



A High-Tech Banking Bet That Nobody Is Talking About

Description

When it comes to bank stocks, most Canadians immediately picture the Big Five or Big Six. They're big, they're robust, and many of them have televised ads that we've come to know and love. Yes, I'm talking about you, **Scotiabank!**

The Big Six (or Five) are wonderful bets that post high total returns (dividends and capital gains) relative to the degree of risk taken on by an investor, but these big-league financial institutions often hog the spotlight, leaving little to no attention for smaller, but equally impressive banks that have the potential to earn outsized returns for investors.

One name that I'd like to bring to your attention today is **VersaBank** (TSX:VB), a bank that even I hadn't heard of until just a few months ago. Unlike its bigger brothers in the Canadian banking scene, VersaBank, formerly known as Pacific & Western Bank of Canada, is a chartered bank that uses an electronic, branchless model. For the younger investors out there who want to play the fintech boom, VersaBank may be a compelling option for those who don't want to venture south of the border.

My colleague here at the Motley Fool, Mat Litalien, is pretty bullish on VersaBank, noting that it might be "the best bank on the TSX." Wow, [the best bank on the TSX](#), and most investors have never heard of the name.

The digital-only model adopted by VersaBank comes with its fair share of benefits over its bigger brothers in the Big Six — higher margins and the ability to offer more value and lower prices to its customers being just a few of them. The most intriguing part of VersaBank, however, is [VersaVault](#), an encouraging product that VersaBank markets as "the world's first vaults built for cryptocurrency funds and exchanges."

For those following Bitcoin, crypto, and the like, you've probably heard of the horror stories where digital currencies have been hacked, stolen, or lost. It's a huge turn-off of investing in cryptocurrencies (not to mention that Charlie Munger thinks trading Bitcoin is like "trading turds"), but with VersaVault's promise of "impenetrable world-class security, privacy of secured keys and client-centric access flexibility," those fears may be put to rest for various cryptocurrency-holding institutions.

As Litalien pointed out in a prior piece, VersaVault is looking to commercialize the product, and now that Bitcoin and crypto is picking up a new breath of life, VersaVault may have a digital advantage up its sleeve that its bigger brothers in the space are lacking.

Although I'd never advocate owning Bitcoin, I do like VersaBank's way of thinking. Should the product be opened to everyday retail investors, I see VersaBank as a top bet that may find a spot with younger generations like millennials, many of whom have embraced cryptocurrencies as "legitimate assets" for their portfolios.

Foolish takeaway

I like the innovation going on at VersaBank. It's promising, and as one of the top-performing banks over the past two years, I'd encourage growth-oriented investors to give the name a look. VersaBank is a growthy play and should not be seen as a replacement for a high-yielding Big Six play. For those looking to hedge potential disruption from up-and-coming digital-only banks, however, VersaBank is shaping up to be a nice hedge.

Stay hungry. Stay Foolish.

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