

EQUITY RESEARCH | INITIATING COVERAGE

VersaBank (NASDAQ: VBNK | TSX: VBNK)*A Branchless Digital Bank Compounding Into the Multi-Trillion-Dollar U.S. Specialty-Finance Market*

Rating	Price target (12M)	Current price	Upside	52-wk range (US\$)	Market cap
HOLD (Neutral)	C\$29.00 / US\$20.60	C\$27.23 / US\$19.33	+6.5% + 0.4% yld	\$10.10 – \$25.05	~C\$0.88B / US\$0.62B

Analyst: Equity Research • Fiscal year ends Oct 31 • All figures CAD unless noted • Data as of June 30, 2026

Figure 1 — VBNK Share Price Performance (indicative, 24M)

Source: NASDAQ/Yahoo Finance (indicative monthly closes); model price target

Figure 1 — VBNK share-price performance (indicative, last 24 months)

We initiate coverage of VersaBank with a HOLD rating and a C\$29.00 (US\$20.60) twelve-month price target. VersaBank is one of the most structurally differentiated banks in North America — a branchless, dual-chartered (Canada Schedule I and U.S. OCC), business-to-business digital bank whose Structured Receivable Program (SRP) funds point-of-sale finance companies with negligible credit losses and the potential for a sub-25% efficiency ratio at scale. Our HOLD reflects valuation, not quality: after re-rating from ~US\$10 to ~US\$19–25 over the past year, the shares sit close to our base-case intrinsic value, with the asymmetric upside residing in the multi-year U.S. ramp.

Key investment points

- **Structurally advantaged, hard-to-replicate franchise.** VersaBank pairs a scarce dual bank charter (a Canadian Schedule I licence — the first granted in ~18 years — and a U.S. OCC national charter) with proprietary technology that lets it gather deposits and fund receivables electronically at a ~3.1% cost of funds. At scale the model can produce a sub-25% efficiency ratio vs. 50–60% for typical U.S. banks. Since 2010 the SRP has funded >C\$14B (US\$10B) of receivables with near-zero credit losses, protected by a ~5% partner holdback.
- **The U.S. opportunity is large and early.** Following the September-2024 U.S. charter acquisition, U.S. SRP assets reached US\$604.9M by Q2-FY26 (+28% q/q), against a management-described “multi-trillion-dollar” addressable market and end-markets such as US\$535–620B U.S. home improvement and ~US\$156B U.S. HVAC. Management is on pace to add ≥US\$1B of new U.S. SRP fundings in FY26, and a new real-time / AI-enabled SRP should further expand the addressable market.
- **Operating leverage should drive ROE from ~6% toward ~12%+.** We model total credit assets roughly doubling to C\$10.6B by FY30E and the efficiency ratio falling from 63% (FY25, reorganization-inflated) to ~43%, lifting diluted EPS from C\$0.90

(FY25A) to C\$3.08 (FY30E), a ~28% CAGR, and ROE from 6.1% to ~11.9%. Reported earnings are temporarily depressed by U.S. build-out and reorganization costs; adjusted FY25 net income was C\$36.9M vs. C\$28.5M reported.

- **Valuation is fair on the base case; the upside is the bull case.** Our residual-income and FCFE models cluster at C\$25–26, relative methods (justified P/B, comps) at C\$29–30, and our blended target is C\$29 (+6.5%). Multi-year scenario values span C\$15.5 (bear) to C\$33.1 (base) to C\$45.8 (bull, FY30 horizon). We would upgrade to BUY on a pullback toward C\$24–25 or evidence of U.S. SRP / efficiency acceleration.

Summary financials (C\$M unless noted)

Metric	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	108.6	111.6	124.8	153.3	186.9
Net interest income	101.1	102.6	116.3	144.3	177.4
Net income (reported)	42.2	39.7	28.5	46.2	63.7
Adjusted net income	42.2	39.7	36.9	55.0	66.6
Diluted EPS (C\$)	1.57	1.49	0.90	1.43	1.87
Adjusted EPS (C\$)	1.57	1.49	1.17	1.71	1.96
ROE %	12.8	10.5	6.1	8.3	9.8
Efficiency ratio %	50.0	52.0	63.0	58.0	52.0
Total assets	4,128.0	4,840.0	5,808.0	7,133.0	8,548.0
Book value/share (C\$)	13.4	15.4	16.6	17.8	20.0

Source: Company filings (SEC Form 40-F/6-K, SEDAR+); VersaBank model estimates. A = actual, E = estimate.

Table of Contents

Investment Thesis	5
1. A regulatory and cost moat that is genuinely difficult to replicate.....	5
2. A large, underserved, and early-stage U.S. growth runway.....	5
3. Risk-mitigated assets and a low, counter-cyclical cost of funds	6
4. Visible operating leverage converting growth into ROE expansion	6
5. Valuation: fair today, with asymmetric multi-year optionality	7
Risk Factors.....	7
Company Overview	9
Company History	11
Management Team & Governance	13
Products & Services.....	15
Customers & Go-to-Market.....	16
Industry Overview	18
Competitive Landscape	19
Market Opportunity (TAM)	22
Financial Analysis.....	23
Historical performance.....	23
Projection Assumptions	29
A. Revenue assumptions by product.....	29
B. Geographic revenue assumptions.....	30
C. Net interest margin and funding assumptions.....	30
D. Expense, provision, tax and capital assumptions	30
Scenario Analysis.....	32
Bull Case — U.S. ramp accelerates; efficiency reaches ~40% (probability 25%)	32
Base Case — steady scaling; efficiency to ~43% (probability 50%).....	32
Bear Case — U.S. ramp stalls; efficiency stuck ~52% (probability 25%)	32
Scenario comparison and risk/reward	32
Key Growth Drivers	35
1. U.S. SRP scaling (the dominant driver).....	35
2. Real-time and AI-enabled SRP	35
3. Operating leverage / efficiency-ratio improvement	35
4. Corporate reorganization (Versa Bancorp)	35
5. Strategic / M&A optionality	35
Valuation Analysis	37
DCF — residual income and FCFE.....	37

Comparable companies.....	38
Precedent transactions	39
Valuation reconciliation and price target.....	39
Price Target & Recommendation	41
Appendix — Data Sources & References	43

Investment Thesis

Our investment thesis rests on five pillars. We are positive on VersaBank as a multi-year compounder but neutral on the 12-month risk/reward after the shares' strong re-rating.

1. A regulatory and cost moat that is genuinely difficult to replicate

VersaBank's competitive advantage begins with two scarce assets: a Canadian Schedule I bank charter (granted in 2002, the first in roughly 18 years) and a U.S. national bank charter regulated by the OCC (acquired in 2024). New entrants cannot easily obtain either. On top of the charters sits proprietary, branchless technology that allows the Bank to gather deposits and process high volumes of individual loan and lease receivables electronically, through financial-intermediary partners, at a blended cost of funds of ~3.1% (Q2-FY26). The combination yields a structural cost advantage: management has repeatedly argued that, at scale, the model can produce a sub-25% efficiency ratio, roughly half the 50–60% efficiency ratios typical of U.S. commercial banks. The efficiency ratio is the single most important variable in the story — every point of improvement falls almost entirely to pre-tax income.

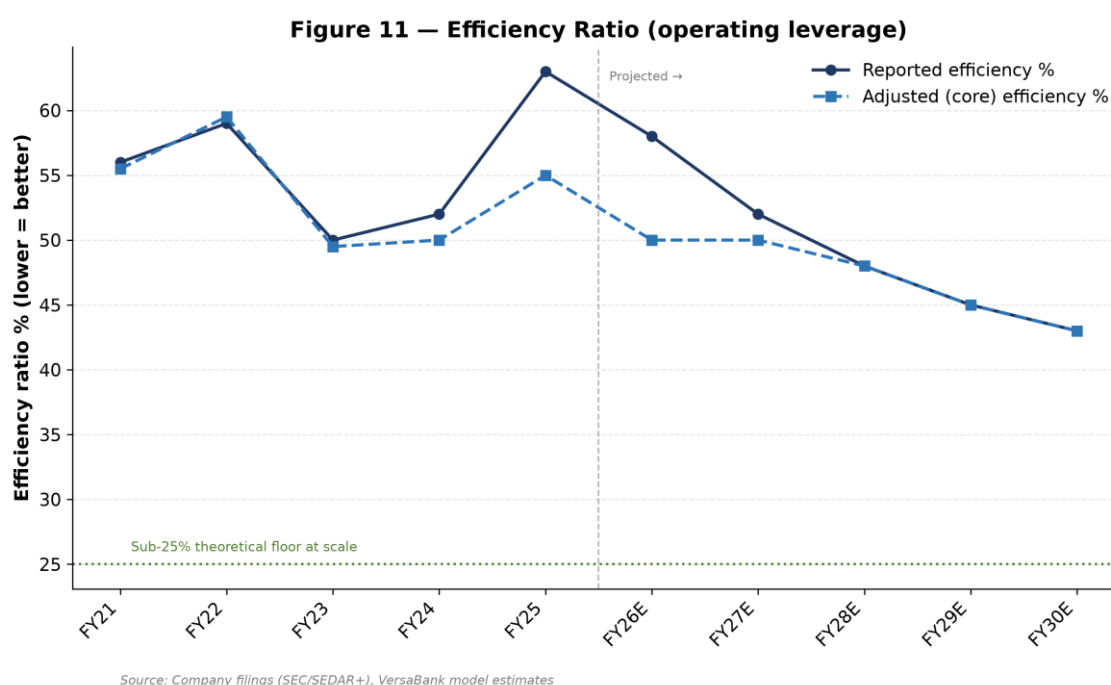


Figure 11 — Efficiency ratio: the core operating-leverage lever

2. A large, underserved, and early-stage U.S. growth runway

VersaBank does not compete in consumer-facing lending; it funds the specialty finance companies that originate point-of-sale loans for big-ticket purchases (home improvement, HVAC, solar, equipment). Having refined this Receivable/Structured Receivable Program in Canada for 15 years and deployed >C\$14B cumulatively, the Bank is now exporting the model to a U.S. market more than ten times larger. U.S. SRP assets stood at US\$604.9M at Q2-FY26 — a rounding error against the opportunity — and management targets ≥US\$1B of new U.S. fundings in FY26 alone. The introduction of a real-time SRP (eliminating the 5–30-day receivable-warehousing period) and a forthcoming AI-enabled funding capability should widen the set of partners and verticals the Bank can serve.

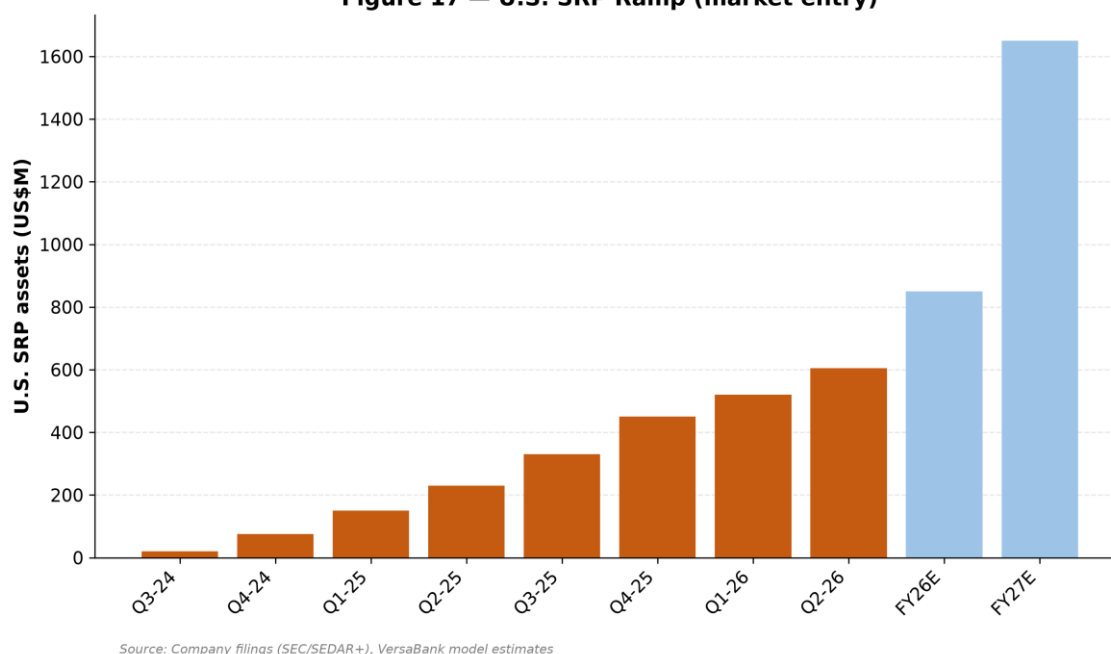
Figure 17 — U.S. SRP Ramp (market entry)

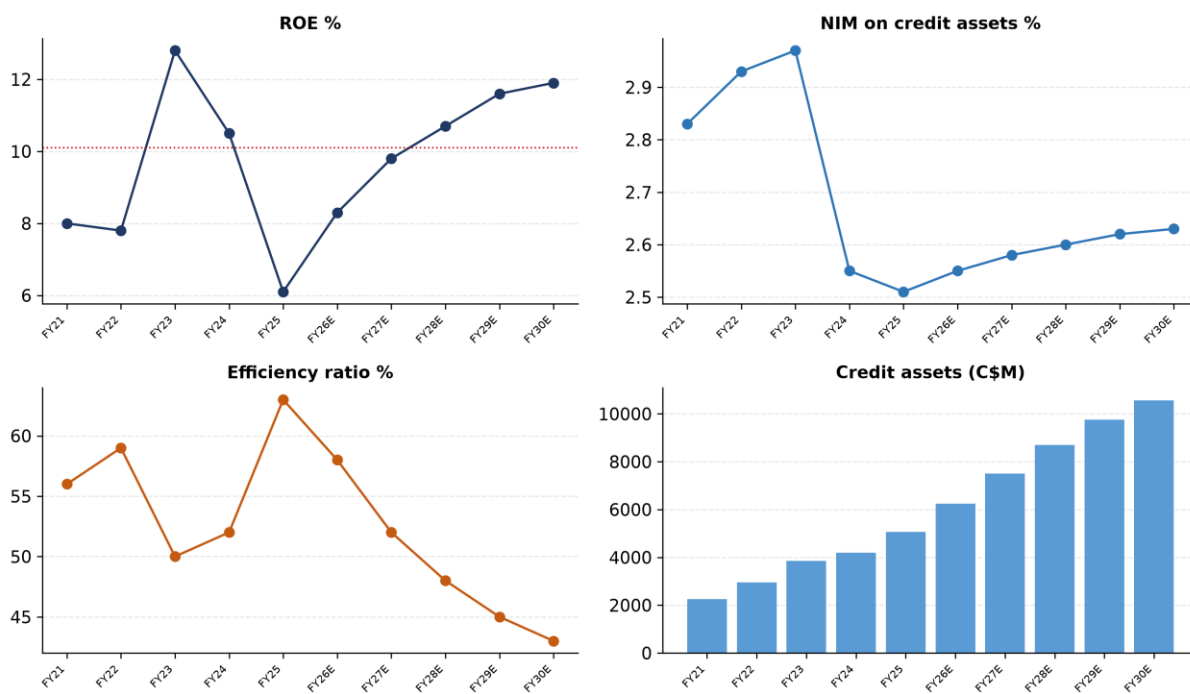
Figure 17 — U.S. SRP ramp since market entry

3. Risk-mitigated assets and a low, counter-cyclical cost of funds

The SRP structure is deliberately conservative: VersaBank advances the full loan amount but requires the originating partner to retain a holdback (historically ~5%) as first-loss protection, which has historically resulted in negligible credit losses. On the liability side, three funding pillars — broker deposits, licensed-insolvency-trustee deposits (a uniquely sticky, software-integrated, counter-cyclical channel), and partner holdback reserves — drive a low cost of funds that fell 43bps year-over-year to 3.09% in Q2-FY26. The result is a thin but stable net interest margin (~2.7% on credit assets) applied to a rapidly growing, low-loss asset base.

4. Visible operating leverage converting growth into ROE expansion

Because the technology platform is largely a fixed cost, incremental SRP volume should fall disproportionately to the bottom line. We model total credit assets growing from C\$5.1B (FY25A) to C\$10.6B (FY30E), the efficiency ratio improving from 63% to ~43%, diluted EPS rising from C\$0.90 to C\$3.08 (a ~28% CAGR), and ROE climbing from 6.1% to ~11.9%. This is the mechanism that should re-rate the shares over a multi-year horizon — provided execution holds.

Figure 13 — Operating Metrics Dashboard

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 13 — Operating metrics: ROE, NIM, efficiency and credit-asset trajectory

5. Valuation: fair today, with asymmetric multi-year optionality

At C\$27.23 the shares trade at ~1.6x book and ~14.6x FY27E EPS. Our intrinsic models (residual income C\$24.9, FCFE C\$25.5) sit slightly below the current price, while relative methods (justified P/B C\$29.5, P/B comps ~C\$30) sit slightly above; the blended target is C\$29 (+6.5%). The genuine prize is the bull case — successful U.S. scaling and a sub-45% efficiency ratio would support a FY30 value near C\$46. We rate the stock HOLD on the 12-month view while flagging the favorable long-term skew.

Risk Factors

We see twelve principal risks across four categories. The risk profile is balanced: the SRP structure mitigates credit risk, but execution, concentration, capital and macro risks are real.

The following twelve risks span company-specific, industry/market, financial, and macroeconomic categories.

Company-Specific Risks

- 1. Key-person dependency on the founder.** VersaBank's strategy, technology vision, and culture are deeply intertwined with founder-CEO David Taylor, who has led the institution since 1993 and is now shifting focus to the U.S. parent. The loss of Taylor, or a poorly managed transition of his responsibilities, could impair strategic continuity and investor confidence. Mitigants include a deep bench (CIO Wooi Koay, EVP John Asma, interim Canadian CEO Susan McGovern) and codified, proprietary systems, but the dependency remains material.
- 2. U.S. execution and integration risk.** The entire growth thesis rests on successfully exporting the RPP/SRP model to the U.S. via a newly acquired charter, a new partner network, and a new management layer — all simultaneously. Onboarding partners, scaling deposits to match asset growth, and maintaining underwriting discipline in an unfamiliar market are non-trivial. Early traction (US \$605M in U.S. SRP assets) is encouraging but still young.
- 3. Corporate reorganization risk.** The pending reorganization into a U.S. (Delaware) holding-company structure (Versa Bancorp) requires SEC effectiveness, shareholder approval, and sign-off from OSFI, the Canadian Ministry of Finance, and the U.S. Federal Reserve. The process has already absorbed millions in non-core costs (e.g., \$4.5M in

Q2 2026 alone), is depressing reported earnings, and could face delay, modification, or conditions that alter expected benefits.

4. Partner concentration. A meaningful portion of U.S. SRP assets has historically been concentrated among the largest one or two finance-company partners. The loss, distress, or origination slowdown of a major partner could disproportionately affect growth and earnings until the partner base diversifies further.

