



Bank of Nova Scotia (BNS)

Updated December 5th, 2025 by Kay Ng

Key Metrics

Current Price:	\$71	5 Year Annual Expected Total Return:	7.9%	Market Cap:	\$88.1B
Fair Value Price:	\$65	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	01/06/26
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	01/28/26
Dividend Yield:	4.5%	5 Year Price Target	\$85	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Sector:	Financials	Rating:	Hold

Overview & Current Events

Bank of Nova Scotia (often called Scotiabank) is one of the Big Five Canadian banks. Scotiabank reports in four core business segments – Canadian Banking, International Banking, Global Wealth Management, and Global Banking & Markets. The bank stock is cross-listed on the Toronto Stock Exchange and the New York Stock Exchange using 'BNS' as the ticker. We'll be using U.S. dollars throughout this report unless otherwise stated.

Scotiabank reported a strong fiscal Q4 2025 results on 12/02/25. As President and CEO Scott Thomson stated, "This quarter all our business lines reported year-over-year earnings growth with particular strength in Global Wealth Management ("WM") and Global Banking and Markets ("GBM") and improving results in Canadian Banking". Overall, revenue rose 15% year over year ("YOY") to C\$9.8 billion, while non-interest expenses rose 10% to C\$5.8 billion.

Provision for credit losses ("PCL") rose 8.1% to C\$1.1 billion. Net income came in C\$2.2 billion, up 31% from a year ago. Ultimately, the diluted earnings per share ("EPS") jumped 35% to C\$1.65. Return on equity (ROE) was 11.0% compared to 8.3% a year ago. The bank's PCL as a percentage of average net loans & acceptances was 0.58% and the PCL on impaired loans as a percentage of average net loans & acceptances was 0.54%; these figures were similar compared to last year. Adjusted net income came in at C\$2.6 billion, up 21% from a year ago. And adjusted EPS rose 23% year over year to C\$1.93. Adjusted ROE was 12.5% versus 10.6% a year ago. The bank's capital position remained stable with the Common Equity Tier 1 ratio at 13.2% versus 13.1% a year ago.

Thomson noted, "We delivered improving results through the year as we strengthened our balance sheet, improved our loan-to-deposit ratio, and increased return on equity". For FY' 25, revenue rose 12% YOY to C\$37.7 billion, while non-interest expenses jumped 14% to \$22.6 billion. PCL rose 16% to C\$4.7 billion. Net income came in C\$7.8 billion, down 1.7% from a year ago. Diluted EPS fell 3.4% to C\$5.67. Ultimately, the bank's adjusted EPS rose 9.6% to C\$7.09.

For the year, WM revenue rose 15% to C\$6.4 billion, while net income rose 18% to C\$1.7 billion. GBM revenue climbed 22% to C\$6.2 billion, while net income rose 30% to C\$1.9 billion. Canadian Banking revenue rose 3.0% to C\$13.4 billion, while net income fell 9.3% to C\$3.4 billion. Scotiabank forecasts double-digit EPS growth in fiscal 2026. We initiate our BNS's fiscal 2026 EPS estimate at US\$5.66.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$4.50	\$5.10	\$5.35	\$5.39	\$4.14	\$6.15	\$6.26	\$4.81	\$4.60	\$5.06	\$5.66	\$7.40
DPS	\$2.17	\$2.33	\$2.55	\$2.63	\$2.67	\$2.85	\$3.13	\$3.10	\$3.14	\$3.07	\$3.15	\$4.02
Shares ¹	1,208	1,199	1,227	1,216	1,211	1,224	1,191	1,214	1,232	1,245	1,258	1,320

Scotiabank's 10-year EPS growth rate was just north of 1.8% in Canadian dollars but 1.3% annually when converted to USD, as its earnings experienced ups and downs through the economic cycle. Moreover, BNS could have more volatile earnings because of its exposure to international markets and different currencies. The bank's competitive advantage is in its international growth strategy, as it is willing to acquire growth outside of its primary markets. When the global economic environment improves, its international strategy should be an advantage for growth. Scotiabank's

¹ Share count is in millions.

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international focus is on Latin American geographies like Mexico and Chile. Sometimes, this global strategy can weigh on its results, but its dividend is sustained by its earnings. A relatively strong USD versus the currencies it earns would weaken its earnings results when translated to US\$. For now, we estimate that BNS will have an EPS growth rate of 5.5% and a DPS growth rate of 5.0% through 2031. We set our 2026 dividend estimate based on the forex rate at writing. Keep in mind that the fluctuations in the exchange rate between U.S. Dollars and Canadian Dollars will affect the effective yield for U.S. shareholders. As a Canadian stock, BNS's dividends may be subject to a 15% dividend withholding tax for U.S. investors. This tax can potentially be avoided by investing in BNS through a retirement account.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	13.0	12.5	10.0	11.4	9.6	12.4	10.2	8.9	10.3	11.4	12.5	11.5
Avg. Yld.	4.0%	3.6%	4.7%	4.6%	6.2%	4.7%	5.1%	6.0%	6.5%	5.7%	4.5%	4.7%

From fiscal 2016-2025 and 2021-2025, Scotiabank traded at an average price-to-earnings ratio of about 11.0 and 10.6, respectively. We use 11.5 as our long-term target as earnings growth is expected to be higher. Using our 2026 EPS estimate, the bank currently trades at a price-to-earnings ratio of 12.5, which makes the stock fairly valued. BNS's yield is above average compared to the market, making it potentially appealing to income-focused investors.

