



# Royal Bank of Canada (RY)

Updated March 6<sup>th</sup>, 2026 by Kay Ng

## Key Metrics

<b>Current Price:</b>	\$164	<b>5 Year Annual Expected Total Return:</b>	10.0%	<b>Market Cap:</b>	\$229B
<b>Fair Value Price:</b>	\$157	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	04/23/26
<b>% Fair Value:</b>	104%	<b>5 Year Valuation Multiple Estimate:</b>	-0.8%	<b>Dividend Payment Date:</b>	05/22/26
<b>Dividend Yield:</b>	2.9%	<b>5 Year Price Target</b>	\$231	<b>Years Of Dividend Growth:</b>	15
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Financials	<b>Rating:</b>	Hold

## Overview & Current Events

The Royal Bank of Canada – hereafter RBC – is the largest bank in Canada by market capitalization, and the country’s largest bank by total assets. RBC offers banking and financial services to customers primarily in Canada and the U.S. and is a member of the Big 5 Canadian banks. The financial institution operates in these core business units: Wealth Management (34% of FY 2025 revenue), Personal Banking (30%), Capital Markets (22%), and Commercial Banking (13%). RBC is cross-listed on the Toronto Stock Exchange and the New York Stock Exchange, trading under the ticker RY on both exchanges. All figures in this research report are in U.S. Dollars unless otherwise noted.

On 02/26/26, RBC reported fiscal Q1 2026 results. The bank reported year-over-year revenue growth of 7.3% to C\$18.0 billion. Management put aside a reserve of C\$1.1 billion in the form of provision for credit losses (“PCL”), up 3.8% year over year (“YOY”). Additionally, non-interest expense rose 2.2% to \$9.5 billion. Net income climbed 13% YOY to C\$5.8 billion with diluted earnings-per-share (“EPS”) climbing 14% to C\$4.03. Adjusted net income came in 12% higher at C\$5.9 billion, and its adjusted diluted EPS was C\$4.08 (up 13%). The bank’s capital position remained solid with a Common Equity Tier 1 ratio at 13.7%, up from 13.2% a year ago. The PCL on impaired loans rose to 0.40% (versus 0.39% a year ago). Its return on equity remained solid at 17.6% (versus 16.8% a year ago). We update our fiscal 2026 EPS estimate to US\$11.31.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$5.06	\$5.88	\$6.26	\$6.72	\$6.04	\$8.68	\$8.16	\$8.39	\$8.60	\$10.29	<b>\$11.31</b>	<b>\$16.62</b>
<b>DPS</b>	\$2.44	\$2.66	\$2.93	\$3.06	\$3.19	\$3.43	\$3.84	\$3.97	\$4.08	\$4.33	<b>\$4.80</b>	<b>\$7.73</b>
<b>Shares<sup>1</sup></b>	1,494	1,453	1,439	1,430	1,420	1,427	1,389	1,400	1,417	1,400	<b>1,400</b>	<b>1,373</b>

RBC makes strategic acquisitions to grow its business for the long haul. For example, in September 2022, it announced the completion of its acquisition of Brewin Dolphin, an award-winning wealth-management firm in the U.K., for £1.6 billion. Subsequently, it acquired HSBC Canada for C\$13.5 billion in March 2024. From FY2016-2025, RBC increased its adjusted EPS by 8.7% per year in C\$. When translated into US\$, it was 8.2% per year. Management targets a medium-term growth rate of over 7%. We set our estimated EPS and dividend growth rate to 8% and 10%, respectively, through 2031.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
<b>Avg. P/E</b>	11.8	12.8	13.1	11.9	11.5	12.6	12.1	11.5	19.9	13.5	<b>14.5</b>	<b>13.9</b>
<b>Avg. Yld.</b>	3.6%	3.3%	4.3%	3.9%	4.6%	3.1%	3.7%	4.5%	4.0%	3.3%	<b>2.9%</b>	<b>3.3%</b>

Because of the bank’s size, business mix, above-average stability, and entrenched presence in the U.S. market, RBC tends to trade at a premium to its peers in the Canadian banking industry. From 2016-2025, RBC’s average price-to-

<sup>1</sup> Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Royal Bank of Canada (RY)

Updated March 6<sup>th</sup>, 2026 by Kay Ng

earnings ratio (“P/E”) was 13.1 and averaged a yield of 3.8%. Currently, it trades at a higher P/E due to its strong results recently.

