



## Don't Miss the Big Dividend Hikes at Big Canadian Bank Stocks!

### Description

The big Canadian bank stocks are core holdings for many investment portfolios. Risk-averse dividend investors especially love holding the banks for the long term. The Big Six Canadian banks have paid dividends for more than a century! Few **TSX** stocks can make this claim.

Even when times get tough, the banks have been able to maintain their dividends. For example, their dividends stayed put during the last global financial crisis and the pandemic. Actually, they tend to freeze their dividends during those testing times, because the regulator tightens restrictions to protect our financial system.

Almost 20 months after the regulator, the Office of the Superintendent of Financial Institutions (OSFI), asked the federally regulated financial institutions to pause dividend increases and suspend share repurchases to be cautious during the onset of the pandemic, the OSFI lifted the ban on November 4.

## Why the Canadian bank stocks' earnings surged this year

My prediction came true! Well, sort of. I wrote [here](#) that "Like the federally regulated insurance companies, the ban on the big Canadian bank stocks is lifted, too. The banks will all resume dividend growth soon. Based on the Big Six Canadian bank's estimated payout ratios for this year, **National Bank of Canada** ([TSX:NA](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) have the biggest probability of making a massive dividend hike, followed by **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#))."

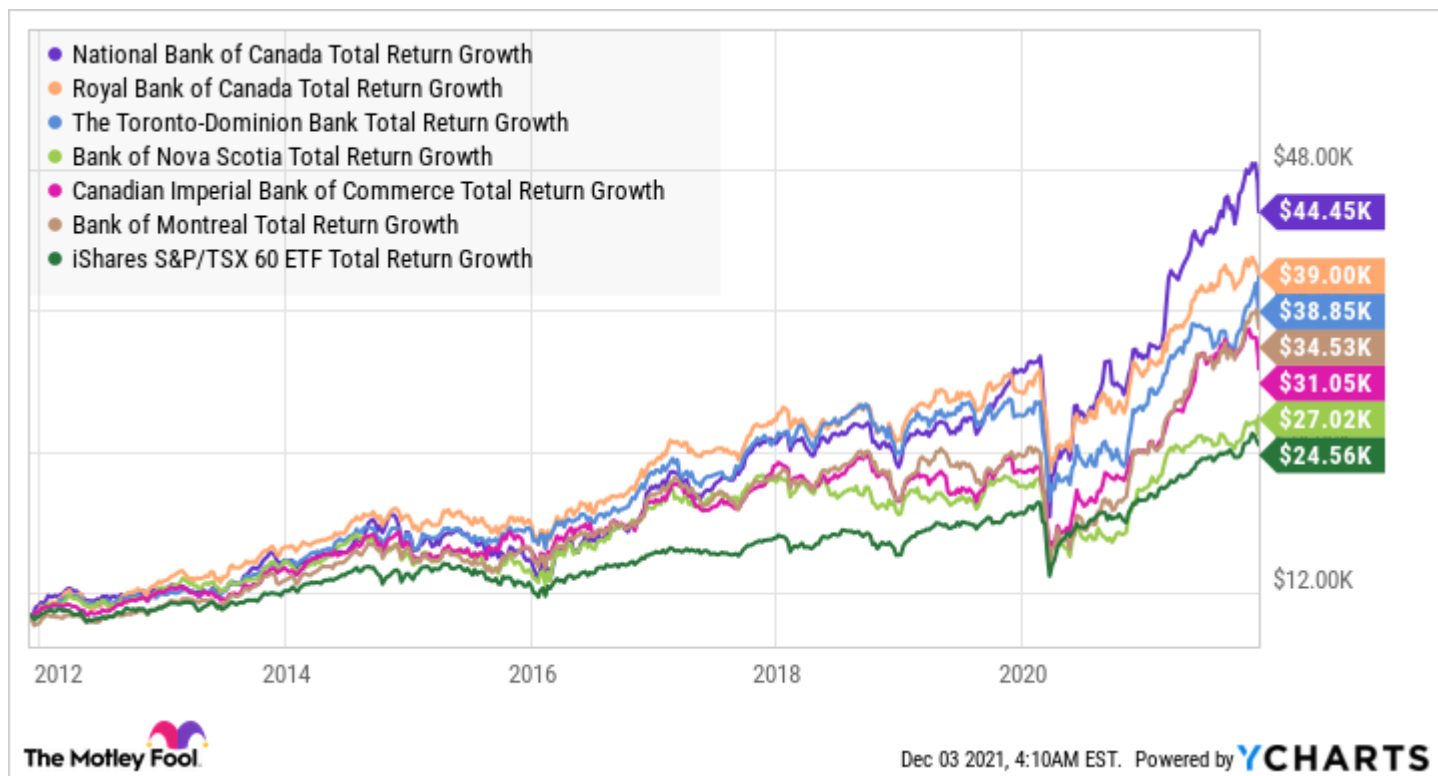
Because the Canadian bank stocks' dividends were frozen for about two years, it's only natural that they could make bigger dividend hikes than normal, seeing as their earnings have come back strongly. During the pandemic, they increased their provisions for credit losses (PCLs) to put aside more money in case bad loans surged. The higher PCLs pressured the banks' earnings in fiscal 2020. When bad loans didn't actually surge, the banks' PCLs lowered again, resulting in a strong surge in their earnings this fiscal year.

## Canadian bank stocks making big dividend hikes

Here are the Big Six Canadian banks' latest dividend increases:

- [Bank of Montreal](#): 25.5% to a quarterly dividend of \$1.33 per share; annualized payout of \$5.32 per share.
- National Bank of Canada: 22.5% to a quarterly dividend of \$0.87 per share; annualized payout of \$3.48 per share.
- Toronto-Dominion Bank: 12.7% to a quarterly dividend of \$0.89 per share; annualized payout of \$3.56 per share.
- **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)): 11.1% to a quarterly dividend of \$1.00 per share; annualized payout of \$4.00 per share.
- Royal Bank of Canada: 11.1% to a quarterly dividend of \$1.20 per share; annualized payout of \$4.80 per share.
- Canadian Imperial Bank of Commerce: 10.3% to a quarterly dividend of \$1.61 per share; annualized payout of \$6.44 per share.

So, I was right about National Bank's and BMO's potential to make the biggest dividend increases after the OSFI lifted the ban. At the end of the day, investors focus on either the income generation or the total-return potential. Over the last five and 10 years, National Bank has been the top performer in total returns. However, all Big Six Canadian banks beat the stock market over the last 10 years. There's no doubt their consistent dividend payments quarter after quarter contributed to those stable results. In terms of a juicy yield, Bank of Nova Scotia tops the list with a current yield of about 4.75%.



Total Return Level data by YCharts

### CATEGORY

1. Bank Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CM (Canadian Imperial Bank of Commerce)
9. TSX:NA (National Bank of Canada)
10. TSX:RY (Royal Bank of Canada)
11. TSX:TD (The Toronto-Dominion Bank)

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