5. Underwriting / partner-quality risk. Although the ~5% partner holdback absorbs first losses and has historically produced negligible credit losses, the model relies on the originating partners' underwriting quality and on the adequacy of holdbacks in a severe downturn. A partner with deteriorating origination standards, or losses exceeding the holdback, could expose VersaBank to credit losses it has rarely experienced.

Industry / Market Risks

6. Competitive intensity in funding. Bank warehouse lenders, private-credit/forward-flow buyers, and integrated POS lenders (e.g., Synchrony) all compete for the funding role VersaBank fills. An abundance of cheap private capital or aggressive bank competition could compress the Bank's spreads or slow partner acquisition.

7. Regulatory change in POS/BNPL and specialty finance. Increasing consumer-protection scrutiny of point-of-sale and BNPL lending could raise compliance costs for VersaBank's partners, dampen origination volumes, or alter the economics of the receivables the Bank funds.

8. Technology and cybersecurity risk. The Bank's entire advantage rests on proprietary software and automated processing. A material system failure, cyber breach, or inability to keep the platform ahead of competitors would strike at the core of the franchise — a risk only partly offset by the in-house DBG cybersecurity capability.

Financial Risks

9. Net interest margin and funding-cost sensitivity. VersaBank earns a relatively thin NIM (~2.3% overall; ~2.7% on credit assets) and depends on maintaining a low cost of funds (~3.1%). If deposit competition intensifies or rate dynamics turn adverse, NIM compression could pressure profitability, particularly given the model's reliance on volume and operating leverage rather than fat spreads.

10. Capital and deposit-funding constraints on growth. Rapid asset growth must be matched by regulatory capital (CET1 was 12.32% in Q2 2026) and deposit growth. If the Bank cannot raise capital on attractive terms or grow deposits fast enough, it may have to slow SRP fundings — capping the growth that underpins its valuation. Equity issuance to fund growth also creates dilution risk.

11. Depressed reported earnings and earnings volatility. Reported earnings have been temporarily compressed by U.S. build-out and reorganization costs — FY2025 net income fell to \$28.5M (reported) from \$39.7M in FY2024, even as adjusted net income held at \$36.9M. The gap between reported and "core/adjusted" results introduces complexity and the risk that anticipated operating leverage takes longer than expected to materialize.

Macroeconomic Risks

12. Economic cyclicity, interest rates, and FX. A recession would pressure consumers' big-ticket spending (home improvement, HVAC, equipment), slowing partner originations and potentially raising losses. As a dual-currency institution reporting in CAD but increasingly earning in USD, VersaBank also carries foreign-exchange translation exposure, and its asset and funding sensitivity to central-bank rate moves in both Canada and the U.S. adds further macro sensitivity. The Bank's risk-mitigated structure cushions, but does not eliminate, these cyclical exposures.

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Company Overview

VersaBank is a North American chartered bank that operates one of the most distinctive business models in the banking industry: a fully branchless, digital, business-to-business ("B2B") bank that uses proprietary technology to profitably serve underserved niches of the lending and deposit-gathering markets. Headquartered in London, Ontario, the Bank is federally chartered in both Canada (a Schedule I chartered bank, regulated by the Office of the Superintendent of Financial Institutions, or "OSFI") and the United States (through VersaBank USA, National Association, a nationally chartered bank regulated by the Office of the Comptroller of the Currency, or "OCC"). The Bank is dual-listed, trading under the ticker "VBK" on both the Toronto Stock Exchange and the Nasdaq Global Select Market.

Unlike a traditional retail bank, VersaBank has no branch network, no retail tellers, and no consumer-facing storefronts. Substantially all of its deposit-gathering and lending activity is conducted electronically through financial intermediary partners. This "branchless by design" architecture is the source of the Bank's central competitive thesis: by stripping out the physical infrastructure and labor costs that consume the majority of a conventional bank's operating budget, VersaBank can generate exceptional operating leverage. Management has repeatedly stated that, at scale, the model is capable of producing a sub-25% efficiency ratio (non-interest expense as a percentage of revenue) — roughly half the 50–60% efficiency ratios typical of U.S. commercial banks (VersaBank Strategy).

The Bank's flagship product, and the engine of its growth, is the **Receivable Purchase Program ("RPP")** — recently rebranded the **Structured Receivable Program ("SRP")** in conjunction with a corporate reorganization. Through this program, VersaBank provides a wholesale digital funding solution to "point-of-sale" ("POS") finance companies — the specialty lenders that finance "big-ticket" consumer and small-business purchases such as home-improvement projects, HVAC systems, and a wide range of commercial equipment. Rather than originate loans directly to consumers, VersaBank purchases the cash flows of pools of receivables that its finance-company partners originate, advancing the full loan amount upfront while requiring the partner to retain a holdback (historically approximately 5% of the loan's value). In doing so, VersaBank takes on a risk-mitigated, first-loss-protected asset while the originating partner retains the customer relationship and servicing. Since the RPP was first launched in Canada in 2010, VersaBank has provided more than CAD \$14 billion (approximately US \$10 billion) in funding to North American finance companies (VersaBank closes U.S. bank acquisition, PRNewswire).

VersaBank operates through two reportable segments. The first and dominant segment is **Digital Banking**, which encompasses the Canadian and U.S. lending and deposit operations described above. The second is **DRTC** (operating as DRT Cyber Inc.), a wholly owned technology subsidiary that houses the Bank's cybersecurity services business (Digital Boundary Group, or "DBG") and its digital-asset / tokenization initiatives (including Digital Meteor and the Bank's "Real Bank Tokenized Deposits" development effort). The cybersecurity business is small relative to the bank — generating roughly CAD \$2–3 million of revenue per quarter — but it provides both a modest fee-income stream and, more strategically, an in-house engine of technological and security expertise that reinforces the Bank's "tech-first" positioning (VersaBank DBG SOC2 certification, StockTitan).

The scale of the franchise has expanded dramatically over the past five years. As of the end of the second quarter of fiscal 2026 (quarter ended April 30, 2026), VersaBank reported total assets of **\$6.44 billion**, up 28% year-over-year and a new record; net credit assets of **\$5.68 billion**; and total deposits of **\$5.52 billion** (Q2 2026 results, PRNewswire). This compares to total assets of just \$2.4 billion at the end of fiscal 2021 — meaning the balance sheet has grown roughly 2.7x in under five years. Book value per share stood at \$17.15 at the end of Q2 2026, and the Bank's Common Equity Tier 1 ("CET1") capital ratio was 12.32%, comfortably above regulatory minimums. The Bank employs a relatively lean workforce (a few hundred employees), reflecting the high degree of automation embedded in its operating model.

VersaBank's profitability profile reflects its volume-driven, low-spread model. In fiscal 2025 the Bank generated total revenue of \$124.6 million (up 12% year-over-year), net interest income of \$116.2 million, and adjusted net income

of \$36.9 million; its net interest margin was approximately 2.18% overall and 2.52% on credit assets, with a blended cost of funds that fell through the year as legacy higher-rate deposits repriced. Reported results, however, have been temporarily weighed down by the costs of the U.S. build-out and the corporate reorganization — reported net income was \$28.5 million in fiscal 2025 vs. \$39.7 million in fiscal 2024, even as the underlying franchise continued to scale. Management's central financial argument is that as the U.S. SRP portfolio grows against an already-built, largely fixed-cost technology platform, incremental revenue should fall disproportionately to the bottom line, pushing the efficiency ratio down toward the sub-25% theoretical floor and lifting return on equity over time. This "operating leverage at scale" thesis is the crux of the investment case and the lens through which the Bank's currently-depressed reported earnings should be read.

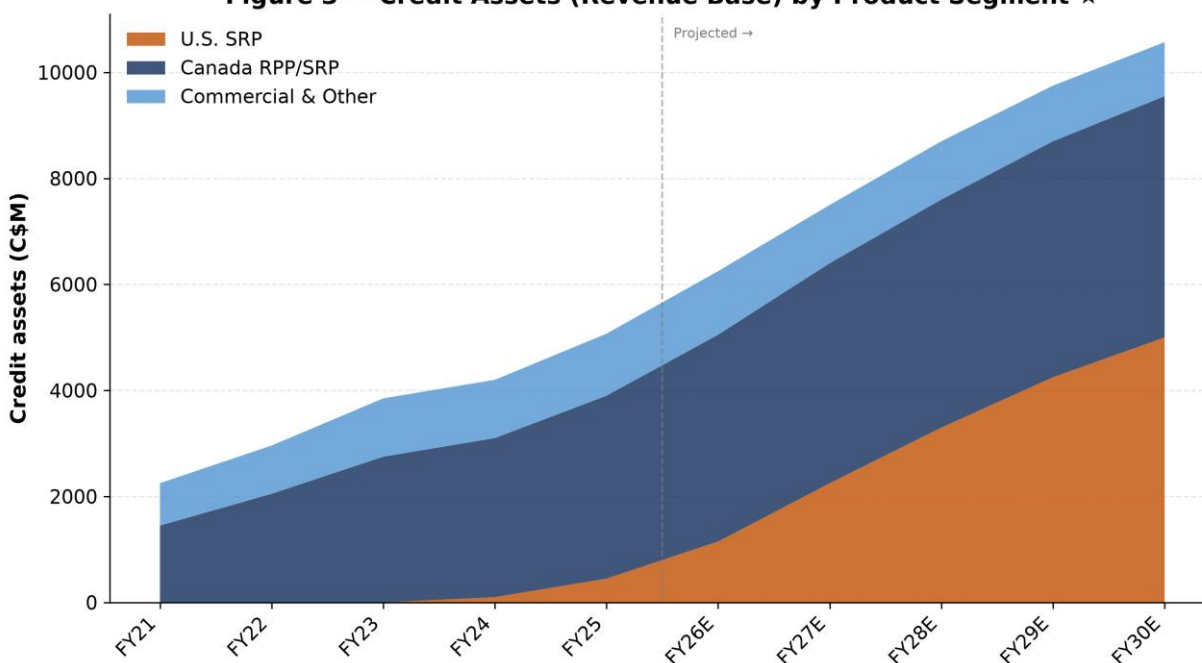
In short, VersaBank is best understood not as a traditional deposit-and-lend bank but as a **technology-enabled wholesale funding platform with a banking license** — one that monetizes a regulatory and operational moat (a hard-to-obtain bank charter combined with proprietary software) to serve a large, fragmented, and underserved specialty-finance market on both sides of the U.S.–Canada border.

Figure 5 — VersaBank at a Glance (FY25A / Q2-FY26)



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 5 — VersaBank at a glance

Figure 3 — Credit Assets (Revenue Base) by Product Segment ★

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 3 — Credit assets (the revenue base) by product segment ★ mandatory

Company History

VersaBank's history is, in many ways, the story of one entrepreneur's four-decade effort to build a different kind of bank. The institution traces its roots to 1980, when it was founded as a small trust company in Saskatoon, Saskatchewan, originally operating as Pacific & Western Trust (VersaBank — Wikipedia). In its earliest form it was a tiny institution with roughly CAD \$20 million in assets. The pivotal figure in its transformation, David Taylor, took the helm of the chief-executive function in 1993 and has driven the company's strategic direction ever since.

A defining milestone came on **August 1, 2002**, when the institution was granted a Schedule I Canadian chartered bank licence by the federal government — notably, the first such licence granted in approximately 18 years. Schedule I status (a domestically owned, deposit-taking bank) is extraordinarily difficult to obtain in Canada's tightly regulated banking system, and this charter remains one of the company's most valuable and durable assets. The Bank initially operated as Pacific & Western Bank of Canada.

In **May 2016**, the company rebranded as VersaBank — a name chosen because "Versa" is the prefix for "versatile," and because the "Pacific & Western" name no longer reflected the Bank's national, virtual, and technology-led focus. The rebrand coincided with management's accelerating push toward a fully digital, branchless model centered on proprietary software.

The commercial cornerstone of the modern company — the Receivable Purchase Program — was actually launched earlier, in **2010**. Over the subsequent decade and a half, the RPP scaled steadily within Canada, building a network of finance-company partners across home improvement, HVAC, and equipment finance, and ultimately deploying more than CAD \$14 billion of cumulative funding.

On the capital-markets side, VersaBank listed its common shares on the Toronto Stock Exchange and, on **September 21, 2021**, listed on the Nasdaq under the symbol "VBK" concurrent with a common-share offering (FY2021 results, PRNewswire). The Nasdaq listing was strategically important: it raised the Bank's profile with U.S. investors and laid groundwork for its subsequent U.S. expansion. Along the way, the Bank steadily diversified its funding base — in 2020, for example, it added a leading national insolvency firm and one of Canada's largest mutual-fund dealerships as deposit partners, deepening the low-cost trustee and broker channels that remain central to its funding model.

today (VersaBank adds insolvency and dealership deposit partners, Business Wire). The Nasdaq listing was supported by a concurrent common-share offering, and the Bank has periodically tapped equity and subordinated-debt markets to supply the regulatory capital needed to fund the rapid growth of its credit-asset portfolio.

The most consequential strategic chapter began with the Bank's entry into the United States. In 2022, VersaBank agreed to acquire a single-branch bank in Holdingford, Minnesota from Stearns Financial Services for approximately US \$13.5 million — its first toehold in the U.S. market. After a lengthy regulatory-approval process, the acquisition formally closed on **August 30, 2024**, when Stearns Bank Holdingford, N.A. was acquired by a VersaBank subsidiary and renamed **VersaBank USA, National Association** (VersaBank completes purchase, Banking Dive). This transaction was transformational not for the acquired bank's balance sheet — which was tiny — but for what came with it: a coveted **U.S. national bank charter** regulated by the OCC. That charter allowed VersaBank to broadly launch its RPP into what management describes as the "underserved, multi-trillion-dollar" U.S. specialty-finance market (VersaBank closes U.S. bank acquisition, PRNewswire).

The U.S. launch produced rapid early traction. Through fiscal 2025, VersaBank signed a series of U.S. RPP partners — including Watercress Financial, Thrive Financial (a Virginia-based home-improvement POS platform), and an expanded relationship with ECN Capital — and surpassed US \$70 million in U.S. RPP assets within roughly 75 days of adding its second partner (VersaBank adds second US RPP partner, PRNewswire). In mid-2025, the Bank also launched a complementary securitized financing solution and appointed veteran U.S. executive Timothy Comiskey to lead the initiative, broadening its addressable market beyond the core receivable-purchase structure.

The most recent chapter, unfolding through fiscal 2026, is a major **corporate reorganization** designed to convert VersaBank into a standard U.S. bank-holding-company structure. In June 2026 the Bank publicly filed a Form S-4 registration statement with the SEC to create **Versa Bancorp**, a new Delaware corporation, which would become the publicly traded holding company over VersaBank and VersaBank USA via a one-for-one share exchange (Versa Bancorp Form S-4). The reorganization — which remains subject to shareholder votes and regulatory approvals from OSFI, the Canadian Ministry of Finance, and the U.S. Federal Reserve — reflects the Bank's strategic re-centering of gravity toward the United States. In parallel, management refreshed its branding (renaming the RPP the "Structured Receivable Program"), launched a real-time SRP pilot with Financeit Canada, and, on May 1, 2026, sold its sole physical branch in Holdingford, Minnesota back to Stearns Bank National Association — completing its transition to a fully branchless U.S. footprint and underscoring that the U.S. national charter, not the branch, was always the prize.

Figure 6 — Key Milestones



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 6 — Key milestones, 1980–2026

Management Team & Governance

VersaBank is, to an unusual degree, a founder-led institution, and any assessment of management must begin with its long-tenured CEO. The team is currently in transition as the Bank reorganizes around a U.S. holding-company structure, with several senior appointments made in late 2025 and early 2026 to support that realignment.

David R. Taylor — Founder, President & Chief Executive Officer (transitioning to lead the U.S. parent)

David Taylor is the architect and driving force behind VersaBank's transformation from a CAD \$20 million trust company into a North American digital bank with more than CAD \$6 billion in assets. A veteran banker with an unusual background in computer programming, Taylor has served as the chief executive since 1993 and is widely credited as the visionary behind the Bank's proprietary, technology-first model (David R. Taylor profile, CEO Outlook Magazine). Early in his career he reportedly wrote banking software at a time when commercial off-the-shelf solutions did not exist, and that engineering sensibility has defined his approach to banking ever since: he has consistently argued that banking is fundamentally an information-processing business and that the institution best able to automate it will enjoy a structural cost advantage. Under his leadership VersaBank conceived and scaled the Receivable Purchase Program, secured the rare Schedule I Canadian charter (2002), executed the Nasdaq listing (2021), and led the U.S. market entry via the Stearns/Holdingford acquisition (2024). As part of the 2025–2026 reorganization, Taylor is transitioning to the role of President and CEO of the new U.S. parent entity (VersaHoldings US Corp. / Versa Bancorp) and serves as Board Chair of VersaBank USA. His deep ownership stake and four-decade tenure make him both the Bank's greatest strategic asset and a key-person risk. Investors broadly regard the Bank's intellectual property and culture of automation as inseparable from Taylor's leadership.

Nicolas Ospina — Global Chief Financial Officer

Nicolas Ospina was appointed Global Chief Financial Officer in January 2026, joining VersaBank at a pivotal moment as the Bank navigates its U.S. holding-company reorganization and an increasingly U.S.-centric capital-markets strategy (VersaBank appoints Global CFO, PRNewswire). He arrived from Raymond James, where he was a Vice President in the Financial Services Investment Banking group, advising banks and specialty-finance companies on capital raising and M&A. That background is directly relevant to VersaBank's near-term agenda: managing the Form S-4 process, optimizing the Bank's capital structure across two jurisdictions, broadening the U.S. shareholder base, and funding the rapid growth of the U.S. SRP portfolio. Ospina holds an MBA and an MS in Management. His appointment — recruiting a U.S. financial-services banker rather than promoting from within — signals the Bank's intent to professionalize its finance function for a larger, U.S.-listed future and to deepen relationships with U.S. institutional investors and rating agencies. As a recent hire, Ospina's track record at VersaBank is still being established, and his ability to execute the capital-markets dimension of the reorganization will be an important watch item.

Susan T. McGovern — Interim Chief Executive Officer, VersaBank (Canada); Vice Chair

Susan McGovern was appointed Interim CEO of VersaBank's Canadian banking operations in 2025 as part of the leadership realignment that freed David Taylor to focus on the U.S. parent. A long-serving member of VersaBank's Board of Directors, where she has served as Vice Chair, McGovern brings deep institutional knowledge of the Bank's governance, strategy, and stakeholder relationships. Her professional background spans senior leadership roles in education, government relations, and the public/private sectors, and she has been a trusted board-level steward of the Bank through its growth and U.S. expansion. Elevating a veteran director into the interim chief-executive seat for the Canadian entity provides continuity at a delicate juncture — preserving institutional memory and board-level alignment while the founder pivots to the U.S. platform. Her interim mandate centers on maintaining the momentum of the Canadian Digital Banking franchise (which remains the larger and more mature of the two geographies) and ensuring stability through the reorganization. The "interim" designation suggests the Board may ultimately recruit or appoint a permanent Canadian CEO, making succession planning an area to monitor.