Safety, Quality, Competitive Advantage, & Recession Resiliency

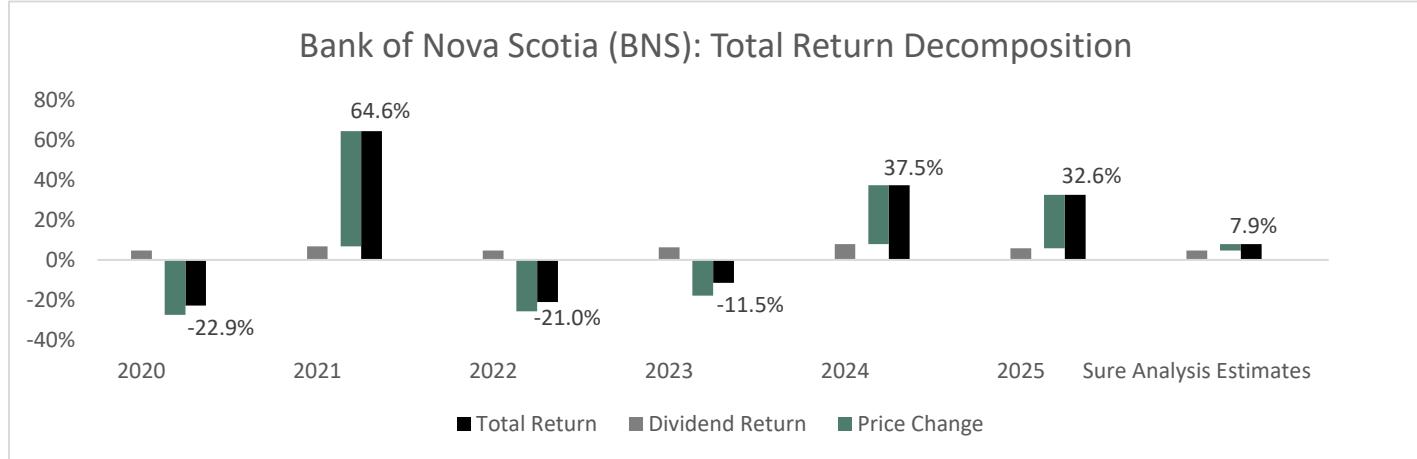
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	48%	46%	48%	49%	64%	46%	50%	64%	68%	61%	56%	54%

During the Great Recession, Bank of Nova Scotia increased its dividend and only froze its dividend in fiscal year 2010 before resuming dividend growth afterwards. Similarly, the OSFI regulatory restriction led to a dividend freeze because of the pandemic (and potential impacts to the economy). The bank came out with a dividend increase as soon as the ban was lifted. BNS normally has a payout ratio of around 50% that aligns with other big Canadian banks. Its payout ratio was higher than normal in fiscal 2020 due to a higher provision for credit losses from pandemic impacts. We expect BNS's payout ratio to be normally around the 50% range.

Final Thoughts & Recommendation

BNS could trade at a lower P/E than other big Canadian bank stocks at times because of the higher risk in its international operations. We see total annual returns of about 7.9% annually in the coming years. These returns should accrue from a yield of 4.5%, -1.6% valuation compression, and 5.5% earnings growth. We rate it as a "Hold."

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	19,052	19,560	20,452	21,931	22,861	23,129	24,571	24,193	23,555	24,700
SG&A Exp.	5,860	5,763	6,083	6,246	6,823	6,746	7,110	7,236	7,538	7,692
D&A Exp.	471	516	582	659	792	1,150	1,201	1,189	1,349	1,293
Net Profit	5,652	5,367	6,121	6,644	6,313	5,042	7,650	7,702	5,491	5,700
Net Margin	29.7%	27.4%	29.9%	30.3%	27.6%	21.8%	31.1%	31.8%	23.3%	23.5%
Free Cash Flow	13,009	3,158	12,680	13,520	-9,188	41,576	-10,547	12,716	23,181	11,140
Income Tax	1,493	1,531	1,554	1,851	1,860	1,148	2,282	2,142	1,650	1,493

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (B)	651	668	713	761	825	853	956	992	1,020	1,015
Cash & Equivalents	56,161	34,545	46,506	47,461	35,482	57,392	69,655	48,419	65,304	45,910
Accounts Receivable	2,830	2,926	3,001	3,566	3,864	3,631	3,515	3,986	5,152	5,371
Goodwill & Intangibles	8,698	9,050	9,436	13,505	13,264	12,772	13,398	12,369	12,432	12,120
Total Liabilities (B)	610	625	665	709	772	800	897	937	963	955
Accounts Payable	5,575	5,954	6,887	7,162	6,989	6,237	7,198	9,232	12,277	12,060
Long-Term Debt	181,271	165,540	169,238	180,354	192,719	161,570	195,471	225,971	224,600	214,020
Shareholder's Equity	37,289	39,251	43,225	46,528	48,331	47,153	52,248	47,872	29,787	52,910
D/E Ratio	4.59	3.95	3.62	3.63	3.76	3.16	3.42	4.20	4.04	3.61

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.8%	0.8%	0.9%	0.9%	0.8%	0.6%	0.8%	0.8%	0.5%	0.6%
Return on Equity	14.6%	14.0%	14.8%	14.8%	13.3%	10.6%	15.4%	15.4%	11.2%	9.7%
ROIC	2.5%	2.5%	2.9%	3.0%	2.6%	2.2%	3.3%	2.9%	1.9%	2.1%
Shares Out.	1232	1226	1223	1229	1251	1243	1225	1208	1204	1232
Revenue/Share	15.46	15.95	16.72	17.84	18.27	18.61	20.06	20.03	19.56	20.05
FCF/Share	10.56	2.58	10.37	11.00	-7.34	33.45	-8.61	10.53	19.25	9.04

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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