Its average P/E from 2021-2025 was 13.9. We think it’s fair to target a P/E of 13.9. Using our estimate for fiscal 2025 EPS, the bank is currently priced at a price-to-earnings multiple of 14.5, implying that the stock is fairly valued. As a Canadian stock, RBC’s dividends may be subject to a 15% dividend withholding tax for U.S. investors. This tax can potentially be avoided by investing in RBC shares through a retirement account.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	48%	45%	47%	46%	53%	40%	47%	47%	47%	42%	<b>42%</b>	<b>47%</b>

Last 12 months ending fiscal Q1/26, RBC generated 63% of its revenue in Canada and 26% in the U.S., while earning 72% of its net income in Canada and 18% in the U.S. In Canadian Banking, it has top market share in all key categories: e.g., 25.9% of market share in Personal Lending, 27.8% in Credit Cards, 33.7% in Long-term Mutual Funds, 27.9% in Business Loans (\$0-25M), etc.

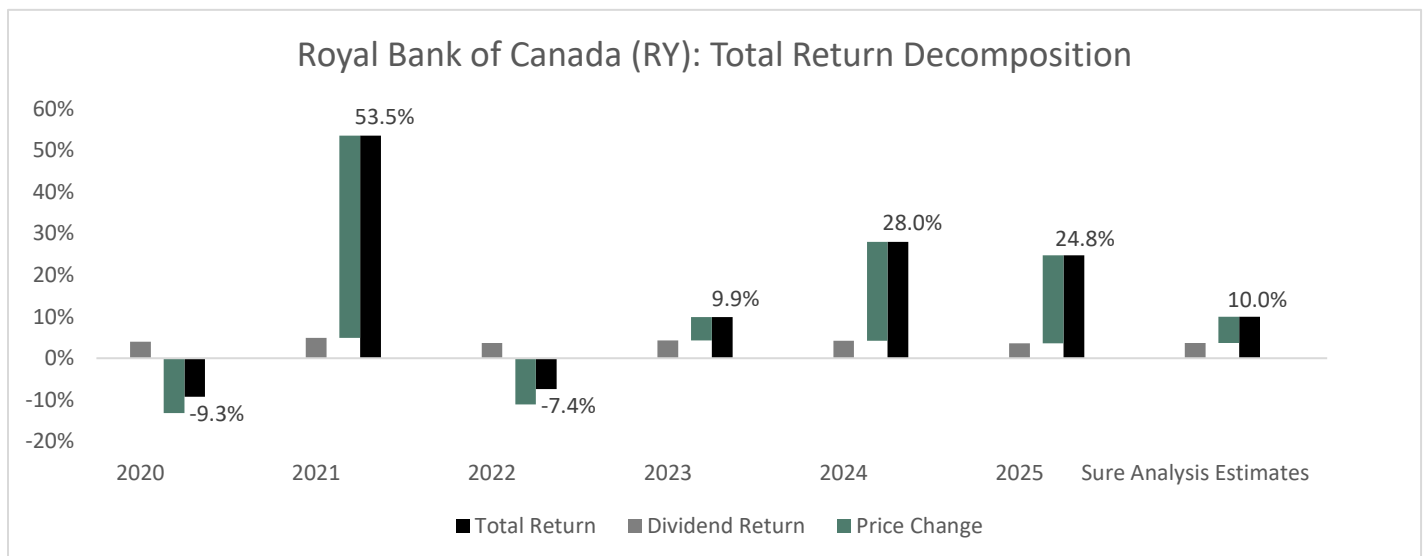
During the Great Recession in 2007-09, the stock increased its dividend every year (in the local currency of Canadian dollars), except for fiscal 2009 and 2010 in which it maintained the dividend. During that period, its adjusted EPS remained fairly stable and had a magnificent run from fiscal 2011 to 2019. The quality bank once again showed resilient earnings in fiscal 2020 in the midst of a pandemic. The regulator, Office of the Superintendent of Financial Institutions, once again stepped in to prevent the federally-rated Canadian banks to raise dividends during the pandemic.

