2 Canadian Banks Just Did This: Should You Buy Now?

Description

Two large Canadian banks just made very shareholder-friendly moves and hiked their dividends. Let's take a closer look at each, so you can decide which would be the best fit for your portfolio.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO), or BMO for short, is Canada's fourth-largest bank with approximately $687.94 billion in assets as of October 31. It provides a wide range of financial products and services, including personal and commercial banking, wealth management, and investment banking, to more than 12 million clients in Canada, the United States, and around the world.

On the day of its fourth-quarter earnings release, December 6, BMO announced a 2.3% increase to its quarterly dividend to $0.88 per share, representing $3.52 per share on an annualized basis, and this brings its yield up to a very generous 3.8% today. The first quarterly installment at this increased rate is payable on February 28 to shareholders of record at the close of business on February 1.

This dividend hike did not come as a shock to investors familiar with BMO, because it has a reputation for dividend growth. Fiscal 2016 officially marked the fifth consecutive year in which it has raised its annual dividend payment, and its recent hikes, including the one noted above and its 2.4% hike in May, have it positioned for fiscal 2017 to mark the sixth consecutive year with an increase.

BMO also has a long-term target dividend-payout range of 40-50% of its adjusted net earnings, so I think its consistently strong growth, including its 6.2% year-over-year increase to an adjusted $7 per share in fiscal 2015 and its 7.4% year-over-year increase to an adjusted $7.52 per share in fiscal 2016, will allow is streak of annual dividend increases to continue through 2025 at the very least.

Laurentian Bank of Canada

Laurentian Bank of Canada (TSX:LB) is one of Canada's leading providers of banking services to individuals, small- and medium-sized enterprises, and independent advisors, and it operates as a full-service brokerage firm. As of October 31, it has approximately 1.5 million clients and approximately $43.01 billion in assets.

On December 6, Laurentian Bank released its fourth-quarter earnings results and announced a dividend hike as well. It announced a 1.7% increase to its quarterly dividend to $0.61 per share, representing $2.44 per share on an annualized basis, and this brings its stock's yield up to a whopping 4.4% today. The first quarterly payment at this increased rate will come on February 1 to shareholders of record at the close of business on January 3.

Like BMO, Laurentian Bank has a reputation for dividend growth, and its streak is more impressive. Fiscal 2016 officially marked the ninth consecutive year in which it has raised its annual dividend payment, and its recent hikes, including its 3.5% hike in June and the hike noted above, have it on pace for fiscal 2017 to mark the 10th consecutive year with an increase.

Laurentian Bank also has a target dividend-payout range of 40-50% of its adjusted net earnings, so I think its continual growth, including its 5.8% year-over-year increase to an adjusted $5.62 per share in fiscal 2015 and its 1.4% year-over-year increase to an adjusted $5.70 per share in fiscal 2016, will allow its streak of annual dividend increases to continue for another decade.

Is one a better buy than the other?

I think both BMO and Laurentian Bank are strong buys, and I do not prefer one to the other, so if I had to choose just one to invest in today, I'd simply flip a coin.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

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3. TSX:LB (Laurentian Bank of Canada)

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