Wooi Koay — Chief Information Officer

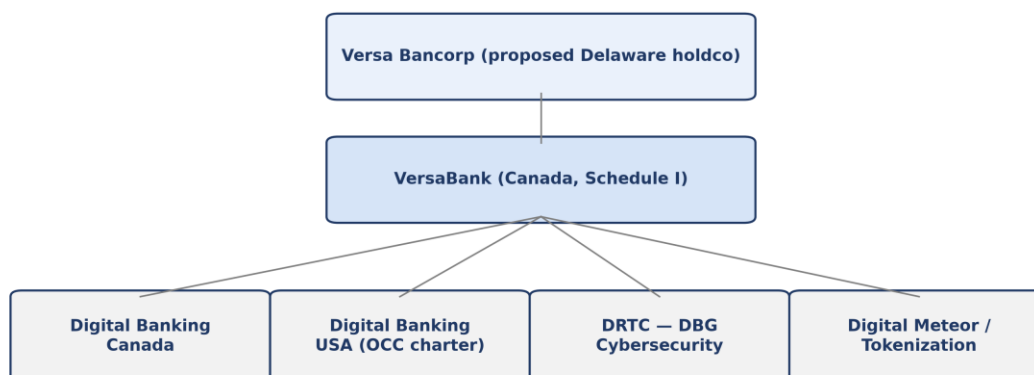
Wooi Koay is the Chief Information Officer and the principal technical architect behind VersaBank's proprietary banking software — the platform that underpins the Bank's entire value proposition. An IDC Canada CIO Awards winner, Koay has been integral to building what management describes as some of the banking industry's most innovative and efficient systems, including the automated infrastructure that allows the Bank to process large volumes of individual loan and lease receivables in the RPP/SRP and to interface seamlessly with insolvency-trustee and deposit-broker partners (VersaBank recognized for leadership in banking technology, PRNewswire). Because VersaBank's cost advantage and scalability are fundamentally functions of its technology stack, the CIO role is more strategically central here than at a typical bank. Koay's continued leadership of the technology platform — and the Bank's ability to extend it to new asset classes, the real-time SRP, and tokenized-deposit initiatives — is a key determinant of the Bank's ability to sustain its efficiency moat as it scales in the United States.

Other Key Leaders and Governance

Beyond the four executives above, John Asma — who previously served as Chief Financial Officer — was promoted in early 2026 to Executive Vice President of Canadian Digital Banking, retaining deep financial and operational expertise within the senior ranks. Timothy Comiskey, a veteran U.S. executive, was appointed in 2025 to lead the Bank's RPP securitization initiative in the United States.

On governance, VersaBank maintains a Board of Directors that oversees both the Canadian bank and, increasingly, the U.S. structure (the Bank discloses separate U.S. and Canadian board rosters). The defining governance feature is the Bank's founder-led character: David Taylor is a significant long-term shareholder, which strongly aligns his interests with outside investors but also concentrates strategic decision-making and creates the key-person dependency noted above. The proxy circular (and the Form S-4 for the reorganization) detail executive compensation, board independence, and insider ownership; investors evaluating governance should weigh the benefits of founder alignment and long-term orientation against the risks of concentrated control and an in-progress senior-management transition. Overall, the team's track record — a multi-decade compounding of book value, a rare dual charter, and a successful early U.S. launch — is strong, but the franchise is entering its most complex organizational phase yet.

Figure 7 — Corporate & Segment Structure



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 7 — Corporate and segment structure

Products & Services

VersaBank's product suite is organized around two segments — Digital Banking and DRTC — but its economics are overwhelmingly driven by a single, distinctive lending product on the asset side and a set of low-cost wholesale funding channels on the liability side.

Receivable Purchase Program / Structured Receivable Program (the core asset product). The RPP/SRP is VersaBank's signature offering and the primary driver of its credit-asset growth. It is a wholesale funding solution for "point-of-sale" finance companies — specialty lenders that extend installment loans and leases to consumers and small businesses for big-ticket purchases such as home renovations, HVAC and roofing systems, solar installations, and commercial equipment. The mechanics are what make it distinctive: rather than buying loans outright or lending against a warehouse line, VersaBank purchases the **cash flows** of pools of receivables that the finance company originates. VersaBank advances the full loan amount upfront, while the originating partner is required to retain a holdback — historically on the order of 5% of the loan's value — on its own balance sheet as a first-loss cushion (VersaBank: A Digital Banking Transformation, Crossroads Capital). VersaBank then receives the loan cash flows net of a servicing fee paid to the partner, who continues to service the loan and own the end-customer relationship. This structure delivers several advantages simultaneously: the partner's holdback absorbs first losses, dramatically reducing VersaBank's credit risk; the finance company gets immediate, scalable, low-cost funding without building its own balance sheet; and VersaBank gains a diversified, granular pool of receivables that it can underwrite and monitor through its proprietary technology. Since 2010 the program has funded more than CAD \$14 billion (US \$10 billion) cumulatively. In 2025–2026 the Bank extended the franchise with a **securitized financing solution** and a **real-time SRP** pilot (launched with Financeit Canada), the latter designed to eliminate the 5-to-30-day "warehousing" period during which receivables traditionally sit before funding — a meaningful enhancement to partner economics and a lever to expand the addressable market (VersaBank launches real-time SRP, PRNewswire).

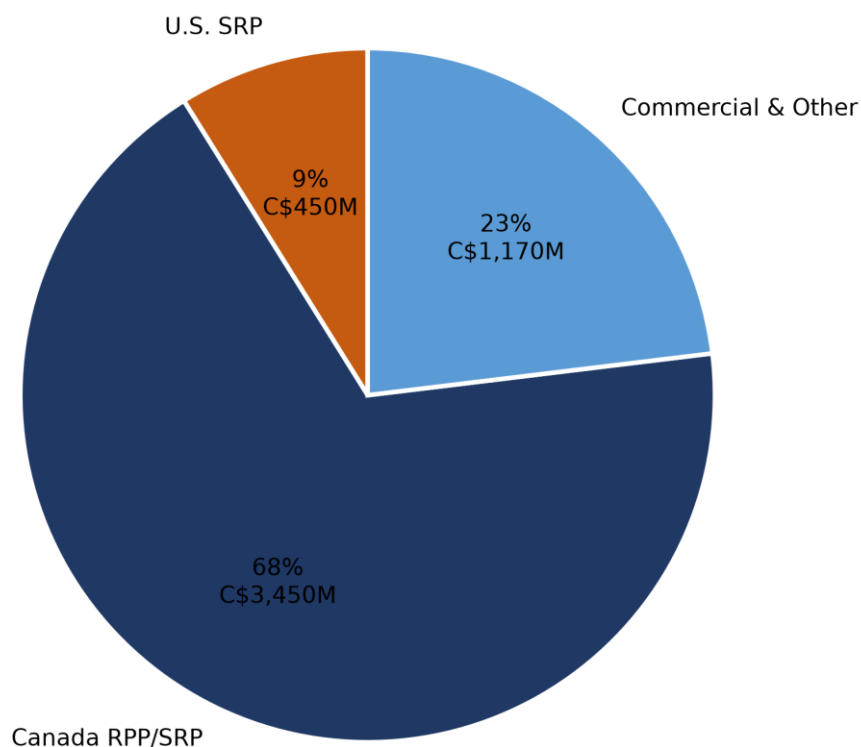
Other lending. In addition to the RPP/SRP, VersaBank maintains a smaller portfolio of commercial lending, including commercial real estate and certain public-sector / commercial loans in Canada. These are largely legacy and complementary assets that predate the RPP's dominance; over time the Bank has de-emphasized new commercial-real-estate origination in favor of the more scalable, lower-risk, and higher-return-on-capital receivable-purchase model, so the commercial book has become a shrinking share of total credit assets. The strategic growth engine is unambiguously the RPP/SRP, particularly its U.S. expansion.

Deposit and funding products (the liability side). Because VersaBank is branchless, it gathers deposits entirely through electronic channels and intermediary partners, which it organizes into three core funding pillars (VersaBank Q1 2025 MD&A). First, **deposit brokers** — investment dealers, wealth-management firms, and financial-advisory firms in both Canada and the U.S. — distribute the Bank's term-deposit (GIC/CD) products to their clients; this is the largest single source of funding. Second, **Licensed Insolvency Trustee deposits** are a uniquely profitable Canadian niche: VersaBank developed customized banking software that integrates directly with the market-leading administrative software used by insolvency trustees to manage consumer bankruptcy and proposal-restructuring estates. By embedding itself in trustees' workflows, the Bank captures sticky, low-cost commercial deposits; this channel has grown to more than 100 trustee partners holding roughly CAD \$823 million (US \$594 million) in deposits. Third, **partner cash reserves / holdbacks** retained from RPP partners provide an additional, naturally matched source of low-cost funding. Together these channels drove the Bank's blended cost of funds down to 3.09% in Q2 2026, a 43-basis-point year-over-year improvement.

DRTC: cybersecurity and digital assets. The Bank's technology subsidiary, DRT Cyber Inc. (DRTC), houses two activities. **Digital Boundary Group (DBG)** provides cybersecurity services — penetration testing, vulnerability assessment, and related consulting — generating roughly CAD \$2–3 million of revenue per quarter and holding SOC 2 Type 1 certification (DBG SOC2 certification, PRNewswire). **Digital Meteor** and the Bank's tokenization initiatives pursue blockchain-based digital-asset capabilities, including the "VersaView" blockchain interface, foreign-exchange functionality, custody of third-party stablecoin deposits (e.g., QCAD under an agreement with Stablecorp Digital Currencies), and the in-development "Real Bank Tokenized Deposits" (RBDT) — an effort to combine the safety of

insured bank deposits with the efficiency and programmability of blockchain. These initiatives are early-stage and currently a modest cost center, but they represent optionality on a potentially significant future product line that leverages the Bank's regulatory status and technology DNA.

Figure 8 — Credit Asset Portfolio Mix (FY25A)



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 8 — Credit-asset portfolio mix (FY25A)

Customers & Go-to-Market

VersaBank's go-to-market model is fundamentally B2B and intermediated — the Bank rarely, if ever, touches an end consumer. Its "customers" fall into two distinct groups corresponding to the two sides of its balance sheet: finance-company partners on the asset side, and deposit-distribution partners on the liability side.

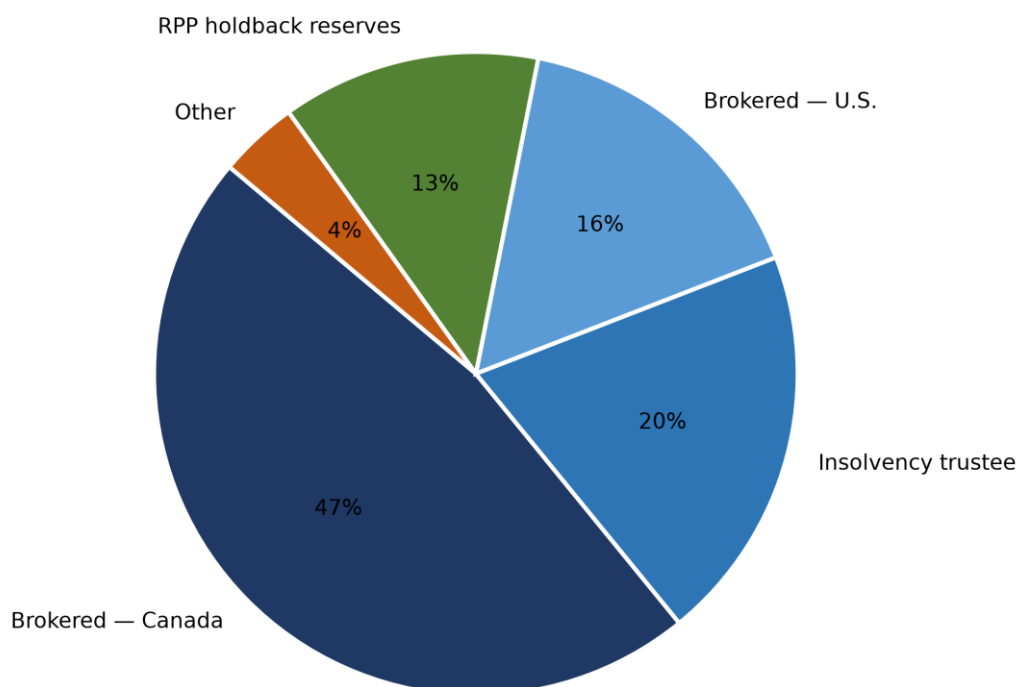
On the **asset side**, VersaBank's customers are the specialty finance companies that originate point-of-sale loans and leases. These partners span home-improvement and HVAC financing, equipment finance, and consumer installment lending. Named partners include Canadian relationships built over fifteen years and a fast-growing roster of U.S. partners added since the 2024 charter acquisition — among them Watercress Financial, Thrive Financial (Virginia-based home-improvement POS financing), and an expanded relationship with ECN Capital, as well as Financeit Canada, one of the Bank's largest SRP partners and the launch partner for the real-time SRP (VersaBank announces Thrive Financial partner, PRNewswire). The value proposition to these partners is compelling: VersaBank offers immediate, scalable, low-cost funding that lets a finance company grow originations far beyond what its own equity could support, without surrendering the customer relationship or servicing income. The sales cycle is relationship- and-diligence-intensive — onboarding a new partner involves underwriting the partner's origination quality and integrating systems — but once established, the relationships are sticky and scale rapidly, as evidenced by the speed with which new U.S. partners ramped to tens and then hundreds of millions of dollars in funded assets. To illustrate

the partner economics: a finance company that funds its originations through VersaBank rather than off its own equity can multiply its origination capacity many times over while freeing capital for growth and marketing — a powerful incentive that explains the velocity at which new U.S. partners have scaled, and one that grows stronger when bank credit tightens.

On the **liability side**, VersaBank's customers are the deposit brokers, wealth-management firms, and licensed insolvency trustees who distribute or place deposits with the Bank. Deposit brokers value VersaBank's competitive term-deposit rates and its operational reliability; insolvency trustees value the proprietary software integration that makes the Bank's accounts the path of least resistance for administering estates. This intermediated funding model means VersaBank does not need to spend on retail branches, advertising, or customer-acquisition campaigns to gather deposits — a structural cost advantage that flows straight to the efficiency ratio. The insolvency-trustee deposits are especially valuable because they are operational, relatively non-rate-sensitive balances embedded in trustees' day-to-day administration of estates, which makes them stickier and cheaper than rate-shopped retail deposits and gives the Bank a counter-cyclical funding source (insolvency activity tends to rise in downturns).

The **distribution philosophy** across both sides is the same: embed VersaBank's technology into partners' workflows so that the Bank becomes the default, frictionless infrastructure layer. This "embedded finance for finance companies" approach creates modest switching costs and network effects: the more seamlessly the Bank integrates with a partner's origination or administration systems, the harder it is to displace. Geographically, the customer base is concentrated in Canada (the mature franchise) but is shifting rapidly toward the United States, where management has set a target of adding at least US \$1 billion in new SRP fundings during fiscal 2026 alone. Customer concentration is a consideration worth monitoring: while the partner base is diversifying, a meaningful share of U.S. SRP assets has historically sat with the largest one or two partners, so the loss of a major partner could temporarily slow growth.

Figure 9 — Deposit Funding by Channel (FY25A)



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 9 — Deposit funding by channel (FY25A)

Industry Overview

VersaBank sits at the intersection of three industry currents: (1) the large and growing market for point-of-sale / specialty consumer and equipment finance; (2) the wholesale "funding-as-a-service" layer that supplies capital to specialty lenders; and (3) the broader digital-banking and embedded-finance transformation reshaping how banking services are delivered.

The point-of-sale and specialty-finance market. The end markets that VersaBank's finance-company partners serve are very large. The U.S. home-improvement market alone was valued at roughly US \$535 billion in 2024 and is projected to grow toward US \$550–620 billion in 2025 (U.S. home improvement market, Market Data Forecast). The U.S. HVAC industry is worth approximately US \$156 billion in 2025, with the residential HVAC segment alone around US \$83 billion (2025 HVAC statistics, Leads4Build). A growing share of these big-ticket purchases is financed at the point of sale, as contractors and retailers increasingly embed financing to lift conversion rates and average ticket sizes. Point-of-sale financing — encompassing both traditional installment lending and "buy-now-pay-later" (BNPL) structures — has been one of the fastest-growing corners of consumer finance over the past decade, driven by digitization of the checkout, consumer demand for predictable installment payments, and merchants' recognition that financing drives sales. The equipment-finance market that VersaBank's commercial partners serve is similarly large, spanning everything from medical and dental equipment to construction and transportation assets.

The wholesale funding layer. VersaBank does not primarily compete in the consumer-facing financing market; it competes one layer up, in the market to **fund** the specialty lenders who do. Historically, specialty finance companies have funded their originations through a patchwork of sources: bank warehouse lines, asset-backed securitization, private-credit and forward-flow arrangements with asset managers, and their own equity. Each of these has drawbacks — warehouse lines carry covenants and mark-to-market risk; securitization is expensive and episodic, requiring scale and capital-markets access; and private-credit forward-flow deals can be costly and impose restrictive terms. VersaBank's RPP/SRP is positioned as a structurally cheaper, more flexible, and more reliable alternative for the mid-market finance companies that are too small or too specialized to access efficient securitization on their own. This is a genuinely underserved niche: the largest banks generally find these finance companies too small to bother with, while the finance companies themselves lack the deposit base and charter that VersaBank possesses. The post-2023 period of regional-bank stress and tighter bank credit in the U.S. arguably widened this gap, increasing demand for stable, non-bank-dependent funding solutions — a tailwind for VersaBank's U.S. entry.

The funding gap that VersaBank exploits has structural roots. Specialty finance companies are, by definition, non-deposit-taking institutions; they must source capital from someone else's balance sheet, and that capital is typically their single largest operating cost. For the mid-market originator — too large to comfortably self-fund, yet too small or too specialized to tap the securitization market efficiently — the options have historically been limited and expensive. The 2023 U.S. regional-banking crisis sharpened the problem: as several banks that had provided warehouse and forward-flow funding to non-bank lenders pulled back, failed, or were absorbed, many specialty finance companies saw their funding lines curtailed precisely when they needed stability most. That dislocation created a structural opening for a well-capitalized, deposit-funded, technology-enabled funder unencumbered by legacy commercial-real-estate or troubled-credit exposure — which is exactly the profile VersaBank carried into the U.S. market in late 2024. Demand for a stable, balance-sheet-light, non-bank-dependent funding alternative is, if anything, structurally higher today than when the Bank first conceived the RPP in 2010.

Digital banking and embedded finance. More broadly, VersaBank is a participant in the secular shift toward digital, branchless, and embedded banking. Across North America, the cost disadvantage of legacy branch networks has become increasingly apparent, and a wave of digital-first and "banking-as-a-service" models has emerged. VersaBank's differentiation within this trend is that it is a fully chartered, deposit-insured bank (CDIC in Canada, FDIC in the U.S.) rather than a fintech riding on a sponsor bank — meaning it captures the full economics and regulatory protections of a bank while operating with a fintech-like cost structure.

