National Bank of Canada (NTIOF)

Updated June 1st, 2026 by Kay Ng

Key Metrics

Current Price:	$143	**5 Year Annual Expected Total Return:**	5.1%	**Market Cap:**	$55B
Fair Value Price:	$108	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	06/29/26
% Fair Value:	132%	**5 Year Valuation Multiple Estimate:**	-5.5%	**Dividend Payment Date:**	08/01/26
Dividend Yield:	2.7%	**5 Year Price Target**	$159	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

National Bank of Canada (or simply National Bank) is the sixth-largest bank in Canada behind the Big Five banks with Royal Bank of Canada (RY) and Toronto-Dominion Bank (TD) sitting at the top of the rankings. National Bank's historical roots go as far back as 1859. Since 1993, it has maintained or increased its dividend per share every year in CAD$. Its fiscal 2024 adjusted revenue diversification is as follows: 39% Personal & Commercial Banking, 26% Financial Markets, 23% Wealth Management, and 12% U.S. Specialty Finance & International. All figures in this report are in U.S. dollars unless otherwise specified.

The bank reported solid results for fiscal Q2 2026 on 05/27/2026. Revenue rose 7.0% to C$3.9 billion and net income rose 38% to C$1.2 billion, with provisions for credit losses ("PCL") falling 57% to C$233 million. Ultimately, for the quarter, earnings per share ("EPS") climbed 41% to C$3.06. Adjusted EPS rose 13% to C$3.23. For the quarter, National Bank's adjusted return on equity ("ROE") was 16.8%, up from 15.6% a year ago. The PCL is something to watch for. The bank's PCL as a percentage of average loans and acceptances was 0.31%, down from 0.79% the period a year ago, while the PCL on impaired loans was 0.26% versus 0.32% a year ago. The bank raised its quarterly dividend by 6.5% to C$1.32 per share, equating an annualized payout of C$5.28 per share.

For the first half of the fiscal year, revenue rose 14% to C$7.8 billion and net income rose 31% to C$2.5 billion, with PCL falling 40% to C$477 million. In this period, EPS climbed 25% to C$6.14. Adjusted EPS rose 12% to C$6.48. The bank's PCL as a percentage of average loans and acceptances was 0.32%, down from 0.61% the period a year ago, while the PCL on impaired loans was 0.27% versus 0.32% a year ago. We update our fiscal 2026 EPS estimate to US$9.00.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$3.26	$4.23	$4.51	$4.81	$4.68	$7.04	$7.09	$7.10	$7.39	$8.04	***$9.00***	***$13.22***
DPS	$1.63	$1.77	$1.84	$2.00	$2.11	$2.26	$2.78	$2.95	$3.20	$3.30	***$3.82***	***$5.74***
Shares[1]	338	340	335	334	336	342	337	338	341	390	***385***	***396***

From fiscal 2016 to 2025, National Bank compounded its EPS by 11.2% in CAD$. And in US$, National Bank compounded its EPS by 10.6%. These are above average when compared to its bigger peers. Stellar earnings growth would also lead to above-average dividend growth. In the period, its dividend growth rate was 8.8% in CAD$ but 8.1% when translated into US$. Its medium-term objective is to grow adjusted EPS by 5-10% annually, and it targets a payout ratio of 40-50%.

With revenues primarily coming from Canada, the bank's growth rate is tied closely to the economic health of the country. We estimate a 8.0% EPS growth rate and 8.5% dividend growth rate through 2031.

On February 3rd, 2025, National Bank completed the acquisition of Canadian Western Bank for C$6.8 billion, including C$5.3 billion for 100% of CWB common shares by way of a share exchange and C$1.4 billion to settle pre-existing relations. The transaction expanded National Bank's commercial footprint in the provinces of British Columbia, Alberta, and Ontario. CWB has had a history of low write-offs, for example, a 5-year average write-off of 0.14% of average loans.

[1] Share count is in millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	12.7	11.6	10.2	11.3	10.1	11.7	10.4	10.1	11.4	12.9	***15.9***	***12.0***
Avg. Yld.	3.9%	3.6%	4.0%	3.7%	4.5%	3.3%	3.7%	4.1%	3.9%	3.0%	***2.7%***	***3.6%***

National Bank traded at an average price-to-earnings ratio of 11.2 from 2016-2025. The Canadian banking sector has seen strength this year, leading to National Bank's current P/E that's relatively high to its norms. We think a P/E of ~12 is a fair target over the next five years. Using our 2026 EPS estimate, the bank appears to be pricey. Its yield is typically close to 4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	50%	42%	41%	42%	45%	32%	39%	42%	43%	41%	***42%***	***43%***

