTPL | 416 | - | 416 | - | 416 | - | - | - | - | - |
| Other financial liabilities | | | | | | | | | | |
| Amortized cost | 310,874 | | - | 310,874 | 310,874 | 191,071 | | - | 191,071 | 191,071 |
| FVOCI | - | - | - | - | - | - | - | - | - | - |
| FVTPL | - | - | - | - | - | - | - | - | - | - |

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 matters of judgment 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. Therefore, they have been valued as described below and are not necessarily representative of amounts realizable upon immediate settlement.

**21. Fair value of financial instruments – continued:**

The fair value amounts have been determined using the following valuation methods and assumptions:

- For securities, the combined carrying value and accrued interest approximates fair value.
- The fair value of credit assets is based on net discounted cash flows using market interest rates and applicable credit spreads for borrowers.
- The fair value of deposits is determined based on discounted cash flows using market interest rates.
- The fair value of subordinated notes payable is determined based on discounted cash flows using current market interest rates.
- The investment in Stablecorp (recorded as other financial assets) is measured at fair value at each reporting period with changes in value reflected in the Bank's other comprehensive income. The estimated fair value of the Stablecorp investment is classified as Level 3 fair value hierarchy as the determination of fair value did not use inputs that were based on observable market data given that the entity is privately-held.
- The fair value of derivatives is based on net discounted cash flows using market interest rates and applicable credit spreads for the counterparty.
- The fair value of other financial assets is approximately equal to their carrying value due primarily to the short-term nature of the instruments.
- The fair value of other financial liabilities is approximately equal to their carrying value due to the short-term nature of the instruments except for lease obligations. However, the fair value of the Bank's lease obligations is approximately equal to their carrying value given that there has been minimal movement in the market interest rates associated with these leases.
- Cash and derivatives are designated as FVTPL.
- Credit assets, deposits and subordinated notes payable are designated as amortized cost.
- Securities and other financial assets are designated as FVOCI.

**22. Related party disclosures:**

The Bank provides various banking services to related parties and enters into contractual agreements and other operations with related parties. A related party is considered to be a person or entity that has the ability to exercise some level of control, influence, or joint control over another entity in making financial or operational decisions. The Bank considers the following to be related parties:

- Its key management personnel and members of their immediate family;
- Entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel and their immediate family; and,
- Significant minority shareholders.

The Bank's Board of Directors and Senior Executive Officers represent key management personnel as they have authority and responsibility for planning, directing and controlling the activities of the bank both directly and indirectly.

**22. Related party disclosures - continued:**

Related Party Transactions

(thousands of Canadian dollars)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Mortgage loans and other loans | $ | 5,640 | $ | 8,622 |
| Subordinated notes payable | | - | | 423 |
| | $ | 5,640 | $ | 9,045 |

1) At October 31, 2025, amounts due from key management personnel totaled $ 2.0 million (2024 - $1.5 million) and an amount due from a corporation controlled by key management personnel totaled $3.6 million (2024 - $7.1 million).

2) The interest rates charged on credit assets and advances to related parties are based on mutually agreed upon terms. Interest income earned on related party credit assets for the year ended October 31, 2025 totaled $177,000 (2024 - $162,000).

3) There were no specific provisions for credit losses associated with credit assets issued to key management personnel ( 2024 - $nil), and all credit assets issued to key management personnel were current as at October 31, 2025 and 2024.

4) On April 30, 2024, the Bank redeemed all of its issued and outstanding $ 5.0 million subordinated note payable originally issued in April 2019; $500,000 of this amount was held by a related party (note 12).

The contractual agreements and other transactions with related parties are entered into under conditions similar to those offered to non-related third parties. These agreements did not have a significant impact on the Bank's results.

Compensation of Key Officers and Directors

(thousands of Canadian dollars)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Salaries, benefits and directors' compensation | $ | 12,640 | $ | 8,289 |
| Share-based payments | | 1,131 | | 1,133 |
| | $ | 13,771 | $ | 9,422 |

**23. Commitments and contingencies:**

a) Credit commitments:

The amount of credit related commitments represents the maximum amount of additional credit that the Bank could be obliged to extend. Under certain circumstances, the Bank may cancel credit asset commitments at its option. Letters of credit amounts are not necessarily indicative of the associated credit risk exposure as many of these arrangements are contracted for a limited period of usually less than one year and will expire or terminate without being drawn upon.

(thousands of Canadian dollars)

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Credit asset commitments | $ | 589,005 | $ | 635,433 |
| Letters of credit | | 46,849 | | 65,671 |
| | $ | 635,854 | $ | 701,104 |

b) Pledged assets:

In the ordinary course of business, assets are pledged against off-balance sheet letters of credit, derivative exposures and to secure public deposits exceeding FDIC insurance limits, totaling $20.9 million (2024 - $14.0 million).

**24. Capital management:**

a) Overview:

The Bank's policy is to maintain a strong capital base so as to retain regulator, investor, creditor and market 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. OSFI sets and monitors capital requirements for the Bank. 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 and current and anticipated financial market conditions.

The goal is to maintain adequate regulatory capital for the Bank to be considered well capitalized, protect consumer deposits and provide capacity to support organic growth as well as to capitalize on strategic opportunities that do not otherwise require accessing the public capital markets, all 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), preferred shares (Additional Tier

**24. Capital management – continued**

1 capital) and subordinated notes (Tier 2 capital). The Bank monitors its capital adequacy and related capital ratios on a daily basis and has policies setting internal targets and thresholds for its capital ratios. These capital ratios consist of the leverage ratio and 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.

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 2.50% 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 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.

**24. Capital management – continued**

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

(thousands of Canadian dollars)

| | 2025 | 2024 |
|---|---|---|
| Common Equity Tier 1 (CET1) capital | | |
| Directly issued qualifying common share capital | $ 325,910 | $ 215,610 |
| Contributed surplus | 2,473 | 2,485 |
| Retained earnings | 203,728 | 181,238 |
| Accumulated other comprehensive income (loss) | 562 | (130) |
| CET1 before regulatory adjustments | 532,673 | 399,203 |
| Regulatory adjustments applied to CET1 | (23,023) | (25,700) |
| Common Equity Tier 1 capital | $ 509,650 | $ 373,503 |
| | | |
| Additional Tier 1 capital | | |
| Directly issued qualifying Additional Tier 1 instruments | $ - | $ - |
| Total Tier 1 capital | $ 509,650 | $ 373,503 |
| | | |
| Tier 2 capital | | |
| Directly issued Tier 2 capital instruments | $ 105,135 | $ 104,370 |
| Tier 2 capital before regulatory adjustments | 105,135 | 104,370 |
| Eligible stage 1 and stage 2 allowance | 5,105 | 3,303 |
| Total Tier 2 capital | $ 110,240 | $ 107,673 |
| Total regulatory capital | $ 619,890 | $ 481,176 |
| Total risk-weighted assets | $ 3,943,657 | $ 3,323,595 |
| Capital ratios | | |
| CET1 capital ratio | 12.92% | 11.24% |
| Tier 1 capital ratio | 12.92% | 11.24% |
| Total capital ratio | 15.72% | 14.48% |

As at October 31, 2025 and 2024, the Bank was in compliance with all minimum capital ratios prescribed by OSFI.

**24. Capital management – continued:**

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)

| | 2025 | 2024 |
|---|---|---|
| On-balance sheet assets | $ 5,808,475 | $ 4,838,484 |
| Asset amounts adjusted in determining the Basel III Tier 1 capital | (23,023) | (25,700) |
| Total on-balance sheet exposures | 5,785,452 | 4,812,784 |
| Replacement cost associated with all derivative transactions | $ - | $ - |
| Add-on amounts for PFE associated with all derivative transactions | 3,975 | - |
| Total derivative exposures | 3,975 | - |
| Total off-balance sheet exposure at gross notional amount | $ 635,854 | $ 701,104 |
| Adjustments for conversion to credit equivalent amount | (410,571) | (451,759) |
| Total off-balance sheet exposures | 225,283 | 249,345 |
| Tier 1 capital | 509,650 | 373,503 |
| Total exposures | 6,014,710 | 5,062,129 |
| Leverage ratio | 8.47% | 7.38% |

As at October 31, 2025 and 2024, the Bank was in compliance with the leverage ratio prescribed by OSFI.

**25. Operating segments:**

Effective as of the transfer of the Bank's Real Bank Deposit Token™ (RBDT™) (previously known as Digital Deposit Receipt, or ("DDR") technology to an existing, wholly owned subsidiary (DBG Inc.) of DRT Cyber Inc., the Bank has established four reportable operating segments: Digital Banking Canada, Digital Banking USA, DRTC, and Digital Meteor (DBG Inc.). 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 invests in the majority of its credit assets electronically via innovative deposit and lending solutions for financial intermediaries.

**25. Operating segments – continued:**

*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 the majority of its deposits and invests in the majority of its credit assets electronically through via 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 has a 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, DBG Inc. , 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 Deposit Tokens™ (RBDTs™) (previously known as Digital Deposit Receipts, or "DDR"s).

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.

**25. Operating segments - continued:**

Following is information regarding the results of each reportable operating segment as at and for the year ended October 31, 2025 and 2024:

| (thousands of Canadian dollars) for the year ended | October 31, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Digital Banking Canada | Digital Banking USA | Digital Meteor | DRTC | Eliminations/ Adjustments | Consolidated |
| Net interest income | $ 103,265 | $ 12,903 | $ - | $ - | $ - | $ 116,168 |
| Non-interest income | 460 | (39) | 2,206 | 7,245 | (1,399) | 8,473 |
| Total revenue | 103,725 | 12,864 | 2,206 | 7,245 | (1,399) | 124,641 |
| Provision for (recovery of) credit losses | 4,553 | (140) | - | - | - | 4,413 |
| | 99,172 | 13,004 | 2,206 | 7,245 | (1,399) | 120,228 |
| Non-interest expenses: | | | | | | |
| Salaries and benefits | 25,785 | 5,015 | 814 | 6,370 | - | 37,984 |
| General and administrative | 29,560 | 3,484 | 574 | 1,508 | (1,399) | 33,727 |
| Premises and equipment | 3,677 | 722 | 820 | 1,805 | - | 7,024 |
| | 59,022 | 9,221 | 2,208 | 9,683 | (1,399) | 78,735 |
| Income (loss) before income taxes | 40,150 | 3,783 | (2) | (2,438) | - | 41,493 |
| Income tax provision | 12,538 | 1,111 | - | (614) | - | 13,035 |
| Net income (loss) | $ 27,612 | $ 2,672 | $ (2) | $ (1,824) | $ - | $ 28,458 |
| Total assets | $ 5,050,922 | $ 759,733 | $ 10,207 | $ 24,538 | $ (36,925) | $ 5,808,475 |
| Total liabilities | $ 4,777,508 | $ 498,822 | $ 8,006 | $ 28,319 | $ (36,853) | $ 5,275,802 |

| for the year ended | October 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Digital Banking Canada | Digital Banking USA | Digital Meteor | DRTC | Eliminations/ Adjustments | Consolidated |
| Net interest income | $ 101,263 | $ 1,392 | $ - | $ - | $ - | $ 102,655 |
| Non-interest income | 698 | 1 | 1,183 | 8,455 | (1,359) | 8,978 |
| Total revenue | 101,961 | 1,393 | 1,183 | 8,455 | (1,359) | 111,633 |
| Provision for (recovery of) credit losses | (134) | (134) | - | - | - | (268) |
| | 102,095 | 1,527 | 1,183 | 8,455 | (1,359) | 111,901 |
| Non-interest expenses: | | | | | | |
| Salaries and benefits | 26,523 | 437 | 526 | 5,298 | - | 32,784 |
| General and administrative | 18,324 | 365 | 242 | 1,597 | (1,359) | 19,169 |
| Premises and equipment | 3,292 | 105 | 120 | 1,638 | - | 5,155 |
| | 48,139 | 907 | 888 | 8,533 | (1,359) | 57,108 |
| Income (loss) before income taxes | 53,956 | 620 | 295 | (78) | - | 54,793 |
| Income tax provision | 14,860 | 155 | 41 | (11) | - | 15,045 |
| Net income (loss) | $ 39,096 | $ 465 | $ 254 | $ (67) | $ - | $ 39,748 |
| Total assets | $ 4,602,360 | $ 226,319 | $ 3,434 | $ 23,564 | $ (17,193) | $ 4,838,484 |
| Total liabilities | $ 4,343,878 | $ 90,716 | $ 1,371 | $ 28,894 | $ (25,578) | $ 4,439,281 |

Prior to the year ended October 31, 2024, substantially all of the Digital Banking's operations were based in Canada.

**26. Acquisitions:**

*Acquisition of Stearns Bank Holdingford N.A.*

On August 30, 2024 the Bank through its wholly-owned US subsidiary VersaHoldings US Corp., acquired 100% of the outstanding shares of shares of Minnesota-based Stearns Bank Holdingford N.A. ("SBH"), a privately held, wholly-owned subsidiary of Stearns Financial Services Inc. based in St. Cloud, Minnesota, for cash consideration of US$14.1 million (CA$19.0 million). SBH is a fully operational, OCC (Office of the Comptroller of the Currency)-chartered national bank, focused on small business lending. The acquisition followed the approval for acquisition received in June 2024 from OSFI, as well as the US's OCC and the US Federal Reserve.

Upon the close of the share acquisition of SBH, the Bank acquired approximately US$68.4 million (CA$92.3 million) in assets and assumed approximately US$54.3 million (CA$73.3 million) in deposits and other liabilities and renamed SBH as VersaBank USA. The acquisition will provide the Bank with access to US deposits to support the growth of its Receivable Purchase Program business. The acquisition is expected to be accretive to the Bank's earnings per share within the first year after closing; and, VersaBank USA was well capitalized, as per the OCC's definition of same, with a Total Capital ratio in excess of 10% as at August 30, 2024.

In furtherance of the Bank's strategic initiatives and in light of current US regulatory requirements, management has expressed an intention to divest DRTC, which operates within the financial technology industry. Discussions with potential buyers are currently underway. As of October 31, 2025, the subsidiary has not been classified as "held for sale" in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5"), because certain criteria for such classification have not yet been met. Specifically, the sale is not expected to be completed within the next 12 months, and the subsidiary continues to be integral to the Bank's operations. Management will continue to evaluate the status of the divestiture and will reclassify the subsidiary as "held for sale" once all IFRS 5 criteria are satisfied.

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

**26. Acquisitions – continued:**

The following table summarizes the fair value of the assets acquired and liabilities assumed on acquisition:

(thousands of Canadian dollars)

| Asset and liabilities acquired at fair value | | August 30, 2024 |
|---|---|---|
| Cash | $ | 6,900 |
| Securities | | 4,366 |
| Loans | | 71,559 |
| Fixed asset | | 314 |
| Prepaid expenses and other | | 7 |
| Intangible asset | | 2,592 |
| Goodwill | | 6,555 |
| Deposits | | (73,238) |
| Accounts payable and other | | (39) |
| | $ | 19,016 |

Intangible asset reflects the value of the customer deposit base acquired, which has been assessed to have a useful life of 10 years. Goodwill primarily reflects the value of obtaining an OCC charter national bank licence and the value of future growth prospects and expected business synergies realized as a result of combining the acquired business with the Bank's existing Receivable Purchase Program business in Canada.

For the year ended October 31, 2025, VersaBank USA contributed $ 12.9 million ( October 31, 2024 - $1.4 million) and $2.7 million ( October 31, 2024 - $465,000) to the Bank's net-interest income and net income respectively.

The costs associated with the acquisition of SBH totaling $ 5.7 million were spread across fiscal 2022, 2023 and 2024. These costs were included in the Bank's non-interest expense in the respective fiscal years.

**27. Comparative information:**

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.

**Exhibit 99.3**

# Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") of operations and financial condition for the year ended October 31, 2025, dated December 9, 2025, should be read in conjunction with VersaBank's Audited Consolidated Financial Statements for the year ended October 31, 2025, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to VersaBank, including VersaBank's 2025 Annual Information Form, is available on VersaBank's website at www.versabank.com, SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar.shtml. All currency amounts in this document are in Canadian dollars unless otherwise indicated.


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## Cautionary Note Regarding Forward-Looking Statements

VersaBank's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may also be included in other filings with Canadian securities regulators or the US Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. The statements in this management's discussion and analysis that relate to future events or future performance including, without limitation, statements regarding the proposed Reorganization (defined below) are forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond VersaBank's control. There is a risk that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements, as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such statements. These factors include, but are not limited to: the strength of the Canadian and US economies in general and the local economies within in which VersaBank operates; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada and the US Federal Reserve; global commodity prices; the effects of competition in the markets in which VersaBank operates; inflation; capital market fluctuations; the timely development and introduction of new products in receptive markets; the impact of changes in laws, including trade laws and tariffs, and regulations applicable to 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 related effects on global supply chains and markets; the impact of outbreaks of disease or illness affecting local, national or international economies; the possible effects of terrorist activities; natural disasters and disruptions to public infrastructure (including transportation, communications, power or water supply); and VersaBank's ability to anticipate and manage the risks associated with these factors.

Completion of the Reorganization is subject to numerous risks and uncertainties, many of which are beyond the Bank's control, including but not limited to, the failure to obtain required shareholder, regulatory and other approvals, as well as the other important factors disclosed previously and from time to time in the Bank's filings with the SEC and with the securities commissions or similar regulatory authorities in each of the provinces or territories of Canada.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors as well as other uncertainties and potential events. The forward-looking information contained in this management's discussion and analysis is presented to assist VersaBank shareholders and others in understanding VersaBank's financial position and may not be appropriate for any other purposes. Except as required by applicable securities laws, VersaBank does not undertake to update any forward-looking statement contained in this management's discussion and analysis or made from time to time by VersaBank or on its behalf.

## About VersaBank

*Digital Banking Operations*

VersaBank ("VersaBank" or the "Bank") is a North American bank (federally chartered in Canada and the United States) with a difference. VersaBank was one of the world's first fully digital financial institutions 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 the Bank's risk.

VersaBank's recent and expected continued growth is primarily the result of its unique Receivable Purchase Program ("RPP"), which invests in cash flow streams generated by credit assets originated and owned by companies that provide financing at the point of sale to consumers and small businesses for "big ticket" purchases. In September 2024, following its acquisition of a US bank, VersaBank broadly launched its RPP, which has been highly successful in Canada for over 15 years, to the underserved multi-trillion-dollar US market.

*Digital Meteor*

Through its wholly owned subsidiary, DBG Inc., VersaBank has developed and owns proprietary intellectual property and technology to enable the next generation of digital assets for the banking and financial community, including the Bank's revolutionary Real Bank Deposit Tokens™ ("RBDT"s™) (formerly referred to as Digital Deposit Receipts, or DDRs). Developed exclusively by VersaBank using the Bank's own banking and cybersecurity technologies, including VersaVault®, VersaBank's RBDTs™ are proprietary bank-issued tokenized deposits that provide superior security, stability, and regulatory compliance compared to stablecoins as highly encrypted one-for-one digital representations of actual cash on deposit with the Bank, combining the safety and soundness of traditional banking with the efficiency, cost savings, security, and programmability of blockchain technology. In additional, the Bank expects its RBDTs™ to be eligible for conventional federal deposit insurance (subject to confirmation by regulators) and have the legal ability to pay interest, which non-bank issued stablecoins are not allowed to provide. Additionally, with VersaBank's VersaVault® technology, the world's first digital vault for security conscious organizations looking to secure their highly sensitive and confidential documents, data, code, blockchain-based assets and more, the Bank addresses the need for regulated custody of digital assets with secure platforms. However, VersaVault® technology has not yet been opened to third-party assets, and currently, it holds no assets.