Industry structure and regulation. Banking is, by design, a highly regulated and high-barrier industry. In Canada, the Schedule I charter VersaBank holds is exceptionally rare. In the U.S., national bank charters regulated by the OCC are likewise difficult to obtain — which is precisely why VersaBank acquired one rather than applying de novo. These barriers cut both ways: they protect VersaBank's franchise from easy replication, but they also subject the Bank to comprehensive capital, liquidity, and consumer-protection regulation in two jurisdictions, plus the oversight of OSFI, the OCC, the U.S. Federal Reserve (as the prospective holding-company regulator), and deposit insurers. The specialty-finance and POS/BNPL markets themselves are also drawing increasing regulatory attention — including consumer-protection scrutiny of BNPL disclosures, credit-reporting treatment, and dispute rights — which could indirectly affect the volume and economics of the receivables the Bank's partners originate, and by extension the assets VersaBank funds. On balance, the regulatory environment is a double-edged sword: it raises the moat around VersaBank's charters while simultaneously imposing compliance obligations and exposing the Bank to policy shifts in two countries at once.

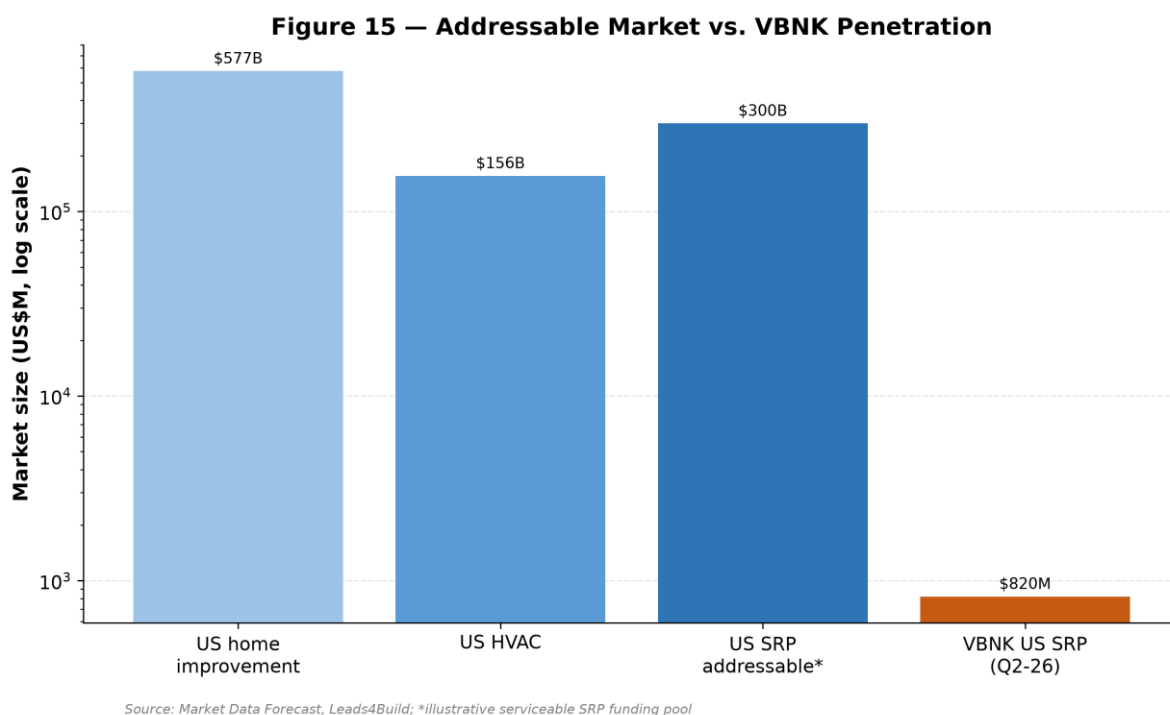


Figure 15 — Addressable market vs. VBNK penetration

Competitive Landscape

VersaBank occupies an unusual competitive position because, strictly speaking, it has no direct peer that combines all of its attributes — a chartered, deposit-funded, branchless, technology-led wholesale funder of specialty lenders operating across both Canada and the U.S. Its competition is best understood as a set of partial substitutes that compete for pieces of its value chain.

1. Bank warehouse lenders. The most direct competitors for VersaBank's funding role are the commercial and regional banks that provide warehouse lines of credit to specialty finance companies. These lines are widely available but typically carry restrictive covenants, advance-rate haircuts, and renewal/mark-to-market risk. VersaBank's RPP/SRP competes by offering higher effective advance rates (funding the full loan against a ~5% partner holdback), greater certainty of funding, and deep technology integration. The 2023 regional-bank turmoil in the U.S. exposed the fragility of some warehouse providers, strengthening VersaBank's relative pitch.

2. Securitization and ABS markets. Larger finance companies fund themselves through asset-backed securitization. This is efficient at scale but expensive, episodic, and inaccessible to smaller originators. VersaBank competes by

serving the mid-market originators below securitization scale, and it has begun to bridge into this space directly via its own securitized-financing solution launched in 2025.

3. Private credit and forward-flow buyers. Asset managers and private-credit funds increasingly buy specialty-finance receivables through forward-flow agreements. These players have abundant capital but a higher cost of capital than a deposit-funded bank, so VersaBank's deposit-funded model gives it a structural pricing advantage — it funds assets with sub-3.1% deposits rather than double-digit private-credit return hurdles.

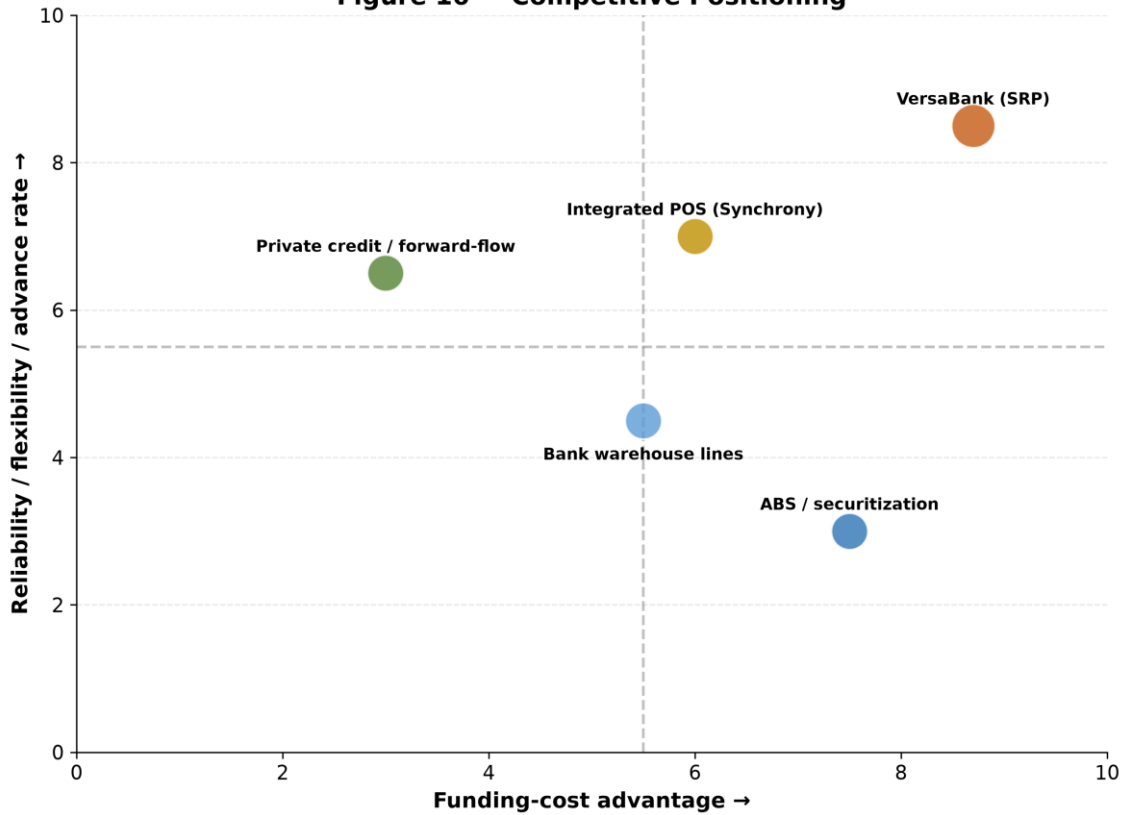
4. Consumer-facing POS/BNPL platforms. Companies such as Affirm, Klarna, Afterpay, Synchro, and Splitit operate at the consumer-facing layer. They are not direct competitors — many are potential partners or partner-types — but they compete indirectly in that some have their own funding arms or balance sheets, and the largest (e.g., Synchro, which acquired specialty-finance enabler Versatile Credit) are vertically integrated banks that fund their own POS lending. These integrated players represent the "build vs. partner" alternative that VersaBank's prospective partners might choose.

5. POS-financing technology/orchestration providers. Platforms such as Jifiti, ChargeAfter, equipifi, LendFoundry, and TurnKey Lender provide the software rails for embedded POS financing (Top POS lenders, ezbob). These are largely complementary — they connect merchants to lenders but generally do not provide the balance-sheet funding that VersaBank does — though over time some could move toward funding partnerships that overlap with VersaBank's role.

6. Other digital / specialty banks. A handful of digital-first or specialty banks (e.g., certain U.S. industrial-loan and niche commercial banks) pursue analogous low-cost, technology-led models. None, however, replicates VersaBank's specific RPP structure or its cross-border dual charter.

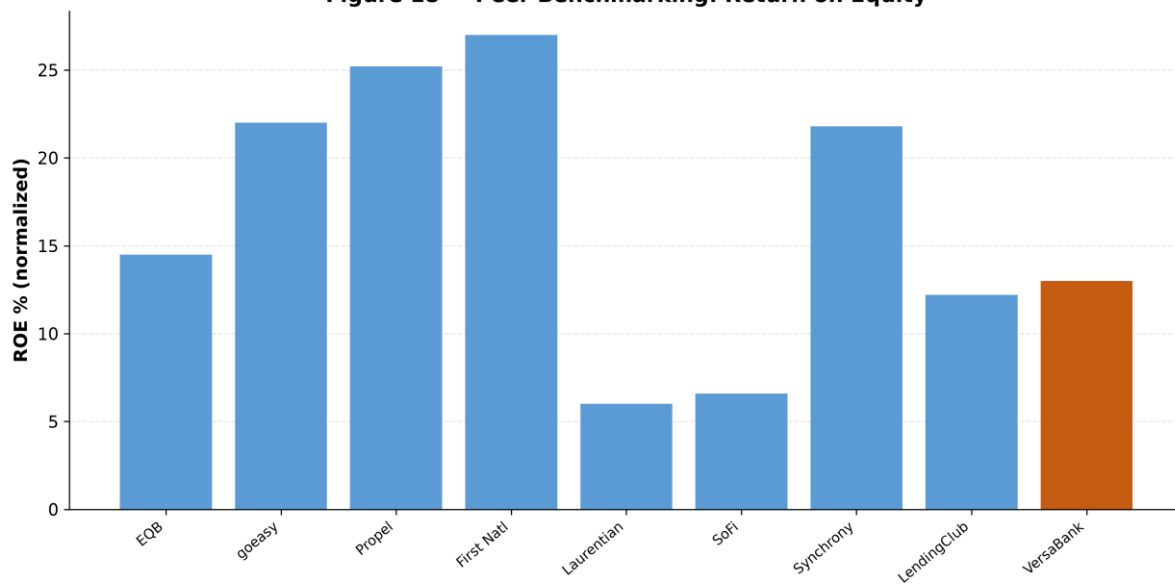
Plotted on the two dimensions that matter most to a specialty finance company — the cost of funding and the reliability/flexibility of funding — VersaBank aims to occupy the attractive corner. It is lower-cost than private-credit and forward-flow buyers, because it funds with insured deposits (~3% cost of funds) rather than capital that demands double-digit returns; and it is more reliable and higher-advance than bank warehouse lines, because the receivable-purchase structure funds the full loan against a small partner holdback rather than lending against a haircut hedged with covenants. Securitization can be cheaper still for the very largest originators, but it is inaccessible to the mid-market and episodic even for those who can reach it. The consumer-facing BNPL and POS platforms, meanwhile, largely operate in a different layer of the value chain and are better understood as partners or partner-types than as head-to-head rivals — except where a vertically integrated player such as Synchro funds its own book and thereby keeps a potential VersaBank partner in-house.

VersaBank's competitive advantages are fourfold: (i) a **regulatory moat** — dual Canadian Schedule I and U.S. OCC charters that are extraordinarily hard to obtain; (ii) a **funding-cost advantage** — branchless deposit-gathering that yields a low, ~3% cost of funds and the potential for a sub-25% efficiency ratio at scale; (iii) **proprietary technology** that enables high-volume, automated receivable processing and deep partner integration; and (iv) a **risk-mitigated asset structure** — the partner holdback that absorbs first losses, historically resulting in negligible credit losses. Its principal **vulnerabilities** are scale (it remains small relative to the banks and asset managers it competes against), partner concentration, key-person dependency on its founder, and the execution risk of simultaneously expanding in the U.S. and reorganizing its corporate structure. On balance, VersaBank competes not by being bigger but by being structurally cheaper and more flexible in a niche the giants overlook.

Figure 16 — Competitive Positioning

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 16 — Competitive positioning: funding cost vs. reliability/advance

Figure 18 — Peer Benchmarking: Return on Equity

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 18 — Peer benchmarking: return on equity

Market Opportunity (TAM)

VersaBank's addressable market should be sized at the level where it actually operates — the wholesale funding of point-of-sale and specialty-finance receivables — rather than at the level of the underlying consumer-purchase markets, though the latter set the ultimate ceiling.

Total addressable market. Management characterizes the U.S. opportunity for its RPP/SRP as "multi-trillion-dollar," reflecting the enormous stock of consumer and small-business installment receivables that finance companies originate and must fund (VersaBank closes U.S. acquisition, PRNewswire). While that figure is best treated as an order-of-magnitude framing rather than a precise serviceable number, the underlying end markets are unquestionably vast: U.S. home improvement alone is a ~US \$535–620 billion annual market, U.S. HVAC ~US \$156 billion, and these are only two of many verticals (solar, roofing, medical/dental, powersports, equipment finance) that VersaBank's partners serve. A meaningful and growing share of these purchases is financed at the point of sale, and all of those receivables require funding — the activity VersaBank monetizes.

Serviceable addressable market. The more relevant figure is the pool of specialty-finance originations that (a) sit below efficient securitization scale or otherwise value an alternative funding source, and (b) fall within VersaBank's underwriting and verticals. Even a conservative read of this serviceable market runs to the hundreds of billions of dollars in North America. VersaBank's own cumulative funding of CAD \$14 billion since 2010 — almost entirely in Canada, a market roughly one-tenth the size of the U.S. — illustrates how much runway exists as the model is exported southward. The Bank effectively replicated, in the much larger U.S. market, a playbook it has refined for fifteen years in Canada.

Serviceable obtainable market and penetration. VersaBank's near-term, concrete opportunity is captured in management's target of adding at least **US \$1 billion in new U.S. SRP fundings in fiscal 2026** — and U.S. SRP assets had already reached US \$604.9 million by the end of Q2 2026, up 28% sequentially, putting the Bank on pace toward that goal (Q2 2026 results, PRNewswire). Against a multi-hundred-billion-dollar serviceable market, VersaBank's current U.S. penetration is a rounding error — which is the bull case in a nutshell: a proven, profitable, low-risk model with a multi-decade Canadian track record, applied to a market more than ten times larger, from a starting share near zero. To frame the runway differently: if VersaBank were to capture even a low-single-digit share of the North American serviceable market over time, its credit-asset base could grow several-fold from today's ~\$5.7 billion — and because the model's costs are largely fixed, that growth would carry high incremental margins. The binding constraint is execution and funding capacity, not the availability of demand.

Growth catalysts to the opportunity. Three developments expand the TAM further: the **real-time SRP** (eliminating warehousing delays broadens the set of partners and verticals the Bank can serve), the **securitized financing solution** (reaching larger originators), and **AI-enabled real-time funding** that management says will "significantly expand the addressable market in both the United States and Canada." The principal constraints on capturing the opportunity are the Bank's own capital and deposit-funding capacity (growth must be matched by deposit growth and regulatory capital) and execution bandwidth during the reorganization — not a shortage of demand.

Financial Analysis

Historical performance

VersaBank has compounded its balance sheet rapidly while navigating a deliberate, margin-dilutive investment phase. Total assets grew from C\$2.4B (FY21A) to C\$5.8B (FY25A) and C\$6.4B at Q2-FY26, a ~2.7x increase in under five years, driven primarily by the Receivable/Structured Receivable Program. Total revenue rose from C\$65.4M (FY21A) to C\$124.6M (FY25A), a 17.5% CAGR, composed almost entirely of net interest income (C\$116.2M in FY25A) plus a small non-interest contribution from the DRTC cybersecurity unit.

Net income peaked at a record C\$42.2M in FY23A (EPS C\$1.57) as operating leverage crested, then moderated to C\$39.7M in FY24A and C\$28.5M reported in FY25A as the Bank absorbed U.S. build-out and reorganization costs. On an adjusted basis, FY25A net income was C\$36.9M (adjusted EPS C\$1.17). The reported efficiency ratio rose to 63% in FY25A (55% adjusted) from 51% in FY24A, and ROE compressed to 6.1% (7.9% adjusted) from 10.2%. Critically, this compression is a function of investment spending and non-core charges, not deteriorating unit economics: the net interest margin on credit assets held at ~2.5% and recovered to 2.71% by Q2-FY26 as the cost of funds fell.

