



3 Canadian Banks With Yields Over 3.5%

Description

The big Canadian bank stocks have long been core holdings of many dividend portfolios. In this article, I'll discuss three Canadian bank stocks that provide solid dividends with yields of over 3.5%. They have not cut their dividends for at least the last 50 years, which demonstrates their financial strength and stability. This is also thanks to our regulated financial system.

For instance, around the time of the last global financial crisis in 2007-2008 and the pandemic last year, the banks maintained their dividends. The regulator, the Office of the Superintendent of Financial Institutions (OSIF), looks after our financial system, including overseeing the federally regulated financial institutions in Canada.

This is why these three Canadian bank stocks froze their dividends during uncertain economic times. Once the OSIF loosened its restrictions in early November, after going through an observation period of the pandemic, these banks were able to raise their dividends again.

Their earnings shrank in fiscal 2020 due to a higher provision for credit losses (PCL). Essentially, the banks set aside more cash for the potential scenario of higher levels of bad loans during the onset of the pandemic.

TD Bank stock

Toronto-Dominion Bank's ([TSX:TD](#))([NYSE:TD](#)) stock price is close to all-time highs. Its fiscal 2021 adjusted net income jumped 47% to \$14,649 million year over year. Ignoring the abnormal year of fiscal 2020 with depressed earnings, its adjusted earnings per share increased by 8.7% per year from fiscal 2019 to 2021.

After raising its dividend by 12.7% recently, TD Bank stock yields about 3.7% at roughly \$95 per share. According to 14 analysts, the stock is fully valued with no margin of safety. Passive-income investors might choose to hold the bank stock. However, total-return investors might sell and reinvest elsewhere.

Whether to buy, hold, or sell also depends on your tax situation. For example, you may be more

inclined to sell to redeploy into better opportunities if the bank stock resides in their TFSA. Alternatively, you might hold the bank stock in your taxable account but since you have booked little capital gains this year, you may also be fine with booking gains.

RBC stock

Similar to TD stock, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) stock is also trading at close to its all-time high. In fiscal 2020, its PCL more than doubled. Ignoring the abnormal year of fiscal 2020 with depressed earnings, its diluted earnings per share increased by 12.4% per year from fiscal 2019 to 2021.

After increasing its dividend by 11.1% recently, [RBC stock](#) yields almost 3.7% at approximately \$131 per share. According to 13 analysts, the stock is discounted by about 10%. Therefore, Royal Bank stock is a better buy from a valuation standpoint than TD stock.

CIBC stock

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) stock also moves in tandem with the other big bank stocks. So, it's not surprising that it trades at close to its 52-week and all-time high. In fiscal 2020, its PCL almost doubled. Ignoring the abnormal year of fiscal 2020, its adjusted diluted earnings per share climbed 10.2% annually from fiscal 2019 to 2021.

After boosting its dividend by 10.3%, [CIBC stock](#) yields 4.4% at approximately \$146 per share. According to 14 analysts, the stock is discounted by about 12%. Therefore, it is the cheapest bank stock of the three big Canadian banks discussed.

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1. Bank Stocks
2. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)
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Author

kayng

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