



## RBC (TSX:RY) Raises Dividends by 11%: Buy it Now?

### Description

Income investors interested in [dividend investing](#) have some wonderful news to help them make more of their investment returns. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) announced its plan to move forward with plans to repurchase millions of shares and deliver a dividend hike on December 1, 2021.

RBC released its fourth-quarter earnings report for fiscal 2021 and its complete 2021 earnings results. The most significant Canadian bank stock reported stellar earnings and a massive dividend hike. Let's take a closer look at the development so that you can make a more well-informed decision about whether RBC stock could be a viable addition to your investment portfolio.

### Solid earnings

Fiscal 2021 ended on October 31, 2021, for Royal Bank of Canada. The top Canadian bank reported \$16.1 billion in net income for the year, up by 40% from fiscal 2020. The stellar performance by the bank is a clear sign of how well the top financial institution in the country traversed the treacherous market environment during the ongoing global health crisis.

Canadian banks enjoyed the benefit of several factors leading to positive overall earnings results in the sector. The historically low interest rate environment kept the housing market strong over the last year and a half. The positive news came, despite warnings from experts and regulators about how the pandemic could effectively catalyze a downturn of up to 18%.

The broader equity market performed well, contributing to investor confidence in bank stocks like RBC stock. Government-led financial relief programs also stimulated the economy to bolster the performance of bank stocks that had set aside significant funds as provisions for loan losses, anticipating loan defaults.

Rather than seeing record levels of loan defaults, Royal Bank of Canada saw loans increase by 7%, and deposits rose by 13% in fiscal 2021. Its insurance segment generated 7% earnings growth, and its capital markets segment saw a 51% earnings growth, mostly due to reduced loan-loss provisions.

The combination of a strong capital position and an overall improvement in the banking sector's performance allowed RBC stock the financial flexibility it needed to begin a share-buyback program and deliver a dividend hike while unlocking the possibility of acquisitions.

## Dividend hike

The Office of the Superintendent of Financial Institutions (OSFI) gave Canadian financial institutions the green light to resume dividend hikes and share-buyback programs. While RBC stock was not the [first financial stock to raise its shareholder dividends](#), the bank stock finally announced an 11% increase in its dividends.

The bank stock's quarterly dividends for its shareholders are now \$1.20, increasing \$0.12 from its previous payout. The bank stock also plans to repurchase up to a massive figure of 45 million common shares.

## Foolish takeaway

All the factors undoubtedly appear to be shaping things up nicely for RBC stock and its investors. However, the onset of another COVID-19 variant is creating a stir, and people feel anxious that it could hamper the anticipated economic recovery next year. It remains to be seen how much of an impact the new variant might have.

If the Omicron variant significantly disrupts economic activities, the banking sector might take another hit. However, RBC stock is Canada's leading financial institution by market capitalization. The \$185.09 billion market capitalization bank stock is trading for \$129.73 per share at writing, and it boasts a 3.70% dividend yield.

Investors might not enjoy similar capital gains by adding the stock to their portfolios today, but it could still be an excellent [long-term buy-and-hold stock pick](#) for you to consider.

### CATEGORY

1. Dividend Stocks
2. Investing

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#### **Date**

2025/08/24

#### **Date Created**

2021/12/13

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