



Bank of Nova Scotia (BNS)

Updated February 26th, 2026 by Kay Ng

Key Metrics

Current Price:	\$77	5 Year Annual Expected Total Return:	8.0%	Market Cap:	\$95.7B
Fair Value Price:	\$69	5 Year Growth Estimate:	6.5%	Ex-Dividend Date:	04/07/26
% Fair Value:	112%	5 Year Valuation Multiple Estimate:	-2.2%	Dividend Payment Date:	04/28/26
Dividend Yield:	4.2%	5 Year Price Target	\$94	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 its fiscal Q1 2025 results on 02/24/26. Overall, it was a strong start for the fiscal year based on adjusted results. Revenue rose 1.8% year over year (“YOY”) to C\$9.6 billion, while non-interest expenses fell 18% to C\$5.3 billion. Provision for credit losses (“PCL”) rose 1.2% to C\$1.2 billion. Net income came in C\$2.3 billion, up from C\$993 million a year ago. 81% of the bank’s Q1 earnings were from North America: 47% from Canada, 14% from the U.S., 11% from the Caribbean, and 10% from Mexico.

Canadian Banking earnings rose 5% YOY to C\$960 million, primarily driven by revenue growth and expense management, offset by higher PCL. International Banking earnings climbed 7% YOY to C\$737 million, thanks to margin expansion and positive operating leverage. Global Wealth Management adjusted earnings climbed 18% YOY to C\$491 million, driven by revenue growth from higher mutual fund fees, brokerage revenues, and net interest income across its Canadian and International wealth businesses.

Ultimately, the diluted earnings per share (“EPS”) was C\$1.73, up from C\$0.66 a year ago. Return on equity (ROE) was 11.1% compared to 5.5% a year ago. The bank’s PCL as a percentage of average net loans & acceptances was 0.61% and the PCL on impaired loans as a percentage of average net loans & acceptances was 0.58%; these figures were similar compared to last year. Adjusted net income came in at C\$2.7 billion, up 14% from a year ago. And adjusted EPS rose 16% year over year to C\$2.05. Adjusted ROE was 13.0% versus 11.8% a year ago. The bank’s capital position remained stable with the Common Equity Tier 1 ratio at 13.3% versus 12.9% a year ago.

Scotiabank forecasts double-digit EPS growth in fiscal 2026. We update our BNS’s fiscal 2026 EPS estimate to US\$5.71.

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	\$5.71	\$7.82
DPS	\$2.17	\$2.33	\$2.55	\$2.63	\$2.67	\$2.85	\$3.13	\$3.10	\$3.14	\$3.07	\$3.22	\$4.11
Shares¹	1,208	1,199	1,227	1,216	1,211	1,224	1,191	1,214	1,232	1,245	1,238	1,299

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. As BNS has reduced its underperforming international operations, particularly in Latin American retail operations, and re-focused on North America (Canada, the U.S., and Mexico), it could lead to more stable earnings growth. Simultaneously, though, it would be facing competition in these geographies. Nonetheless, when the North American economy grows, it should also benefit. The market seems to have re-rated the stock with it experiencing valuation expansion with expected higher earnings growth. For now, we

¹ Share count is in millions.

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more cautiously estimate that BNS will have an EPS growth rate of 6.5% 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	13.4	12.0
Avg. Yld.	4.0%	3.6%	4.7%	4.6%	6.2%	4.7%	5.1%	6.0%	6.5%	5.7%	4.2%	4.4%

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 12.0 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 13.4, which makes the stock slightly pricey. BNS's yield is above average compared to the market, making it potentially appealing to income-focused investors.