Investors were happy that the restriction was lifted in November 2021. RBC normally has a payout ratio of under 50%. The payout ratio was elevated a bit in fiscal 2020 but quickly came back down to below 50%. Competitive advantages are difficult to come by in banking, but RBC’s franchise value, based on its history and scale, is a close substitute. We see RBC’s brand as a valuable asset which should help it weather this and future economic downturns.

## Final Thoughts & Recommendation

We forecast 10.0% in total returns annually over the next five years, consisting of a yield of 2.9%, 8.0% earnings-per-share growth, and a 0.8% headwind from valuation compression. So, we continue to rate RY as a Hold.

## Total Return Breakdown by Year





# Royal Bank of Canada (RY)

Updated March 6<sup>th</sup>, 2026 by Kay Ng

## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	28,710	30,680	33,040	34,440	35,040	39,370	37,880	41,690	42,240	47,564
<b>SG&amp;A Exp.</b>	11,920	12,530	12,790	14,060	14,080	16,240	14,220	17,040	15,490	16,504
<b>D&amp;A Exp.</b>	1,166	1,236	1,284	1,455	1,970	2,060	2,060	2,127	2,190	2,201
<b>Net Profit</b>	7,847	8,738	9,638	9,676	8,504	12,750	12,270	11,010	11,930	14,540
<b>Net Margin</b>	27.3%	28.5%	29.2%	28.1%	24.3%	32.4%	32.4%	26.4%	28.2%	30.6%
<b>Free Cash Flow</b>	19,310	27,800	12,040	9,030	101,310	46,780	15,100	17,300	15,330	37,873
<b>Income Tax</b>	2143	2449	2587	2290	2196	3641	3341	2668	2661	3776

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	879.8	945.4	1017.3	1085.2	1219.4	1376.9	1408.8	1450	1561	1660
<b>Cash &amp; Equivalents</b>	31.9	47.6	50.8	49.1	118.5	156.1	132.6	96.2	88.25	62.5
<b>Accounts Receivable</b>	3,993	4,431	5,098	5,647	5,226	5,851	6,579	8,784	8,838	9,557
<b>Goodwill &amp; Int.</b>	11,780	12,070	12,060	12,080	12,050	12,370	13,490	13,380	14,019	13,873
<b>Total Liabilities</b>	826.4	887.4	956.4	1021.7	1154.3	1297.2	1329.3	1365	1470	1560
<b>Accounts Payable</b>	4,280	4,680	6,620	6,330	7,100	8,480	12,700	14,900	16,520	17,628
<b>Long-Term Debt</b>	166623	177996	192070	206266	196599	242051	308660	314200	337570	347531
<b>Shareholder's Equity</b>	47932	52549	56061	59099	60587	74191	74023	79780	84890	90847
<b>D/E Ratio</b>	3.15	3.09	3.16	3.25	3.02	3.04	3.89	3.69	3.69	3.83

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	0.9%	1.0%	1.0%	0.9%	0.7%	1.0%	0.9%	0.8%	0.8%	0.9%
<b>Return on Equity</b>	17.2%	17.4%	17.7%	16.8%	14.2%	18.9%	16.6%	14.3%	13.7%	15.2%
<b>ROIC</b>	3.5%	3.8%	3.9%	3.7%	3.2%	4.4%	3.5%	2.8%	2.9%	
<b>Shares Out.</b>	1494	1474	1450	1441	1429	1427	1406	1393	1414	1411
<b>Revenue/Share</b>	19.21	20.81	22.78	23.9	24.52	27.6	26.94	29.94	29.88	33.71
<b>FCF/Share</b>	12.92	18.86	8.3	6.27	70.9	32.79	10.74	12.43	10.84	26.84

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

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.