*Cybersecurity Services*

VersaBank also owns Minnesota-based DRT Cyber Inc. ("DRTC"), a North America leader in the provision of cyber security services to address the rapidly growing volume of cyber threats challenging financial institutions, multi-national corporations and government entities. DRTC deploys technology solutions to support the functions of cybersecurity, privacy, and risk management, with experience across numerous sectors to enable it to develop and deploy flexible solutions to partners' exact requirements.

VersaBank's common shares trade on the Toronto Stock Exchange and Nasdaq under the symbol VBNK. The underlying drivers of VersaBank's performance changes for the current and comparative periods are set out in the following sections of this MD&A.

## Strategy

VersaBank's goal is to consistently and sustainably deliver outsized growth in earnings per share by utilizing its proprietary technology and established financial intermediary partner network to deliver innovative digital banking, financial and related solutions to under-served markets, while maintaining its low-risk profile. The Bank's use of technology in its cloud-based, branchless, business-to-business model enables significant operating leverage, enabling the Bank to grow its assets and resulting revenue at a significantly faster rate than non-interest expenses. A significant portion of VersaBank's workforce are software engineers and technology support staff who are continuously upgrading and enhancing VersaBank's software, as well as developing new software to support new business initiatives.

*Digital Banking Operations*

VersaBank's largest opportunity and primary focus is growth in revenue (driven primarily by growth in net interest income) from its Digital Banking Operations significantly in excess of growth in non-interest expense. VersaBank expects the majority of revenue growth to be driven by the ramp up of its unique Receivable Purchase Program for the point-of-sale market (previously referred to as its "Point-of-Sale" Financing business), which has driven the majority of its growth in Canada over the past five years, in the underserved US market.

VersaBank's unique Receivable Purchase Program is an innovative and highly attractive digital funding solution for finance companies that provide loans and leases to consumers and small businesses for "big ticket" purchases (e.g. consumer home improvement/HVAC projects and a wide variety of commercial and recreational equipment). It was specifically designed to address an unmet need by point-of-sale financing companies for consistently available, readily accessible, economically attractive capital using VersaBank's proprietary, state-of-the-art banking technology. Consistent with its branchless, business-to-business, partner-based digital banking strategy, VersaBank's RPP enables it to access the massive and growing consumer and small business financing market in an indirect, efficient and highly risk-mitigated manner.

In the US, following its acquisition of a US bank (including its national US bank charter) in September 2024, VersaBank broadly launched its RPP to the underserved multi-trillion-dollar US market. The Bank has a strong and growing pipeline of prospective RPP partners that it is aggressively pursuing. In January 2025, the Bank entered into its first US RPP partnership and immediately began funding that partner. The Bank expects to continue to steadily add new RPP partners as it grows its business with existing partners.

In Canada, VersaBank is focused on generating continued strong growth in its RPP portfolio by expanding its business with existing RPP Financing Partners, adding new RPP Financing partners, as well as broader economic growth.

VersaBank has access to sufficient low-cost deposit sources to fund its expected strong growth in credit assets. The Bank's low-cost deposit sources, combined with the efficiency of its technology-based, business-to-business model, supports its objectives of maintaining a stable net interest margin over the short term and expanding net interest margin over time. Management believes that VersaBank has one of the strongest liquidity risk profiles among North American banks, attributable to the quality, stability and stickiness of its deposit base. The majority of VersaBank's Canadian and US deposits are sourced through deposit brokers, specifically investment dealers, wealth management firms and financial advisory firms that distribute the Bank's term deposit products. VersaBank has high visibility into the fixed maturities of these deposits, further enhancing its liquidity risk profile. In Canada, the Bank also sources deposits through Licensed Insolvency Trustee firms, which value the ability to use VersaBank's proprietary technology to seamlessly and efficiently interface with their respective administrative software, which results in a lower cost of funds to the Bank compared to conventional deposits. The Bank expects its Insolvency Trustee deposits to increase in the short- to medium-term as the number of insolvency filings in Canada is expected to grow.

*Cybersecurity Services*

VersaBank's wholly-owned, Minnesota-based subsidiary, DRT Cyber ("DRTC"), addresses the high-growth market for cybersecurity and related IT privacy services arising from the growing volume of cyber threats and privacy issues challenging businesses of all sizes across all sectors (with a specialty in financial institutions) and government entities on a daily basis. DRTC has established itself as a North American leader in the markets it serves, with more than 400 clients, including large financial services companies, critical infrastructure companies and indispensable government organizations such as metropolitan police departments. DRTC is focused on growing revenue through offering new products and services to existing clients and adding new clients, capitalizing on the significant expected long-term growth in the cybersecurity and privacy market globally.

Under the US Federal Reserve's approval of VersaBank's 2024 acquisition of a US bank, the Bank is required to cease or divest of certain impermissible activities, including the cybersecurity services housed within DRTC before September 2026, or such later date as may be permitted. Such divestment could be accomplished through a number of corporate actions and the Bank has initiated a process to identify and evaluate strategic alternatives with the objective to maximize the value derived from the divestiture for shareholders.

*Digital Meteor*

VersaBank also expects to capitalize on its leading-edge, proprietary technology enabling highly encrypted digital assets that combine the regulatory oversight and safety of traditional banking with the efficiency, cost savings, security, and flexibility of blockchain technology. VersaBank believes that its technology provides superior security and stability compared to conventional alternatives and meet the higher standards of regulatory compliance to which banks are held. Held within its wholly owned subsidiary, DBG Inc., VersaBank's RBDTs™ are tokenized deposits, which are digital representations of traditional bank deposits on a blockchain, offering enhanced efficiency, programmability, and security in financial transactions. RBDTs™ provide a trusted alternative for mainstream financial applications, including efficient payments, addressing the rapidly growing propensity of consumers and businesses to hold assets in e-wallets and engage in financial transactions digitally. VersaBank believes its RBDTs™ represent the next step in the evolution of such digital assets and a superior alternative to stablecoins, which can neither be issued by banks, are not allowed to pay interest pursuant to the GENIUS Act, and are not insured deposits, as the Bank expects tokenized deposits to be, subject to confirmation by regulators.

Management believes that licensed banks, as the trusted, regulated safekeepers of personal and business cash assets and other valuables, are naturally positioned to do the same for digital currencies. VersaBank has established itself as a leader in digital asset innovation. Management believes its trusted and secure solutions, along with the potential for RBDTs™ to be an ultra-low-cost source of deposit funding, will play a meaningful role in enabling US banks and other entities to confidently engage in the rapidly developing field of digital commerce. Management is encouraged by the favorable stance of the current US administration with respect to digital assets and the role they can play in the future of banking and commerce in the United States, as well as around the world. To its knowledge, VersaBank is the first bank to have successfully completed a pilot program with a blockchain-based RBDTs™, in which VersaBank's RBDTs™ provided a secure representation of federally regulated bank deposits on the Algorand, Ethereum and Stellar blockchains. As a SOC2 Type 1 compliant digital asset with a continuously known value, VersaBank's RBDTs™ provide a trusted alternative for mainstream financial applications and can be seamlessly converted to and from other digital currencies such as Bitcoin.

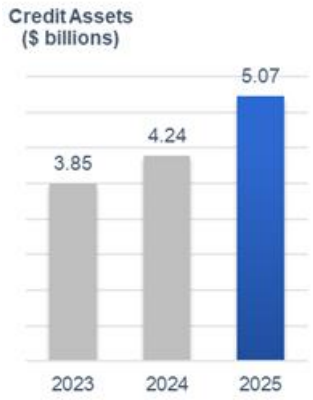
Although the intellectual property, software and other assets related to the RBDTs™ technology currently reside within DRTC, they are not expected to be part of any divestiture of the cybersecurity services business within DRTC.

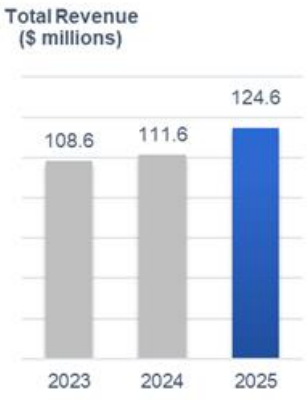
In addition, VersaBank remains highly committed to, and focused on, further developing and enhancing its technology advantage, a key component of its value proposition that not only provides efficient access to VersaBank's chosen underserved lending and deposit markets, but also delivers superior financial products and better customer service to its clients. Although the intellectual property, software and related assets supporting RBDT™ technology currently reside within DRTC subsidiary, they are not expected to be part of any divestiture of that business.

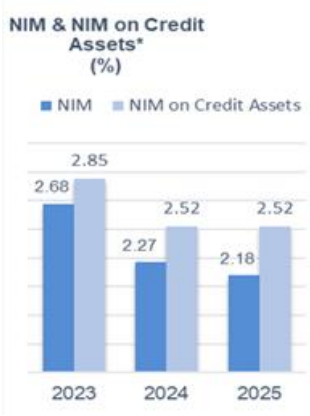
The underlying drivers of VersaBank's performance for the current and comparative periods are set out in the following sections of this MD&A.

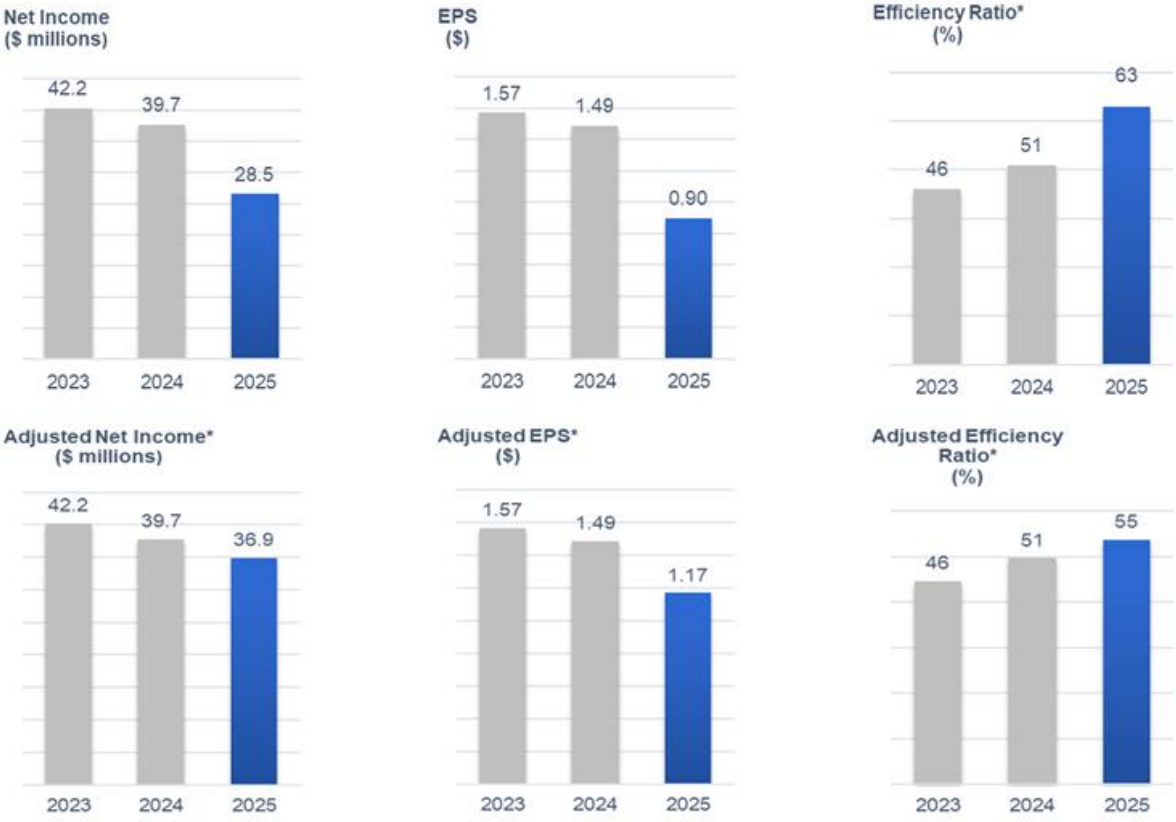
## Overview of Performance

**Note Regarding VersaBank's Fiscal Year 2025 Financial Results:** VersaBank's financial results for the fiscal year 2025 reflect the planned, outsized non-interest expense, in the amount of $9.9 million, for the fiscal year related primarily to the project costs associated with the Reorganization (see comment below). With the vast majority of the costs associated with the Reorganization having been incurred in fiscal 2025, the Bank expects these costs to be significantly lower in fiscal 2026 as the Bank expects the Reorganization to be completed in 2026. The Reorganization is intended to enhance shareholder value, mitigate risk and reduce corporate costs over the long term. The Bank expects that the anticipated benefits of the Reorganization will exceed the associated investment; however, these expected benefits are subject to various assumptions and uncertainties.






* See definition in “Non-GAAP and Other Financial Measures”.

***Items of note for fiscal 2025***

**Reorganization**

- In May 2025, the Bank announced its intention, subject to the approval of VersaBank’s shareholders, the U.S. Federal Reserve, the Office of the Superintendent of Financial Institutions (Canada) (“OSFI”), the Minister of Finance (Canada), the Toronto Stock Exchange (“TSX”), the Nasdaq Global Select Market (“Nasdaq”), and other applicable approvals, to implement a series of transactions that would result in, among other things, a new entity (the “Parent”), a newly incorporated Delaware corporation, succeeding VersaBank as the publicly traded entity in which existing shareholders hold their equity interests, thereby domesticating that public company as a U.S. reporting issuer incorporated in Delaware (the “Reorganization”). Under the proposed terms of the Reorganization, among other things, VersaBank will adopt an amendment to its by-laws and effect certain transactions to exchange all of its outstanding common shares for shares of the Parent (the “Share Exchange”). Following the Share Exchange, VersaBank will sell all of its shares of VersaHoldings US Corp. and DRTC to the Parent in exchange for a promissory note equal to the aggregate fair market value of those shares (the “Parent Note”), which will subsequently be distributed to the Parent as a return of capital.

**Rapid expansion of the Bank's innovative Receivable Purchase Program ("RPP") in the US market**

- Following the Bank's announcement in January 2025 of its first RPP partner, through its US subsidiary, VersaBank USA, the Bank realized rapid expansion of its credit asset portfolio in the US. The Bank increased its US credit assets from $65.2 million as at October 31, 2024 to $441.8 million as at October 31, 2025.

***Items of note for fiscal 2024***

**Acquisition of Stearns Bank Holdingford N.A.**

- In June 2024, the Bank obtained approval from the US OCC, the US Federal Reserve and OSFI (Canada) to acquire Stearns Bank Holdingford N.A. ("SBH"), a privately held, wholly-owned subsidiary of Stearns Financial Services Inc. ("SFSI") based in St. Cloud, Minnesota. On August 30, 2024, the Bank, through its wholly-owned US subsidiary VersaHoldings US Corp., completed the acquisition, acquiring 100% of the outstanding shares of SBH for cash consideration of US$14.1 million (CA$19.0 million). Based in Minnesota, SBH is a fully operational, OCC-chartered national bank, focused on small business lending. Upon closing, SBH was renamed VersaBank USA N.A. (See Acquisition of Stearns Bank Holdingford N.A. section below).

**FY 2025 vs FY 2024**

- Credit assets increased 20% to a record $5.07 billion, driven primarily by strong growth in each of the US and Canadian RPP portfolios, which, combined, increased 22%, as well as strong growth from the Multi-Family Residential Loans and Other portfolio ("MROL"), which increased by 11%. Growth was also driven by the acquisition of Stearns Bank Holdingford National Association ("SBH") on August 30, 2024;
- Total revenue increased 12% to $124.6 million, composed of net interest income of $116.2 million and non-interest income of $8.5 million;
- Net interest margin ("NIM") on credit assets was 2.52%, unchanged from a year ago. NIM was 2.18%, a decrease of 9 bps. The decrease in NIM was primarily due to periods of higher than typical liquidity over the course of fiscal 2025 to support anticipated ongoing RPP growth in the US, offset partially by lower cost of funds. The Bank's NIM remains amongst the highest of the publicly traded Canadian Schedule I banks;

- Provision for credit losses ("PCL") was $4.4 million compared with a recovery of credit loss provision of $268,000, with the increase being primarily due to changes in the forward-looking information used by VersaBank in its credit risk models;
- Provision for credit losses as a percentage of average credit assets was 0.09% compared with -0.01%, which remains among the lowest of the publicly traded Canadian Schedule I banks;
- Non-interest expense, excluding the $9.9 million in project costs associated with the Reorganization, was $68.8 million compared with $57.1 million, with the increase due primarily to operating costs associated with the growth of VersaBank USA operations that began on August 30, 2024;
- Non-interest expenses, including the $9.9 million consisting primarily of project costs associated with the Reorganization, were $78.7 million compared with $57.1 million;
- Adjusted net income (excluding the $9.9 million consisting primarily of project costs associated with the Reorganization) was $36.9 million compared with $39.7 million (see Non-GAAP and Other Financial Measures), with the decrease primarily due to the incremental operating costs associated with the VersaBank USA operations that began on August 30, 2024, in particular those related to the launch and ramp up of the US RPP;
- Net income (including the $9.9 million consisting primarily of project costs associated with the Reorganization) was $28.5 million compared with $39.7 million, with the decrease being primarily attributable to the higher non-interest expenses due to the $9.9 million consisting primarily of project costs associated with the Reorganization and operating costs associated with the growth of VersaBank USA operations that began on August 30, 2024, in particular those related to the launch and ramp up of the US RPP;
- Adjusted income or earnings per common share ("Adjusted EPS") (excluding the $9.9 million cost noted above) decreased to $1.17 from $1.49, with the decrease primarily due to costs associated with the growth of VersaBank USA operations that began on August 30, 2024, in particular those related to the launch and ramp up of the US RPP (see Non-GAAP and Other Financial Measures);
- Income or earnings per common share ("EPS") (including the $9.9 million cost noted above) was $0.90 compared with $1.49, reflecting the $9.9 million in project costs associated with the Reorganization, as well as the impact of the 25% increase in the number of shares outstanding resulting from the December 18, 2024 treasury common share offering;
- Adjusted return on average common equity (excluding the $9.9 million in project costs associated with the Reorganization) was 7.85% compared with 10.16% (see Non-GAAP and Other Financial Measures);
- Return on average common equity (including the $9.9 million in project costs associated with the Reorganization) was 6.11% compared with 10.16%;
- Adjusted efficiency ratio (excluding the $9.9 million cost noted above) was 55% compared with 51% (see Non-GAAP and Other Financial Measures); and,
- Efficiency ratio (including the $9.9 million the cost noted above) was 63% compared with 51%.

