



Royal Bank of Canada (RY)

Updated June 3rd, 2026 by Kay Ng

Key Metrics

Current Price:	\$191	5 Year Annual Expected Total Return:	7.0%	Market Cap:	\$265.5B
Fair Value Price:	\$159	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	07/27/26
% Fair Value:	120%	5 Year Valuation Multiple Estimate:	-3.6%	Dividend Payment Date:	08/24/26
Dividend Yield:	2.7%	5 Year Price Target	\$233	Years Of Dividend Growth:	15
Dividend Risk Score:	B	Sector:	Financials	Rating:	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 05/28/26, RBC reported fiscal Q2 2026 results. The bank reported year-over-year revenue growth of 11% to C\$17.5 billion. Management put aside a reserve of C\$912 million in the form of provision for credit losses (“PCL”), down 36% year over year (“YOY”). Non-interest expense rose 8.1% to \$9.4 billion. Net income climbed 25% YOY to C\$5.5 billion with diluted earnings-per-share (“EPS”) climbing 27% to C\$3.85. Adjusted net income came in 23% higher at C\$5.6 billion, and its adjusted diluted EPS was C\$3.90 (up 25%). The bank raised its quarterly dividend by 7.3% to C\$1.76 per share, equating an annualized payout of C\$7.04 per share.

Fiscal year to date, revenue rose 9.3% to C\$35.4 billion. PCL was down 19% YOY to C\$2.0 billion, while non-interest expense rose 5.1% to \$18.9 billion. Net income climbed 19% YOY to C\$11.3 billion with particularly strong growth of 30% to C\$2.5 billion for the Wealth Management operations and solid growth of 17% to C\$3.8 billion for its Personal Banking segment. Diluted EPS climbed 20% to C\$7.87. Adjusted net income came in 17% higher at C\$11.4 billion, and its adjusted diluted EPS was C\$7.98 (up 18%). The bank’s capital position remained solid with a Common Equity Tier 1 ratio at 13.5%, up from 13.2% a year ago. The PCL on impaired loans was 0.37% -- flat YOY. Its return on equity was strong at 17.4% (versus 15.5% a year ago). We update our fiscal 2026 EPS estimate to US\$11.42.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$5.06	\$5.88	\$6.26	\$6.72	\$6.04	\$8.68	\$8.16	\$8.39	\$8.60	\$10.29	\$11.42	\$16.78
DPS	\$2.44	\$2.66	\$2.93	\$3.06	\$3.19	\$3.43	\$3.84	\$3.97	\$4.08	\$4.33	\$5.10	\$8.21
Shares¹	1,494	1,453	1,439	1,430	1,420	1,427	1,389	1,400	1,417	1,400	1,389	1,362

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.

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	11.8	12.8	13.1	11.9	11.5	12.6	12.1	11.5	19.9	13.5	16.7	13.9
Avg. Yld.	3.6%	3.3%	4.3%	3.9%	4.6%	3.1%	3.7%	4.5%	4.0%	3.3%	2.7%	3.5%

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-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 16.7, which suggests a premium valuation. 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%	45%	49%

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.

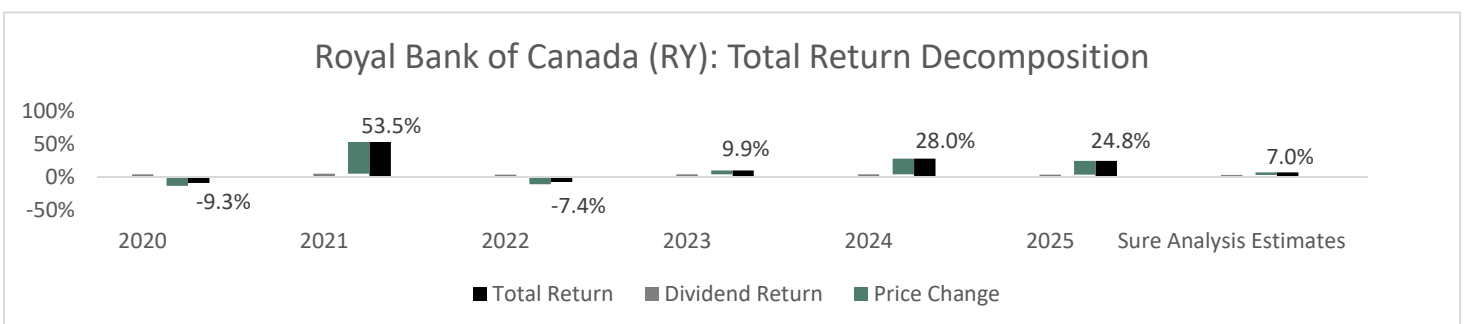
During the Great Recession in 2007-09, the stock increased its dividend every year (in the local currency of Canadian dollars), except for fiscal 2009 and 2010 in which it maintained the dividend. During that period, its adjusted EPS remained fairly stable and had a magnificent run from fiscal 2011 to 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 7.0% in total returns annually over the next five years, consisting of a yield of 2.7%, 8.0% earnings-per-share growth, and a 3.6% headwind from valuation compression. So, we continue to rate RY 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	28,710	30,680	33,040	34,440	35,040	39,370	37,880	41,690	42,240	47,564
SG&A Exp.	11,920	12,530	12,790	14,060	14,080	16,240	14,220	17,040	15,490	16,504
D&A Exp.	1,166	1,236	1,284	1,455	1,970	2,060	2,060	2,127	2,190	2,201
Net Profit	7,847	8,738	9,638	9,676	8,504	12,750	12,270	11,010	11,930	14,540
Net Margin	27.3%	28.5%	29.2%	28.1%	24.3%	32.4%	32.4%	26.4%	28.2%	30.6%
Free Cash Flow	19,310	27,800	12,040	9,030	101,310	46,780	15,100	17,300	15,330	37,873
Income Tax	2143	2449	2587	2290	2196	3641	3341	2668	2661	3776

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	879.8	945.4	1017.3	1085.2	1219.4	1376.9	1408.8	1450	1561	1660
Cash & Equivalents	31.9	47.6	50.8	49.1	118.5	156.1	132.6	96.2	88.25	62.5
Accounts Receivable	3,993	4,431	5,098	5,647	5,226	5,851	6,579	8,784	8,838	9,557
Goodwill & Int.	11,780	12,070	12,060	12,080	12,050	12,370	13,490	13,380	19,470	13,873
Total Liabilities	826.4	887.4	956.4	1021.7	1154.3	1297.2	1329.3	1365	1470	1560
Accounts Payable	4,280	4,680	6,620	6,330	7,100	8,480	12,700	14,900	16,520	17,628
Long-Term Debt	166623	177996	192070	206266	196599	242051	308660	314200	337570	347531
Shareholder's Equity	47932	52549	56061	59099	60587	74191	74023	79780	84890	90847
D/E Ratio	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
Return on Assets	0.9%	1.0%	1.0%	0.9%	0.7%	1.0%	0.9%	0.8%	0.8%	0.9%
Return on Equity	17.2%	17.4%	17.7%	16.8%	14.2%	18.9%	16.6%	14.3%	13.7%	15.2%
ROIC	3.5%	3.8%	3.9%	3.7%	3.2%	4.4%	3.5%	2.8%	2.9%	
Shares Out.	1494	1474	1450	1441	1429	1427	1406	1393	1414	1411
Revenue/Share	19.21	20.81	22.78	23.9	24.52	27.6	26.94	29.94	29.88	33.71
FCF/Share	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.

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