
1 Big Bank That Just Raised Dividends by 10%

**Description**

Canada's big banks raised their provision for credit losses (PCLs) to unprecedented levels in March 2020. Along with their anticipation of loan defaults, the country's banking regulator imposed a ban on dividend increases and share buybacks to protect the financial system.



Because the economy survived the pandemic's havoc, the banks did not have to tap on their formidable cushions. At the close of Q2 fiscal 2021 (quarter ended April 30, 2021), the Big Six amassed a combined total of $40 billion in excess capital. They rejoiced with the outcome, although they had a pleasant problem of where to deploy the extra funds.

The Office of the Superintendent of Financial Institutions (OSFI) only lifted its restrictions on dividend hikes in early November 2021. Income investors hoped for a dividend bonanza from the giant lenders, given their enormous cash stockpiles. Their wishes came true in the most recent earnings season.

## Dividend hikes

All banks in the Big Six circle announced dividend hikes of 10% or more. **Bank of Montreal** (25%) and **National Bank of Canada** (23%) were the only banks with percentage increases above 20%. While **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) had the least increase (10%), its yield should still come out as the first or second highest when the hikes take effect in Q1 2022.

Canada's sixth-largest bank trades at $145 per share and pays a 4.44% dividend. Current investors are satisfied, too, with the stock's year-to-date performance (+37.67%). In fiscal 2021 (year ended October 31, 2021), the $64 billion bank reported impressive financial results.

## Strong fundamentals

CIBC's revenue and net income climbed 6.8% and 70% versus fiscal 2020. Management was busy strengthening key fundamentals throughout the year by investing in its core businesses. Its president and CEO Victor Dodig said, "Against the backdrop of the ongoing global pandemic, our bank continued to invest for the future."

Among the key moves are the platform expansion and capabilities in the U.S. and the acceleration of its Canadian consumer franchise. CIBC also made foundational investments in cloud technology and other capabilities, as it prepares to more for its clients in 2022 and beyond.

Dodig added, "We enter the new fiscal year well-positioned for growth with a strong capital position, clear momentum across our business, and the full commitment of our team." He promised that CIBC will likewise contribute to an equitable and sustainable future for its clients, communities, and the planet.

## Viable option

The Big Six banks aren't the only lenders that rained dividends on investors. **Laurentian Bank** (TSX:LB ) is outside the elite, but Canada's eighth-largest bank raised its dividends by 10% as well. The dividend hike will take effect on February 1, 2022. LB's share price is $40.24, while the dividend yield is 4.37% if you invest today

The $1.75 billion bank is viable option for income investors, given the lower share price and comparable dividend yield. According to Laurentian Bank CEO Rania Llewellyn, the strategic plan is to boost U.S. exposure in the U.S. while adopting a "digital-first" approach in its personal banking operations. She believes LB can change banking for the better.



## Excellent choices

CIBC and Laurentian Bank are excellent choices for dividend investors. Besides the identical 10% dividend hikes, both banks are well positioned to grow their businesses 10-fold in fiscal 2022.

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