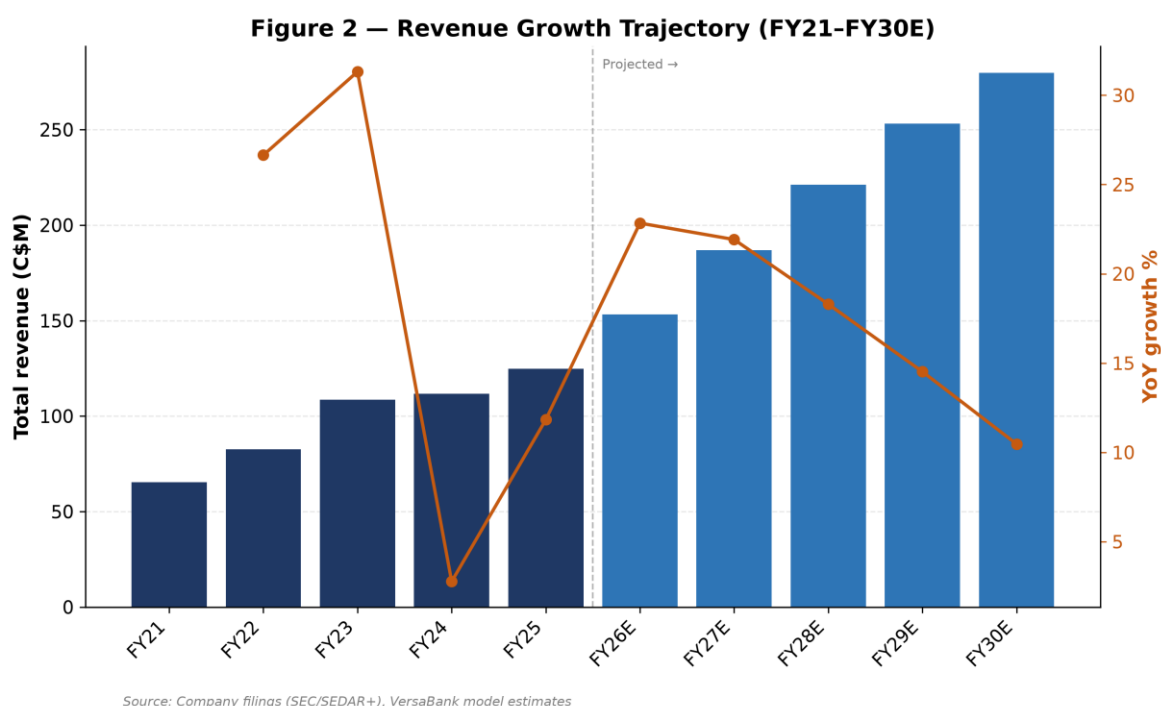
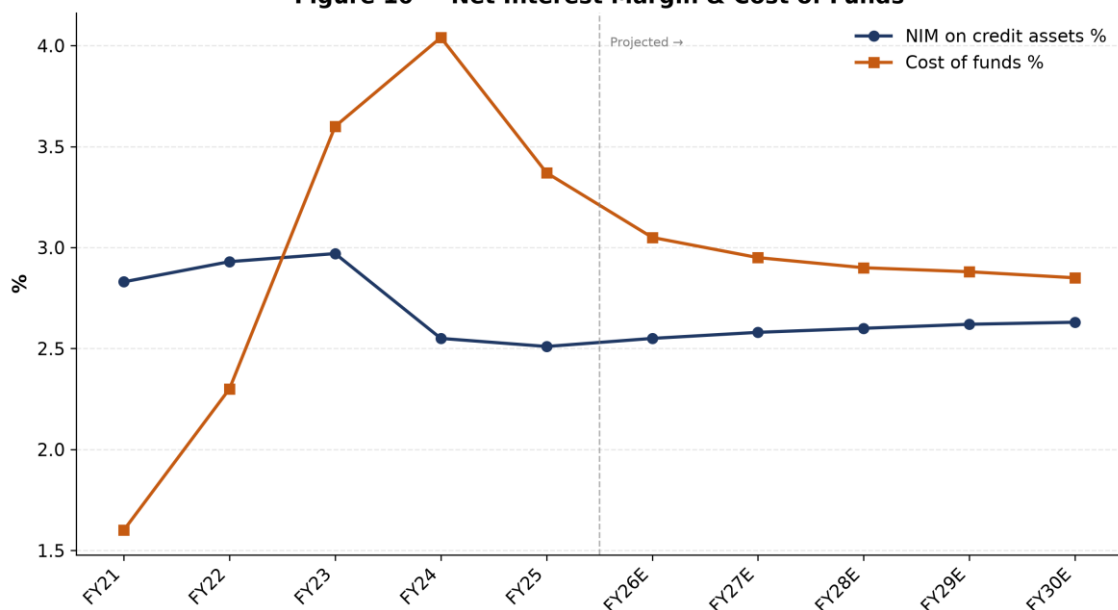


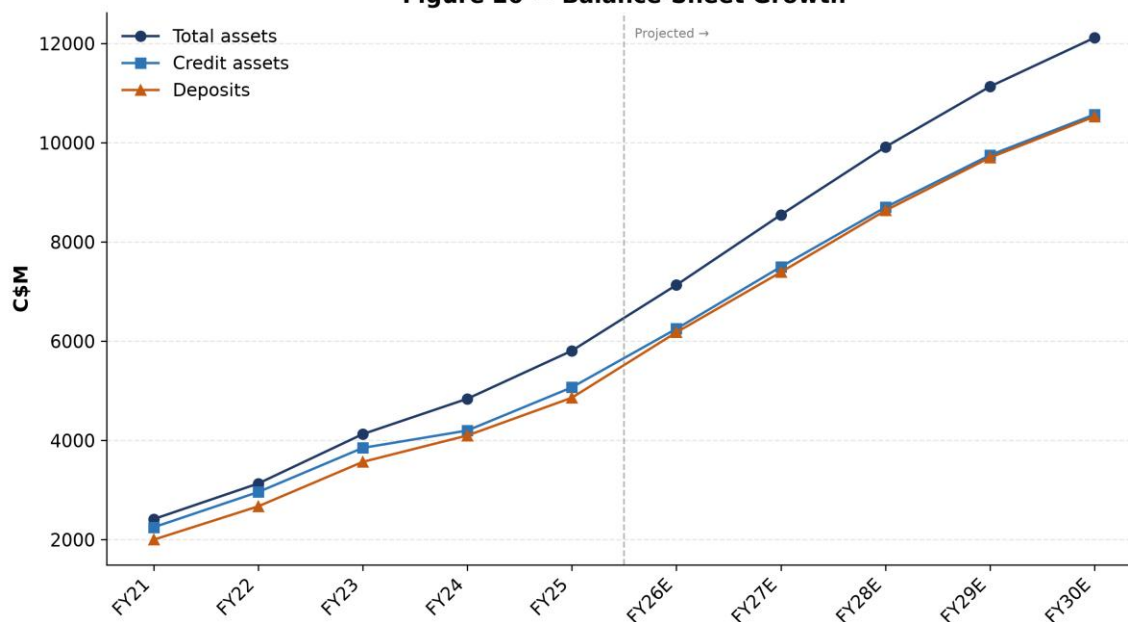
Figure 2 — Revenue growth trajectory (FY21–FY30E)

Credit quality remained pristine throughout, with provisions for credit losses of only ~C\$2M in FY25A (a few basis points of credit assets), reflecting the SRP's structural first-loss protection. Deposits grew to C\$4.86B (FY25A) and C\$5.52B at Q2-FY26 while the cost of funds declined to 3.09%, and the Bank strengthened capital with a CET1 ratio of 12.9% (FY25A), aided by an equity raise that lifted shareholders' equity to C\$532.7M.

Figure 10 — Net Interest Margin & Cost of Funds

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 10 — Net interest margin and cost of funds

Figure 20 — Balance-Sheet Growth

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 20 — Balance-sheet growth: assets, credit assets and deposits

Summary income statement (C\$M)

Income statement	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Total interest income	264.7	275.6	321.4	387.0	452.8	516.2	567.0
Interest expense	-162.1	-159.3	-177.1	-209.6	-242.2	-274.5	-299.8
Net interest income	102.6	116.3	144.3	177.4	210.6	241.7	267.2
Provision for credit losses	-1.5	-2.0	-2.3	-2.8	-3.2	-3.7	-4.1
Non-interest income	9.0	8.5	9.0	9.5	10.5	11.5	12.5
Total revenue	111.6	124.8	153.3	186.9	221.1	253.2	279.7
Non-interest expense	-58.0	-78.6	-88.9	-97.2	-106.1	-113.9	-120.3
Pre-tax income	52.1	44.2	62.1	86.9	111.8	135.6	155.3

Income taxes	-12.4	-15.7	-15.9	-23.2	-30.2	-36.6	-41.9
Net income (reported)	39.7	28.5	46.2	63.7	81.6	99.0	113.4
Adjusted net income	39.7	36.9	55.0	66.6	81.6	99.0	113.4
Diluted EPS (C\$)	1.49	0.90	1.43	1.87	2.24	2.70	3.08
Adjusted EPS (C\$)	1.49	1.17	1.71	1.96	2.24	2.70	3.08
Efficiency ratio %	52.0	63.0	58.0	52.0	48.0	45.0	43.0
Return on equity %	10.5	6.1	8.3	9.8	10.7	11.6	11.9

Source: Company filings; VersaBank model. Historical = reported actuals; FY26E–FY30E = base-case estimates.

Credit assets by product segment (C\$M, end of period)

Product segment	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
U.S. SRP — home improvement / HVAC	60	270	690	1,350	1,980	2,550	3,000
U.S. SRP — solar / roofing	15	80	220	450	660	850	1,000
U.S. SRP — consumer / other	15	60	140	270	396	510	600
U.S. SRP — commercial equipment	10	40	100	180	264	340	400
U.S. SRP subtotal	100	450	1,150	2,250	3,300	4,250	5,000
Canada RPP — home improvement / HVAC	1,320	1,520	1,720	1,830	1,900	1,960	2,000
Canada RPP — automotive / powersports	870	1,000	1,130	1,200	1,250	1,290	1,320
Canada RPP — commercial equipment & leasing	580	670	750	800	830	860	880
Canada RPP — other consumer	230	260	300	320	320	340	350
Canada RPP/SRP subtotal	3,000	3,450	3,900	4,150	4,300	4,450	4,550
Commercial real estate	680	720	730	670	660	630	600
Commercial / public-sector loans	330	350	370	330	340	320	320
Other	90	100	100	100	100	100	100
Commercial & Other subtotal	1,100	1,170	1,200	1,100	1,100	1,050	1,020
TOTAL CREDIT ASSETS (net)	4,200	5,070	6,250	7,500	8,700	9,750	10,570

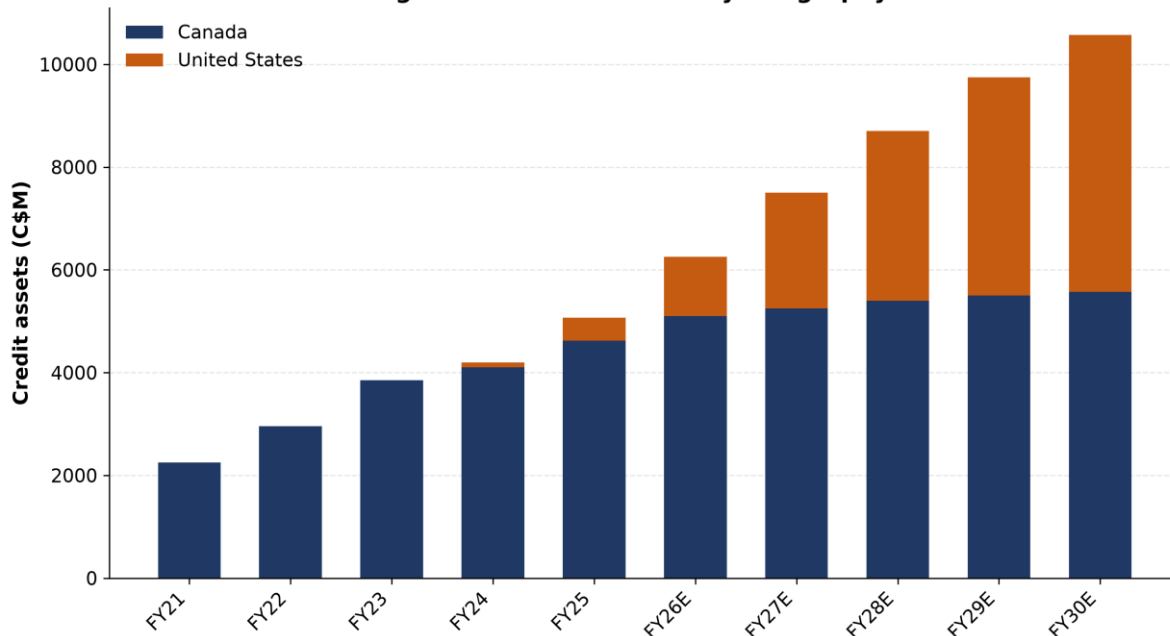
Source: VersaBank Revenue Model. Subtotals and total in bold.

Credit assets by geography (C\$M)

Geography	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Canada (RPP/SRP + Commercial)	4,100	4,620	5,100	5,250	5,400	5,500	5,570
United States (SRP)	100	450	1,150	2,250	3,300	4,250	5,000
TOTAL CREDIT ASSETS (net)	4,200	5,070	6,250	7,500	8,700	9,750	10,570

Source: VersaBank Revenue Model. Canada = Canada RPP/SRP + Commercial; U.S. = U.S. SRP.

Figure 4 — Credit Assets by Geography ★



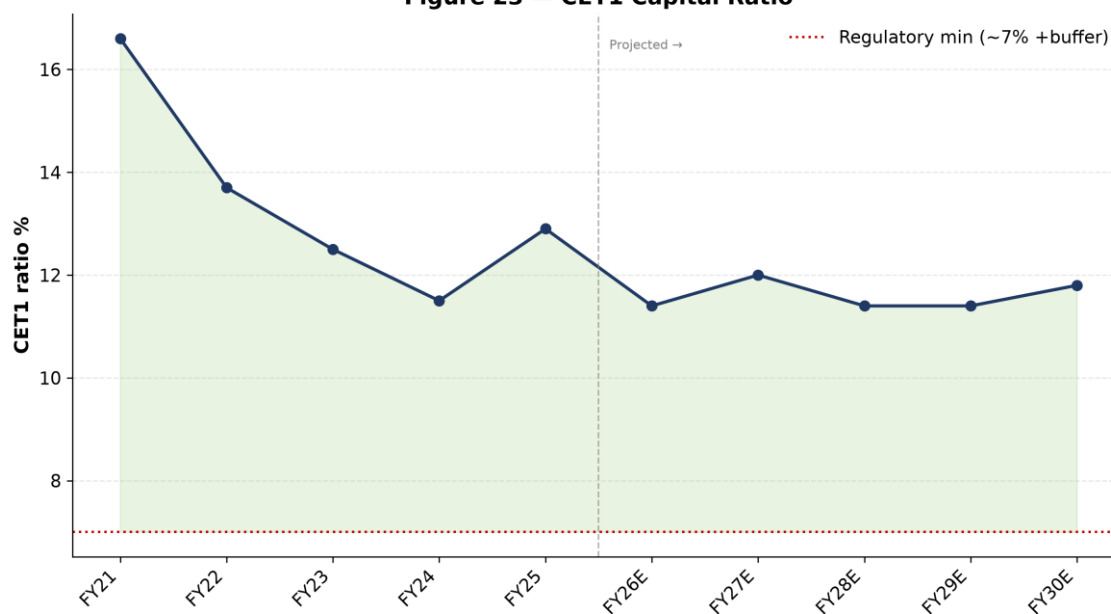
Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 4 — Credit assets by geography ★ mandatory

Balance-sheet & capital summary (C\$M unless noted)

Balance sheet	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Cash, securities & other assets	640	738	883	1,048	1,216	1,383	1,547
Net credit assets	4,200	5,070	6,250	7,500	8,700	9,750	10,570
Total assets	4,840	5,808	7,133	8,548	9,916	11,133	12,117
Deposits	4,100	4,861	6,179	7,392	8,635	9,701	10,527
Borrowings / sub-notes	150	150	165	175	180	200	220
Other liabilities	191	264	214	256	298	334	363
Shareholders' equity	399	533	575	725	803	898	1,007
CET1 ratio %	11.5	12.9	11.4	12.0	11.4	11.4	11.8
Book value per share (C\$)	15.4	16.6	17.8	20.0	22.0	24.5	27.3

Source: VersaBank model. CET1 estimated at ~70% RWA density. FY27E reflects a modeled ~C\$90M equity raise.

Figure 23 — CET1 Capital Ratio

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 23 — CET1 capital ratio

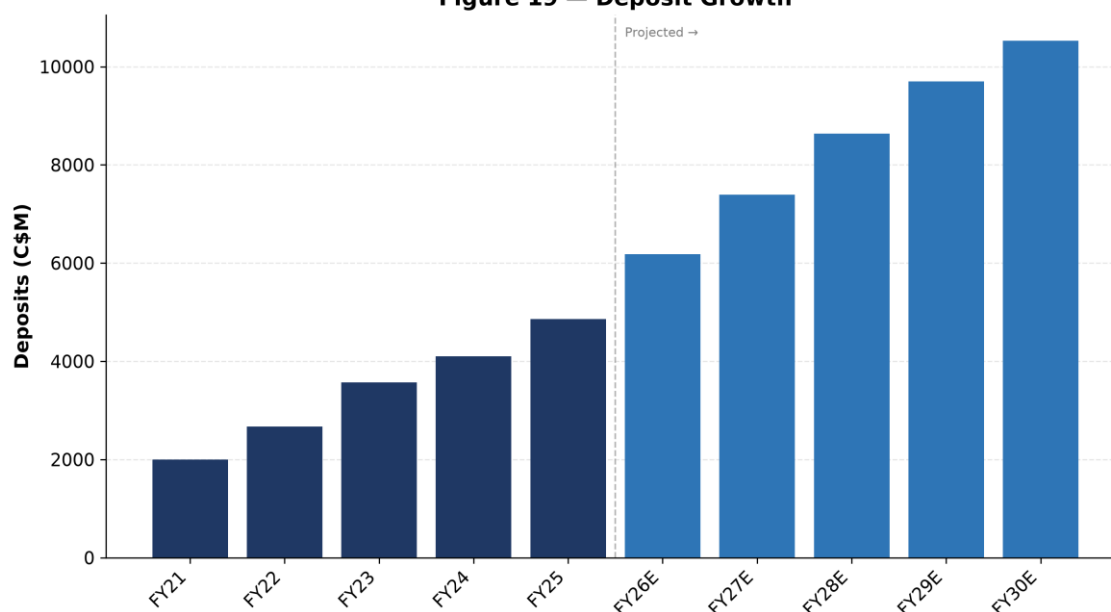
Figure 19 — Deposit Growth

Figure 19 — Deposit growth

The cash-flow profile reflects a bank in heavy investment mode: rapid credit-asset growth (an investing outflow) is funded by deposit growth (a financing inflow), so free cash flow to equity (FCFE) — net income less the capital retained to support risk-weighted-asset growth — is negative in FY26E–FY28E before turning positive in FY29E as growth decelerates. This dynamic is why the valuation is terminal-value-weighted and why a modest FY27E equity raise is assumed.

