3 Bank Stocks That Recently Raised Their Payouts

Description

Bank stocks haven't gotten a lot of love this year, but they're reminding investors why they're great long-term buys. The three stocks below have all increased their dividend payments this month after releasing their latest quarterly results.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is coming off a strong quarter that saw the company's profits continue to rise from a year ago. And as we've come to expect from the big bank, it increased its dividend payments after two periods.

Quarterly payments of $1.40 were increased by $0.04 up to $1.44 for a modest increase of 2.9%. It's the same size of the last increase when CIBC increased payments from $1.36 to $1.40. In total, the October payment will be 5.9% higher than the prior year's dividend.

If we go back two years, the payouts have increased by 10.8% from the time the company was paying its shareholders $1.30 every three months. The time of the increase is great for investors, as it comes when the stock has struggled and the yield is already high. With the increase factored in, investors could be earning around 5.7% in dividend income if they invest in CIBC stock today.

Royal Bank of Canada (TSX:RY)(NYSE:RY) also increased its dividend payments recently. Quarterly payments of $1.02 a share rose by $0.03 to $1.05 — an increase of 2.9%, similar to CIBC's rate hike. RBC has followed a similar path to CIBC when it comes to rate hikes, usually doing it after two quarters. Its upcoming payment, which won't happen until November, will be a 7.1% increase over the prior year's payment and 15.4% higher than 2017's payout.

While the rate increases by RBC have been higher in recent years, its dividend is well short of CIBC's, coming in at around 4.3%. Even if RBC continues to increase its dividend at a higher rate, it's not enough of a hike at the current pace to bridge that gap anytime soon.

However, RBC is also a larger bank stock, and many would consider it to be a safer investment overall, especially over the long term.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) also joined the rate-hiking party when it announced on

Tuesday that it would be raising its dividend payments as well. At $0.90 a share, the new dividend would be an increase of 3.4% from its most recent dividend of $0.87.

Scotiabank has had comparable dividend hikes to the other bank stocks on this list. While the new dividend will be 5.9% higher than the previous year's payment, it will be 13.9% more than what it was back in 2017, putting Scotiabank between CIBC and RBC in terms of dividend growth.

Its overall yield also falls between its peers, paying investors 5.2% annually. However, anything over 5% is pretty high for a bank stock. Normally, investors need to look for riskier investments to be able to get a dividend higher than 5%. But with there being some bearishness surrounding the markets, and bank stocks, in particular, it gives investors a great opportunity to take advantage and lock in these better-than-normal yields while they last.

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CM (Canadian Imperial Bank of Commerce)
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