## Selected Financial Highlights

(unaudited)

| ($CDN thousands except per share amounts) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Results of operations** | | | |
| Interest income | $ 295,680 | $ 285,419 | $ 229,334 |
| Net interest income | 116,168 | 102,655 | 100,051 |
| Non-interest income | 8,473 | 8,978 | 8,584 |
| Total revenue | 124,641 | 111,633 | 108,635 |
| Provision for (recovery of) credit losses | 4,413 | (268) | 609 |
| Non-interest expenses | 78,735 | 57,108 | 50,381 |
| Digital banking | 68,243 | 49,046 | 42,984 |
| DRTC | 9,638 | 8,533 | 7,786 |
| Digital Meteor | 2,208 | 888 | 1,265 |
| **Net income** | **28,458** | **39,748** | **42,162** |
| **Adjusted net income*** | **36,891** | **39,748** | **42,162** |
| Income per common share: | | | |
| Basic | $ 0.90 | $ 1.49 | $ 1.57 |
| Diluted | $ 0.90 | $ 1.49 | $ 1.57 |
| Adjusted income per common share basic and diluted* | $ 1.17 | $ 1.49 | $ 1.57 |
| Dividends paid on preferred shares | $ - | $ 988 | $ 988 |
| Dividends paid on common shares | $ 3,235 | $ 2,600 | $ 2,612 |
| Yield* | 5.55% | 6.31% | 6.14% |
| Cost of funds* | 3.37% | 4.04% | 3.46% |
| Net interest margin* | 2.18% | 2.27% | 2.68% |
| Net interest margin on credit assets* | 2.52% | 2.52% | 2.85% |
| Return on average common equity* | 6.11% | 10.16% | 11.75% |
| Adjusted return on average common equity* | 7.85% | 10.16% | 11.75% |
| Book value per common share* | $ 16.67 | $ 15.35 | $ 14.00 |
| Efficiency ratio* | 63% | 51% | 46% |
| Adjusted efficiency ratio* | 55% | 51% | 46% |
| Return on average total assets* | 0.53% | 0.86% | 1.10% |
| Provision for (recovery of) credit losses as a % of average credit assets* | 0.09% | (0.01%) | 0.02% |
| | **as at** | | |
| **Balance Sheet Summary** | | | |
| Cash | $ 581,710 | $ 225,254 | $ 132,242 |
| Securities | 80,923 | 299,300 | 167,940 |
| Credit assets, net of allowance for credit losses | 5,066,378 | 4,236,116 | 3,850,404 |
| Average credit assets | 4,651,247 | 4,043,260 | 3,421,541 |
| Total assets | 5,808,475 | 4,838,484 | 4,201,610 |
| Deposits | 4,860,863 | 4,144,673 | 3,533,366 |
| Subordinated notes payable | 103,516 | 102,503 | 106,850 |
| Shareholders' equity | 532,673 | 399,203 | 377,158 |
| **Capital ratios**** | | | |
| Risk-weighted assets | $ 3,943,657 | $ 3,323,595 | $ 3,095,092 |
| Common Equity Tier 1 capital | 509,650 | 373,503 | 350,812 |
| Total regulatory capital | 619,890 | 481,176 | 476,005 |
| Common Equity Tier 1 (CET1) capital ratio | 12.92% | 11.24% | 11.33% |
| Tier 1 capital ratio | 12.92% | 11.24% | 11.78% |
| Total capital ratio | 15.72% | 14.48% | 15.38% |
| Leverage ratio | 8.47% | 7.38% | 8.30% |

* See definition in "Non-GAAP and Other Financial Measures".

** Capital management and leverage measures are in accordance with OSFI's Capital Adequacy Requirements and Basel III Accord.

## Financial Review - Earnings

### Total Revenue

Total revenue, consisting of net interest income and non-interest income, increased 12% to $124.6 million compared to last year.

(thousands of Canadian dollars)

| For the year ended: | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Interest income | | | |
| Receivable purchase program | $ 208,670 | $ 191,476 | 9% |
| Multi-family residential loans and other | 64,863 | 73,405 | (12%) |
| Other | 22,147 | 20,538 | 8% |
| Interest income | $ 295,680 | $ 285,419 | 4% |
| Interest expense | | | |
| Deposit and other | $ 174,010 | $ 177,094 | (2%) |
| Subordinated notes | 5,502 | 5,670 | (3%) |
| Interest expense | $ 179,512 | $ 182,764 | (2%) |
| Net interest income | $ 116,168 | $ 102,655 | 13% |
| Non-interest income | $ 8,473 | $ 8,978 | (6%) |
| Total revenue | $ 124,641 | $ 111,633 | 12% |

*Net Interest Income*

***FY 2025 vs FY 2024***

Net interest income increased 13% to $116.2 million due primarily to:

- Higher interest income attributable to continued RPP portfolio growth in Canada, the launch and ramp up of the RPP in the US, as well as increase in the MROL portfolio; and,
- Lower interest expense attributable primarily to the renewal of maturing deposits at lower interest rates and the diminished impact of the atypically inverted yield curve that existed throughout fiscal 2024, and which is now normalized in fiscal 2025.

Offset partially by:

- The impact of the planned transition of some higher yielding, higher risk-weighted MROL to lower yielding, lower risk-weighted MROL as part of the Bank's strategy to capitalize on opportunities for lower regulatory capital risk-weighted credit assets with a higher return on capital deployed.

*Net Interest Margin*

(thousands of Canadian dollars)

| For the year ended: | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Interest income | $ 295,680 | $ 285,419 | 4% |
| Interest expense | 179,512 | 182,764 | (2%) |
| Net interest income | 116,168 | 102,655 | 13% |
| | | | |
| Average assets | $ 5,323,480 | $ 4,520,047 | 18% |
| Yield* | 5.55% | 6.31% | (12%) |
| Cost of funds* | 3.37% | 4.04% | (17%) |
| Net interest margin* | 2.18% | 2.27% | (4%) |
| | | | |
| Average gross credit assets | $ 4,633,941 | $ 4,024,939 | 15% |
| Net interest margin on credit assets* | 2.52% | 2.52% | 0% |

* See definition in "Non-GAAP and Other Financial Measures" section below.

***FY 2025 vs FY 2024***

Net interest margin decreased 9 bps due primarily to:

- Periods of higher than typical liquidity over the course of fiscal 2025 to support anticipated ongoing RPP growth in the US;
- Continued growth in the RPP portfolio, which is composed of lower risk-weighted, lower yielding assets; and,
- The impact of the planned transition of some higher yielding, higher risk-weighted MROL to lower yielding, lower risk-weighted MROL as part of the Bank's strategy to capitalize on opportunities for lower-risk weighted credit assets with a higher return on capital.

Offset partially by:

- Reduction in cost of funds resulting from the renewal of maturing deposits at lower interest rates; and,
- Lower interest expense attributable primarily due to the diminished impact of the atypically inverted yield curve that existed throughout fiscal 2024, and which has now normalized in fiscal 2025.

The Bank's NIM remains amongst the highest of the publicly traded Canadian Schedule 1 banks.

*Non-Interest Income*

Non-interest income is composed of revenue generated by DRTC and income derived from miscellaneous transaction fees not directly attributable to credit assets.

Non-interest income for the year ended October 31, 2025 decreased 6% to $8.5 million from $9.0 million last year. The decrease was a function primarily of lower client engagements.

**Provision for Credit Losses**

(thousands of Canadian dollars)

| For the year ended: | October 31 2025 | October 31 2024 |
|---|---|---|
| Provision for (recovery of) credit losses by lending asset: | | |
| Receivable purchase program | $ 4,648 | $ 683 |
| Multi-family residential loans and other | (235) | (951) |
| Total provision for (recovery of) credit losses | $ 4,413 | $ (268) |

***FY 2025 vs FY 2024***

VersaBank recorded a provision for credit losses in the amount of $4.4 million in the current year compared with a recovery of credit loss provision in the amount of $268,000 last year due primarily to changes in the forward-looking information used by the Bank in its credit risk models. Provision for credit losses as a percentage of average credit assets was 0.09% compared with -0.01%, which remains among the lowest of the publicly traded Canadian Schedule I banks.

**Non-Interest Expenses**

(thousands of Canadian dollars)

| For the year ended: | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Salaries and benefits | $ 37,984 | $ 32,784 | 16% |
| General and administrative | 33,727 | 19,169 | 76% |
| Premises and equipment | 7,024 | 5,155 | 36% |
| Total non-interest expenses | $ 78,735 | $ 57,108 | 38% |
| Efficiency Ratio* | 63% | 51% | 24% |

* See definition in "Non-GAAP and Other Financial Measures".

***FY 2025 vs FY 2024***

Non-interest expenses, including $9.9 million consisting primarily of project costs associated with the Reorganization, increased 38% to $78.7 million due primarily to:

- Operating costs associated with the growth of VersaBank USA operations that began on August 30, 2024; including costs being incurred ahead of anticipated asset growth and revenue generated by the launch of US RPP through VersaBank USA; and,
- Project costs associated with the Reorganization.

**Tax Provision**

The Bank's effective tax rate for the current year was approximately 31% compared with approximately 27% in the prior year. Shifts in the Bank's effective tax rate from the statutory rates was a function primarily of adjustments to changes in assumptions on non-deductible expenses and other permanent tax differences, foreign exchange impact on various assets as well as changes in earnings allocation between different tax jurisdictions. The current year tax provision includes approximately $1.1 million in income tax expense that would be considered a one-time adjustment**.** Provision for income taxes for fiscal 2025 was $13.0 million compared with $15.0 million last year.

**Comprehensive Income**

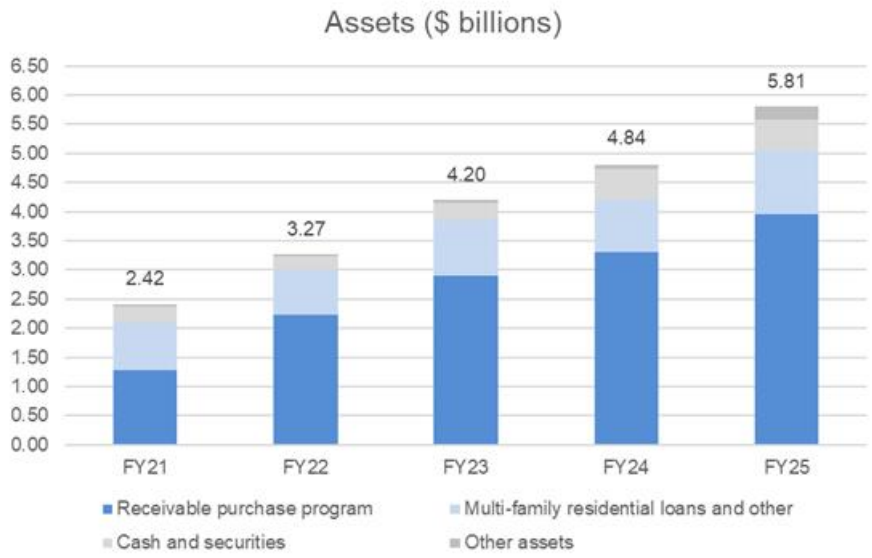
Comprehensive income for the year was $29.2 million compared to $39.5 million last year. Comprehensive income is comprised of net income for the period and other comprehensive income, which consists of unrealized gains and losses on fair value through other comprehensive income associated with the foreign exchange gain or loss on translation of foreign operations, and revaluation of certain securities and interest rate swaps to fair market value.

## Financial Review – Balance Sheet

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Total assets | $ 5,808,475 | $ 4,838,484 | 20% |
| Cash and securities | 662,633 | 524,554 | 26% |
| Credit assets, net of allowance for credit losses | 5,066,378 | 4,236,116 | 20% |
| Deposits | 4,860,863 | 4,144,673 | 17% |

**Total Assets**




Total assets at October 31, 2025, were $5.81 billion compared with $4.84 billion at October 31, 2024, primarily due to growth in VersaBank's RPP portfolio.

**Cash and securities**

Cash and securities, which are held primarily for liquidity purposes, at October 31, 2025, were $662.6 million, or 11% of total assets, compared with $524.6 million, or 11% of total assets a year ago. The increase in liquidity asset balances over a year ago reflects the impact of the additional liquidity held at VersaBank USA.

As at October 31, 2025, the Bank held securities totaling $80.9 million (October 31, 2024 - $299.3 million), including accrued interest, comprised of US Treasury Bills with a carrying value of $74.3 million, Government of Canada Treasury Bills with a carrying value of $2.2 million and other securities with a carrying value of $4.4 million.

**Credit Assets**

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Receivable purchase program | $ 4,043,007 | $ 3,307,328 | 22% |
| Multi-family residential loans and other | 1,007,232 | 910,314 | 11% |
| | 5,050,239 | 4,217,642 | 20% |
| Allowance for credit losses | (7,279) | (3,303) | |
| Accrued interest | 23,418 | 21,777 | |
| Total credit assets, net of allowance for credit losses | $ 5,066,378 | $ 4,236,116 | 20% |

VersaBank organizes its Credit Asset portfolios into the following two broad asset categories: Receivable Purchase Program (previously referred to as “Receivable Purchase Program/Point-of-Sale Loans & Leases” or “Point-of-Sale Loans & Leases”) and Multi-Family Residential Loans and Other (the amalgamation of what was previously referred to as “Commercial Real Estate Mortgages”, “Commercial Real Estate Loans”, and “Public Sector and Other Financing”). 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 **Receivable Purchase Program (“RPP”)** 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 RPP partners, as well as asset-backed securities that have similar underlying assets noted in the RPP portfolio.

The **Multi-Family Residential Loans and Other (“MROL”)** category is composed of two major sub-segments: Multi-Family Residential Loans, which consists of CMHC-insured (zero-risk weighted) 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 the 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.

***FY 2025 vs FY 2024***

Credit assets increased 20% to $5.07 billion due primarily to:

- Higher RPP portfolio balances, which increased 22% year-over-year, due primarily to consistent demand for home improvement/HVAC receivable financing in Canada and the launch and ramp up of the RPP in the US; and,
- Higher multi-family residential lending balances, primarily in the lower risk-weighted CMHC-insured portfolio.

**Residential Mortgage Exposures**

In accordance with the Office of the Superintendent of Financial Institutions ("OSFI") *Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures*, additional information is provided regarding the Bank's residential mortgage exposure. For the purposes of the Guideline, a residential mortgage is defined as a loan to an individual that is secured by residential property (one-to-four-unit dwellings) and includes home equity lines of credit ("HELOCs"). This differs from the classification of residential mortgages used by the Bank which also includes multi-family residential mortgages.

Under OSFI's definition, the Bank's exposure to residential mortgages at October 31, 2025 was $4.5 million compared to $4.2 million a year ago. The Bank did not have any HELOCs outstanding at October 31, 2025, or a year ago.

**Credit Quality and Allowance for Credit Losses**

VersaBank closely monitors its lending portfolio, the portfolio's underlying borrowers, as well as its origination partners to ensure that management maintains effective visibility on credit trends that could provide an early warning indication of the emergence of any elevated risk in VersaBank's lending portfolio.

***Allowance for Credit Losses***

The Bank maintains an allowance for expected credit losses (or ECL allowance) that is adequate, in management's opinion, to absorb all credit related losses in the Bank's credit asset and treasury portfolios. Under IFRS 9 the Bank's allowance for expected credit losses is estimated using the expected credit loss methodology and is comprised of expected credit losses recognized on both performing credit assets, and non-performing, or impaired credit assets even if no actual loss event has occurred.

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| **ECL allowance by lending asset:** | | | |
| Receivable purchase program | $ 5,431 | $ 783 | 594% |
| Multi-family residential loans and other | 1,848 | 2,520 | (27%) |
| Total ECL allowance | $ 7,279 | $ 3,303 | 120% |

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| **ECL allowance by stage:** | | | |
| ECL allowance stage 1 | $ 4,679 | $ 2,996 | 56% |
| ECL allowance stage 2 | 426 | 306 | 39% |
| ECL allowance stage 3 | 2,174 | 1 | |
| Total ECL allowance | $ 7,279 | $ 3,303 | 120% |

VersaBank's ECL allowance as at October 31, 2025, was $7.28 million compared with $3.30 million a year ago due primarily to changes in the forward-looking information used by the Bank in its credit risk models.

***Assessment of significant increase in credit risk ("SICR")***

At each reporting date, the Bank assesses whether there has been a SICR for credit assets since initial recognition by comparing, at the reporting date, the risk of default occurring over the remaining expected life against the risk of default at initial recognition.

SICR is a function of the credit asset's internal risk rating assignment, internal watchlist status, credit asset review status and delinquency status which are updated as necessary in response to changes including, but not limited to, changes in macroeconomic and/or market conditions, changes in a borrower's credit risk profile, and changes in the strength of the underlying security, including guarantor status, if a guarantor exists. Notwithstanding the above, the assessment of a significant increase in credit risk requires experienced credit judgement.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SICR. As a result, qualitative factors may be considered to supplement such a gap. Examples include changes in adjudication criteria for a particular group of borrowers or asset categories or changes in portfolio composition, as well as changes in Canadian and US macroeconomic trends attributable to changes in monetary policy, inflation, employment rates, consumer behaviour and geo-political risks.

***Expected credit loss model – Estimation of expected credit losses***

Expected credit losses are an estimate of a credit asset's expected cash shortfalls discounted at the effective interest rate, where a cash shortfall is the difference between the contractual cash flows due to the Bank and the cash flows the Bank expects to receive.

***Forward-looking information***

The Bank incorporates the impact of future economic conditions, or more specifically forward-looking information, into the estimation of expected credit losses at the credit risk parameter level. This is accomplished via the credit risk parameter models and proxy datasets that the Bank utilizes to develop probability of default ("PD") and loss-given default ("LGD") term structure forecasts for its credit assets. 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. These systems are used in conjunction with the Bank's internally developed ECL models. Given that the Bank has experienced very limited historical losses and, therefore, does not have available statistically significant loss data inventory for use in developing internal, forward-looking expected credit loss trends, the use of unbiased, third-party forward-looking credit risk parameter modeling systems is particularly important for the Bank in the context of the estimation of expected credit losses.

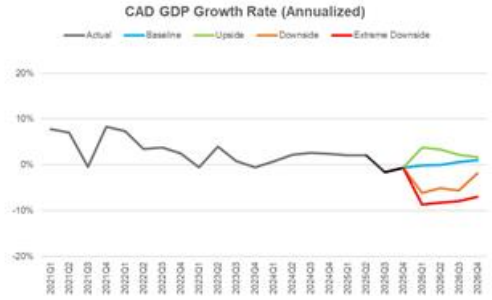
The Bank utilizes macroeconomic indicator data derived from multiple macroeconomic scenarios in order to mitigate volatility in the estimation of expected credit losses, as well as to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. More specifically, the macroeconomic indicators set out in the macroeconomic scenarios are used as inputs for the credit risk parameter models utilized by the Bank to sensitize the individual PD and LGD term structure forecasts to the respective macroeconomic trajectory set out in each of the scenarios (see Expected Credit Loss Sensitivity below). Currently the Bank utilizes upside, downside and baseline forecast macroeconomic scenarios, and assigns discrete weights to each for use in the estimation of its reported ECL. The Bank has also applied expert credit judgement, where appropriate, to reflect, amongst other items, uncertainty in the Canadian and US macroeconomic environments.