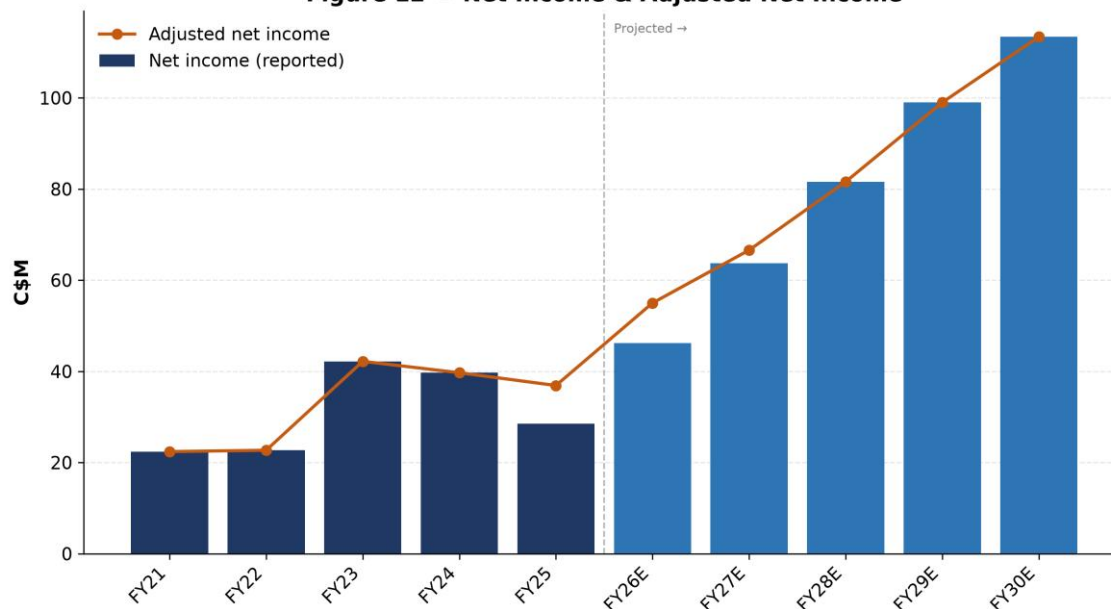
Figure 12 — Net Income & Adjusted Net Income

Figure 12 — Net income and adjusted net income

Cash-flow & FCFE highlights (C\$M)

Cash flow	FY26E	FY27E	FY28E	FY29E	FY30E
Net income	46.2	63.7	81.6	99.0	113.4
Depreciation & amortization	5.0	5.0	6.0	6.0	7.0

Net increase in credit assets (investing)	-1,180	-1,250	-1,200	-1,050	-820
Net increase in deposits (financing)	1,318	1,213	1,243	1,066	826
Equity issuance (net)	0.0	90.0	0.0	0.0	0.0
Free cash flow to equity (FCFE)	-60.5	-50.2	-28.5	1.0	34.2

Source: VersaBank Cash Flow Statement & DCF Inputs tabs.

Key operating metrics

Metric	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
NIM on credit assets %	2.5	2.5	2.5	2.6	2.6	2.6	2.6
Cost of funds %	4.0	3.4	3.0	3.0	2.9	2.9	2.9
Efficiency ratio %	52.0	63.0	58.0	52.0	48.0	45.0	43.0
Return on equity %	10.5	6.1	8.3	9.8	10.7	11.6	11.9
Return on assets %	0.89	0.54	0.71	0.81	0.88	0.94	0.98
CET1 ratio %	11.5	12.9	11.4	12.0	11.4	11.4	11.8

Source: VersaBank model. NIM and efficiency are the two swing variables for ROE.

Projection Assumptions

Our base-case model projects FY26E–FY30E off FY25A actuals. The architecture is bank-specific: net interest income is built as average credit assets multiplied by the net interest margin on credit assets; the efficiency ratio drives non-interest expense; provisions track the (very low) historical loss rate; and the balance sheet balances with deposits funding asset growth and cash as the residual. Below we detail the drivers product-by-product, geography-by-geography, and for the remaining key line items.

A. Revenue assumptions by product

U.S. Structured Receivable Program (SRP)

We project U.S. SRP credit assets to grow from C\$450M (FY25A) to C\$1,150M (FY26E), C\$2,250M (FY27E), C\$3,300M (FY28E), C\$4,250M (FY29E) and C\$5,000M (FY30E) — an ~62% CAGR off a small base that decelerates as the book scales. The build reflects:

- Management’s explicit target of ≥US\$1B of new U.S. SRP fundings in FY26, consistent with our C\$700M of net U.S. growth in FY26E (fundings net of run-off/amortization).
- A widening U.S. partner roster (e.g., Watercress Financial, Thrive Financial, and an expanded ECN Capital relationship) following the broad launch after the September-2024 charter acquisition.
- Vertical mix weighted to home improvement / HVAC (~60% of the U.S. book), with solar/roofing, consumer/other and commercial equipment filling out the balance — mirroring the proven Canadian mix.
- The real-time SRP (launched with Financeit Canada) and a forthcoming AI-enabled funding capability, which management expects to materially expand the addressable market in both countries.
- Deceleration assumptions: we taper U.S. growth from ~+C\$700M (FY26E) to ~+C\$750M/year by FY30E, implying penetration that remains a low-single-digit share of the serviceable market — conservative against the “multi-trillion-dollar” TAM.
- Spread assumption: U.S. SRP is funded primarily with growing U.S. broker deposits; we assume the U.S. book earns a margin broadly in line with the consolidated NIM on credit assets (~2.6%).
- Key risk: the ramp is partner-dependent and somewhat concentrated; slower onboarding or the loss of a major partner would push U.S. SRP toward our bear path (~C\$3.0B by FY30E).

Canada Receivable Purchase / Structured Program (RPP/SRP)

We project the mature Canadian RPP/SRP book to grow more modestly, from C\$3,450M (FY25A) to C\$4,550M (FY30E), a ~5.7% CAGR, reflecting a large incumbent position in a smaller market:

- Home improvement / HVAC remains the anchor vertical, growing from C\$1,520M to C\$2,000M as Canadian renovation and HVAC-replacement demand persists.
- Automotive / powersports grows from C\$1,000M to C\$1,320M on continued partner volume and the addition of securitization-structured partners.
- Commercial equipment & leasing rises from C\$670M to C\$880M; other consumer from C\$260M to C\$350M.
- Growth decelerates from ~13% (FY26E) toward ~2% (FY30E) as the Canadian market matures and management prioritizes U.S. deployment of incremental capital.
- The 2025 launch of a securitized financing solution modestly expands the Canadian addressable market by reaching larger originators.
- Key risk: Canadian consumer-credit cyclicity and competition from bank warehouse lines could slow growth below our ~6% CAGR.

Commercial & Other (legacy)

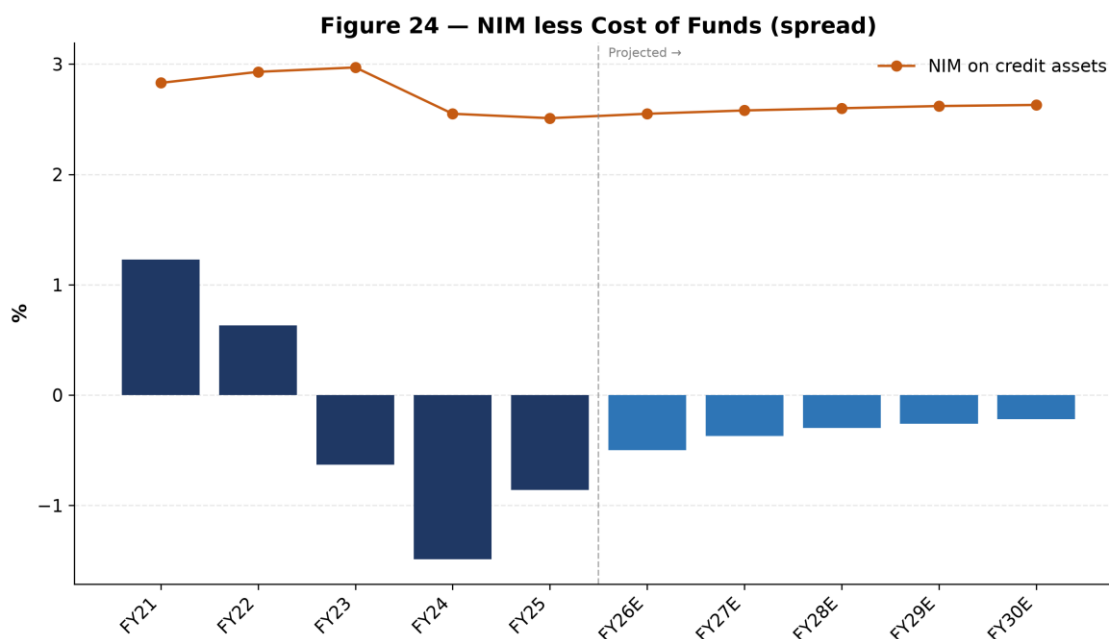
We model the legacy commercial book (commercial real estate, public-sector/commercial loans and other) as broadly flat-to-declining, from C\$1,170M (FY25A) to C\$1,020M (FY30E). Management has de-emphasized new commercial-real-estate origination in favor of the more scalable, lower-risk, higher-return SRP, so this segment’s share of total credit assets falls from 23% to under 10% over the forecast.

B. Geographic revenue assumptions

Geographically, the forecast captures a decisive shift toward the United States. Canadian credit assets grow from C\$4,620M (FY25A) to C\$5,570M (FY30E), a ~3.8% CAGR, while U.S. credit assets grow from C\$450M to C\$5,000M, lifting the U.S. share of the book from 9% to 47%. Drivers include: (1) the September-2024 U.S. charter enabling broad SRP deployment; (2) a U.S. addressable market more than ten times Canada's; (3) a growing U.S. broker-deposit base funding the U.S. asset growth; (4) the planned U.S. holding-company reorganization (Versa Bancorp) improving U.S. capital-markets access and potential index eligibility; and (5) the real-time/AI SRP enhancements that are particularly relevant to the fragmented U.S. point-of-sale market. We assume the U.S. business reaches run-rate profitability through the forecast as scale absorbs its largely fixed technology and compliance costs.

C. Net interest margin and funding assumptions

We hold the net interest margin on credit assets at 2.55%–2.63% across FY26E–FY30E, modestly above the FY25A level (2.51%) and consistent with the 2.71% printed in Q2-FY26, reflecting a lower cost of funds as legacy higher-rate deposits reprice and the U.S. mix matures. The blended cost of funds is assumed to ease from 3.37% (FY25A) toward 2.85% (FY30E). Net interest income, computed as average credit assets times this margin, rises from C\$116.3M (FY25A) to C\$267.2M (FY30E). Deposits are projected to fund asset growth, increasing from C\$4.86B to C\$10.5B, sourced across broker (Canada and U.S.), insolvency-trustee and partner-holdback channels.



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 24 — NIM less cost of funds (spread)

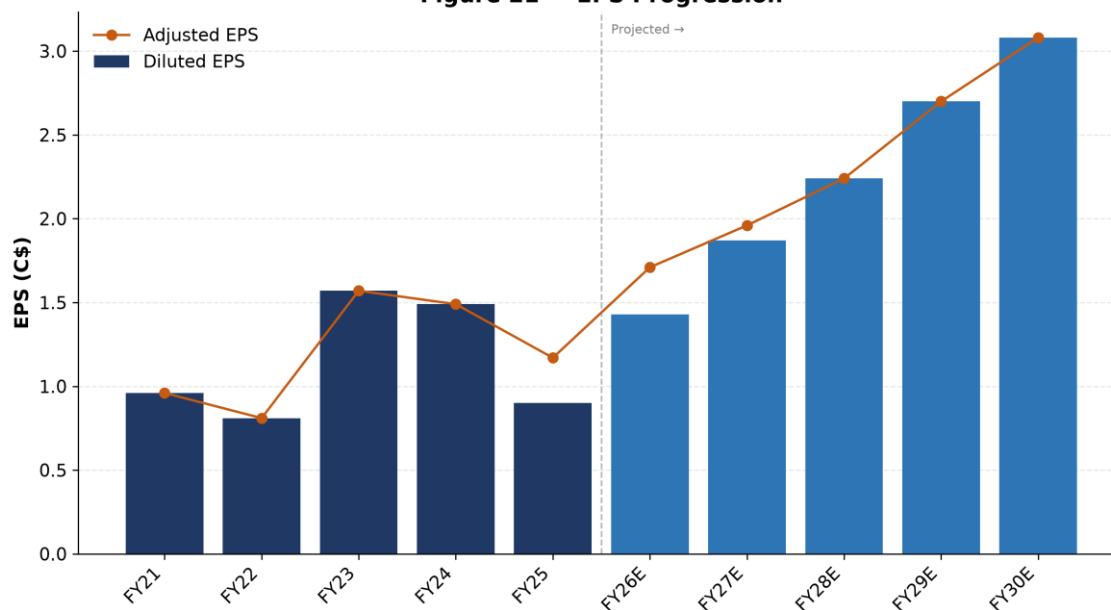
D. Expense, provision, tax and capital assumptions

- **Efficiency ratio:** the centrepiece assumption. We model the adjusted (core) efficiency ratio improving from 55% (FY25A) to 43% (FY30E) as revenue scales against a largely fixed technology platform; reported efficiency improves from 63% to 43% as reorganization/non-core costs (C\$12M FY26E, C\$4M FY27E, nil thereafter) roll off. Non-interest expense is computed as the efficiency ratio times revenue and decomposed into salaries (~54%), technology (~15%), premises, regulatory/deposit-insurance, professional fees and other.
- **Provisions for credit losses:** held at a few basis points of credit assets (C\$2.3M FY26E rising to C\$4.1M FY30E), consistent with the SRP's ~5% partner holdback and the Bank's near-zero historical loss experience.
- **Tax rate:** 26%–27% blended Canadian/U.S. effective rate across the forecast.
- **Capital:** we assume risk-weighted assets at ~70% of total assets and target a CET1 ratio above 11%. Because hyper-growth consumes capital faster than retained earnings generate it, we model a ~C\$90M common-equity raise in

FY27E; CET1 stays in an 11.4%–12.0% band across the forecast. A larger or earlier raise is a dilution risk; slower growth would reduce the need.

- **Shares & dividends:** diluted shares rise from ~31.7M (FY25A) to ~36.8M (FY30E), reflecting the FY27E raise; the dividend is held near C\$0.11/share (a ~0.4% yield), with the Bank retaining the vast majority of earnings to fund growth.

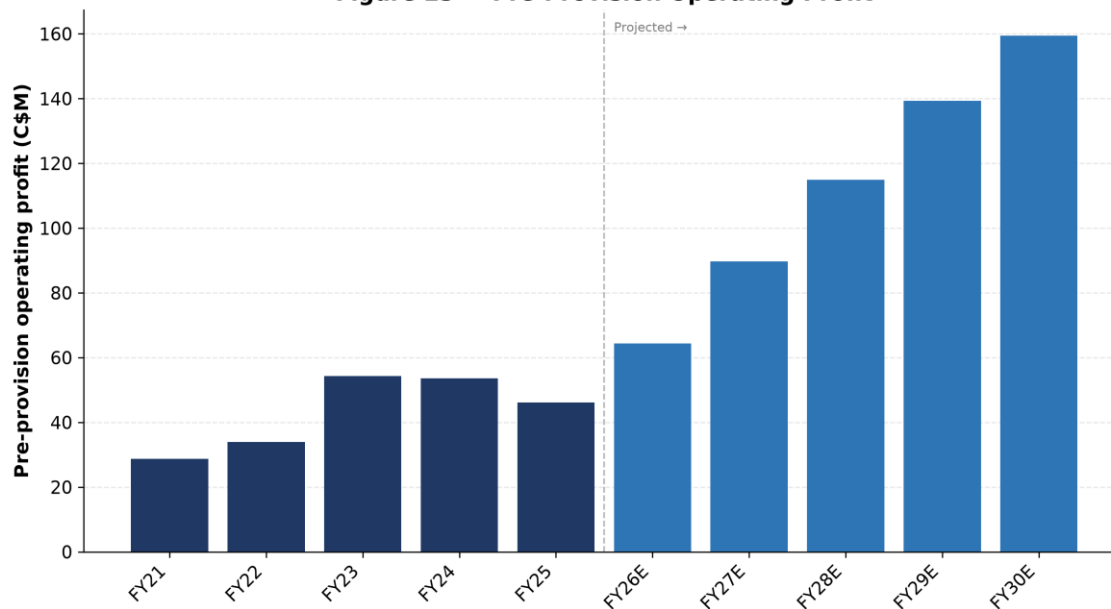
Figure 21 — EPS Progression



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 21 — EPS progression (reported vs. adjusted)

Figure 25 — Pre-Provision Operating Profit



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 25 — Pre-provision operating profit

Scenario Analysis

We frame three scenarios around the central swing factor — the pace of the U.S. SRP ramp and the resulting efficiency ratio. The scenario values below are FY30E-horizon equity values (what the shares could be worth in ~4 years under each path), not 12-month present values, and are derived by applying a justified P/B multiple to FY30E book value at each scenario's steady-state ROE.

Bull Case — U.S. ramp accelerates; efficiency reaches ~40% (probability 25%)

In the bull case, VersaBank scales U.S. SRP assets toward US\$5B+ as the real-time and AI-enabled funding capabilities broaden the partner base and verticals, and as the reorganization improves U.S. capital access. Key parameters: total credit assets ~C\$12.5B by FY30E (vs. C\$10.6B base); NIM on credit assets 2.70% (vs. 2.63%); adjusted efficiency ratio ~40% (vs. 43%); FY30E net income ~C\$144M and diluted EPS ~C\$3.84 (vs. C\$3.08 base); FY30E ROE ~13.1%. Catalysts required: (1) sustained ≥US\$1.5B/year of U.S. SRP fundings (2026–2028); (2) successful commercial launch of the AI-enabled real-time SRP (next 12 months); (3) at least two to three additional sizeable U.S. partners; (4) efficiency-ratio proof points trending below 45% by FY28. Valuation implication: applying a ~1.6x justified P/B (15% steady-state ROE) to FY30E book supports a FY30 value near C\$46 — roughly +69% from the current price — underpinning a multi-year total return well into the double digits annualized.

Base Case — steady scaling; efficiency to ~43% (probability 50%)

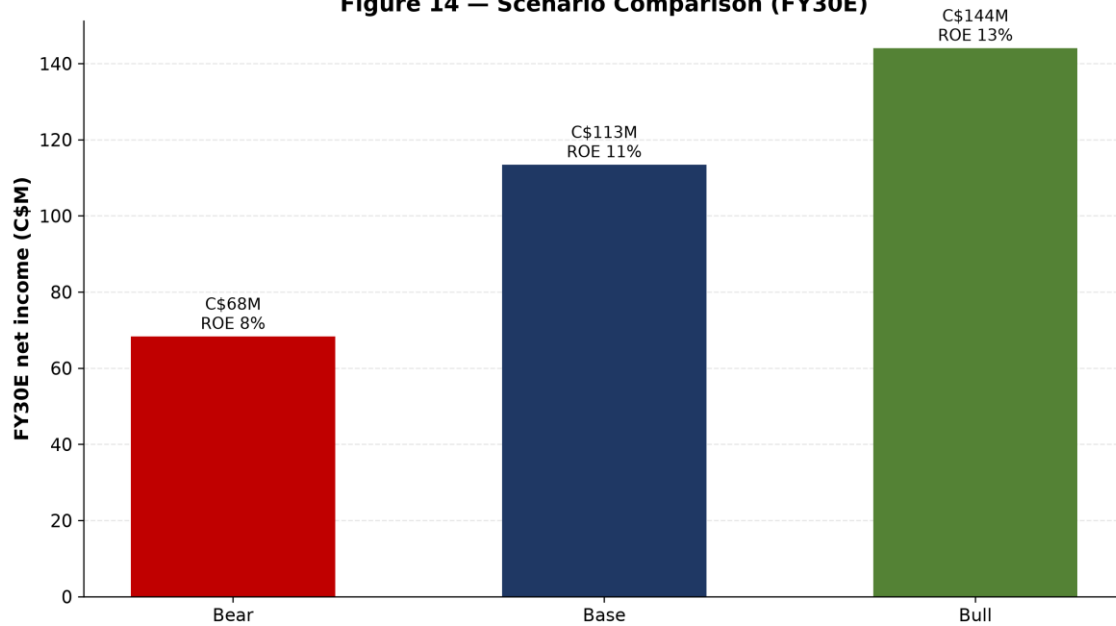
Our base case assumes U.S. SRP reaches ~US\$3.5–4B by FY30E with steady partner additions, the adjusted efficiency ratio improving to ~43%, and NIM on credit assets at ~2.63%. This yields FY30E revenue of C\$279.7M, net income of C\$113.4M, diluted EPS of C\$3.08, and ROE of ~11.9% (11.3% on ending equity). We view this as the most likely path: it extrapolates the demonstrated Canadian playbook onto the larger U.S. market at a measured pace, funds growth with a single modest equity raise, and preserves the Bank's pristine credit profile. The FY30E base-case intrinsic value is ~C\$33.1; discounted to today, the methods underpinning our 12-month C\$29 target cluster in the high-C\$20s to low-C\$30s.

