



## This Bank is Leading the Digital Revolution with Double-Digit Growth

### Description

When it comes to investing in Canada's banking sector, investors are laser focused on the Big Five Banks, or Six if one chooses to include **National Bank of Canada**. There is a good reason for this. They are highly regulated, deliver consistent returns and pay a reliable dividend.

Outside of a frothy housing market, there isn't much not to like about Canada's Big Banks. Lost amidst the love for these banking giants however, are smaller banks who have attractive growth potential.

Lack of awareness is a good thing because it presents great investment opportunities for the investor with a keen eye. One bank that offers exceptional value is [technological marvel](#) **VersaBank** (TSX:VB).

### Outperformance

VersaBank is Canada's first fully digital Schedule 1 Chartered Bank. Over the past year, this small up-and-comer has outperformed Canada's preferred banking stalwarts. It's not even close. VersaBank's share price has risen 56% over the past year and 13% year to date. This is double that of **Toronto-Dominion Bank**, Canada's best performing Big Bank.

Yes, VersaBank's 0.58% yield is negligible. It's important to note however, that the company is in its infancy and just started paying a dividend this past November. Management believes the company is overcapitalized. As a result, it has applied to use the Advanced Internal Ratings Based approach to calculate their risk weighted assets.

If approved by regulators, this will free up significant cash and will lead to a higher dividend.

### Massive growth

Over the past four years, VersaBank has grown cash core earnings by a compound annual growth rate of 40%. This past Wednesday, the company posed quarterly results that smashed expectations. Third-quarter core cash earnings grew 48% while net income doubled from the third quarter of 2017.

Book value per share rose almost 8% to \$8.99 over the previous quarter. Despite its 5.29% jump on

the day it released earnings, VersaBank was still trading at a 20% discount to book value. The company's CEO expects record results again in the fourth quarter.

### High-quality portfolio

One of the most attractive aspects of the bank is its high quality credit portfolio. The company's delinquency rate, a measure of the quality of its loans, is negligible. In the third quarter, gross impaired loans were only 0.04% of the company's asset base.

No other bank in Canada has provision for credit losses this small.

### VersaVault

VersaBank is one of Canada's most advanced technological banks, evidenced by its introduction of VersaVault, the [world's first blockchain digital safety deposit box](#). Beta-testing commenced in June and is expected to run until the end of the current fiscal year.

It is still too early to tell what kind of demand exists for such a product. Regardless, it's certainly exciting to witness the innovative and forward-thinking mindset of the company.

VersaBank is rapidly growing its asset base and positioning itself as an viable alternative to the larger lenders. It's only a matter of time before the market takes notice. VersaBank is a good investment for those looking for more growth and innovation in their banks.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

### TICKERS GLOBAL

1. TSX:VBANK (VersaBank)

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