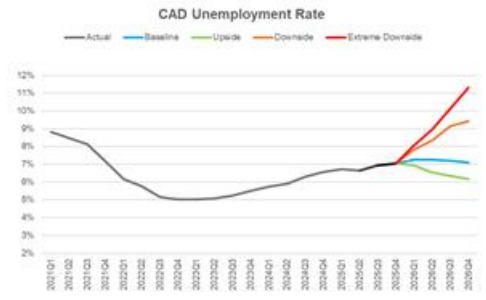
The macroeconomic indicator data utilized by the Bank for the purpose of sensitizing PD and LGD term structure data to forward economic conditions include, but are not limited to: real GDP, the national unemployment rate, long term interest rates, the consumer price index, the S&P/TSX Index and the price 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 balance sheet, including: corporate, consumer and real estate market dynamics; corporate, consumer and small and medium enterprise ("SME") borrower performance; geography; as well as collateral value volatility, are appropriately captured and incorporated into the Bank's forward macroeconomic sensitivity analysis.

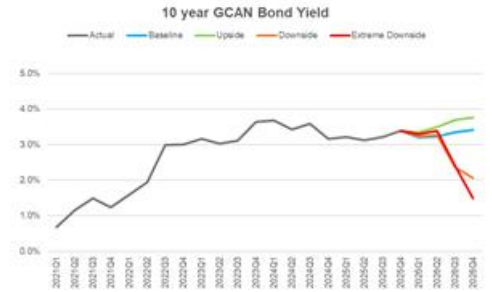
The key assumptions driving the outlook includes global tariff policies, which, while stabilizing, remain uncertain in their size, scope, and timing. Tariffs continue to pose challenges to both the Canadian and US economies, with elevated measures increasing cross-border costs and supply chain pressures. Export demand and investment are expected to remain soft, which may weigh on hiring and consumption growth amid ongoing trade uncertainty and geopolitical tensions. Although a recession is not anticipated, overall GDP growth is expected to remain subdued through this year and in 2026. As economic momentum softens, the Bank of Canada and the US Federal Reserve are expected to maintain accommodative policies, with some rate reductions likely, though the extent of easing may be limited by persistent inflationary pressures. Labour market conditions are expected to weaken modestly, with hiring slowing in response to softer growth. Recent changes to Canadian immigration policy are anticipated to influence labour force growth, which may further influence employment trends. While tariffs may add to cost pressures, overall inflation is expected to moderate gradually, supported by easing commodity prices and weaker global demand.

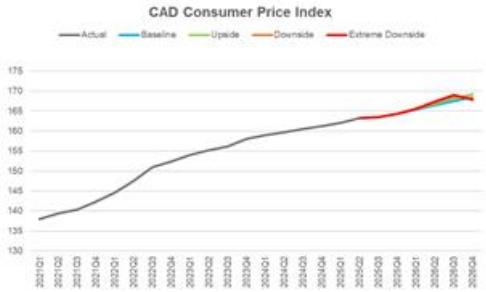
Management developed ECL estimates using credit risk parameter term structure forecasts sensitized to individual baseline, upside and downside forecast macroeconomic scenarios, each weighted at 100%, and subsequently computed the variance of each to the Bank's reported ECL as at October 31, 2025 in order 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.

A summary of the key forecast macroeconomic indicator data trends utilized by VersaBank for the purpose of sensitizing lending asset credit risk parameter term structure forecasts to forward looking information, which in turn are used in the estimation of VersaBank's reported ECL, as well as in the assessment of same are presented in the charts below (see Expected Credit Loss Sensitivity below).



***Expected Credit Loss (ECL) Sensitivity***

The following table presents the sensitivity of the Bank's estimated ECL to a range of individual forecast 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 October 31, 2025:

(thousands of Canadian dollars)

| | Reported ECL | 100% Upside | 100% Baseline | 100% Downside |
|---|---|---|---|---|
| Allowance for expected credit losses | $ 7,279 | $ 6,742 | $ 7,198 | $ 7,932 |
| Provision (recovery) from reported ECL | | (537) | (80) | 653 |
| Variance from reported ECL (%) | | (7%) | (1%) | 9% |

The uncertainty associated with interest rates, inflation and unemployment trends given the expectation of an economic slowdown in both Canada and the US as well as elevated geo-political risk may result in VersaBank's estimated ECL amounts exhibiting some future volatility which in turn may result in the Bank recognizing higher provisions for credit losses in the future.

Considering the analysis set out above and based on management's review of the credit asset and credit data comprising VersaBank's lending portfolio, combined with management's interpretation of the available forecast macroeconomic and industry data, management is of the view that its reported ECL allowance represents a reasonable proxy for potential future losses.

**Deposits**

VersaBank has established three core low-cost deposit funding channels: Deposit brokers (previously referred to as "Personal Deposits") in Canada and the US, Licensed Insolvency Trustee firms (previously referred to as "Commercial Deposits") in Canada, and cash reserves retained from VersaBank's RPP partners, which are classified as other liabilities.

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Licensed insolvency trustee firms | $ 888,620 | $ 743,783 | 19% |
| Deposit brokers | 3,972,243 | 3,400,890 | 17% |
| Total deposits | $ 4,860,863 | $ 4,144,673 | 17% |

The majority of VersaBank's Canadian and US deposits are sourced through deposit brokers, specifically investment dealers, wealth management firms and financial advisory firms that distribute the Bank's term deposit products to their respective end clients.

In Canada, the Bank also sources deposits through licensed insolvency trustee firms that value the ability to use VersaBank's proprietary technology to seamlessly and efficiently interface with their administrative software, which results in a lower cost of funds to the Bank compared to conventional deposits.

Subject to the respective government program limits, substantially all of the Bank's deposit brokers and licensed insolvency trustee firms deposits sourced through these channels are eligible for CDIC insurance. Deposits held in VersaBank USA are eligible for FDIC insurance.

***FY 2025 vs FY 2024***

Deposits increased 17% to $4.9 billion due primarily to:

- Higher deposits from brokers attributable to VersaBank increasing activity in its broker market network to fund balance sheet growth; and,
- Higher deposits from Licensed Insolvency Trustee firms attributable to an increase in the volume of Canadian consumer and commercial bankruptcy and proposal restructuring proceedings year-over-year.

The table below presents a summary of the Bank's deposit portfolio by maturity, excluding accrued interest at October 31, 2025, as well as for 2024:

| | 2025 | | | | | |
|---|---|---|---|---|---|---|
| (thousands of Canadian dollars) | Within 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Over 5 years | Total |
| Licensed insolvency trustee firms | $ 888,620 | $ - | $ - | $ - | $ - | $ 888,620 |
| Deposit brokers | $ 596,565 | 1,733,111 | 785,369 | 787,895 | - | 3,902,941 |
| | $ 1,485,185 | $ 1,733,111 | $ 785,369 | $ 787,895 | $ - | $ 4,791,561 |

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| (thousands of Canadian dollars) | Within 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Over 5 years | Total |
| Licensed insolvency trustee firms | $ 743,783 | $ - | $ - | $ - | $ - | $ 743,783 |
| Deposit brokers | 440,118 | 1,749,894 | 494,866 | 639,058 | - | 3,323,936 |
| | $ 1,183,901 | $ 1,749,894 | $ 494,866 | $ 639,058 | $ - | $ 4,067,719 |

**Subordinated Notes Payable**

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 |
|---|---|---|
| Issued April 2021, unsecured, non-viability contingent capital compliant, subordinated notes payable, principal amount of US $75.0 million, fixed effective interest rate of 5.38%, maturing May 2031. The fixed rate applies only until May 1, 2026, at which point the obligation switches to floating rate and the notes are redeemable by the Bank, subject to regulatory approval. | $ 103,516 | $ 102,503 |
| | $ 103,516 | $ 102,503 |

Subordinated notes payable, net of issue costs, were $103.5 million as at October 31, 2025, compared with $102.5 million a year ago. The year-over-year trend was a function primarily attributable to the change in the USD/CAD foreign exchange spot rate related to the US $75.0 million subordinated note.

**Shareholders' Equity**

Shareholders' equity at October 31, 2025 increased to $532.7 million from $399.2 million a year ago. The increase was primarily due to the issuance of 6,509,434 additional common shares for as value of $114.8 million in the first quarter of fiscal 2025 and higher retained earnings attributable to net income earned over the course of the year, offset partially by the payment of dividends.

The summary of the Bank's issued and outstanding share capital is as follows:

(thousands of Canadian dollars)

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| *Common shares:* | | | | |
| Balance, beginning of the year | 26,002,577 | $ 215,610 | 25,964,424 | $ 214,824 |
| Issued during the year | 6,509,434 | 114,772 | - | - |
| Options exercised during the year | 6,775 | 108 | 38,153 | 786 |
| Purchased and cancelled during the year | (573,251) | (6,137) | | |
| Share issue cost adjustment | - | 1,557 | - | - |
| Outstanding, end of year | 31,945,535 | $ 325,910 | 26,002,577 | $ 215,610 |
| *Series 1 preferred shares:* | | | | |
| Balance, beginning of the year | - | $ - | 1,461,460 | $ 13,647 |
| Redemption of preferred shares | - | - | (1,461,460) | (13,647) |
| Outstanding, end of year | - | $ - | - | $ - |
| Total share capital | | $ 325,910 | | $ 215,610 |

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 additional 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.

On April 28, 2025, the Bank received approval from the Toronto Stock Exchange ("TSX") to proceed with a 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 8.99% of its public float. As of April 21, 2025, the public float comprised 22,237,283 common shares and there were 32,518,786 issued and outstanding Common Shares in total. The average daily trading volume ("ADTV") of VersaBank's Common Shares on the TSX for the six months of October 1, 2024 – March 31, 2025 (the "Preceding Six Month Period") was 37,761 shares. Daily purchases under the NCIB will be limited to 25% of the ADTV, which is 9,440 common shares, other than block purchase exceptions. During the Preceding Six-Month Period, 20,321,293 VersaBank common shares were traded on all exchanges. Of that total, 4,720,219 shares were traded on the TSX, and the remaining 15,601,074 shares were traded on other exchanges including the Nasdaq.

The ability to make purchases commenced on April 30, 2025, and will terminate on April 29, 2026, 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 year ended October 31, 2025, the Bank purchased and cancelled 573,251 Common Shares for $9.2 million, reducing the Bank’s Common Share value by $6.1 million, contributed surplus by $0.1 million and retained earnings by $3.0 million. In the same period, the Bank issued 6,775 Common Shares for proceeds of $108,000 related to stock options there were exercised in the period.

For the year ended October 31, 2024, the Bank issued 38,153 Common Shares for $607,000 related to stock options that were exercised in the period.

The Bank’s book value per common share at October 31, 2025, was $16.67 compared with $15.35 at October 31, 2024. The increase was due primarily to higher retained earnings attributable to net income earned in fiscal 2025 as well as a lower number of common shares outstanding due the purchase and cancellation of common shares in 2024 pursuant to the Bank’s NCIB, offset partially by the treasury offering common shares in the first quarter of this year and the payment of dividends.

See note 14 to the Consolidated Financial Statements for additional information relating to share capital.

**Stock-Based Compensation**

The Bank has a stock option plan for its employees and officers. Options are granted at an exercise price set at not less than the closing market price of the Bank's common shares on the day preceding the date on which the option is granted, subject to vesting, and are exercisable within five years of issue. Options are usually granted with graded vesting terms. One third vests on the first anniversary of the grant date, one third vests on the second anniversary of the grant date and one third vests on the third anniversary of the grant date.

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 819,125 | $ 15.90 | 874,393 | $ 15.90 |
| Granted | 10,000 | 15.90 | - | - |
| Exercised | (6,775) | 15.90 | (38,153) | 15.90 |
| Forfeited/cancelled | (42,616) | 15.90 | (17,115) | 15.90 |
| Expired | - | - | - | - |
| Outstanding, end of period | 779,734 | $ 15.90 | 819,125 | $ 15.90 |

For the year ended October 31, 2025, the Bank recognized stock-based compensation expense of $81,000 (2024 - $348,000) related to the estimated fair value of options granted. There were 10,000 stock options granted in the current year. The fair value of the 10,000 stock options granted over the course of the current fiscal year was estimated at the grant dates using the Black-Scholes valuation model and the following input assumptions: risk-free rate of 2.94%, expected option life of 3.5 years, expected volatility of 29.6% and expected annual dividends of 0.67%.The weighted average of the fair value of the stock options granted in the year was estimated at $3.33 per share. During the current year, the Bank issued 6,775 (2024 - 38,153) Common Shares for proceeds of $108,000 (2024 - $607,000) related to exercised stock options in the current year.

***Updated Share Information***

As at December 9, 2025, there were no changes since October 31, 2025, in the number of common shares.

**Derivative instruments**

At October 31, 2025, 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 $20.2 million (October 31, 2024 - $22.0 million), of which $20.2 million (October 31, 2024 - $22.0 million) qualified for hedge accounting. 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 October 31, 2025, fair value of $340,000 (October 31, 2024 - $19,000) relating to this contract was included in other liabilities and the offsetting amount included in the carrying values of the assets to which they relate. Approved counterparties are limited to major Canadian chartered banks. The carrying amount of the hedged item recognized in the credit assets was $20.9 million (October 31, 2024 - $22.4 million). The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item is $1.9 million (October 31, 2024 - $1.1 million).

As of October 31, 2025, the Bank utilized a foreign exchange forward contract to mitigate foreign exchange risk on its net investments in VersaBank USA. 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 October 31, 2025, the outstanding foreign exchange forward contract had a notional value of USD $138.6 million (October 31, 2024 – USD $66.0 million) and a fair value of $61,400 (liability) (October 31, 2024 - $1,000 (asset)), hedging a portion of the USD $181.3 million investment in VersaBank USA. For the reporting period, a loss of $4,222,963 (October 31, 2024 – loss of $13,000) 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.

## Off-Balance Sheet Arrangements

At October 31, 2025, 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 totaling $20.2 million (October 31, 2024 - $22.0 million), of which $20.2 million (October 31, 2024 - $22.0 million) qualified for hedge accounting. 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.

As at October 31, 2025, 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; there were no similar hedges in 2024. 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 hedging instrument attributable to the effective portion of the hedge are recognized in profit or loss; any ineffective portion, if applicable, is also recorded in profit or loss. As at October 31, 2025, the outstanding foreign exchange forward contract had a notional value of USD $14.0 million (October 31, 2024 — nil) and a fair value of $1,500 (liability) (October 31, 2024 — nil). The contract hedges a portion of the USD $14.0 million investment in VersaFinance US Corp. For the year ended October 31, 2025, a loss of $160,300 (2024 — nil) was recognized in profit or loss, representing the total impact of the hedge.

As of October 31, 2025, 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 October 31, 2025, the outstanding foreign exchange forward contract relating to this intercompany loan had a notional value of USD $12.1 million and a fair value of $5,400 (liability).

As of October 31, 2025, an accounting hedge exists for the remaining USD $42.7 million of the USD $181.3 million investment in VersaBank USA. This is achieved through the allocation of part of a 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 rate fluctuations that may affect the valuation of the investment asset.

**Commitments and Contingencies**

The amount of credit-related commitments represents the maximum amount of additional credit that the Bank could be obliged to extend. Under certain circumstances, the Bank may cancel credit asset commitments at its option. Letters of credit amounts are not necessarily indicative of the associated credit risk exposure as many of these secured arrangements are contracted for a limited period of time and will expire or terminate without being drawn upon.

| (thousands of Canadian dollars) | | 2025 | | 2024 |
|---|---|---|---|---|
| Credit asset commitments | $ | 589,005 | $ | 635,433 |
| Letters of credit | | 46,849 | | 65,671 |
| | $ | 635,854 | $ | 701,104 |

**Contractual Obligations**

At October 31, 2025, the Bank had the following scheduled principal repayments of financial liabilities.

| | 2025 | | | | |
|---|---|---|---|---|---|
| (thousands of Canadian dollars) | Total | Less than 1 Year | 1-2 Years | 2-5 Years | Over 5 Years |
| Deposits | $ 4,860,863 | $ 3,287,599 | $ 785,369 | $ 787,895 | $ - |
| Cash reserves on loan and lease receivables | 290,666 | 290,666 | - | - | - |
| Subordinated notes payable | 103,516 | - | - | - | 103,516 |
| Accounts payable | 12,544 | 12,544 | - | - | - |
| Cash collateral and amounts held in escrow | 4,996 | 4,996 | - | - | - |
| Current income tax liability | 126 | 126 | - | - | - |
| Lease obligations | 2,668 | 611 | 636 | 1,367 | 54 |
| Deferred income tax liability | 7 | 7 | - | - | - |
| Off-balance sheet obligations | 416 | 416 | - | - | - |
| | $ 5,275,802 | $ 3,596,965 | $ 786,005 | $ 789,262 | $ 103,570 |

## Related Party Transactions

The Bank's related parties include members of the Board of Directors and Senior Executive Officers represented as key management personnel and significant minority shareholders. See note 22 to the Consolidated Financial Statements for more information on transactions entered into with, and the compensation of key management personnel.

## Acquisition of Stearns Bank Holdingford N.A.

On August 30, 2024 the Bank, through its wholly-owned US subsidiary VersaHoldings US Corp., acquired 100% of the outstanding shares of shares of Minnesota-based Stearns Bank Holdingford N.A. ("SBH"), a privately held, wholly-owned subsidiary of Stearns Financial Services Inc. based in St. Cloud, Minnesota, for cash consideration of US$14.1 million (CA$19.0 million). SBH is a fully operational, OCC (Office of the Comptroller of the Currency)-chartered national bank, focused on small business lending. The acquisition follows the approval for acquisition received in June 2024 from OSFI, as well as the US's OCC and the US Federal Reserve.

Upon the close of the share acquisition of SBH, the Bank acquired approximately US$68.4 million (CA$92.3 million) in assets and assumed approximately US$54.3 million (CA$73.3 million) in deposits and other liabilities and renamed SBH as VersaBank USA. The acquisition will provide the Bank with access to US deposits to support the growth of its Receivable Purchase Program business. The acquisition is expected to be accretive to the Bank's earnings per share within the first year after closing; and, VersaBank USA was well capitalized, as per the OCC's definition of same, with a Total Capital ratio in excess of 10% as at August 30, 2024.

In furtherance of the Bank's strategic initiatives and in light of US regulatory requirements, management has expressed an intention to cease or divest of certain impermissible activities, including cybersecurity services housed within DRTC, which operates within the financial technology industry. Discussions with potential buyers are currently underway. As of October 31, 2025, the subsidiary has not been classified as "held for sale" in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, because certain criteria for such classification have not yet been met. Specifically, the sale is not expected to be completed within the next 12 months, and the subsidiary continues to be integral to the Bank's operations. Management will continue to evaluate the status of the divestiture and will reclassify the subsidiary as "held for sale" once all IFRS 5 criteria are satisfied.