Bear Case — U.S. ramp stalls; efficiency stuck ~52% (probability 25%)

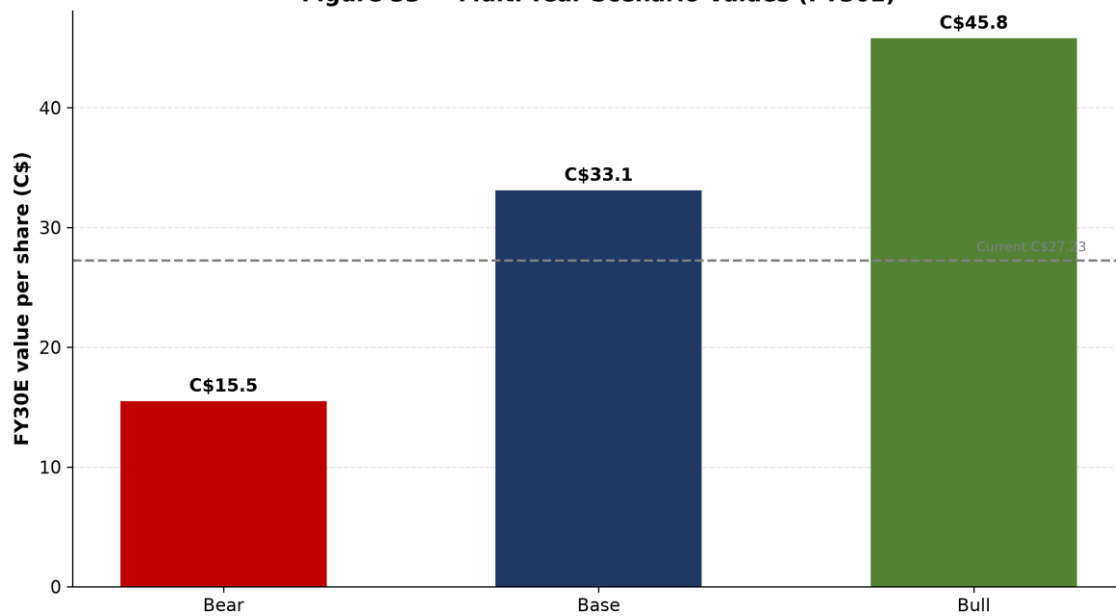
In the bear case, the U.S. ramp disappoints — through partner attrition, a funding/capital constraint, slower-than-expected onboarding, or competitive pressure on spreads — and U.S. SRP reaches only ~C\$3.0B by FY30E. Parameters: total credit assets ~C\$8.2B; NIM compresses to ~2.45%; the efficiency ratio remains elevated near 52% as operating leverage fails to materialize; FY30E net income ~C\$68M, diluted EPS ~C\$1.90, ROE ~7.8%. Downside triggers: (1) loss or distress of a major SRP partner (concentration risk); (2) a recession curbing big-ticket originations and lifting losses beyond the holdback; (3) NIM compression from deposit competition; (4) delay or adverse conditions in the reorganization. At a sub-1.0x justified P/B (ROE below the cost of equity), the FY30 bear value is ~C\$15.5, roughly –43% from the current price.

Scenario comparison and risk/reward

The probability-weighted FY30E value (25% bull / 50% base / 25% bear) is ~C\$31.9, modestly above the current C\$27.23 on a multi-year basis but, discounted to a 12-month horizon, broadly in line with our C\$29 target. The distribution is positively skewed — the bull case (+69%) exceeds the bear case (–43%) in magnitude — which is why we are constructive on the franchise over time even while rating the stock HOLD on near-term valuation. The path is execution-dependent: the difference between bull and bear is almost entirely the U.S. SRP trajectory and the efficiency ratio it produces.

Figure 14 — Scenario Comparison (FY30E)

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

*Figure 14 — Scenario comparison (FY30E net income and ROE)***Figure 33 — Multi-Year Scenario Values (FY30E)**

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

*Figure 33 — Multi-year (FY30E) scenario values vs. current price***Scenario summary (FY30E)**

Metric (FY30E)	Bull	Base	Bear
Total credit assets (C\$B)	12.5	10.6	8.2
NIM on credit assets %	2.70	2.63	2.45
Adjusted efficiency ratio %	40	43	52
Net income (C\$M)	144.0	113.4	68.3
Diluted EPS (C\$)	3.84	3.08	1.90
ROE %	13.1	11.3	7.8
FY30E value / share (C\$)	45.8	33.1	15.5

Probability	25%	50%	25%
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Source: VersaBank Scenarios tab. FY30E horizon values via justified P/B on FY30E book at each scenario ROE.

Key Growth Drivers

Five drivers underpin our forecast, each quantified and time-bound.

1. U.S. SRP scaling (the dominant driver)

U.S. SRP assets growing from US\$605M (Q2-FY26) toward ~US\$3.5–4B by FY30E is the single largest contributor to our forecast, adding the bulk of the ~C\$5.5B increase in total credit assets. Management's ≥US\$1B FY26 funding target is the near-term proof point; each additional US\$1B of U.S. SRP at a ~2.6% margin adds roughly C\$25–35M of annual net interest income at very low incremental cost.

2. Real-time and AI-enabled SRP

The real-time SRP (launched with Financeit Canada) eliminates the 5–30-day receivable-warehousing period, improving partner economics and expanding the set of addressable partners and verticals. Management expects the forthcoming AI-enabled funding capability to “significantly expand the addressable market” in both countries — a TAM-widening optionality not fully reflected in our base case.

3. Operating leverage / efficiency-ratio improvement

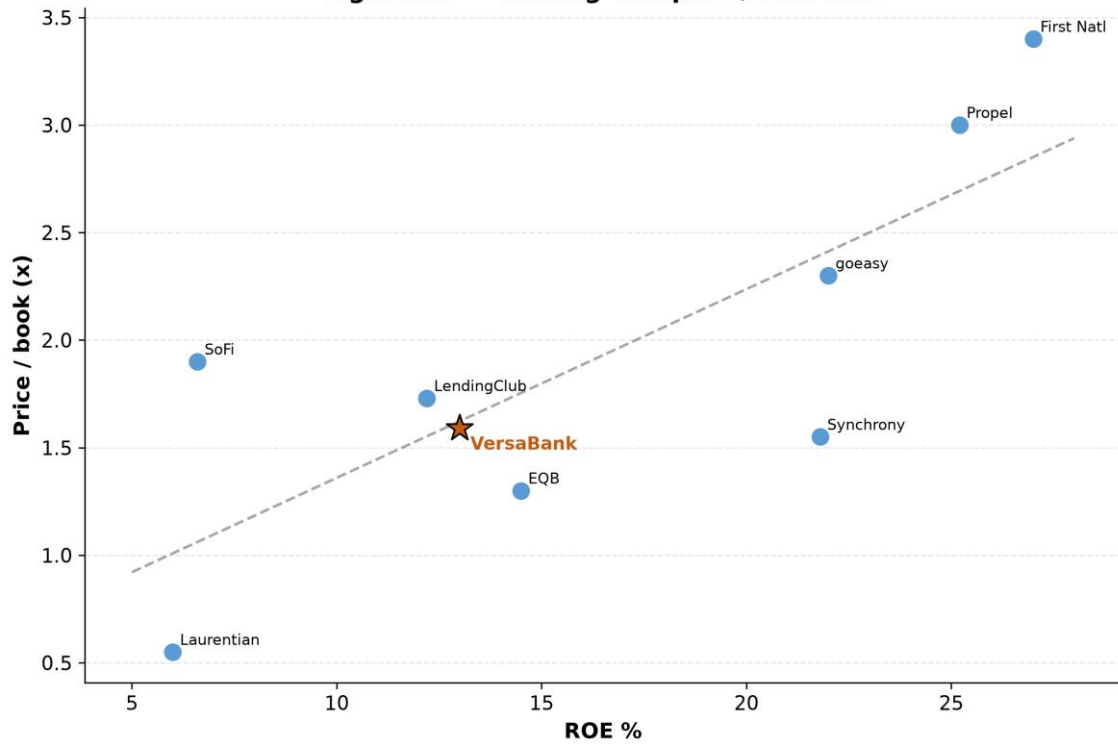
With the technology platform largely fixed, the efficiency ratio falling from 63% (FY25A) toward 43% (FY30E) converts revenue growth into outsized earnings growth. This is the mechanism that lifts ROE from 6.1% to ~11.9% and is the precondition for a re-rating.

4. Corporate reorganization (Versa Bancorp)

The planned reorganization into a U.S. Delaware holding company removes a cost/uncertainty overhang, may improve U.S. index eligibility and liquidity, and re-centers the franchise on its largest growth market. Completion (subject to shareholder and OSFI/Federal Reserve approvals) is a potential 2026 re-rating catalyst.

5. Strategic / M&A optionality

VersaBank's scarce dual charter, clean credit book and proprietary technology make it a plausible acquisition target. Canadian/U.S. bank takeouts have historically cleared at 1.3–2.0x tangible book (e.g., National Bank's acquisition of Canadian Western Bank), providing an embedded control-premium option that supports the downside.

Figure 30 — Trading Comps: P/B vs. ROE

Source: stockanalysis.com, Yahoo Finance (~mid-Jun 2026); estimates

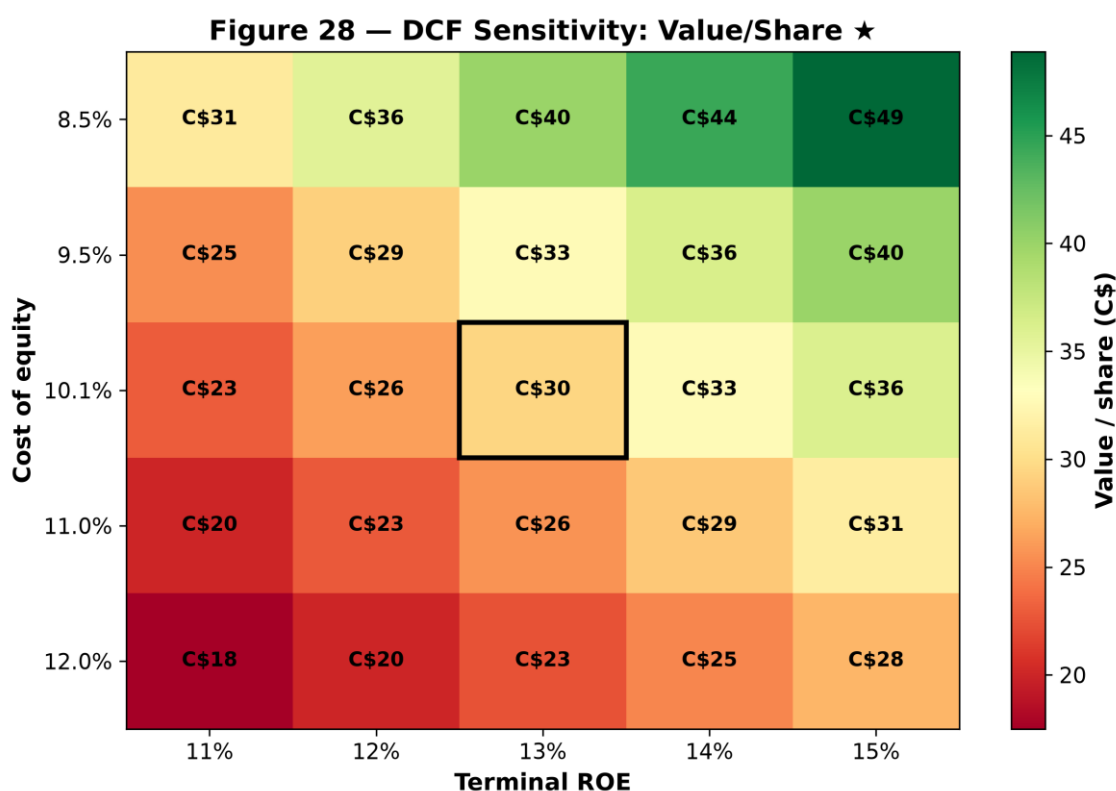
Figure 30 — Trading comps: P/B vs. ROE (VBK vs. peers)

Valuation Analysis

We value VersaBank on an equity basis using bank-appropriate methods — residual income (excess returns), free cash flow to equity (FCFE), and justified price-to-book — cross-checked against peer P/E, P/B and P/TBV multiples and precedent bank-M&A transactions. We deliberately avoid enterprise-value frameworks (EV/EBITDA, unlevered FCF/WACC), which are not meaningful for a bank where interest is the core operating line and leverage is the product.

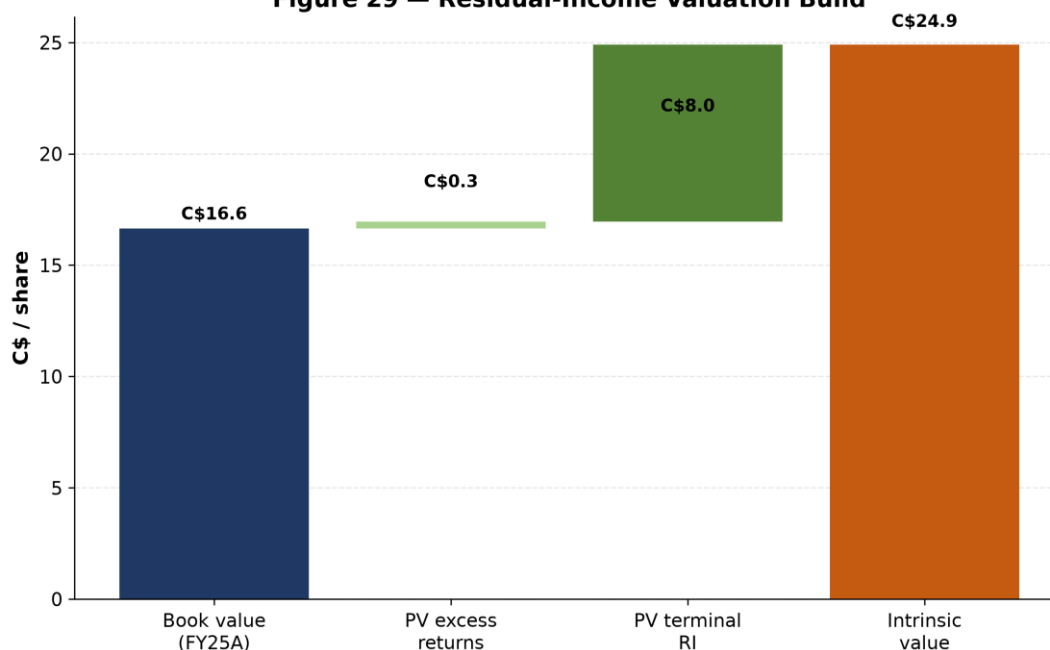
DCF — residual income and FCFE

Our cost of equity is 10.1% (CAPM: 3.5% risk-free, 1.20 beta, 5.5% equity risk premium), with 4.0% terminal growth and a 13.0% steady-state ROE. The residual-income model adds the present value of returns earned above the cost of equity to current book value: current book of C\$16.65 plus ~C\$0.3 of PV from FY26E–FY30E excess returns plus ~C\$7.9 of PV from the terminal yields an intrinsic value of ~C\$24.9/share. Because near-term ROE (6–9%) is below the 10.1% cost of equity during the U.S. build-out, early-year residual income is small/negative — value is created only as ROE crosses the cost of equity (FY28E onward) and is dominated by the terminal. The FCFE method (net income less the capital retained to support RWA growth at an 11.5% target CET1) corroborates this at ~C\$25.5/share; FCFE is negative in FY26E–FY28E during hyper-growth and turns positive by FY29E.



Source: VersaBank model (justified-P/B on FY27E book)

Figure 28 — DCF sensitivity: value/share by cost of equity and terminal ROE ★ mandatory

Figure 29 — Residual-Income Valuation Build

Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 29 — Residual-income valuation build

Residual-income / DCF build (C\$ per share)

Component	Value (C\$)
Current book value (FY25A)	16.65
+ PV of excess returns, FY26E–FY30E	0.30
+ PV of terminal residual income	7.95
= Intrinsic value (residual income)	24.90
FCFE-DCF cross-check	25.46
Justified P/B value (1.48x × FY27E book)	29.47

Source: VersaBank DCF tab. CoE 10.1%, g 4.0%, terminal ROE 13.0%.

DCF sensitivity — value/share (C\$): cost of equity × terminal ROE

CoE \ ROE	11%	12%	13%	14%	15%
8.5%	31	36	40	44	49
9.5%	25	29	33	36	40
10.1% (base)	23	26	30	33	36
11.0%	20	23	26	29	31
12.0%	18	20	23	25	28

Source: VersaBank Sensitivity tab (justified P/B on FY27E book). Base case shaded row.

