



2 Big Banks With High Dividends

Description

The dividend bonanza of the banking sector in late November and early December 2021 is still fresh in the minds of investors. All of the big banks did what people expected when the Office of the Superintendent of Financial Institutions (OSFI) lifted the ban on dividend hikes and share buybacks.

If you were to invest today, **Canadian Imperial Bank of Commerce (CIBC)** and **National Bank of Canada (TSX:NA)** have [generous dividend offers](#). The former is a consistent high-yield stock in the banking sector, while the latter increased its dividend by 23%. Also, both are steady performers on the TSX amid the challenging economic environment.

Dependable income source

Income investors will agree that CIBC is a dependable source of [passive income](#). The \$71.74 billion bank is Canada's fifth-largest lender and boast a 154-year dividend track record. In Q1 fiscal 2022 (quarter ended January 31, 2022), revenue and net income growth versus Q1 fiscal 2021 were 11% and 30%, respectively.

Moreover, because of the favourable change in the overall economic outlook, the provision for credit losses (PCL) went down 49% to \$75 million compared to the same quarter in fiscal 2021. CIBC's Canadian Commercial Banking and Wealth Management division had the highest net income growth (31%) among the core contributors.

Victor G. Dodig, CIBC's president and CEO, cited the continued execution of management's strategy and ongoing investments in the bank for the strong financial results. He added, "To support our clear momentum and long-term growth, we continue to invest in our technology and talent to create a modern and exceptional experience for our clients and team."

The financial results were for the quarter before the war in Eastern Europe. Still, Dodig had assuring words for investors. He said, "We have the ability to manage the pace of investment in the face of a more challenging operating environment in order to work towards our positive operating leverage target."

CIBC's dividend yield is 4.01%, and at \$159.08 per share, the trailing one-year price return is 31.86%. Based on analysts' forecasts, the price could appreciate 10.7% on average in 12 months or possibly hit a high of \$185 (+16.3%).

Growing franchise

National Bank of Canada follows CIBC in terms of market capitalization. This big bank stock trades below \$100, although the current share price of \$98.99 could potentially climb soon. The 12-month average price target of market analysts is \$110.73 (+11.9%). If you invest today, the dividend yield is an attractive 3.52%.

Despite the [heightened volatility](#) in Q1 fiscal 2022, the \$33.48 billion bank reported a 22% growth in net income versus Q1 fiscal 2021. Notably, commercial lending and personal lending grew 21% and 9% year over year, respectively. The Financial Markets business segment reported the highest net income increase (20%).

According to NA's president and CEO Laurent Ferreira, the bank has positioned itself defensively, so it doesn't get caught out by a swing in trading revenue in the other direction. He added that no company is immune to volatility. However, Ferreira said, "But the way we built the business is we want to make sure that through volatile times, we can keep growing our franchise."

Safe choices

The banking sector in Canada is bedrock of stability. Hence, investors are making safe choices when holding CIBC or National Bank in their stock portfolios.

CATEGORY

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2. Investing

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:NA (National Bank of Canada)

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Date

2025/08/23

Date Created

2022/03/26

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