2 Big Bank Stocks That Hiked Dividends Significantly

Description

Dividends rained again in Canada's banking sector following the Q2 fiscal 2022 earnings releases of the top lenders. The Big Six banks boosted their dividends late last year, but **Toronto-Dominion Bank** did not join the parade this year. **Royal Bank of Canada** (TSX:RY)(NYSE:RY) investors were delighted with the 7% dividend hike.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) announced a 3% increase in quarterly dividends as a follow-up to the 10% in December 2021. If you invest today, the dividend offers of RBC and CIBC are 3.88% and 4.72%, respectively. The dividends are sustainable, given their less-than-45% payout ratios.

Robust capital position

RBC, the largest Canadian financial institution, is also the country's most valuable brand. Based on data (as of March 30, 2022) from London-based accountancy firm Brand Finance, the value of the bank's brand increased 13% year over year on the strength of its wealth management business in the United States.

In Q2 fiscal 2022 (quarter ended April 30, 2022), total net income grew 6% to $4.25 billion versus Q2 fiscal 2021. Because of higher average fee-based client and higher net interest income, the wealth management business saw its net income jump 10% to $750 million.

However, the profit of RBC's bread and butter (personal and commercial division) surged 17% year over year to $2.23 billion. Its president and CEO David McKay said, "The resilience of our diversified business model, prudent risk and capital management, and strategic investments in talent and technology continued to define our performance in the second quarter."

McKay added, "Our capital position remained robust, with a Common Equity Tier 1 (CET1) ratio of 13.2% while supporting strong client-driven organic growth. We remain well-positioned for future growth, and to deliver differentiated long-term value for our clients, employees and shareholders."

The $185 billion bank will soon have an exceptional platform to transform its wealth management business. RBC Wealth Management has offered to acquire Brewin Dolphin for $2.6 billion. The acquisition target is one of the leading independent providers of discretionary wealth management in the U.K. and Ireland. Management hopes to complete the transaction by the end of Q3 2022.

Well-diversified growth

CIBC's net income in Q2 fiscal 2022 fell by 8% compared to the same quarter in the previous fiscal year. Still, the profit drop didn't prevent management from announcing a dividend boost. The $63.48 billion bank bought **Costco's** Canadian credit card portfolio last year as way to cross-sell to customers. However, it was one reason its credit portfolio deteriorated during the quarter.

The Canadian Commercial Banking and Wealth Management segment reported an impressive $480 million in net income, which represents a 20% year-over-year growth. Victor G. Dodig, CIBC's president and CEO, said, "We delivered well-diversified growth across our bank in the second quarter as we continued to invest to execute our client-focused strategy and further build on our momentum."

Owning shares of this high-yield bank stock can help dividend investors cope with rising inflation. The quarterly payouts should be rock-steady regardless of the economic environment.

Buy and hold

RBC and CIBC currently trades at $131.95 and $70.34 per share, respectively. Both big bank stocks have dividend track records of more than 100 years, so it's likely that you'll hold them in your portfolio forever.

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