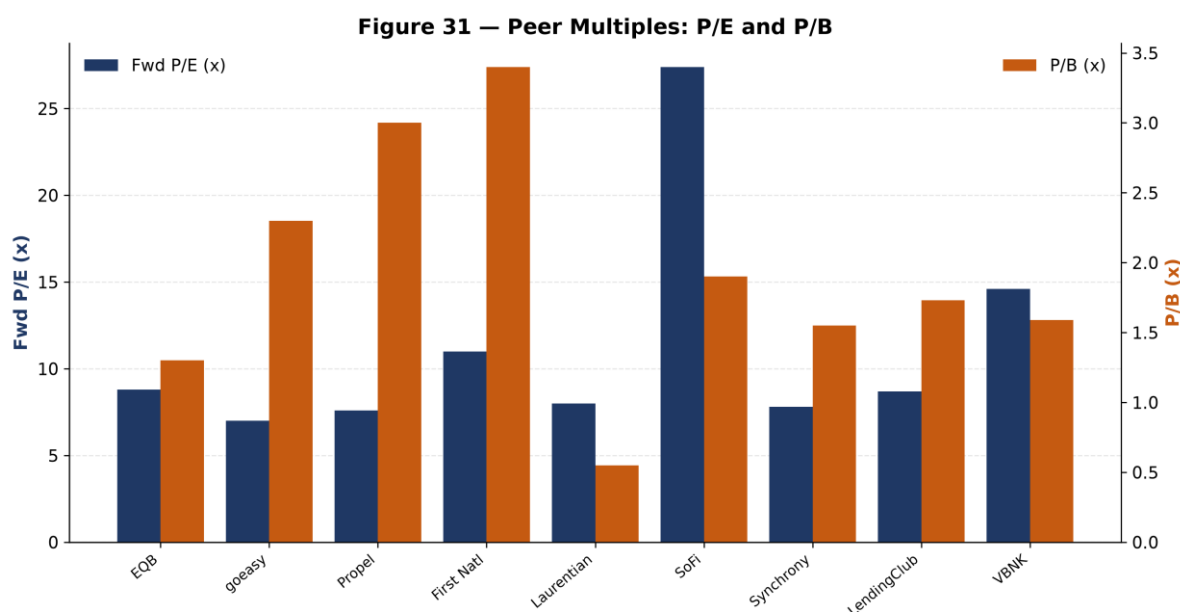
Comparable companies

There is no perfect peer for VersaBank's model, so we use a blended set of Canadian challenger/specialty lenders and U.S. digital/POS-finance names, on bank multiples (P/E, P/B, P/TBV). VersaBank trades at a clear P/E premium (~14.6x FY27E vs. peer median ~8.4x) and an in-line-to-slight-premium P/B (1.59x vs. 1.81x median). The P/E premium is justified by VBNK's ~30% projected EPS CAGR vs. low-single-to-mid-teens growth for most peers; a straight peer-median P/E would understate a hyper-grower. On P/B-vs-ROE, VBNK screens slightly rich vs. high-ROE names (Synchrony at 1.55x P/B on 22% ROE) but cheap vs. high-multiple growth names (SoFi at 1.9x on 7% ROE).

Company	Ticker	Fwd P/E	P/B	P/TBV	ROE	Div yld
EQB Inc.	EQB-T	8.8x	1.30x	1.45x	14.5%	2.0%

goeasy	GSY-T	7.0x	2.30x	2.55x	22.0%	3.0%
Propel Holdings	PRL-T	7.6x	3.00x	3.20x	25.2%	2.0%
First National	FN-T	11.0x	3.40x	3.40x	27.0%	6.0%
Laurentian Bank	LB-T	8.0x	0.55x	0.60x	6.0%	6.0%
SoFi Technologies	SOFI	27.4x	1.90x	2.00x	6.6%	0.0%
Synchrony Financial	SYF	7.8x	1.55x	1.80x	21.8%	2.0%
LendingClub	LC	8.7x	1.73x	1.85x	12.2%	0.0%
Maximum		27.4x	3.40x	3.40x	27.0%	6.0%
75th percentile		9.3x	2.45x	2.66x	22.4%	3.8%
Median		8.4x	1.81x	1.93x	18.1%	2.0%
25th percentile		7.7x	1.49x	1.71x	11.3%	1.5%
Minimum		7.0x	0.55x	0.60x	6.0%	0.0%
VersaBank (VBNK)	VBNK	14.6x	1.59x	1.77x	13.0%	0.4%

Source: stockanalysis.com, Yahoo Finance, Simply Wall St, companiesmarketcap (~mid-Jun 2026); some P/B figures estimated. VBNK P/E on FY27E EPS; ROE normalized.



Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 31 — Peer multiples: P/E and P/B

Applying multiples to VersaBank: a growth-adjusted 12x/15x/17x on FY27E EPS (C\$1.87) implies C\$22.5/C\$28.1/C\$31.8; a peer-informed 1.4x/1.7x/2.0x on FY26E book (C\$17.8) implies C\$24.9/C\$30.3/C\$35.6.

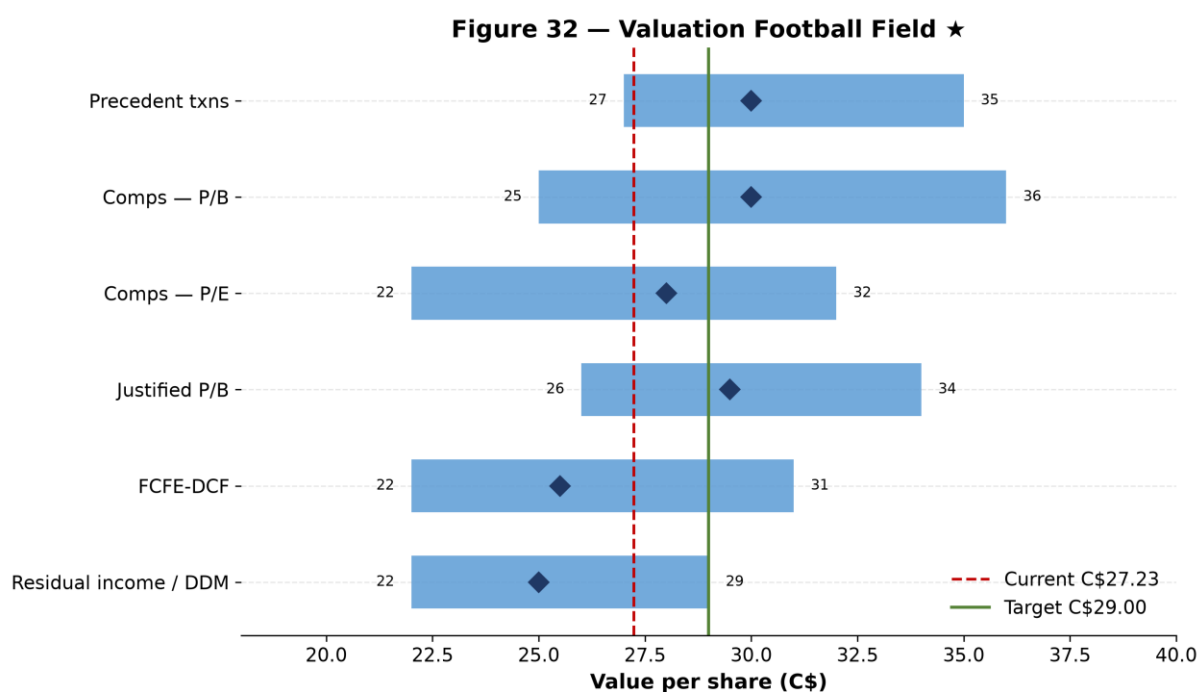
Precedent transactions

Bank M&A is priced on price-to-(tangible)-book, with control premia typically lifting deals to 1.3–2.0x tangible book. National Bank of Canada's acquisition of Canadian Western Bank valued CWB at ~C\$5.0B (a ~110% premium to the undisturbed price, ~1.3x book); Home Capital was taken private at ~1.0x book; recent U.S. regional deals cleared at 1.3–1.9x tangible book. VersaBank's scarce dual charter and clean book would plausibly command the upper half of the range; 1.5x–1.9x book implies ~C\$27–33+, supporting the downside via embedded M&A optionality.

Valuation reconciliation and price target

We weight residual income/DDM 30%, FCFE-DCF 10%, justified P/B 20%, P/E comps 20%, P/B comps 10% and precedent transactions 10%. The weighted base value is ~C\$27.6; we set our 12-month price target modestly above, at C\$29.00, giving appropriate weight to the relative methods and to strategic optionality. At C\$29 the implied

forward P/B is ~1.6x and P/E ~15.5x FY27E — full but defensible for the growth profile and within peer/precedent ranges.



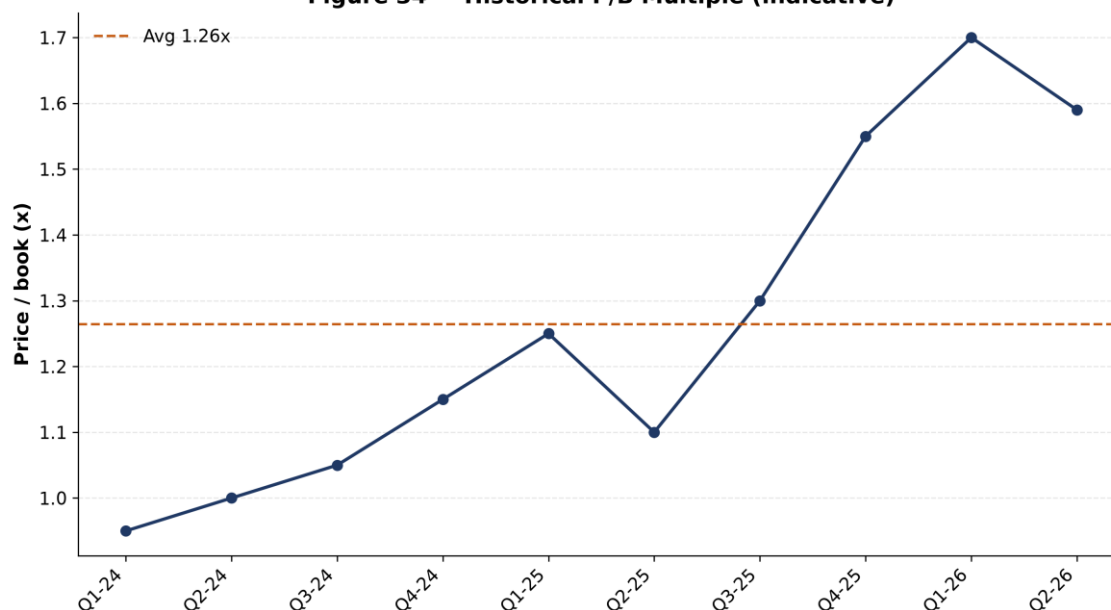
Source: Company filings (SEC/SEDAR+), VersaBank model estimates

Figure 32 — Valuation football field ★ mandatory

Valuation summary (C\$ per share)

Method	Low	Base	High	Weight
Residual income / DDM	22	25	29	30%
FCFE-DCF	22	26	31	10%
Justified P/B (1.3–1.7x fwd book)	26	30	34	20%
Trading comps — P/E (12–17x FY27E)	22	28	32	20%
Trading comps — P/B (1.4–2.0x fwd book)	25	30	36	10%
Precedent transactions (1.5–1.9x book)	27	30	35	10%
Weighted average (base)		C\$27.6		100%

Source: VersaBank Valuation Summary tab.

Figure 34 — Historical P/B Multiple (indicative)

Source: company book value; market price (indicative)

Figure 34 — Historical P/B multiple (indicative)

Price Target & Recommendation

Rating: HOLD (Neutral). 12-month price target: C\$29.00 (US\$20.60). Upside: +6.5% + ~0.4% dividend ≈ +7% total return.

VersaBank is an excellent business at a roughly fair price. The franchise quality — a scarce dual charter, a ~3.1% cost of funds, near-zero credit losses, and a large U.S. runway — is high, and the multi-year earnings trajectory (diluted EPS C\$0.90 → C\$3.08) is compelling. But after a strong re-rating, the base-case intrinsic value sits close to the current price, near-term reported earnings remain depressed by reorganization costs, and the U.S. ramp is not yet de-risked. We would upgrade to BUY on (i) a pullback toward C\$24–25, or (ii) evidence that the U.S. SRP ramp and efficiency ratio are tracking the bull path.

Catalysts (next 12–18 months)

- U.S. SRP scaling toward management's ≥US\$1B FY26 funding target (US\$605M at Q2-FY26).
- Commercial launch of the real-time / AI-enabled SRP, expanding the addressable market.
- Completion of the Versa Bancorp reorganization (removes overhang; potential index/liquidity benefit).
- Efficiency ratio falling toward 45%, evidencing operating leverage and ROE expansion.
- New U.S./Canada SRP partner signings; potential M&A interest given the scarce charter.

Key risks to the price target

- U.S. execution / partner concentration — slower ramp or loss of a major SRP partner.
- Net interest margin / funding-cost pressure on a thin ~2.3% blended margin.
- Capital constraint / dilution from equity raises to fund RWA growth.
- Reorganization delay or adverse OSFI / Federal Reserve conditions.
- Macro downturn curbing big-ticket originations; key-person dependence on founder David Taylor.

Figure 35 — Analyst Price-Target Distribution (indicative)

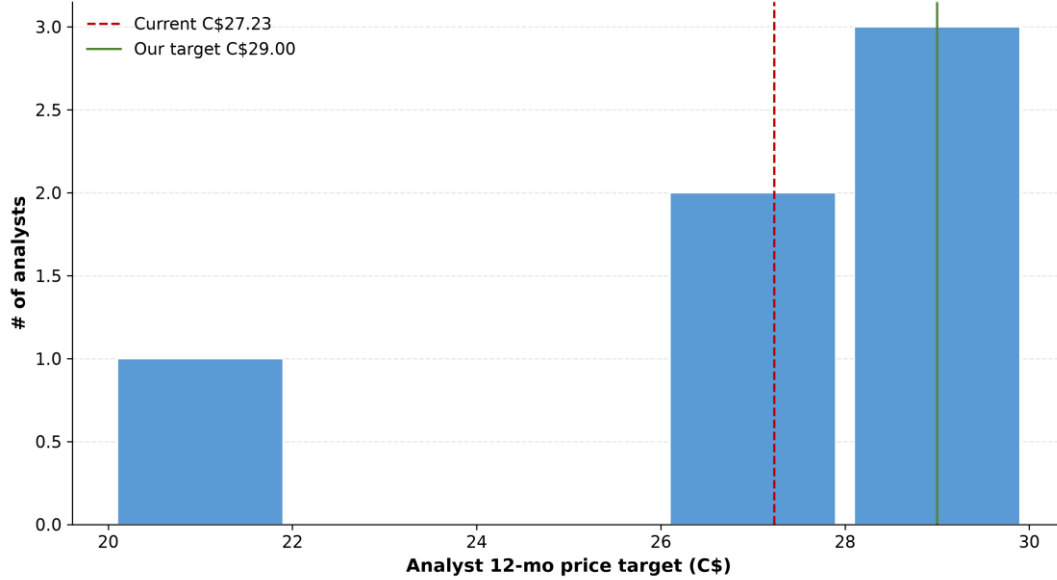


Figure 35 — Analyst price-target distribution (indicative)

Figure 27 — Ownership Structure (indicative)

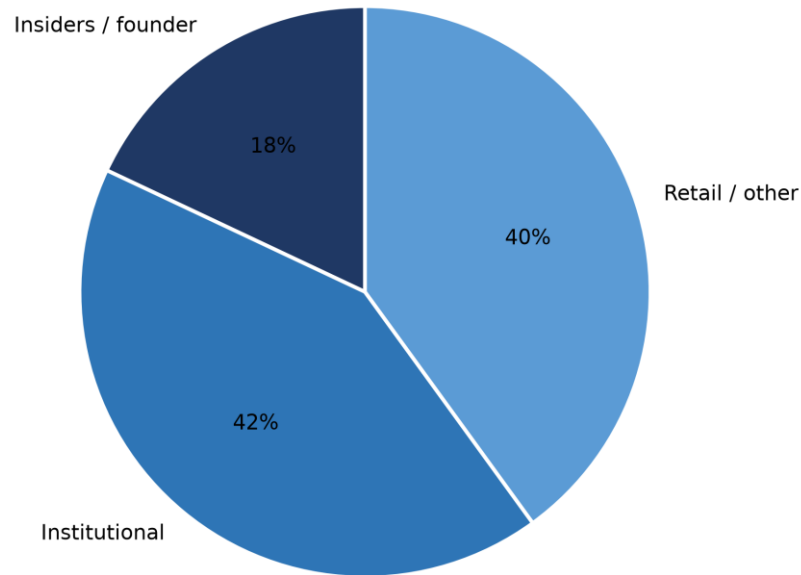


Figure 27 — Ownership structure (indicative)

Appendix — Data Sources & References

Primary company filings and investor materials (clickable links):

- VersaBank FY2025 Q4 / annual results (PRNewswire, Dec 2025) — <https://www.prnewswire.com/news-releases/versabank-fourth-quarter-results-demonstrate-operating-leverage-of-business-model--strong-growth-in-rpp-assets-drives-record-revenue-302637253.html>
- VersaBank Q2 FY2026 results (PRNewswire, Jun 2026) — <https://www.prnewswire.com/news-releases/versabank-reports-strong-second-quarter-results-strong-us-srp-growth-drives-27-year-over-year-increase-in-revenue-and-net-interest-income-45-year-over-year-growth-in-adjusted-core-net-income-302790088.html>
- VersaBank FY2023 Q4 / annual results (PRNewswire) — <https://www.prnewswire.com/news-releases/versabank-reports-record-fourth-quarter-and-fiscal-2023-financial-results-as-it-continues-to-benefit-from-increasing-operating-leverage-in-its-unique-digital-banking-model-302013373.html>
- VersaBank FY2021 Q4 / annual results (PRNewswire) — <https://www.prnewswire.com/news-releases/versabank-reports-continued-strong-financial-results-for-the-fourth-quarter-and-year-end-2021-highlighted-by-record-net-income-for-each-period-and-a-record-loan-portfolio-301434666.html>
- Versa Bancorp Form S-4 registration statement (SEC, Jun 2026) — https://www.sec.gov/Archives/edgar/data/0002100848/000110465926069759/tm2533318-14_s4.htm
- VersaBank closes U.S. bank acquisition (PRNewswire, 2024) — <https://www.prnewswire.com/news-releases/versabank-closes-us-bank-acquisition-formally-launches-innovative-digital-funding-solution-to-underserved-multi-trillion-dollar-us-market-302235979.html>
- VersaBank launches real-time Structured Receivable Program (PRNewswire) — <https://www.prnewswire.com/news-releases/versabank-launches-breakthrough-real-time-structured-receivable-program-to-point-of-sale-industry-in-canada-and-united-states-302812765.html>
- VersaBank appoints Global CFO / executive promotion (PRNewswire) — <https://www.prnewswire.com/news-releases/versabank-announces-appointment-of-global-cfo-and-executive-promotion-in-support-of-proposed-corporate-realignment-302646506.html>
- VersaBank Investor Relations — Strategy — <https://www.versabank.com/investor-relations/strategy/>
- VersaBank completes purchase of Minnesota bank (Banking Dive) — <https://www.bankingdive.com/news/versabank-completes-purchase-tiny-minnesota-bank-stearns-bank-holdingford/726063/>
- U.S. home improvement market (Market Data Forecast) — <https://www.marketdataforecast.com/market-reports/us-home-improvement-market>
- National Bank to acquire Canadian Western Bank (CBC News) — <https://www.cbc.ca/news/canada/edmonton/national-bank-reaches-deal-to-buy-canadian-western-bank-at-5b-valuation-1.7232023>
- VBNK stock forecast / analyst targets (StockAnalysis) — <https://stockanalysis.com/stocks/vbnk/forecast/>

Quantitative support: all tables are derived from the companion model VersaBank_Financial_Model_2026-06-30.xlsx (tabs: Revenue Model, Income Statement, Cash Flow Statement, Balance Sheet, Scenarios, DCF Inputs, DCF, Sensitivity, Comps, Valuation Summary). Charts from VersaBank_Charts_2026-06-30.zip.

Disclosure: This report is prepared for research/illustrative purposes and does not constitute investment advice or a solicitation. Figures include estimates and forward-looking assumptions that are subject to change. The analyst's scenario probabilities and price target reflect judgment under uncertainty. All figures CAD unless noted; fiscal year ends October 31; NASDAQ (USD) and TSX (CAD) prices converted at ~1.41 USDCAD.