3 Big Bank Stocks That Are Having an Extraordinary 2021

Description

The 2020 health crisis unsettled Canadian big banks that they had to act fast to absorb the potential credit losses. Many know the country's banking system is a bedrock of stability, and the COVID-19 pandemic was another acid test. As expected, none of the banks' delinquency buckets overflowed.

After Q2 fiscal 2021 (quarter ended April 30, 2021), the Big Six had $40.5 billion in excess common equity tier 1 (CET1) capital between them. To say the level is unprecedented is an understatement. While all six endured the crisis, three banks are having an extraordinary year. They should be on your shopping list or in investment portfolio if you don't own any of them yet.

The revelation

Canada's fifth-largest bank is the revelation this year. Besides outperforming its larger industry peers on the stock market, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) was the only one with more than 300% net income growth.

CIBC's net income rose to $1.61 billion in Q2 fiscal 2021 from $392 million in Q2 fiscal 2020. After three quarters, net income is 80.3% higher than the same period last year. Its provision for credit losses (PCL) went down to $99 million. Also, its excess capital reached $3.5 billion.

Performance-wise, CIBC investors are happy with the bank stock's +37.22% year-to-date gain on top of the 4% dividend. Moreover, market analysts predict a potential 10.7% price appreciation. The current share price of $145.99 could climb to $161.58 in the next 12 months.

Financial strength

No one can doubt **Royal Bank of Canada's** (TSX:RY)(NYSE:RY) ability to overcome economic downturns. The $181.88 billion bank, and the country's largest lender, is formidable as ever. Its Net Stable Funding Ratio (NSFR) as of July 31, 2021, is 116%, or a surplus of around $110.4 billion.

RBC's war chest has $9.9 billion in excess capital, which management can use to buy back shares or hike dividends soon. As of September 17, 2021, RBC trades at $127.66 per share and pays a decent 3.38% dividend. Market analysts recommend a buy rating and see an upside potential of 11.69% within the next 12 months.

I wouldn't be surprised if more investors move their money to RBC with the TSX showing signs of a correction lately. Dividend payments are safe and should be uninterrupted, even if the market declines.

Most investor-friendly asset

Bank of Montreal (TSX:BMO)(NYSE:BMO), fourth in the hierarchy, is a no-brainer buy. Investors consider this $82.86 billion bank the most investor-friendly stock, because it's the pioneer in dividend payments. However, besides the longest 192-year dividend track record, BMO's business performance in 2021 is remarkable.

BMO's net income in the nine months ended July 31, 2021, was $5.6 billion, a 59.3% increase versus the first three quarters of fiscal 2020. The net income growth in Q3 fiscal 2021 versus Q3 fiscal 2020 was 74.6%. Its CEO, Darryl White, said, "Operating momentum across our diversified businesses continues to drive strong financial performance."

Like CIBC and RBC, BMO displays resiliency in the stock market with its 35.91% year-to-date gain. At $127.85 per share, you can partake of the 3.32% dividend. Moreover, the payout ratio is only 39.55%.

Ever-reliable income stocks

CIBC, RBC, and BMO are ever-reliable income stocks for risk-averse investors. Your income streams should be safe and enduring, even if the market sours anytime soon.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:RY (Royal Bank of Canada)
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Date
2025/07/20
Date Created
2021/09/20
Author
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