In connection with the potential divestiture of DRTC, its assets or subsidiaries, certain members of management hold convertible preferred shares in DRTC. In accordance with the by-laws of DRTC, the convertible preferred shares will convert automatically, upon a change of control event, into an aggregate 28% common share ownership stake in DRTC.

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed on acquisition:

(thousands of Canadian dollars)

| Asset and liabilities acquired at fair value | August 30, 2024 |
|---|---|
| Cash | $ 6,900 |
| Securities | 4,366 |
| Loans | 71,559 |
| Fixed asset | 314 |
| Prepaid expenses and other | 7 |
| Intangible asset | 2,592 |
| Goodwill | 6,555 |
| Deposits | (73,238) |
| Accounts payable and other | (39) |
| | $ 19,016 |

Intangible asset reflects the value of the customer deposit base acquired, which has been assessed to have a useful life of 10 years. Goodwill primarily reflects the value of obtaining an OCC charter national bank licence and the value of future growth prospects and expected business synergies realized as a result of combining the acquired business with the Bank's existing Receivable Purchase Program business in Canada.

For the year ended October 31, 2025, VersaBank USA contributed $12.9 million (October 31, 2024 - $1.4 million) and $2.7 million (October 31, 2024 - $465,000) to the Bank's net-interest income and net income respectively.

The costs associated with the acquisition of SBH totaling $5.7 million were spread across fiscal 2022, 2023 and 2024. These costs were included in the Bank's non-interest expense in the respective fiscal years.

## Results of Operating Segments

(thousands of Canadian dollars)

| for the year ended | October 31, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Digital Banking Canada | Digital Banking USA | Digital Meteor | DRTC | Eliminations/ Adjustments | Consolidated |
| Net interest income | $ 103,265 | $ 12,903 | $ - | $ - | $ - | $ 116,168 |
| Non-interest income | 460 | (39) | 2,206 | 7,245 | (1,399) | 8,473 |
| Total revenue | 103,725 | 12,864 | 2,206 | 7,245 | (1,399) | 124,641 |
| Provision for (recovery of) credit losses | 4,553 | (140) | - | - | - | 4,413 |
| | 99,172 | 13,004 | 2,206 | 7,245 | (1,399) | 120,228 |
| Non-interest expenses: | | | | | | |
| Salaries and benefits | 25,785 | 5,015 | 814 | 6,370 | - | 37,984 |
| General and administrative | 29,560 | 3,484 | 574 | 1,508 | (1,399) | 33,727 |
| Premises and equipment | 3,677 | 722 | 820 | 1,805 | - | 7,024 |
| | 59,022 | 9,221 | 2,208 | 9,683 | (1,399) | 78,735 |
| Income (loss) before income taxes | 40,150 | 3,783 | (2) | (2,438) | - | 41,493 |
| Income tax provision | 12,538 | 1,111 | - | (614) | - | 13,035 |
| Net income (loss) | $ 27,612 | $ 2,672 | $ (2) | $ (1,824) | $ - | $ 28,458 |
| Total assets | $ 5,050,922 | $ 759,733 | $ 10,207 | $ 24,538 | $ (36,925) | $ 5,808,475 |
| Total liabilities | $ 4,777,508 | $ 498,822 | $ 8,006 | $ 28,319 | $ (36,853) | $ 5,275,802 |

| for the year ended | October 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Digital Banking Canada | Digital Banking USA | Digital Meteor | DRTC | Eliminations/ Adjustments | Consolidated |
| Net interest income | $ 101,263 | $ 1,392 | $ - | $ - | $ - | $ 102,655 |
| Non-interest income | 698 | 1 | 1,183 | 8,455 | (1,359) | 8,978 |
| Total revenue | 101,961 | 1,393 | 1,183 | 8,455 | (1,359) | 111,633 |
| Provision for (recovery of) credit losses | (134) | (134) | - | - | - | (268) |
| | 102,095 | 1,527 | 1,183 | 8,455 | (1,359) | 111,901 |
| Non-interest expenses: | | | | | | |
| Salaries and benefits | 26,523 | 437 | 526 | 5,298 | - | 32,784 |
| General and administrative | 18,324 | 365 | 242 | 1,597 | (1,359) | 19,169 |
| Premises and equipment | 3,292 | 105 | 120 | 1,638 | - | 5,155 |
| | 48,139 | 907 | 888 | 8,533 | (1,359) | 57,108 |
| Income (loss) before income taxes | 53,956 | 620 | 295 | (78) | - | 54,793 |
| Income tax provision | 14,860 | 155 | 41 | (11) | - | 15,045 |
| Net income (loss) | $ 39,096 | $ 465 | $ 254 | $ (67) | $ - | $ 39,748 |
| Total assets | $ 4,602,360 | $ 226,319 | $ 3,434 | $ 23,564 | $ (17,193) | $ 4,838,484 |
| Total liabilities | $ 4,343,878 | $ 90,716 | $ 1,371 | $ 28,894 | $ (25,578) | $ 4,439,281 |

**Digital Banking Canada**

Note: The financial results for Digital Banking Canada contain certain non-interest expenses for general corporate administrative costs.

***FY 2025 vs FY 2024***

Net income decreased 29% year-over-year to $27.6 million, due to the $9.9 million consisting primarily of project costs associated with the Reorganizationas well as higher provision for credit losses, offset partially by higher net interest income, driven primarily by credit asset growth and lower interest expense. The higher provision for credit loss reflects the impact of the changes in the forward-looking information used by the Bank in its credit risk models, while the higher non-interest expense reflect the one-time project cost noted above as well as incremental operating cost associated with the growth of VersaBank USA operations that began on August 30, 2024, and increased expense to support increased operating activities. Normalizing for the after-tax impact related to the one-time project costs associated with the Reorganization and one-time income tax expense adjustment of approximately $8.4 million, would reflect a normalized net income of $36.0 million.

**Digital Banking USA**

***FY 2025 vs FY 2024***

For the year ended October 31, 2025, VersaBank USA contributed $2.7 million (October 31, 2024 - $465,000) to the Bank's net income. The year-over-year increase reflects a full year's operation and the impact of the expansion of the RPP assets in the US.

**DRTC (Cybersecurity Services)**

***FY 2025 vs FY 2024***

DRTC net loss increased to $1.8 million from a net loss of $67,000 last year. The decrease was due primarily to lower client engagements and higher operating expenses associated with the onboarding of new stablecoin custody solutions.

**Digital Meteor**

***FY 2025 vs FY 2024***

Digital Meteor net loss was $2,000 compared to a net income of $254,000 last year. The trend in earnings was due primarily to higher operating expenses related to the onboarding support cost for new cybersecurity offerings beginning in fiscal 2025, offset by higher revenue driven by higher client engagements in the current year.

## Capital Management and Capital Resources

### Capital Management

The Bank's policy is to maintain a strong capital base to maintain investor, regulator, creditor and market confidence, as well as to support future growth and development of the business. The impact of the level of capital 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 afforded by a more robust capital position.

The Bank operates as a Schedule 1 bank under the *Bank Act (Canada)* and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Capital is managed in accordance with policies and plans that are regularly reviewed and approved by the Bank's Board of Directors. The Bank's objective, in this context, is to maintain adequate regulatory capital for the Bank to be considered well capitalized, protect consumer deposits and provide capacity to support organic growth, as well as to capitalize on strategic opportunities that do not otherwise require accessing the public capital markets, all the while providing a satisfactory return to shareholders. Regulatory capital is comprised of the qualifying amount of subordinated notes, share capital, retained earnings and net after-tax unrealized gains and losses on fair value through other comprehensive income securities. Consistent with capital adequacy guidelines issued by OSFI, the Bank has implemented an internal capital adequacy assessment process ("ICAAP") with the objective of ensuring that capital levels remain adequate in relation to the Bank's current and future business and risks.

The table below presents the Bank's regulatory capital position, risk-weighted assets and regulatory capital and leverage ratios for the current and comparative periods.

(thousands of Canadian dollars)

| | October 31 2025 | October 31 2024 | Change |
|---|---|---|---|
| Common Equity Tier 1 capital | $ 509,650 | $ 373,503 | 36% |
| Total Tier 1 capital | $ 509,650 | $ 373,503 | 36% |
| Total Tier 2 capital | $ 110,240 | $ 107,673 | 2% |
| Total regulatory capital | $ 619,890 | $ 481,176 | 29% |
| Total risk-weighted assets | $ 3,943,657 | $ 3,323,595 | 19% |
| Capital ratios | | | |
| CET1 capital ratio | 12.92% | 11.24% | 15% |
| Tier 1 capital ratio | 12.92% | 11.24% | 15% |
| Total capital ratio | 15.72% | 14.48% | 9% |
| Leverage ratio | 8.47% | 7.38% | 15% |

OSFI requires banks to measure capital adequacy in accordance with its guidelines for determining risk-adjusted capital and risk-weighted assets including off-balance sheet credit instruments. The Bank currently uses the Standardized Approach to calculate risk-weighted assets for both credit and operational risk. Under the Standardized Approach for credit risk, each asset type is assigned a risk weight ranging from 0% to 400% to determine the risk-weighted equivalent, or risk-weighted asset amounts for use in calculating the Bank's risk-based capital ratios. Off-balance sheet assets, such as undrawn credit commitments, are included in the calculation of risk-weighted assets, and further, both the credit risk equivalent and the risk-weighted calculations are prescribed by OSFI. The Standardized Approach, as defined by Basel III, may require the Bank to carry more capital for certain credit exposures compared to requirements under the Advanced Internal Ratings-Based ("AIRB") methodology. As a result, regulatory capital ratios of banks that utilize the Standardized Approach may not be directly comparable with the large Canadian banks and other international banks that utilize the AIRB methodology.

As at October 31, 2025, and 2024, the Bank was in compliance with all minimum capital ratios prescribed by OSFI.

The tables below present the Bank's risk-weighted assets as at October 31, 2025, as well as for 2024, organized by asset type and risk weight assignment respectively:

| As at October 31, 2025 | Notional/drawn amount by asset type | | | | | |
|---|---|---|---|---|---|---|
| (thousands of Canadian dollars) | Cash | Credit assets & securities | Other | Off -balance sheet items | Total | Risk Weighted Balance |
| Corporate | $ - | $ 1,390,503 | $ - | $ - | $ 1,390,503 | $ 935,900 |
| Sovereign | - | 81,794 | - | - | 81,794 | 174 |
| Bank | 581,710 | 17,697 | - | - | 599,407 | 121,651 |
| Retail residential mortgages | - | 13,582 | - | - | 13,582 | 2,543 |
| Other retail | - | 3,522,583 | - | - | 3,522,583 | 2,503,125 |
| Other items | - | 121,142 | 79,464 | 46,849 | 247,455 | 116,949 |
| Undrawn commitments | - | - | - | 589,005 | 589,005 | 38,291 |
| Operational risk [1] | - | - | - | - | - | 225,024 |
| Total | $ 581,710 | $ 5,147,301 | $ 79,464 | $ 635,854 | $ 6,444,329 | $ 3,943,657 |

| As at October 31, 2024 | Notional/drawn amount by asset type | | | | | |
|---|---|---|---|---|---|---|
| (thousands of Canadian dollars) | Cash | Credit assets & securities | Other | Off -balance sheet items | Total | Risk Weighted Balance |
| Corporate | $ - | $ 877,265 | $ - | $ - | $ 877,265 | $ 596,203 |
| Sovereign | - | 301,750 | - | - | 301,750 | 490 |
| Bank | 225,254 | 17,719 | - | - | 242,973 | 51,406 |
| Retail residential mortgages | - | 53,709 | - | - | 53,709 | 11,380 |
| Other retail | - | 3,284,973 | - | - | 3,284,973 | 2,344,199 |
| Other items | - | - | 77,814 | 65,671 | 143,485 | 82,531 |
| Undrawn commitments | - | - | - | 635,433 | 635,433 | 70,688 |
| Operational risk [1] | - | - | - | - | - | 166,698 |
| Total | $ 225,254 | $ 4,535,416 | $ 77,814 | $ 701,104 | $ 5,539,588 | $ 3,323,595 |

[1] The charge for operational risk is determined using the Simplified Standard Approach as prescribed by OSFI.

| As at October 31, 2025 | Notional/drawn amount by risk weight | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (thousands of Canadian dollars) | 0% | 20-25% | 30-35% | 40-75% | 80-100% | 110-150% | 400% | Total | Risk Weighted Balance |
| Corporate | $ - | $ - | $ 134,851 | $ 100,884 | $ 764,863 | $ 389,905 | $ - | $1,390,503 | $ 935,900 |
| Sovereign | 80,923 | 871 | - | - | - | - | - | 81,794 | 174 |
| Bank | - | 581,710 | 17,697 | - | - | - | - | 599,407 | 121,651 |
| Retail residential mortgages | - | 11,815 | 428 | - | 1,339 | - | - | 13,582 | 2,543 |
| Other retail | - | - | - | 3,497,191 | 25,392 | - | - | 3,522,583 | 2,503,125 |
| Other items | 23,084 | 89,746 | - | 32,398 | 98,190 | 3,084 | 953 | 247,455 | 116,949 |
| Undrawn commitments | - | - | 6,000 | 1,025 | 181,057 | 400,923 | - | 589,005 | 38,291 |
| Operational risk [1] | - | - | - | - | - | - | - | - | 225,024 |
| Total | $ 104,007 | $ 684,142 | $ 158,976 | $3,631,498 | $1,070,841 | $ 793,912 | $ 953 | $6,444,329 | $3,943,657 |

| As at October 31, 2024 | Notional/drawn amount by risk weight | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (thousands of Canadian dollars) | 0% | 20-25% | 30-35% | 40-75% | 80-100% | 110-150% | 400% | Total | Risk Weighted Balance |
| Corporate | $ - | $ - | $ 126,380 | $ 103,164 | $ 519,088 | $ 128,631 | $ - | $ 877,263 | $ 596,203 |
| Sovereign | 299,300 | 2,450 | - | - | - | - | - | 301,750 | 490 |
| Bank | - | 225,254 | 17,719 | - | - | - | - | 242,973 | 51,406 |
| Retail residential mortgages | - | 50,108 | 3,601 | - | - | - | - | 53,709 | 11,380 |
| Other retail | - | - | - | 3,246,525 | 38,481 | - | - | 3,285,006 | 2,344,199 |
| Other items | 25,913 | 713 | - | 4,497 | 110,432 | 946 | 953 | 143,454 | 82,531 |
| Undrawn commitments | - | - | - | - | 635,433 | - | - | 635,433 | 70,688 |
| Operational risk [1] | - | - | - | - | - | - | - | - | 166,698 |
| Total | $ 325,213 | $ 278,525 | $ 147,700 | $3,354,186 | $1,303,434 | $ 129,577 | $ 953 | $5,539,588 | $3,323,595 |

[1] The charge for operational risk is determined using the Simplified Standard Approach as prescribed by OSFI.

Further, OSFI requires that all Canadian banks must comply with the Basel III standards on an “all-in” basis for purposes of determining their risk-based capital ratios. Required minimum regulatory capital ratios are a 7.0% Common Equity Tier 1 (“CET1”) capital ratio, an 8.5% Tier 1 capital ratio and a 10.5% total capital ratio, all of which include a 2.5% capital conservation buffer.

As the Bank makes use of the Standardized Approach for credit risk as prescribed by OSFI, it 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.

The year-over-year trends exhibited by VersaBank’s reported regulatory capital levels, regulatory capital ratios and leverage ratios were a function primarily of treasury share issuance in the first quarter of fiscal 2025, retained earnings growth, the purchase and cancellation of common shares through the Bank’s NCIB and changes to the Bank’s risk-weighted asset balances and composition.

**Leverage Ratio**

The leverage ratio is a supplementary measure that is prescribed under the Basel III Accord and is defined as the ratio of Tier 1 capital to total exposures. OSFI requires all financial institutions to maintain a leverage ratio of 3% or greater at all times.

At October 31, 2025, the Bank exceeded all of the minimum Basel III regulatory capital requirements set out above.

**Liquidity**

The Consolidated Statement of Cash Flows for the year ended October 31, 2025, shows cash provided by operations of $44.5 million compared to cash provided by operations of $272.7 million a year ago. The current year trend reflects outflows to fund credit assets exceeding deposits raised and cash from operations. The comparative year trend reflects cash inflows from deposits raised and cash from operations exceeding outflows to fund credit assets. Based on factors such as liquidity requirements and opportunities for investment in credit assets and securities, the Bank may manage the amount of deposits it raises and credit assets it funds in ways that result in the balances of these items giving rise to either negative or positive cash flow from operations. The Bank will continue to fund its operations and meet contractual obligations as they become due using cash on hand and by closely managing its flow of deposit raising activities.

**Capital Resources**

The operations of the Bank are not dependent upon significant investments in capital assets to generate revenue.

## Summary of Quarterly Results

| (thousands of Canadian dollars except per share amounts) | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Results of operations:** | | | | | | | | |
| Interest income | $ 77,471 | $ 73,987 | $ 70,976 | $ 73,246 | $ 73,238 | $ 71,646 | $ 71,243 | $ 69,292 |
| Yield on assets (%) | 5.45% | 5.58% | 5.81% | 5.92% | 6.23% | 6.40% | 6.66% | 6.47% |
| Interest expense | 44,838 | 44,208 | 42,944 | 47,522 | 48,337 | 46,702 | 45,001 | 42,724 |
| Cost of funds (%) | 3.15% | 3.33% | 3.52% | 3.84% | 4.11% | 4.17% | 4.21% | 3.99% |
| Net interest income | 32,633 | 29,779 | 28,032 | 25,724 | 24,901 | 24,944 | 26,242 | 26,568 |
| Net interest margin (%) | 2.29% | 2.25% | 2.29% | 2.08% | 2.12% | 2.23% | 2.45% | 2.48% |
| Net interest margin on credit assets (%) | 2.65% | 2.55% | 2.59% | 2.36% | 2.34% | 2.41% | 2.52% | 2.63% |
| Non-interest income | 2,459 | 1,804 | 2,107 | 2,103 | 2,384 | 2,052 | 2,259 | 2,283 |
| Total revenue | 35,092 | 31,583 | 30,139 | 27,827 | 27,285 | 26,996 | 28,501 | 28,851 |
| Provision for (recovery of) credit losses | 1,319 | 1,181 | 889 | 1,024 | (156) | (1) | 16 | (127) |
| Non-interest expenses | 23,871 | 21,649 | 17,516 | 15,699 | 19,365 | 13,534 | 12,185 | 12,024 |
| Efficiency ratio | 68% | 69% | 58% | 56% | 71% | 50% | 43% | 42% |
| Adjusted efficiency ratio | 52% | 55% | 58% | 56% | 71% | 50% | 43% | 42% |
| Tax provision | 4,698 | 2,171 | 3,205 | 2,961 | 2,560 | 3,758 | 4,472 | 4,255 |
| Net income | $ 5,204 | $ 6,582 | $ 8,529 | $ 8,143 | $ 5,516 | $ 9,705 | $ 11,828 | $ 12,699 |
| Adjusted net income | $ 10,549 | $ 9,670 | $ 8,529 | $ 8,143 | $ 5,516 | $ 9,705 | $ 11,828 | $ 12,699 |
| Income per share | | | | | | | | |
| Basic | $ 0.16 | $ 0.20 | $ 0.26 | $ 0.28 | $ 0.20 | $ 0.36 | $ 0.45 | $ 0.48 |
| Diluted | $ 0.16 | $ 0.20 | $ 0.26 | $ 0.28 | $ 0.20 | $ 0.36 | $ 0.45 | $ 0.48 |
| Adjusted income per common share basic and diluted | $ 0.33 | $ 0.30 | $ 0.26 | $ 0.28 | $ 0.20 | $ 0.36 | $ 0.45 | $ 0.48 |
| Return on average common equity | 3.89% | 4.94% | 6.67% | 7.02% | 5.28% | 9.63% | 12.36% | 13.41% |
| Adjusted return on average common equity | 7.81% | 7.24% | 6.67% | 7.02% | 5.28% | 9.63% | 12.36% | 13.41% |
| Return on average total assets | 0.37% | 0.50% | 0.70% | 0.66% | 0.45% | 0.85% | 1.08% | 1.16% |

The financial results for each of the last eight quarters are summarized above. Key drivers of the quarter- over-quarter performance trends for the current reporting period were:

- Credit asset growth attributable to continued growth in the RPP portfolio as well as growth from the MROL portfolio;
- Higher NIM attributable primarily to lower cost of funds;
- Higher provision for credit losses attributable primarily to changes in the forward-looking information used by the Bank in its credit risk models; and,
- Higher non-interest expense attributable primarily to project costs associated with the Reorganization and operating cost associated with the growth of VersaBank USA operations that began on August 30, 2024.

