



## Online Banking Is Changing the Way Canadians Manage Money: Can Scotiabank (TSX:BNS) Cash In on This Trend?

### Description

Canadians are changing the way they bank. A recent survey conducted by Abacus Data on the banking habits of Canadians found that 88% of Canadians used online banking in the last year. Over 50% said that online banking is now their most common banking method.

It's a race to see which Canadian bank can best capitalize on this trend. So far, **Bank of Nova Scotia (TSX:BNS)**([NYSE:BNS](#)) seems to be leading the pack.

### Aggressive investment in digital banking

In 2018, Scotiabank made technology investments totaling \$3.3 billion, approximately 11% of the company's revenue. In a letter to shareholders, CEO Brian Porter wrote, "We have invested aggressively in technology and digital capabilities to ensure that the bank is more agile and more capable of adapting to a rapidly changing world. Our investments in technology are enabling a better customer experience and more efficient operations."

Last week, Scotiabank launched a new app for mobile devices. This is not an updated version of the previous app; rather this is a new design for better customer engagement. The app contains features shown to be most important to Canadians when using online banking. The app contains easy navigation shortcuts and enhanced money management tools. It is designed for compatibility with screens of all sizes and takes up less memory on the device. Since security is a major concern with online banking, the app includes multi-factor authentication for identity verification and upgraded data encryption.

Scotiabank is also the parent company of Tangerine, one of Canada's most popular, direct online banks. Tangerine, which was launched as ING Direct in Canada in 1997, was acquired by Scotiabank in 2012. Tangerine operates independently as a wholly owned subsidiary of Scotiabank. Tangerine boasts over two million customers and over \$38 billion in total assets. Last year, Tangerine became the official and exclusive bank of the Toronto Raptors. This move has given Tangerine plenty of press of

late, as the Raptors make their debut in the NBA Finals.

## Stock performance

Scotiabank stock plunged 15% last year and has made only minor gains this year. The stock is trading at \$70.83 at the time of writing, with a current dividend yield of 5.08%.

In the latest earnings release, Scotiabank reported second-quarter net income of \$2.3 billion and diluted earnings per share of \$1.73. In addition to the massive investment in technology, the bank is also investing heavily in expansions into Latin America. International banking earnings were up 14% year over year on an adjusted basis. This growth came at a cost as the [company spent billions on acquisitions](#), most notably in Peru and Chile. As many of its competitors focus on expansion in the U.S., Scotiabank is counting on accelerated growth into Latin America to drive profits. Latin America now accounts for over 30% of the bank's net income.

## Bottom line

Scotiabank realizes that the future of banking is changing rapidly. Online banking is growing faster than any other banking channel and 40% of Canadians have reported they intend to increase their use of digital banking in the future. As Porter noted, "We know that digital customers are happier customers: they choose to have more products with us, they are more likely to recommend our bank to their family and friends, and they choose to stay with us longer." With its huge investment in technology, Scotiabank hopes to generate happier customers, which ultimately will result in happier shareholders.

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