



Which Canadian Bank Stock Will Make the Biggest Dividend Hike?

Description

Who is counting? I'm talking about how long the big Canadian bank stocks have stopped increasing their dividends.

Quietly, our favourite big Canadian banks, whether it be **Royal Bank of Canada**, **Toronto-Dominion Bank**, **Bank of Nova Scotia**, **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), **Canadian Imperial Bank of Commerce**, or **National Bank of Canada** ([TSX:NA](#)), have maintained the same quarterly dividends starting since October 2019 to April 2020 based on their dividend record dates. So, that's between one-and-a-half to two years of dividend freezes for this group of Canadian banks.

It's not the banks' call. The dividend raise restriction was imposed by the Office of the Superintendent of Financial Institutions (OSFI), the banking regulator, during the pandemic to be prudent about a potential spike in loan default levels. Thankfully, the capital put aside by the banks for loan defaults was largely untouched.

According to a [Financial Post article](#) in July, the Big Six Canadian banks "could boost their dividends by an average of 13% when regulators allow them to resume payout increases."

Which Canadian bank stock will make the biggest dividend raise?

The banks are not equal. Some have lower payout ratios, which could be the difference between a regular dividend hike and a big dividend hike when OSFI lifts the ban.

Though, it might be more rational to expect that the banks, which could make big dividend increases, might do so over multiple quarters rather than making a massive hike. They will save more money this way.

Based on this year's estimated payout ratios, National Bank of Canada and Bank of Montreal have the best chance of making above-average dividend increases over the medium term. Their payout ratios

for this year are expected to be about 33%, which would be much lower than the low 40% range in a normal year.

When will the bank stocks increase their dividends again?

The *Financial Post* article suggested that the OSFI could allow the big Canadian banks to increase their dividends as soon as in the second half of this year. Don't hold your breath, though. Uncertainties around the pandemic are a fog that won't dissipate quickly.

The big Canadian banks aren't the only ones freezing their dividends. Canada's large-cap insurance companies like **Sun Life**, **Manulife**, and **Intact Financial** have also frozen their quarterly dividends at around the same time as the big Canadian banks. They're also well capitalized to increase their payouts when there's more clarity revolving around the pandemic.

The Foolish investor takeaway

If you're looking for a potential massive dividend increase from our big Canadian banks, you can look more into National Bank of Canada and [Bank of Montreal](#).

In the investing community, the spotlight typically goes to the big Canadian bank stocks. However, both the big Canadian banks and insurers have a long history of paying dividends.

So, don't forget to consider investing in insurance companies as well. Notably, Sun Life and Intact Financial tend to have stronger price momentum than Manulife, which tends to be the value play and offers the biggest yield of 4.6%, among the group, at writing.

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