## Fourth Quarter Fiscal 2025 Review

***Net Income***

Net income for the quarter was $5.2 million, or $0.16 per common share (basic and diluted), compared with $6.6 million, or $0.20 per common share (basic and diluted), for the third quarter of fiscal 2025 and $5.5 million, or $0.20 per common share (basic and diluted), for the same period a year ago. The sequential decrease was due to higher non-interest expense, and higher increase in tax provision to reflect various one-time tax adjustments, offset partially by higher revenue. The year-over-year decrease was primarily due to higher non-interest expenses, which includes the one-time project costs primarily associated with the Reorganization, higher provision for credit loss, and higher income tax provision, offset partially by higher revenue. The one-time project costs, tax effected, were approximately $4.1 million. Normalizing for the one-time project costs and other one-time adjustments would reflect an adjusted net income of $10.5 million or EPS of $0.33, representing sequential increase of $879,000, or $0.03 per common share, and a year-over-year increase of $5.0 million, or $0.13 per common share.

***Total Revenue***

Total revenue for the quarter was $35.1 million, an increase of 11% from $31.6 million for the third quarter of fiscal 2025 and an increase of 29% from $27.3 million for the same period a year ago. The sequential and year-over-year increases were primarily due to higher net interest income and interest higher gross profit generated by DRTC.

***Net Interest Income***

Net interest income for the quarter was $32.6 million, an increase of 10% from $29.8 million for the third quarter of fiscal 2025 and an increase of 31% from $24.9 million for the same period a year ago. The sequential and year-over-year increases were primarily due to higher interest income attributable to credit asset growth, with the year-over-year increase also reflecting lower interest expense attributable primarily to the renewal of maturing deposits at lower interest rates and the diminished impact of the atypically inverted yield curve that existed throughout fiscal 2024, and which has now normalized in fiscal 2025.

***Net Interest Margin***

Net interest margin on credit assets for the quarter was 2.65% an increase from 2.55% for the third quarter of fiscal 2025 and 2.34% for the same period a year ago. The sequential and year-over-year increases were primarily due to lower cost of funds.

Net interest margin (or spread) for the quarter was 2.29% compared with 2.25% for the third quarter of fiscal 2025 and 2.12% for the same period a year ago. The sequential and year-over-year increases were primarily due to lower cost of funds attributable primarily to the renewal of maturing deposits at lower interest rates and the diminished impact of the atypically inverted yield curve that existed throughout fiscal 2024, and which trended towards normalization in fiscal 2025, offset partially by lower yields primarily attributable to continued growth in the RPP portfolio, which is composed of lower risk-weighted, lower yielding assets, and higher than typical liquidity over the course of fiscal 2025 to support anticipated ongoing RPP growth in the US. The Bank's NIM remains amongst the highest of the publicly traded Canadian Schedule 1 banks.

***Provision for Credit Losses***

VersaBank recorded a provision for credit losses and PCL ratio for the quarter of $1.3 million and 0.11%, respectively, compared with a provision for credit losses and PCL ratio of $1.2 million and 0.10% respectively for the third quarter of fiscal 2025 and a recovery of credit losses and PCL ratio of $156,000 and -0.01% respectively for the same period a year ago. The current sequential and year-over-year changes were a function primarily of changes in the forward-looking information used by the Bank in its credit risk models.

***Non-Interest Expenses***

Non-interest expenses for the quarter were $23.9 million compared with $21.6 million for the third quarter of fiscal 2025 and $19.4 million for the same period a year ago. The sequential increase was a function primarily of higher general costs to support the Bank's higher business activity. The year-over-year increase was primarily due to the one-time project costs associated with the Reorganization and, higher operating cost associated with the growth of VersaBank USA operations that began on August 30, 2024, including costs being incurred ahead of anticipated asset growth and revenue generated by the launch of US RPP through VersaBank USA. Adjusting for this one-time project cost would result in a normalized non-interest expense of $19.5 million.

***Income Taxes***

Provision for income taxes for the quarter was $4.7 million compared with $2.2 million for the third quarter of fiscal 2025 and $2.6 million for the same period a year ago. The sequential and year-over-year increases were a function primarily of adjustments to changes in assumptions on non-deductible expenses and other permanent tax differences, as well as changes in earnings allocation between different tax jurisdictions.

## Critical Accounting Policies and Estimates

Significant accounting policies are detailed in note 3 of the Bank's 2025 Consolidated Financial Statements. There has been no change in accounting policies nor any significant new policies adopted during the current year.

In preparing these Consolidated Financial Statements, management has exercised judgment 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 increases in credit risk on financial assets since initial recognition and in the selection of relevant forward-looking information. Estimates are applied in the determination of the purchase price allocation associated with the acquisition of Stearns Bank Holdingford N.A., allowance for expected credit losses on financial assets, the fair value of stock options granted, the fair value of derivatives, the impairment test applied to intangible assets and goodwill, the measurement of deferred income taxes and the revaluation of fixed assets. It is reasonably possible, on the basis of 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. The policies discussed below are considered to be particularly significant as they require management to make estimates or judgements, some of which may relate to matters that are inherently uncertain.

***Financial Instruments***

*Classification and Measurement*

Under IFRS 9, all financial assets, with the exception of equity and derivatives, must be classified at initial recognition as a function of the financial asset's contractual cash flow characteristics and the business model under which the financial asset is managed. These financial assets are initially measured at fair value, and are classified and subsequently measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income. Financial assets are required to be reclassified when the business model under which they are managed has changed. Any reclassifications are applied prospectively from the reclassification date. All financial liabilities are measured at amortized cost unless elected otherwise.

*Debt instruments*

Financial assets that are debt instruments are categorized into one of the following measurement categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI"); and,
- fair value through profit and loss ("FVTPL").

The characterization of a debt instrument's cashflows is determined through a solely payment of principal and interest ("SPPI") test. The SPPI test is conducted to identify whether the contractual cash flows of a debt instrument are in fact solely payments of principal and interest and are consistent with a basic lending arrangement. In the context of the SPPI test, "Principal" is defined as the fair value of the debt instrument at origination or initial recognition, which may change over the life of the instrument as a function of a number of variables including principal repayments, prepayments, or amortization of a premium/discount. In the context of the SPPI test "Interest" is defined as the consideration for the time value of money and credit risk. The rationale for the SPPI test is to ensure that debt instruments that include structural features that are incongruent with a basic lending arrangement, such as conversion options, are classified as, and measured at FVTPL.

The Bank's credit assets are categorized and measured as amortized cost. Debt instruments with contractual cash flows that meet the SPPI test and are managed on a hold to collect basis are measured at amortized cost. These financial instruments are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for credit losses. The effective interest rate is the rate that discounts estimated future cashflows through the expected life of the instrument to the gross carrying amount of the instrument. Amortized cost is calculated as a function of the effective interest rate, taking into account any discount or premium on acquisition, transaction costs and fees. Amortization of these costs is included in interest income in the consolidated statement of income.

The Bank's securities are measured at fair value and categorized as FVOCI.

*Equity instruments*

Equity instruments are measured at fair value and categorized as FVTPL unless an irrevocable designation is made at initial recognition to categorize as FVOCI. Gains or losses from changes in the fair value of equity financial instruments designated at FVOCI, including any related foreign exchange gains or losses, are recognized in other comprehensive income ("OCI"). Amounts recognized in OCI are not to be subsequently reclassed to profit or loss, with the exception of dividends. Dividends received are recorded in non-interest income in the consolidated statement of income. Cumulative gains or losses upon derecognition of the equity instrument will be transferred within equity from accumulated OCI to retained earnings.

The Bank has made an irrevocable election to designate its investment in Canada Stablecorp Inc. as FVOCI and it is recorded at fair value.

*Allowance for Expected Credit Losses*

The Bank must maintain an allowance for expected credit losses ("ECL") that is adequate, in management's opinion, to absorb all credit related losses in the Bank's lending and treasury portfolios. The Bank's allowance for expected credit losses is estimated using the ECL methodology and is comprised of expected credit losses recognized on all financial assets that are debt instruments, classified either as amortized cost or as FVOCI, and on all credit asset commitments and financial guarantees that are not measured at FVTPL.

Expected credit losses represent unbiased and probability-weighted estimates that are modeled as a function of a range of possible outcomes as well as the time value of money, and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, or more specifically forward-looking information ("FLI") (see Forward-looking information below).

The Bank's ECL or impairment model estimates 12 months of expected credit losses for performing credit assets that have not experienced a significant increase in credit risk, ("SICR") since initial recognition. Additionally, the ECL model estimates lifetime expected credit losses on performing credit assets that have experienced a SICR since initial recognition. Further, individual allowances are estimated for credit assets that are determined to be credit impaired.

Credit assets or other financial instruments that have not experienced a SICR since initial recognition are designated as stage 1, while credit assets or other financial instruments that have experienced a SICR since initial recognition are designated as stage 2, and credit assets or other financial instruments that are determined to be credit impaired are designated as stage 3. Subsequent to the initial stage designation, the Bank's credit assets or other financial instruments may transfer between stages due to these credit assets or financial instruments experiencing a significant change in credit risk.

*Assessment of significant increase in credit risk ("SICR")*

At each reporting date, the Bank assesses whether or not there has been a SICR for credit assets since initial recognition by comparing, at the reporting date, the risk of default occurring over the remaining expected life against the risk of default at initial recognition. The determination of a SICR is a function of the credit asset's internal risk rating assignment, internal watchlist status, credit asset review status and delinquency status which are updated as necessary in response to changes including, but not limited, to changes in macroeconomic and/or market conditions, changes in a borrower's credit risk profile, and changes in the strength of the underlying security, including guarantor status, if a guarantor exists.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SICR. As a result, qualitative factors may be considered to supplement such a gap. Examples include changes in adjudication criteria for a particular group of borrowers or asset categories or changes in portfolio composition.

With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of a credit asset or other financial instrument has increased since initial recognition when contractual payments are more than 30 days delinquent. The Bank chose to use 60 days delinquency as an appropriate indicator of increased credit risk as it serves as a stable early warning indicator that the cashflows associated with the credit asset or other financial instrument under consideration may be uncertain and may not be realized by the Bank under the contractual repayment terms.

*Expected credit loss model – Estimation of expected credit losses*

Expected credit losses are an estimate of a credit asset's expected cash shortfalls discounted at the effective interest rate, where a cash shortfall is the difference between the contractual cash flows that are due to the Bank and the cash flows that the Bank actually expects to receive. The ECL calculation is a function of the credit risk parameters; probability of default, loss given default, and exposure at default associated with each credit asset, sensitized to future market and macroeconomic conditions through the incorporation of FLI derived from multiple economic forecast scenarios, including baseline, upside, and downside scenarios.

For clarity:

- The probability of default ("PD") for a credit asset or a financial instrument is an estimate of the likelihood of default of that instrument over a given time horizon;
- The loss given default ("LGD") for a credit asset or financial instrument is an estimate of the loss arising in the case where a default of that instrument occurs at a given time or over a given period; and,
- The exposure at default ("EAD") for a credit asset or financial instrument is an estimate of the Bank's exposure derived from that instrument at a future default date.

The Bank's ECL model develops contractual cashflow profiles for credit assets as a function of a number of underlying assumptions and a broad range of input variables. The expected cashflow schedules are subsequently derived from the contractual cashflow schedules, adjusted for incremental default amounts, forgone interest, and recovery amounts. The finalized contractual and expected cashflow schedules are subsequently discounted at the effective interest rate to determine the expected cash shortfall or expected credit losses for each individual credit asset or financial instrument.

Individual allowances are estimated for credit assets or other financial instruments that are determined to be credit impaired and that have been designated as stage 3. A credit asset or other financial instrument is classified as credit impaired when the Bank becomes aware that, before taking into consideration collateral or credit enhancements, all of, or a portion of the contractual cashflows associated with the credit asset or other financial instrument may be impacted and as a result may not be realized by the Bank under the repayment schedule set out in the contractual terms associated with the credit asset or other financial instrument. Credit assets or other financial instruments for which interest or principal is contractually past due 90 days are automatically recognized as stage 3, however in estimating expected credit losses for stage 3 credit assets or other financial instruments, management takes into consideration whether the credit asset or other financial instrument is fully secured or is in the process of collection and whether collection efforts are reasonably expected to result in repayment of the credit asset or other financial instrument. The ECL model requires the 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 origination which is reflected in the Bank's stage 2 grouping. Impaired credit assets require recognition of lifetime losses and are reflected in the Bank's stage 3 grouping.

*Forward-Looking Information*

IFRS 9 requires consideration of past events, current market conditions and reasonable, supportable information about future economic conditions that is available without undue cost and effort in the estimation of the expected credit losses for credit assets or other financial instruments. More specifically, under IFRS 9 expected credit losses represent an unbiased, probability-weighted estimate of the present value of cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of a default occurring in a given time period used as the weights). Additionally, IFRS 9 stipulates that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. The estimation and application of forward-looking information is an attempt to capture the impact of future economic conditions and requires judgement.

The Bank incorporates the impact of future economic conditions, or more specifically forward-looking information into the estimation of expected credit losses at the credit risk parameter level. This is accomplished via the credit risk parameter models and proxy datasets that the Bank utilizes to develop PD and LGD term structure forecasts for its credit assets. 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 risk parameters under multiple macroeconomic scenarios that consider both market-wide and idiosyncratic factors and influences. These systems are used in conjunction with the Bank's internally developed ECL models. Given that the Bank has experienced very limited historical losses and, therefore, does not have available statistically significant loss data inventory for use in developing forward-looking expected credit loss trends, the use of unbiased, third-party forward-looking credit risk parameter modeling systems is particularly important for the Bank in the context of the estimation of expected credit losses.

The Bank utilizes macroeconomic indicator data derived from multiple macroeconomic scenarios comprised of baseline, upside, and downside scenarios in order to mitigate volatility in the estimation of expected credit losses as well as to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. More specifically, the macroeconomic indicators set out in the macroeconomic scenarios are used as inputs for the credit risk parameter models utilized by the Bank to sensitize the individual PD and LGD term structure forecasts to the respective macroeconomic trajectory set out in each of the scenarios. The weighted average of the individual, sensitized PD and LGD values that comprise each individual term structure forecast is subsequently computed to define unbiased PD and LGD term structure forecasts, which in turn are applied as inputs to the Bank's internal ECL model in the estimation of expected credit losses for the Bank's credit assets. Macroeconomic indicator data derived from the baseline, upside and downside scenarios referenced above is also utilized in the development of credit risk parameter proxy datasets and applied to the Bank's consumer credit asset and small and medium enterprise ("SME") credit asset portfolios.

The macroeconomic indicator data utilized by the Bank for the purpose of sensitizing PD and LGD 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 price of oil, and the S&P/TSX Index. 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 balance sheet, 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.

***Modified Financial Instruments***

If the terms of a financial instrument are modified or an existing financial instrument is replaced with a new one, an assessment is made to determine if the financial instrument should be derecognized.

Where the modification does not result in derecognition, the date of origination continues to be used to determine SICR. Where modification results in derecognition, the modified financial instrument is considered to be a new instrument.

***Fair value of financial instruments***

Estimates of fair value are developed using a variety of valuation methods and assumptions. The Bank follows a fair value hierarchy to categorize the inputs used to measure fair value for its financial instruments. The fair value hierarchy is based on quoted prices in active markets (Level 1), models using inputs other than quoted prices but with observable market data (Level 2), or models using inputs that are not based on observable market data (Level 3).

Valuation models may require the use of inputs, transaction values derived from models and input assumptions sourced from pricing services. Valuation inputs are either observable or unobservable. The Bank makes use of external, readily observable market inputs when available and may include certain prices and rates for shorter-dated Canadian yield curves and banker's acceptances. Unobservable inputs may include credit spreads, probability of default and recovery rates.

***Business Combinations***

The Bank applied IFRS 3 Business Combinations in its accounting for the acquisition of Stearns Bank Holdingford N.A. as described in *Acquisition of Stearns Bank Holdingford N.A.* above and note 26 – *Acquisitions* in the Bank's 2025 Consolidated Financial Statements, using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration if applicable, at the acquisition date. Contingent consideration is a financial instrument and, as such, is remeasured each period thereafter with the adjustment recorded to acquisition-related fair value changes in the consolidated statements of income and comprehensive income. Acquisition-related costs are recognized as an expense in the income statement in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred, including, if applicable, any amount of any non-controlling interest in the acquiree, over the net of the recognized amounts of the identifiable assets acquired and the liabilities assumed.

***Goodwill and intangible assets***

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the value allocated to the tangible and intangible assets, less liabilities assumed, based on their fair values. Goodwill is not amortized but rather tested for impairment annually or more frequently if events or a change in circumstances indicate that the asset might be impaired. Impairment is determined for goodwill by assessing if the carrying value of cash generating units ("CGUs") which comprise the CGU segment, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in profit or loss in the reporting year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Intangible assets acquired in a business acquisition are recorded at their fair value. In subsequent reporting periods, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded on a straight-line basis over the expected useful life of the intangible asset. At each reporting date, the carrying value of intangible assets are reviewed for indicators of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU's. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. The recoverable amount of an asset or CGU is the higher of fair value less costs to sell and value in use. In assessing fair value less cost to sell the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years.