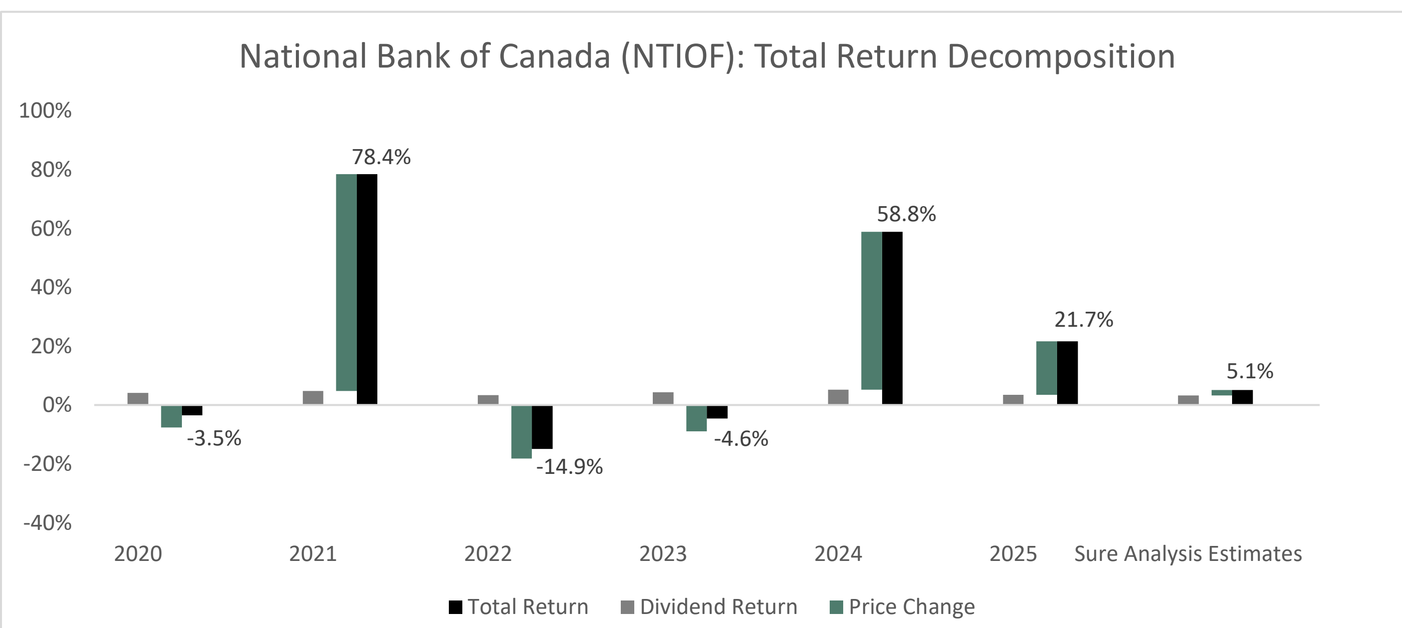
National Bank has a dominant position in Quebec. It also benefits from the effective regulation of the Canadian banking system. The World Economic Forum has ranked Canada's banks as among the soundest in the world for the past decade or so, which highlights the fact that Canadian banks — National Bank included — are well capitalized and well managed.

Like all financial institutions, the bank's balance sheet primarily consists of debt, largely in the form of deposits. Compared to the Big Five Canadian banks, National Bank's payout ratio tends to be a tad more conservative. It should keep paying healthy dividends. We believe a dividend growth rate of about 8.5% through 2031 is possible. The bank has navigated through challenging environments such as COVID-19 and the Great Recession before, and it has the ability to navigate future recessions as well.

Final Thoughts & Recommendation

We forecast National Bank producing 5.1% annualized total returns over the next five years, consisting of a yield of 2.7%, 8.0% earnings-per-share growth, and a 5.5% headwind from valuation compression. We rate the stock as a hold currently.

Total Return Breakdown by Year



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.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	4540	5022	5546	5493	5873	7077	7475	7530	8381	10020
SG&A Exp.	1630	1803	1917	1898	1982	2406	2551	2558	2737	3252
D&A Exp.	314	268	235	247	333	362	374	388	378	468
Net Profit	891	1483	1667	1697	1518	2496	2628	2473	2805	2872
Net Margin	19.6%	29.5%	30.1%	30.9%	25.8%	35.3%	35.2%	32.8%	33.5%	28.7%
Free Cash Flow	3899	958	4178	5851	14481	4408	-2013	3446	2902	2955
Income Tax	170	370	423	348	337	701	694	472	706	799

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	173086	191617	200055	213759	248923	286956	296664	306290	332320	412439
Cash & Equivalents	6100	6861	9723	10403	21874	27337	23418	25480	22680	19957
Accounts Receivable	982	775	1375	906	865	1359	1395	1550	2188	2153
Goodwill & Intangibles	1902	2064	2078	2140	2138	2242	2115	2008	1981	2217
Total Liabilities	164066	181049	189114	202264	236626	271881	280685	289160	313950	388297
Accounts Payable	2148	2593	2742	2652	2452	3031	3215	3723	4728	5660
Long-Term Debt	1833	845	1357	1517	871	34747	33378	38320	53430	77558
Shareholder's Equity	7187	8340	8785	9363	10081	13741	14765	15930	17180	24077
D/E Ratio	0.22	0.09	0.13	0.14	0.07	2.31	2.09	2.24	2.91	3.22

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.5%	0.8%	0.9%	0.8%	0.7%	0.9%	0.9%	0.8%	0.9%	0.8%
Return on Equity	12.3%	19.1%	19.5%	18.7%	15.6%	21.0%	18.4%	16.1%	15.8%	13.4%
ROIC	8.2%	13.3%	14.1%	13.4%	11.6%	7.9%	5.3%	4.8%	4.4%	
Shares Out.	340	345	343	338	338	341	341	341	343	383
Revenue/Share	13.36	14.57	16.16	16.27	17.40	20.76	21.93	22.10	24.45	26.16
FCF/Share	11.47	2.78	12.17	17.33	42.90	12.93	-5.91	9.82	8.46	7.72

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