

Scotiabank Peru

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Two of the largest trends witnessed in the global banking industry over the past 25 years have been the consolidation of national banking industries

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Two of the largest trends witnessed in the global banking industry over the past 25 years have been the consolidation of national banking industries, whereby most countries are dominated by three to four banking groups (often referred to as the ‘big four bank phenomenon’) and the movement of western banks into so-called emerging economies, where they could enjoy the benefits of an unprecedented rise in the middle class.

One of the best examples of the second trend is provided by Scotiabank Peru. Part of the eponymous Canadian banking group, it began in Peru in 1997 at a time when GDP per capita was US\$2,340. Twenty years later, in 2017, that figure had almost tripled to US\$6,571, growth - it should be noted - which Scotiabank Peru both benefited from

of the shares of Peruvian banking firm, Banco Sudamericano. This move allowed Scotiabank to ‘dip its toes in the water’ and familiarize itself with the local banking environment. It also gave them access to some of the best banking talent in Peru, many of which would become pivotal to the firm’s management in the years that followed.

In 2007, it announced that it had purchased the remaining 65% of Banco Sudamericano on the same day that it acquired 77% of the shares of Banco Wiese Sudameris. In the space of just a few hours, it had moved from being a minor player to being the third largest bank in the country. With over 170 branches and the largest network of ATMs in the country, this also marked a huge milestone in bringing low income Peruvians into the banking system.

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and contributed to. The number of bank accounts has also grown from less than 10% of the population to nearly 50% in that time.

In 2018, Scotiabank Peru was the third largest banking group in Peru by annual earnings, with 888 million Peruvian soles (approximately US\$250 million) in net earnings - this is quite a phenomenal achievement for a relatively new player. More than that, it hints at a company which is doing things right and learning from experience it has accumulated all over Latin America. We decided to take a deeper dive into the success story and see what Scotiabank Peru is all about.

Beginnings

The Scotiabank Peru story began when its parent company, Scotiabank, acquired 35%

There were other acquisitions along the way, too. It acquired Banco del Trabajo in 2008, and in 2015, acquired Citibank’s Peruvian commercial and retail portfolio. In 2008, it entered the pension fund business for the first time in Peru with the acquisition of Profuturo, following this up with the purchase of AFP Horizonte, giving it a client base of close to 2 million and access to a whole new sector of the industry.

Progress didn’t stop there, however. In 2019, Scotiabank Peru purchased 51% of Banco Cencosud, creating the country’s second largest credit card issuer. Of further significance is the Cencosud Group’s strong presence in consumer retailing, where their outlets can now double up as banking outlets, rapidly enhancing the reach of the combined



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banks and placing them at the heart of the consumer retail experience.

Success

Aside from ongoing growth in the profitability in its operations, the success of Scotiabank Peru can be measured by numerous metrics. In 2019, its banking division in Peru has over 10,000 employees, 310 branches and 975 ABMs across the country. It claims approximately 3.5 million retail, corporate, commercial and institutional clients and is

rapidly growing this number as it looks to provide more Peruvians with bank accounts.

The Scotiabank group is also renowned for being an exceptional employer and it's no different at its Peru division. In 2019, it was named by the Great Places to Work Institute as the 6th best place to work in Peru, a result which mirrors that of other results achieved across Latin America. Employee reviews on other sides seem to confirm this, with Scotiabank regularly coming in for scores above 4 out of 5 - almost unheard of in banking.

Scotiabank Peru has also been recognized on the Good Corporate Governance Index by the Lima Stock Exchange (BVL) and EY. In 2018, it enjoyed further recognition as one of the ten most admired companies in Peru, which was awarded by PWC and El Diario Gestión. Finally, and most notably, it has been recognized by the Peruvian Institute of Business Administration for excellence in promoting education for young people.

Digital Innovation

The digital transformation of banking in Peru is also moving apace thanks to ongoing

investment by Scotiabank Peru and others in the field. Today, the bank estimates that one of every three of its loans and one of every four of its deposit installments is made digitally. As this grows, it has the potential to completely reshape the bank's value proposition for its clients, retail and commercial.

The bank's digital innovation is driven by an in-house Digital Factory, one of only five that the Scotiabank group has, underlining its commitment to Peru. In total, 100 people are employed by the initiative, whose explicit aim is to improve the digital client banking experience. This will allow the bank to

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anticipate clients needs and offer better services, based on their own preferences.

The team combines some of the best mobile and UX developers in Latin America with financial leaders, but above all, IT security. The bank operates under a 'security first, agility second' maxim, and is currently performing a range of security tests to ensure that the customer digital experience is not only best-in-class, but also as secure as anything currently available - thus ensuring maximum buy-in from its customer base.

Sustainability

Scotiabank Peru was one of the first banks in Latin America to offer free banking to its clients - a huge incentive for low income

Did you know?

In 2017, Scotiabank began a three-year partnership with CARE Peru to help improve the economic situation of families living in poverty. It provides financial support to run programs, and Scotiabank employees volunteer their time to help run financial knowledge workshops.

people to join the banking system and avail of credit and other services. It also significantly improves the safety of these individuals by ensuring that their money is kept safely in deposits, rather than in the form of cash. This progress at the micro level inevitably feeds into the macro level and has contributed to Peru's growth story.

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were held to deliver skills related to entrepreneurship, financial well-being and social security.

Since the program began, just over 2 years ago, over 3,000 small business representatives from 133 organizations – 59% led by women – have been trained in Peru. In addition, 105 organizations were trained in a second phase to deepen their skills. A further commitment to the empowerment of women was shown with a campaign it launched called ‘The Price of Equality’ whereby women received a 29.9% discount at Scotiabank outlets – the exact amount of the wage gap that had been shown to exist in Peru.

Partners and Suppliers

A 22-year presence on the ground in Peru, combined with a strong presence overall in the Americas, has allowed Scotiabank Peru to build a world class network of partners and suppliers. These include tech-based firms like CIMA Latin America SAC – Scotiabank Peru’s provider of digital document archiving on its cloud platform, Processos de MC, a card terminal provider, Iron Mountain, a data security firm, and Oracle Peru, whose platform allows Scotiabank to perform so many of its operations.

Scotiabank Peru also leverages its relationships with other firms in the finance industry, finding synergies with firms that specialize in different functions to its own. These include PWC Peru, Unibanca – which collaborates with Scotiabank on payment services and card issuing, El Cristal, an

equities broker and asset management firm, and Alto Contacto, a contact management operation that ensures Scotiabank Peru’s customer contact remains best-in-class.

New Horizons in Peruvian Banking

What emerges from looking at Scotiabank Peru is a bank that believes in the country. When others were winding down their operations in Peru, Scotiabank kept looking for new opportunities to explore within the country. It consolidated by acquiring other banks, expanding the scope of its services and brought a new, more inclusive type of banking in the process. Scotiabank Peru has a truly symbiotic relationship with Peru and its people.

The latest sign of this is the acquisition of 51% of Banco Cencosud. The acquisition looks like a landmark in the democratization of Peruvian banking. It also represents the coming together of a a great banking institution with a great retail institution. It promises to bring more banking innovation to a greater swathe of people. You get the impression that this success story in Peru has a long way to run. **BE**

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