The Bank develops proprietary cybersecurity, banking and financial technology. Any research or early-stage scoping activities are expensed as incurred in the period. The Bank recognizes internally generated intangible assets on the development of proprietary technology when it has determined that there is technical feasibility and resources available to complete a product, demonstrated an existence of an established market for the product as well as support to generate future revenues or derive future economic benefits from the product. As these intangible assets are not yet available for use, the Bank tested these assets for impairment annually by comparing the carrying amount with the recoverable amount. Recoverable amount is determined by fair value less cost to sell method.

***Corporate Income Taxes***

Current income taxes are calculated based on taxable income at the reporting period end. Taxable income differs from accounting income because of differences in the inclusion and deductibility of certain components of income which are established by taxation authorities. Current income taxes are measured at the amount expected to be recovered or paid using statutory tax rates at the reporting period end.

The Bank follows the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities arise from temporary differences between financial statement carrying values and the respective tax base of those assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when temporary differences are expected to be recovered or settled.

Deferred income tax assets are recognized in the Bank's consolidated financial statements to the extent that it is probable that the Bank will have sufficient taxable income to enable the benefit of the deferred income tax asset to be realized. Unrecognized deferred income tax assets are reassessed for recoverability at each reporting period.

Current and deferred income taxes are recorded in income for the period, except to the extent that the tax arose from a transaction that is recorded either in Other Comprehensive Income or Equity, in which case the income tax on the transaction will also be recorded either in Other Comprehensive Income or Equity. Accordingly, current and deferred income taxes are presented in the Consolidated Financial Statements as a component of income, or as a component of Other Comprehensive Income.

***Derivative instruments***

Derivatives are measured at FVTPL except to the extent that they are designated in a hedging relationship.

Derivatives are reported as other assets when they have a positive fair value and as other liabilities when they have a negative fair value. Derivatives may be embedded in other financial instruments. Derivatives embedded in other financial instruments are valued as separate derivatives when: the economic characteristics and risks associated are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a derivative if it was a stand-alone, independent instrument; and the combined contract is not held for trading or designated at fair value through profit or loss. For financial statement disclosure purposes, embedded derivatives are combined with the host contract.

Derivative contracts which do not qualify for hedge accounting are marked-to-market and the resulting net gains or losses are recognized in non-interest income in the Consolidated Statement of Income and Comprehensive Income.

***Hedge accounting***

The Bank has elected, as permitted, to apply the hedge accounting requirements of IAS 39. Derivative contracts which do not qualify for hedge accounting are marked-to-market and the resulting net gains or losses are recognized in non-interest income in the Consolidated Statement of Income and Comprehensive Income.

To meet the criteria for hedge accounting, the Bank documents all relationships between hedging instruments and hedged items, how hedge effectiveness is assessed, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking hedging instruments to specific assets or liabilities on the Consolidated Balance Sheet or net investment in foreign subsidiaries. The Bank also formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of the hedged items.

There are three main types of hedges: (i) fair value hedges, (ii) cash flow hedges and (iii) net investment hedges.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Bank will assess whether the hedging relationship meets the hedge effectiveness requirements (including an analysis of sources of hedge ineffectiveness and how the hedge effectiveness is assessed). In order to qualify for hedge accounting, a hedging relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was also highly effective in the previous designated period (i.e., three month). A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of between 80% to 125%.

Interest rate swap agreements are entered into for asset liability management purposes. The Bank has a fair value hedge outstanding. In a fair value hedge, the change in the fair value of the hedging instrument is recognized in non-interest income in the Consolidated Statements of Income and Comprehensive Income. The change in the fair value of the hedged item attributable to hedge risk is recorded as part of the carrying value of the hedged item (basis adjustment) and is also recognized in non-interest income in the Consolidated Statements of Income and Comprehensive Income. The Bank utilizes fair value hedges primarily to convert fixed rate financial assets to floating rate financial assets. The primary financial instruments designated in fair value hedging relationships are interest rate swap agreements entered into for hedging purposes. If the derivative expires or is sold, terminated, no longer meets the criteria for hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any basis adjustment up to that point made to a hedged item for which the effective interest method is used is amortized to the Consolidated Statements of Income and Comprehensive Income as part of the recalculated effective interest rate of the item over its remaining term. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the Consolidated Statements of Income and Comprehensive Income.

In fair value hedges, ineffectiveness arises to the extent that the change in fair value of the hedging items differs from the change in fair value of the hedge risk in the hedged item. Any hedge ineffectiveness is measured and recorded in non-interest income in the Consolidated Statements of Income and Comprehensive Income.

The Bank also has net investment hedges outstanding. The bank applies hedge accounting under IAS 39 for foreign currency risk on its net investments in VersaBank USA operations. To manage this risk, the Bank has designated a specific foreign exchange forward contract as a hedge of the net investment in its foreign subsidiary. 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. Change in fair value of the hedging instrument is recognized in other comprehensive income (OCI) to the extent that the hedge is effective. These gains and losses are accumulated in OCI until the net investment is disposed of, at which point they are reclassified to profit or loss as part of the gain or loss on disposal.

Any ineffective portion of the hedge is recognized immediately in profit or loss. Hedge effectiveness is assessed by comparing changes in the fair value or cash flows of the hedging instrument and the net investment. The Bank ensures compliance with IAS 39 hedge accounting criteria, confirming that all hedging relationships are documented at inception and that hedge effectiveness is regularly monitored and reviewed.

Forming part of the net investment hedges is a hedge, which has been designated in addition to the foreign exchange forward contract designated to completely hedge the investment in VersaBank USA. This hedge is achieved by allocating a portion of the subordinated debt raised by the Bank in April, 2021. The allocated portion of the subordinated debt (liability) and the investment (asset) move in equal and opposite directions, with the liability serving as an hedge against rate fluctuations that could impact the valuation of the investment asset.

***Future accounting standard pronouncements***

The following accounting standards amendments issued by the IASB will be effective and adopted for the Bank's fiscal year beginning on November 1, 2024 (the Bank's fiscal 2025 year end):

Amendments to IAS 1: *Classification of Liabilities as Current or Non-*current - In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a credit asset agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments must be applied retrospectively.

The amendments noted above did not have a material impact on the Bank's financial results.

The following accounting standards amendments issued by the IASB will be effective for the Bank's fiscal year beginning on November 1, 2026 (the Bank's fiscal 2027 year end):

In May 2024, the International Accounting Standards Board (IASB) introduced amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments*: Disclosures. These amendments provide clarification on the classification of financial assets that include environmental, social, and governance (ESG)-linked features and establish additional disclosure requirements. We are in the process of evaluating their potential impact on our Consolidated Financial Statements.

The Bank is in the process of evaluating their potential impact on its Consolidated Financial Statements.

The following accounting standards issued by the IASB will be effective for the Bank's fiscal year beginning on November 1, 2027 (the Bank's fiscal 2028 year end):

IFRS 18, *Presentation and Disclosure in Financial Statements* - IFRS 18 will replace IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes. Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature. IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows. Management will undertake a comprehensive review of the potential impact to the Bank's disclosure presentation under IAS 18 and will update the readers as management establishes the new presentation and additional disclosures to conform with IAS 18.

## Enterprise Risk Management

The Board of Directors and Executive Management maintain a comprehensive Enterprise Risk Management (ERM) Framework supported by a clearly defined Risk Appetite Statement. This framework establishes the risk principles, boundaries, and expectations that guide decision-making across the Bank. It sets out the key risk types the Bank manages, the level of risk the Board is willing to accept in pursuit of its strategic objectives, and the areas of focus that ensure risk are identified, assessed, monitored, and reported in a consistent and disciplined manner.

GUIDING PRINCIPLES OF THE BANK'S ENTERPRISE RISK MANAGEMENT PROGRAM

Risk management is everyone's responsibility, from the Board of Directors to individual employees. Employees are expected to understand the risks that fall within their areas of responsibility and to manage these risks within approved risk tolerances.

Risk management is a comprehensive, structured, continuous and dynamic process in which risks are identified, evaluated and consciously accepted or mitigated within approved risk tolerances.

Risk management is based on open communication of the best available information, both quantitative and qualitative, from a range of sources, including historical data, experience, stakeholder feedback, observation, forecasts and expert judgment.

Enterprise Risk Management is integrated with Bank processes such as strategic planning, operational management, and investment decisions to ensure consistent consideration of risks in all decision-making.

RISK APPETITE FRAMEWORK (“RAF”)

As a financial services company, the Bank is in the business of taking intelligent risks. We act in accordance with our strategic purpose of operating in niche markets while leveraging technology to reduce risk. We will actively engage only in risks that are well-understood, effectively managed, and demonstrably aligned with our strategic goals.

The Risk Appetite Statement, as reflected in the risk limits and tolerances, set the self-imposed boundaries for risk-taking at the Bank. This enables careful consideration of our material risk exposures over normal and stressed conditions.

**Our Qualitative Risk Appetite Statements** set out the nature of risks the Bank is willing to accept under certain conditions, and the types of risk we will not accept in pursuit of our strategic objectives. These statements tend to be ‘value based’.

**Our Quantitative Risk Appetite Statements** set the parameters for tolerances for risk. They are supported by risk limits determined by the Board which set out the amount of risk the Bank is willing to accept under certain circumstances.

Careful consideration is given to all risks, however, the Bank has identified the following 7 significant risk categories from which it will measure and establish tolerances in the pursuit of the Bank’s strategic objectives:

- Liquidity Risk;
- Operational Risk;
- Market Risk;
- Credit Risk;
- Regulatory Compliance Risk;
- Strategic Risk; and,
- Reputational Risk.

**Liquidity Risk**

Liquidity risk refers to the possibility that the Bank may be unable to meet cash demands required to fulfill its obligations as they fall due. Responsibility for managing liquidity risk rests primarily with the Treasurer, the Vice President of Deposit Services, and the Chief Financial Officer.

Treasury policies are established and overseen by the Treasury Department in alignment with the Bank’s business objectives, liquidity risk appetite, and applicable regulatory requirements, as determined by senior and executive management and approved by the Board of Directors.

**Liquidity Risk Management Program**

To address its liquidity needs, the Bank maintains a comprehensive risk management program comprising the following policies and procedures:

- Maintaining sufficient liquid assets to ensure positive cumulative cash flow out to the 90-day time period under stress assumptions;
- Holding high quality liquid securities equal to at least 5% of total assets
- Monitoring cash flow daily;
- Assessing cash flow requirements weekly using a liquidity forecasting template under stressed conditions;
- Conducting monthly liquidity tests under five disruption scenarios: i. Industry-specific disruption ii. Company-specific liquidity disruption iii. Systemic disruption; iv. Combined disruption scenario and v. Reverse stress test scenario.
- Managing liquidity in accordance with guidelines established by the Office of the Superintendent of Financial Institutions (OSFI).

**Operational Risk**

Operational risk refers to potential losses arising from human error, inadequate or failed processes and systems, or external events. It encompasses legal risk but excludes strategic and reputational risk.

The Bank acknowledges that operational risk is inherent in all activities and that its effective management is critical to long term success. To this end, the Bank has established an Operational Risk Management (ORM) program within the broader Enterprise Risk Management Framework and is designed to identify, assess, mitigate, report, and monitor operational risks.

**Operational Risk Management**

Operational risk is considered in six pillars:

1. **Employment Practices and Workplace Safety** Risks from inappropriate hiring, unfair compensation, employee mistreatment, or unsafe working conditions, potentially leading to litigation, resignation, or health impacts.

2. **Information Technology and Cybersecurity** Risks of system failures, outdated technology, or cyber threats that could disrupt secure and continuous operations.

3. **Fraud and Errors**

    - *Internal Fraud:* Employee misconduct or policy violations for personal gain.

    - *External Fraud:* Actions by third parties to misappropriate assets or information.

    - *Errors:* Failures in processes, documentation, or controls.

4. **Outsourcing** Risks arising from inadequate oversight of third-party service providers, including disruptions or insufficient controls.

5. **Business Continuity** Risks from disruptive events such as natural disasters, fire, terrorism, or civil unrest. The Bank maintains continuity and recovery plans to safeguard operations.

6. **Client, Product, and Business Practices** Risks from inappropriate business practices, product introduction, or misuse of customer information, including unauthorized transactions or money laundering.

**Operational Risk Management (ORM)**

Operational risk may result in financial loss, reputational damage, or diminished competitiveness. The Bank manages these exposures through:

- Comprehensive policies that establish clear accountability and control standards;
- Recruitment of experienced banking professionals;
- Deployment of automated systems with embedded controls;
- Ongoing compliance and control monitoring; and,
- Continuous review and enhancement of systems and procedures.

**Market Risk**

Market risk refers to potential adverse impacts on the Bank's balance sheet or income statement arising from changes in interest rates, foreign exchange rates, or market prices. Oversight of market risk policies rests with the Risk Oversight Committee, which recommends policies to the Board of Directors and reviews them on an ongoing basis. Day-to-day management is led by the Treasurer and Chief Financial Officer, under policies developed and administered by the Treasury Department in alignment with business objectives, risk appetite, and regulatory requirements.

*Foreign Exchange Risk*

Foreign exchange risk arises when transactions in currencies other than the Bank's base currency are subject to fluctuations in relative value. The Bank manages material exposures through:

- Natural currency and accounting hedges; and,
- Foreign exchange contracts with high quality counterparties.

Exposure related to US subsidiaries, lending, and treasury portfolios has been mitigated through USD denominated subordinated notes issued in April 2021, designated as hedges, and supplemented by foreign exchange forward contracts.

Treasury policies are developed, maintained, and administered by the Bank's Treasury Department as a function of the Bank's business objectives, market risk appetite, and regulatory requirements as determined by senior and executive management, and the Board of Directors.

*Interest Rate Risk*

Interest rate risk arises when movements in interest rates affect net interest income, spreads, or the economic value of assets, liabilities, and equity. The Bank manages this risk through:

- Income simulation analysis;
- Sensitivity gap and duration analysis; and,
- Regular reporting to the Board and monthly review by the Asset Liability Committee.

Policy limits require:

- In any 12 month period, a 100-basis point shift across the yield curve must not reduce regulatory capital by more than 4% of earnings;
- In any 60 month period, such a shift must not reduce regulatory capital by more than 6% of equity; and,
- The duration difference between assets and liabilities must not exceed four months.

**Market Risk Management**

The Bank's risk appetite statement defines market risk tolerances to which the Bank will adhere in the execution of its business objectives. Market risk tolerances are administered as follows:

1. Interest Rate Volatility:

Tolerances are defined and used to assist in measuring the Bank's ability and effort to manage changes to the Bank's capital position as a result of an increase/decrease in both short-term and long-term interest rates.

2. Equity Risk:

Tolerances are defined and used to assist in measuring the Bank's ability and effort to manage changes to the Bank's capital position because of changes in the value of the Bank's treasury portfolio investments.

The Bank's principal market risk arises from interest rate risk and foreign exchange risk as the Bank does not consistently undertake any trading activities. In addition, the Bank is subject to market price volatility with respect to securities due to the resulting impact on regulatory capital.

The Risk Oversight Committee of the Bank is charged with recommending policies that govern market risk to the Board of Directors for approval and with reviewing the policies on an ongoing basis. Additionally, the Bank manages interest rate risk by employing a number of methods including income simulation analysis and interest rate sensitivity gap and duration analysis. Management prepares regular reports to the Board to allow for ongoing monitoring of the Bank's interest rate risk position. Further, the Bank's Asset Liability Committee reviews the results of these analyses on a monthly basis and monitors compliance with limits set out in corporate policy.

*Interest Rate Position*

(thousands of Canadian dollars)

| | October 31, 2025 | | October 31, 2024 | |
|---|---|---|---|---|
| | 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 | $ 2,582 | $ (2,824) | $ 5,223 | $ (5,430) |
| | | | | |
| Duration difference between assets and liabilities (months) | (0.9) | | (1.6) | |

At October 31, 2025, the duration difference between the Bank's assets and liabilities was negative 0.9 months compared to negative 1.6 months at October 31, 2024, indicating that the Bank's assets would reprice faster than liabilities in the event of a future change in interest rates.

**Credit Risk**

Credit risk is the potential loss arising from a borrower, guarantor, or counterparty's inability or unwillingness to meet contractual obligations. While the Bank accepts certain credit risks to generate revenue, its Enterprise Risk Management Framework is designed to balance risk and reward in support of long-term shareholder value.

Oversight of credit risk resides with the Chief Credit Officer, who administers Board approved credit policies. These policies define the roles of the Credit Department and lending business units, establish risk tolerances consistent with the Bank's risk appetite, and ensure compliance with regulatory requirements. Each business unit supplements these policies with detailed procedures governing processes, systems, and methods, all within the Bank's established credit framework.

**Credit Risk Management**

The Bank's risk appetite statement sets credit risk tolerances for the institution as a whole and for each business line that assumes credit risk:

1. Multi-Family Residential Loans and Other
2. Receivable Purchase Program
3. Treasury

Credit risk is managed through policies recommended by management to the Risk Oversight Committee and approved by the Board of Directors. These policies include:

- Approval procedures and limits on credit asset amounts;
- Portfolio, geographic, and industry concentration limits;
- Risk rating frameworks for all credit assets and securities; and,
- Early identification of problem accounts with defined action plans.

The Risk Oversight Committee, composed entirely of independent directors, provides governance by:

- Recommending and reviewing credit risk policies to ensure prudence and alignment with market conditions and corporate strategy;
- Reviewing and concurring with credits exceeding management's delegated authority prior to commitment; and,
- Regularly monitoring watchlist accounts, impaired assets, and arrears.

*Counterparty Credit Risk and Credit Valuation Adjustment Risk*

Credit risk on derivative financial instruments, also known as Counterparty Credit Risk ("CCR"), is the risk of a financial loss from the failure of a counterparty to meet its obligations to the Bank. The Bank's CCR exposure arises from the Bank's execution of derivative hedge transactions and repo-style funding transactions with other financial institutions. The Bank monitors these exposures regularly, with the oversight of the Asset Liability Committee.

Credit Valuation Adjustment ("CVA") risk is defined as the risk of losses arising from changes in counterparty credit spreads and other market risk factors that impact prices of derivative transactions and Secured Funding Transactions ("SFT"). The capital requirements for CVA risk must be calculated for derivatives and, if applicable, SFT. The Bank has adopted a reduced version of the basic approach (BA-CVA) methodology for calculating CVA capital following the implementation of revised OSFI Capital Adequacy Requirements. The Bank monitors these exposures regularly with the oversight of the Asset Liability Committee.

Through disciplined governance, robust policies, and adherence to its risk appetite statement, the Bank seeks to maintain asset quality, safeguard capital, and support sustainable growth.

**Regulatory Compliance Risk**

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self regulatory standards, and codes of conduct applicable to its activities.

We recognize that regulatory risk must be viewed through the lens of our unique product set. Because our product offerings differ from traditional banking products, our regulatory compliance framework is appropriately tailored to capture the specific regulatory, operational, and reputational exposures they create. This lens ensures that compliance is not treated as a generic obligation, but as a strategic safeguard aligned with our innovation and value proposition.

The Bank has a Regulatory Compliance Management Program that includes three lines of defence model and establishes the controls and processes through which the Bank manages regulatory compliance risk. The Chief Compliance Officer is responsible for regulatory compliance oversight.

