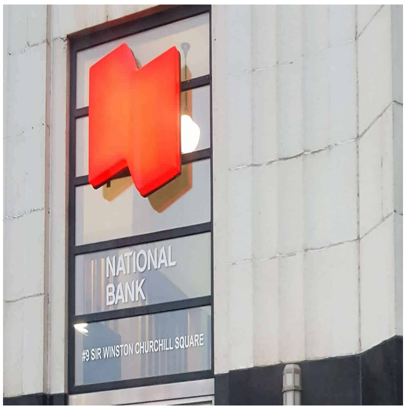

2 of Canada's 6 Largest Banks Just Did This

Description

Two of Canada's six largest banks just made very shareholder-friendly moves and raised their dividends. Let's take a closer look at each, so you can determine if you should invest in one of them today.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM), or CIBC for short, is Canada's fifth-largest bank with approximately $501.36 billion in assets as of October 31. It provides a full range of financial products and services to 11 million individual, small business, commercial, corporate, and institutional clients in Canada, the United States, and around the world.

In its fourth-quarter earnings report on Thursday, December 1, CIBC announced a 2.5% increase to its quarterly dividend to $1.24 per share, representing $4.96 per share on an annualized basis, and this gives its stock a rich 4.6% yield. The first payment at this increased rate will come on January 27 to shareholders of record at the close of business on December 28.

Incredibly, this was the eighth time CIBC has raised its dividend in the last nine quarters, earning it one of the best reputations for dividend growth in the market. It has now officially raised its annual dividend payment for six consecutive years, and its recent hikes, including the one noted above and its 2.5% hike in May, have it on pace for 2017 to mark the seventh consecutive year with an increase.

It's also very important for investors to note that CIBC has a long-term target dividend-payout range of 40-50% of its net earnings, so I think its consistently strong growth, including its 8.1% year-over-year increase to an adjusted $10.22 per share in fiscal 2016, could allow its streak of annual dividend increases to continue for decades.

National Bank of Canada

National Bank of Canada (TSX:NA) is the largest bank in Quebec and the sixth-largest bank in Canada with approximately $232.21 billion in assets as of October 31. It offers a complete range of financial products and services to retail, commercial, corporate, and institutional clients in Canada, the

United States, Europe, and other parts of the world.

In its fourth-quarter earnings report on Friday, December 2, National Bank announced a 1.8% increase to its quarterly dividend to $0.56 per share, representing $2.24 per share on an annualized basis, giving its stock a very generous 4.4% yield at today's levels. The first payment at this increased rate is payable on February 1 to shareholders of record at the close of business on December 28.

Although National Bank has not raised its dividend as often as CIBC, it does have an identical streak of annual increases. It too has raised its annual dividend payment for six consecutive years, and its recent hikes, including the one noted above and its 1.9% hike in June, have it positioned for 2017 to mark the seventh consecutive year with an increase.

Like CIBC, National Bank has a target dividend-payout range of 40-50% of its adjusted net earnings. Even though its earnings took a slight hit in 2016, falling 7.4% to an adjusted $4.35 per share as a result of a sectoral provision for credit losses of $183 million recorded for oil and gas companies in the second quarter, I think it is well positioned to get back on the path of growth in 2017, allowing its streak of annual dividend increases to continue in 2018 and beyond.

Which is the better buy now?

I think both CIBC and National Bank represent attractive long-term investment opportunities, but if I had to choose just one to invest in today, I'd go with CIBC because it has a higher yield, a more impressive track record of dividend growth, and because it posted a much stronger financial performance in fiscal 2016.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)

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