Safety, Quality, Competitive Advantage, & Recession Resiliency

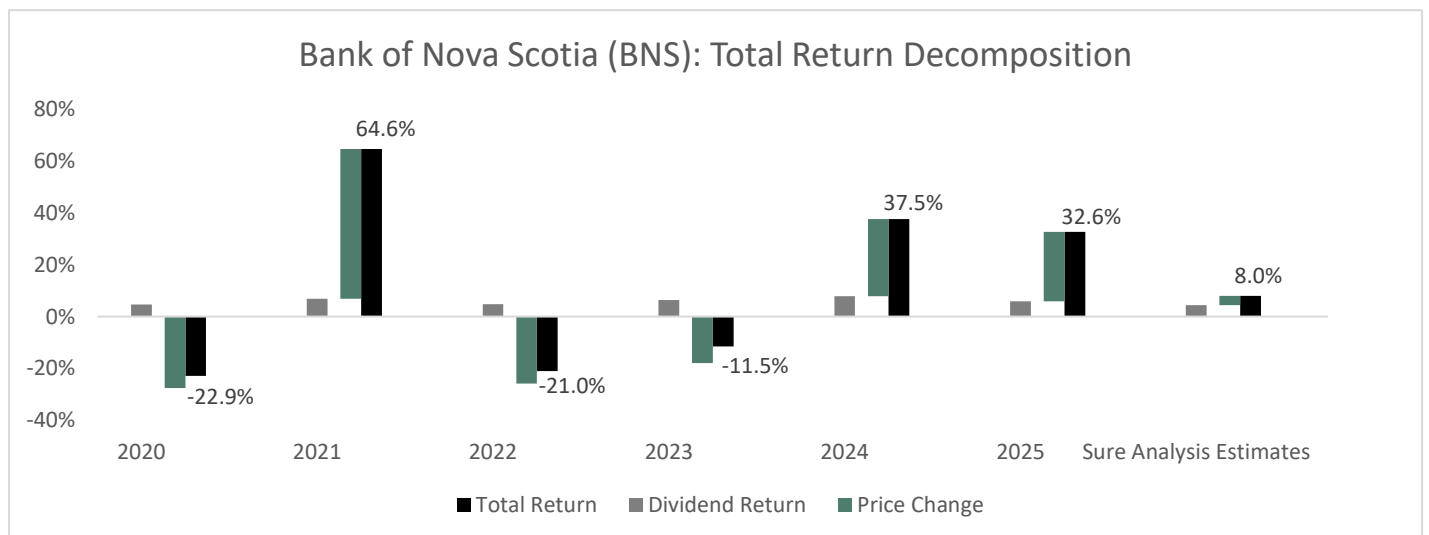
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	48%	46%	48%	49%	64%	46%	50%	64%	68%	61%	56%	53%

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 higher P/E over the next 3-5 years if it demonstrates ability to grow earnings per share at a higher rate. We see total annual returns of about 8.0% annually in the coming years. These returns should accrue from a yield of 4.2%, -2.2% valuation compression, and 6.5% earnings growth. We rate it as a "Hold."

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	19,560	20,452	21,931	22,861	23,129	24,571	24,193	23,555	24,700	26,521
SG&A Exp.	5,763	6,083	6,246	6,823	6,746	7,110	7,236	7,538	7,692	8,218
D&A Exp.	516	582	659	792	1,150	1,201	1,189	1,349	1,293	1,147
Net Profit	5,367	6,121	6,644	6,313	5,042	7,650	7,702	5,491	5,700	5,568
Net Margin	27.4%	29.9%	30.3%	27.6%	21.8%	31.1%	31.8%	23.3%	23.5%	21.0%
Free Cash Flow	3,158	12,680	13,520	-9,188	41,576	-10,547	12,716	23,181	11,140	3,617
Income Tax	1,531	1,554	1,851	1,860	1,148	2,282	2,142	1,650	1,493	1,967

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets (B)	668	713	761	825	853	956	992	1,020	1,015	1,040
Cash & Equivalents	34,545	46,506	47,461	35,482	57,392	69,655	48,419	65,304	45,910	47,160
Accounts Receivable	2,926	3,001	3,566	3,864	3,631	3,515	3,986	5,152	5,371	5,180
Goodwill & Intangibles	9,050	9,436	13,505	13,264	12,772	13,398	12,369	12,432	12,120	11,559
Total Liabilities (B)	625	665	709	772	800	897	937	963	955	980
Accounts Payable	5,954	6,887	7,162	6,989	6,237	7,198	9,232	12,277	12,060	13,434
Long-Term Debt	165,540	169,238	180,354	192,719	161,570	195,471	225,971	224,600	214,020	225,107
Shareholder's Equity	39,251	43,225	46,528	48,331	47,153	52,248	47,872	29,787	52,910	63,161
D/E Ratio	3.95	3.62	3.63	3.76	3.16	3.42	4.20	4.04	3.61	3.56

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.8%	0.9%	0.9%	0.8%	0.6%	0.8%	0.8%	0.5%	0.6%	0.5%
Return on Equity	14.0%	14.8%	14.8%	13.3%	10.6%	15.4%	15.4%	11.2%	9.7%	9.1%
ROIC	2.5%	2.9%	3.0%	2.6%	2.2%	3.3%	2.9%	1.9%	2.1%	
Shares Out.	1226	1223	1229	1251	1243	1225	1208	1204	1232	1244
Revenue/Share	15.95	16.72	17.84	18.27	18.61	20.06	20.03	19.56	20.05	21.32
FCF/Share	2.58	10.37	11.00	-7.34	33.45	-8.61	10.53	19.25	9.04	2.91

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

Disclaimer

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