Canara Bank – Q2FY26

Result Update (03.11.2025)

AJCONGLOBAL

YOUR FRIENDLY FINANCIAL ADVISORS

"Impressive Q2FY26 Performance supported by strong Profit Growth, Improved Asset Quality and Continued Resilience''

Ajcon Global's observations & views

1. The Bank's asset quality has improved with GNPA & NNPA being brought down to 2.35% & 0.54% respectively by keeping fresh slippages under control.
2. The Bank's business growth remains healthy with total advances and deposits growing over 13% YoY, reflecting strong credit demand and balance sheet expansion.
3. The Bank's NIMs continues to be under pressure as CASA remains a big challenge to the bank.

Q2FY26 RESULT ANALYSIS

1) **Total Deposits** increased by 4.11% QoQ and 13.40% YoY at Rs. 1527922 Crores in Q2FY26 against Rs. 1467655 Crores in Q1FY26 and Rs. 1347347 Crores in Q2FY25.
2) **Gross Advances** grew 4.99% QoQ and 13.74% YoY to Rs. 11,51,041 crore, against Rs. 10,96,329 crore in Q1FY26 and Rs. 10,11,997 crore in Q2FY25.
3) **Total Business** rose 4.48% QoQ and 13.55% YoY to Rs. 26,78,963 crore, compared to Rs. 25,63,984 crore in Q1FY26 and Rs. 23,59,344 crore in Q2FY25.
4) **Net Interest Income (NII)** increased 1.47% QoQ to Rs. 9,141 crore from Rs. 9,009 crore in Q1FY26, though it declined 1.87% YoY from Rs. 9,315 crore in Q2FY25.
5) **Operating Profit** rose 0.40% QoQ and 12.20% YoY to Rs. 8,588 crore, against Rs. 8,554 crore in Q1FY26 and Rs. 7,654 crore in Q2FY25.
6) **Net Profit** increased 0.46% QoQ and 18.93% YoY to Rs. 4,774 crore, compared with Rs. 4,752 crore in Q1FY26 and Rs. 4,014 crore in Q2FY25.
7) **Net Interest Margin (NIM)** stood at 2.50%, down from 2.55% in Q1FY26 and 2.86% in Q2FY25.
8) **Cost of Deposits** declined to 5.65% (from 5.74% in Q1FY26), while **Cost of Funds** moderated to 5.21% (from 5.27%). **Yield on Advances** reduced to 7.34% versus 7.43% in Q1FY26.
9) **Non-Interest Income** decreased by 0.08% QoQ but up 41.62% YoY at Rs. 7054 Crores against Rs. 7060 Crores in Q1FY26 and Rs. 4981 Crores in Q2FY25.
10) **Treasury Income** fell 20.57% QoQ to Rs. 1,583 crore but grew 78.87% YoY from Rs. 885 crore.
11) **Fee-Based Income** rose 16.33% QoQ and 6.16% YoY to Rs. 2,586 crore, compared with Rs. 2,223 crore in Q1FY26 and Rs. 2,436 crore in Q2FY25.
12) **Cost-to-Income Ratio** increased marginally to 46.97%, compared to 46.77% in Q1FY26 and 46.46% in Q2FY25.
13) **Domestic CASA Ratio** improved to 30.69% from 29.56% in Q1FY26.
14) **Credit-to-Deposit (C/D) Ratio** increased to 75.33%, up from 74.70% in Q1FY26 and 75.11% in Q2FY25.
15) **Return on Assets (ROA)** declined slightly to 1.10% versus 1.14% in Q1FY26.
16) **Fresh Slippages** reduced to Rs. 2,031 crore from Rs. 2,129 crore in Q1FY26 and Rs. 2,309 crore in Q2FY25. **Total Recoveries, including written-off accounts,** increased to Rs. 2,555 crore from Rs. 1,919 crore in Q1FY26.
17) **Gross NPA** improved to 2.35%, down from 2.69% in Q1FY26 and 3.73% in Q2FY25. Net NPA declined to 0.54% versus 0.63% in Q1FY26 and 0.99% in Q2FY25.
18) **Write-offs** increased to Rs. 3,463 crore, compared with Rs. 3,115 crore in Q1FY26 and Rs. 3,121 crore in Q2FY25.
19) **Credit Cost** moderated to 0.68%, down from 0.72% in Q1FY26 and 0.97% in Q2FY25.
20) **Provision Coverage Ratio (PCR)** improved to 93.59%, compared with 93.17% in Q1FY26 and 90.89% in Q2FY25.
21) **Capital Adequacy Ratio (CAR)** stood at 16.20%, marginally lower than 16.52% in Q1FY26 and 16.57% in Q2FY25.

KEY FINANCIAL INDICATORS – Q2FY26

CMP (03.11.2025)	: Rs. 139.60
Face Value	: Rs. 2.00
Book value per share	: Rs. 106.55
Market Capitalisation (Crs)	: Rs. 1,26,617.20 Crs.
Capital Adequacy Ratio	: 16.20%
C/D ratio	: 75.33%
Domestic CASA ratio	: 30.69%
Net Interest Margin (NIM)	: 2.50%
Cost / Income ratio	: 46.97%
Gross NPA	: 2.35%
Net NPA	: 0.54%
PCR	: 93.59%
Slippage ratio	: 0.19%
Credit cost	: 0.68%
Return on Assets (Annualised)	: 1.10%
Return on Equity (Annualised)	: 20.00%

Management Comments

22) Mr. Satyanarayana Raju, MD & CEO of the Bank, in his opening remarks stated that out of the 13 performance parameters outlined in the Bank's annual guidance for FY26, 11 have already been achieved. He further mentioned that efforts are underway to achieve the remaining two parameters CASA and NIM although maintaining NIM continues to be a challenge.
23) In response to an analyst's query on CASA performance, Mr. Satyanarayana Raju, MD & CEO, stated that improving CASA remains a key priority amid strong balance sheet growth of 13–14% driven by rising credit demand. He highlighted that CASA grew over 10% YoY, supported by targeted products, digital initiatives and new customer segments such as farmers and NGOs. The Bank continues to work toward achieving its 32% CASA target for FY26, he added.
24) On the decline in NIM, Mr. Raju, explained that the fall was primarily due to the 100 bps repo rate cut with nearly 46% of the Bank's loan book linked to repo, causing an immediate yield impact, while deposit costs remain locked in one-year terms. He expects NIMs to stabilize above 2.5% and gradually recover to around 2.9–3% from Q4FY26, assuming no further rate cuts.
25) In response to an analyst's query on potential one-off gains from stake sales in Canara Robeco and Canara Life, and the outlook for PSLC income, MD & CEO, stated that the Bank realized total gains of Rs. 1,935 crore from the simultaneous listing of both subsidiaries, which will be booked entirely in the current quarter. He added that PSLC remains a strategic business tool, with a surplus of around Rs. 25,000 crore available for sale. The Bank will decide on further PSLC sales based on market demand and timing, noting strong ongoing demand and limited supply in the system.
26) In response to an analyst's query on the recent RBI regulations related to gold loans, Mr. Satyanarayana, stated that the changes are positive for business, as the permissible LTV ratio has been raised from 75% to 85%, providing greater flexibility. Although the Bank currently maintains its LTV below 75%, the relaxation offers added comfort. He further noted that the RBI's clarification allowing partially or fully collateralized loans to qualify as agricultural advances, along with simplified renewal norms for loans up to Rs. 5 lakh, will support faster growth in the gold loan portfolio.