**Regulatory Risk Management**

The Bank's risk appetite statement defines regulatory risk tolerances to which the Bank will adhere in the execution of its business objectives. Regulatory risk tolerances are administered as follows:

1. Regulatory Compliance

   Bank conformance with laws, rules, and regulations and prescribed practices in all jurisdictions in which it operates.

2. Regulatory Capital

   Capital is a key regulatory requirement. The quality of capital and the leverage of the Bank's capital is a key indicator of financial health by regulators.

**Strategic Risk**

The Bank's risk appetite statement establishes strategic risk tolerances for the institution and each business unit, with tolerances defined in relation to financial performance metrics. These metrics guide the execution of business objectives while ensuring alignment with the Bank's overall risk profile.

Strategic risk is managed through a Board approved annual planning process that encompasses:

- **Comprehensive Business Planning** – development of a business plan, operating budget, and capital plan covering 12 to 36-month horizons.
- **Economic Forecasting** – rigorous forecasts to anticipate macroeconomic conditions and their impact on strategy.
- **Risk and Operational Assessments** – evaluation of new business initiatives to identify potential impacts and required mitigations.
- **Internal Capital Adequacy Assessment Process ("ICAAP")** – annual assessment to confirm that budgeted capital levels provide sufficient buffers against identified risks under both expected and stressed scenarios.

Through disciplined planning, robust forecasting, and capital adequacy assessments, the Bank seeks to mitigate strategic risk, safeguard financial performance, and maintain resilience in a dynamic business environment.

**Reputational Risk**

Reputational risk arises when activities undertaken by the Bank or its representatives diminish public confidence or impair the Bank's standing, potentially resulting in business loss, legal exposure, or heightened regulatory scrutiny. Importantly, reputational risk is a consequence of other risk events rather than a standalone category.

**Reputational Risk Management**

The Bank manages reputational risk through its Enterprise Risk Management framework.

Effective management of our core risks, combined with adherence to the Bank's Risk Appetite Statement, supports the preservation of reputation and stakeholder trust.

The Bank's Risk Appetite Statement establishes clear tolerances for reputational risk in the pursuit of business objectives. Reputation is a critical asset that underpins shareholder value and is inherently exposed to all forms of risk. Accordingly, reputational risk cannot be managed in isolation; credit, market, operational, regulatory, strategic, and liquidity risks must all be effectively controlled to safeguard the Bank's brand, earnings, and capital.

Oversight of reputational risk rests with senior and executive management, the Board of Directors, and its committees, which integrate reputational considerations into their ongoing responsibilities. Every employee and representative also plays a role in protecting the Bank's reputation by adhering to ethical practices and maintaining compliance with the Bank's Code of Conduct.

## FACTORS THAT MAY AFFECT FUTURE RESULTS

As noted in the section "Forward-looking Statements", the Bank is subject to inherent risks and uncertainties which may cause its actual results to differ materially from its expectations. Some of these risks are discussed below.

**Execution of Strategic Plans**

The Bank's financial performance is influenced by its ability to execute strategic plans developed by management and approved by the Bank's Board of Directors. If these strategic plans do not meet with success or there is a change in the Bank's strategic plans, the Bank's earnings could grow at a slower pace or potentially decline.

**Changes in Laws and Regulations**

Laws and regulations are in place to protect clients, investors and the public. Changes in laws and regulations, including how they are interpreted and enforced, could adversely affect the Bank's earnings by allowing more competition in the marketplace and by increasing the costs of compliance. In addition, any failure to comply with laws and regulations could adversely affect the Bank's reputation and earnings.

**Changes in Accounting Standards and Accounting Policies and Estimates**

The International Accounting Standards Board continues to change the financial accounting and reporting standards that govern the preparation of the Bank's consolidated financial statements. These changes can be significant and may materially impact how the Bank records its financial position and its results of operations. Where the Bank is required to retroactively apply a new or revised standard, it may be required to restate prior period financial results.

**Level of Competition**

The level of competition among financial institutions is high and non-financial companies and government entities are increasingly offering services typically provided by banks. This could have an effect on the pricing of the Bank's deposits and its lending products and together with loss of market share, could adversely affect the Bank's earnings.

**General Economic Conditions**

The Bank conducts its business in various regions within Canada and the US. Factors such as financial market stability, interest rates, foreign exchange rates, changing global commodity prices, business investment, government spending and stimulation initiatives, consumer spending, geo-political risk, changes in trade laws and tariffs and the rate of inflation can affect the business and economic environments in each geographic region in which the Bank operates. Therefore, the amount of business that the Bank conducts in a specific geographic region may have an effect on the Bank's overall revenues and earnings.

**Monetary Policy**

Financial markets' expectations about inflation and central bank monetary policy have an impact on the level of interest rates. Fluctuations in interest rates that result from these changes could have an impact on the regions in which the Bank operates, and further, could have an impact on the Bank's earnings.

**Reliance on Deposit Brokers**

The Bank raises its deposits primarily through a network of deposit brokers across Canada, including independents as well as the investment dealer subsidiaries of the large Canadian banks. The failure by the Bank to secure sufficient deposits from its broker network could negatively impact its financial condition and operating results. The Bank mitigates this risk by establishing and maintaining good working and mutually beneficial relationships with a diverse group of deposit brokers so as not to become overly reliant on any single deposit broker.

**Technology Risk**

Technology risk is related to the operational performance, confidentiality, integrity and availability of information systems and infrastructure. The Bank is highly dependent upon information technology and supporting infrastructure such as data and network access. Disruptions in information technology and infrastructure, whether attributed to internal or external factors, and including potential disruptions in services provided by various third parties, could adversely affect the ability of the Bank to conduct regular business and/or to deliver products and services to its clients.

**CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at October 31, 2025, an evaluation was carried out by management of the effectiveness of the Bank's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer will file a certificate indicating that the design and operating effectiveness of those disclosure controls and procedures were effective.

**Internal Control over Financial Reporting**

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank.

At October 31, 2025, an evaluation was carried out by management related to the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with International Financial Reporting Standards. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer will file a certificate indicating that the design and operating effectiveness of internal controls over financial reporting is effective. These evaluations were conducted in accordance with the standards of the 2013 Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators.

A Disclosure Committee, consisting of members of senior management, assists the Chief Executive Officer and the Chief Financial Officer in their responsibilities related to evaluating the effectiveness of the Bank's internal control systems and processes. Management's evaluation of controls can only provide reasonable, not absolute, assurance that all internal control issues that may result in material misstatement, if any, have been detected.

There were no changes in the Bank's internal controls over financial reporting that occurred during the year ended October 31, 2025 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

## Non-GAAP and Other Financial Measures

Non-GAAP and other financial measures are not standardized financial measures under financial reporting framework used to prepare the consolidated financial statements of the Bank's to which these measures relate. These measures may not be comparable to similar financial measures disclosed by other issuers. The Bank uses these financial measures to assess its performance and as such believes these financial measures are useful in providing readers with a better understanding of how management assesses the Bank's performance.

**Non-GAAP Measures**

***Return on Average Common Equity*** is defined as annualized net income less amounts relating to preferred share dividends, divided by average common shareholders' equity which is average shareholders' equity less amounts relating to preferred shares recorded in equity.

| (thousands of Canadian dollars) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Return on average common equity** | | | |
| Net income | 28,458 | 39,748 | 42,162 |
| Preferred share dividends | - | (988) | (988) |
| Adjusted net income | 28,458 | 38,760 | 41,174 |
| Average common equity | 465,938 | 381,357 | 350,270 |
| Return on average common equity | 6.11% | 10.16% | 11.75% |

***Adjusted Return on Average Common Equity*** is defined as annualized net income less amounts relating to the Reorganizationand related tax effect and amounts relating to preferred share dividends, divided by adjusted average common shareholders' equity, which is average shareholders' equity less amounts relating to the Reorganizationand related tax effect and amounts relating to preferred shares recorded in equity.

| (thousands of Canadian dollars) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Adjusted return on average common equity** | | | |
| Net income | 28,458 | 39,748 | 42,162 |
| Adjustment to non-interest expenses | 9,908 | - | - |
| Adjustment to income tax provision | (1,475) | - | - |
| Preferred share dividends | - | (988) | (988) |
| Adjusted net income less preferred share dividends | 36,891 | 38,760 | 41,174 |
| Adjusted average common equity | 470,155 | 381,357 | 350,270 |
| Adjusted return on average common equity | 7.85% | 10.16% | 11.75% |

***Book Value per Common Share*** is defined as Shareholders' Equity less amounts relating to preferred shares recorded in equity, divided by the number of common shares outstanding.

| (thousands of Canadian dollars, except shares outstanding and per share amounts) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Book value per common share** | | | |
| Common equity | 532,673 | 399,203 | 363,512 |
| Shares outstanding | 31,945,535 | 26,002,577 | 25,964,424 |
| Book value per common share | 16.67 | 15.35 | 14.00 |

***Return on Average Total Assets*** is defined as annualized net income less amounts relating to preferred share dividends, divided by average total assets.

| (thousands of Canadian dollars) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Return on average total assets** | | | |
| Net income | 28,458 | 39,748 | 42,162 |
| Preferred share dividends | - | (988) | (988) |
| Adjusted net income | 28,458 | 38,760 | 41,174 |
| Average Assets | 5,323,480 | 4,520,047 | 3,733,804 |
| Return on average total assets | 0.53% | 0.86% | 1.10% |

***Adjusted Net Income*** is defined as net income less amounts relating primarily to the Reorganization and related tax effect. This metric does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

| (thousands of Canadian dollars) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Adjusted net income** | | | |
| Net income | 28,458 | 39,748 | 42,162 |
| Adjustment to non-interest expenses | 9,908 | - | - |
| Adjustment to income tax provision | (1,475) | - | - |
| Adjusted net income | 36,891 | 39,748 | 42,162 |

***Adjusted EPS*** is defined as annualized net income less amounts relating primarily to the Reorganization and related tax effect and amounts relating to preferred share dividends, divided by weighted average numbers of common shares. This metric does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

| (thousands of Canadian dollars, except shares outstanding and per share amounts) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Adjusted income per common share** | | | |
| Net income | 28,458 | 39,748 | 42,162 |
| Adjustment to non-interest expenses | 9,908 | - | - |
| Adjustment to income tax provision | (1,475) | - | - |
| Preferred share dividends | - | (988) | (988) |
| Adjusted net income | 36,891 | 38,760 | 41,174 |
| Weighted average number of common shares outstanding | 31,506,701 | 25,965,724 | 26,273,739 |
| Adjusted income per common share | $ 1.17 | $ 1.49 | $ 1.57 |

**Other Financial Measures**

***Yield*** is calculated as interest income (as presented in the Consolidated Statements of Comprehensive Income) divided by average total assets. Yield does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

***Cost of Funds*** is calculated as interest expense (as presented in the Consolidated Statements of Comprehensive Income) divided by average total assets. Cost of funds does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

***Net Interest Margin or Spread*** is calculated as net interest income divided by average total assets. Net interest margin or spread does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

***Net Interest Margin on Credit Assets*** is calculated as net interest income adjusted for the impact of cash, securities and other assets, divided by average gross credit assets. This metric does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

***Efficiency Ratio*** is calculated as non-interest expenses from consolidated operations as a percentage of total revenue (as presented in the Consolidated Statements of Comprehensive Income). This ratio does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

***Adjusted Efficiency Ratio*** is calculated as non-interest expenses from consolidated operations income less amounts relating primarily to project costs associated with the Reorganization, as a percentage of total revenue (as presented in the interim Consolidated Statements of Comprehensive Income). This ratio does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

| (thousands of Canadian dollars) | October 31 2025 | October 31 2024 | October 31 2023 |
|---|---|---|---|
| **Adjusted efficiency ratio** | | | |
| Non-interest expenses | 78,735 | 57,108 | 50,381 |
| Adjustment to non-interest expenses | (9,908) | - | - |
| Adjusted non-interest expenses | 68,827 | 57,108 | 50,381 |
| | | | |
| Total revenue | 124,641 | 111,633 | 108,635 |
| Adjusted efficiency ratio | 55% | 51% | 46% |

***Provision for (Recovery of) Credit Losses as a Percentage of Average Total Credit Assets*** captures the provision for (recovery of) credit losses (as presented in the Consolidated Statements of Comprehensive Income) as a percentage of VersaBank's average credit assets, net of allowance for credit losses. This percentage does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other financial institutions.

***Basel III Common Equity Tier 1, Tier 1, Total Capital Adequacy and Leverage Ratios*** are determined in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions (*Canada*) (OSFI).

**FOR FURTHER INFORMATION PLEASE CONTACT:**

LodeRock Advisors: Lawrence Chamberlain (416) 519-4196,
lawrence.chamberlain@loderockadvisors.com
Visit our website at: www.versabank.com

**DIRECTORS**

**Honourable Frank J.C. Newbould, K.C., B.A, LL.B**
Chair of the Board
Counsel, Thornton Grout Finnigan, LLP, Former Judge, Ontario Superior Court of Justice

**Susan T. McGovern, B.Sc.**
Vice-Chair and Interim Chief Executive Officer
Executive Advisor in the Ontario Minister of Finance

**Gabrielle Bochynek, B.A. CHRL**
Principal, Human Resources and Labour Relations, The Osborne Group

**Robbert-Jan Brabander, M.Sc. and B.Sc. (Economics)**
Managing Director of Bells & Whistles Communications, Inc.

**David A. Bratton, B.A. (Hons), M.B.A., CHRL, FCMC**
Retired, former President of Bratton Consulting Inc.

**Peter M. Irwin, B.A. (Hons.)**
Retired, former Managing Director, CIBC Worlds Markets Inc.

**Richard H. L. Jankura, BBA (Hons), CPA, CA**
Retired, former Corporate Advisor and CFO of Jones Healthcare Group

**Art Linton, JD**
Barrister & Solicitor

**Paul G. Oliver, FCPA, FCA, ICD.D.**
Retired, former partner of PricewaterhouseCoopers LLP

**David R. Taylor, B.Sc. (Hons), M.B.A., F.I.C.B.**
President, VersaBank

**OFFICERS AND SENIOR MANAGEMENT**

**David R. Taylor, B.Sc. (Hons), M.B.A., F.I.C.B.**
President

**Tammie Ashton, B.A., LL.B**
Executive Vice-President

**John Asma, B.A. (Hons.), M.B.A.**
Chief Financial Officer

**Garry Clement, CAMS, CFE, CFCS, FIS, CCI**
Chief Anti-Money Laundering Officer

**Michael Dixon, B.Comm., M.B.A.**
Senior Vice President

**Brent T. Hodge, HBA, JD, CIPP/C**
Senior Vice President, General Counsel & Corporate Secretary

**Saad Inam, B.Comm., M.B.A.**
Chief Credit Officer

**Joanne Johnston, B.Comm., CPA, CA, CIA**
Chief Internal Auditor

**Wooi Koay, B.Comm., B.Sc.**
Chief Information Officer

**Nick Kristo, B.Comm., M.B.A.**
Senior Vice President

**Elizabeth Kuranoff, B.A., LL.B, FIS**
Chief Compliance Officer

**Nancy McCutcheon, HBA, MA, CPA, CGA**
Vice President, TIB Business Development

**Andy Min, B.A., CPA, CA**
Vice President, Finance, Integration & Performance

**Graham Monck**
Chief Risk Officer

**Conrad Nicholas, CPA, CMA, ACCA (UK), M.B.A.**
Vice President and Controller

**Chris Pellarin, B.A.**
Vice President, Point of Sale Strategic Initiatives

**Deborah Savage, B.A., M.B.A.**
Vice President, Investment Risk Control

**Chintan Shah, ACA, M.Comm.**
Vice President, Finance & Treasurer

**Katherine Symons B.A. (Hons)**
Vice President, Credit Risk

**Jonathan F.P. Taylor, B.B.A., CHRL**
Chief Human Resources Officer

**David Thoms, B.A., M.B.A.**
Senior Vice President, Point of Sale Financing

**Barbara Todres, B.Comm Hons.**
Vice President, Deposit Services

* As at October 31, 2025

**SOLICITORS**
Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, Ontario M5L 1B9

**AUDITORS**
Ernst & Young LLP
One London Place
255 Queens Ave Suite 2300,
London, ON N6A 5R8

**TRANSFER AGENT**
Odyssey Trust Company
1230 – 300 5th Avenue SW
Calgary, AB T2P 3C4

**BANK**
Royal Bank of Canada
Main Branch, 154 1st Avenue South
Saskatoon, Saskatchewan S7K 1K2

**STOCK EXCHANGE LISTINGS**

Toronto Stock Exchange
Trading Symbol: VBNK

NASDAQ
Trading Symbol: VBNK

**CORPORATE OFFICES**

**Head Office**
Suite 2002 - 140 Fullarton Street
London, Ontario N6A 5P2
Telephone: (519) 645-1919
Toll-free: (866) 979-1919
Fax: (519) 645-2060

**VersaBank Innovation Centre of Excellence**
1979 Otter Place
London, Ontario N5V 0A3
Telephone: (519) 645-1919
Toll-free: (866) 979-1919
Fax: (519) 645-2060

**Saskatoon Deposit Processing Centre**
410 - 121 Research Drive
Saskatoon, Saskatchewan S7N 1K2
Telephone: (306) 244-1868
Toll-free: (800) 213-4282
Fax: (306) 244-4649

**INVESTOR RELATIONS**

Toll Free Telephone: (800) 244-1509
Email: InvestorRelations@versabank.com
Web site: www.versabank.com

**LodeRock Advisors**
lawrence.chamberlain@loderockadvisors.com
Telephone: (416) 519-4196

**Exhibit 99.4**

**Consent of Independent Registered Public Accounting Firm**

We consent to (i) the reference to our Firm under the caption “Experts”, which appears in the Annual Information Form in Exhibit 99.1, (ii) the use of our report dated December 9, 2025, with respect to the consolidated balance sheets of VersaBank (the Bank) as at October 31, 2025 and October 31, 2024 and the consolidated statements of income and comprehensive income, changes in shareholders’ equity and cash flows for the years ended October 31, 2025 and October 31, 2024 included as Exhibit 99.2 in its Annual Report on Form 40-F filed with the Securities and Exchange Commission, and (iii) the incorporation by reference of our report dated December 9, 2025 in the Registration Statement (Form F-10/A No. 333-283077) of the Bank.

/s/

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
December 9, 2025

**Exhibit 99.5**

CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan McGovern, certify that:

1. I have reviewed this annual report on Form 40-F of VersaBank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2025

By: /s/ Susan McGovern
Name: Susan McGovern
Title: Interim, Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Asma, certify that:

1. I have reviewed this annual report on Form 40-F of VersaBank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2025

By: /s/ John Asma
Name: John Asma
Title: Chief Financial Officer

**Exhibit 99.6**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT 2002**

In connection with the Annual Report of VersaBank (the "Company") on Form 40-F for the fiscal year ended October 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan McGovern, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 10, 2025

/s/ Susan McGovern

Name: Susan McGovern
Title: Interim Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT 2002**

In connection with the Annual Report of VersaBank (the "Company") on Form 40-F for the fiscal year ended October 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Asma, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 10, 2025

/s/ John Asma

Name: John Asma
Title: Chief Financial Officer