



## Canara Bank Ltd.

### Q1FY26 Quarterly Result Highlight

Canara Bank Ltd. posted mixed performance in Q1FY26, as pressure on yields, on account of partial impact of pass on of interest rate cuts, led moderate growth in interest income was offset by higher other income due to PLSC income and treasury gains. Gross advances for the quarter grew at robust +12.4% YoY/ +2% QoQ to ₹10,963bn, while Deposits stood at ₹14,677bn, up +9.9% YoY/ +0.7% QoQ. During the quarter, interest income grew by +8%YoY/ flat QoQ to ₹310bn while interest expense increased +13%YoY/ +2% QoQ to ₹220bn. Resultantly, Net Interest Income stood at ₹90bn moderating -2% YoY/ -5% QoQ with Net Interest Margin contracting -35bps YoY/ -18bps QoQ to 2.6%. Other income for the quarter came elevated at ₹71bn up +33% YoY/+11% QoQ aided by strong demand for PSLC assets. Operating expenses stood at ₹75bn up +9% YoY/flat QoQ mainly on account of +13% YoY/ flat QoQ increase in employee expenses to ₹48bn. Core profit thus came at ₹86bn, up +12% YoY/ +3% QoQ. Provisions were up during the quarter at ₹24bn, 3% YoY/ +28% QoQ, leading to PAT of ₹48bn, up +22% YoY/ -5% QoQ.

- **Assets Under Management** – Global gross advances grew +12.4%YoY / +2.1%QoQ to ₹10,963bn, driven by +14%YoY / +3%QoQ growth in RAM credit to ₹6,309bn, (comprising 58% of loans) while corporate lending grew by +10%YoY / flat QoQ to ₹4,654bn. During the quarter, retail loans surged by +34%YoY / +5%QoQ to ₹2,354bn. Deposits rose +10% YoY / +1% QoQ to ₹14,677bn, with term deposits rising +11%YoY / +3% QoQ at ₹9,430bn. CASA deposits witnessed healthy growth of +4%YoY/ -5% QoQ to ₹3,957bn, with CASA ratio moderating ~152bps to 27.0%.
- **Asset Quality** – Asset quality showed further improvement in Q1FY26, with GNPA declining -145bpsYoY/ -25bpsQoQ to 2.7% while NNPA fell -61bpsYoY/ -7bps QoQ to 0.6%, respectively. Credit cost for the quarter came lower at 0.72% against 0.92% in Q4FY25.
- **Net Interest Margin** – The bank's NIM declined by -18bps QoQ (-35bps YoY) to 2.55%. Yield on advances were down -19bps YoY/ -36bps QoQ to 8.5%, while cost of funds remained flat QoQ / +2bps YoY. Yield on advances corrected with pass on of interest rate cuts to borrowers. Q1FY26 did not see much impact of 50bps repo rate cut, which can be observed in Q2FY26 and possibly leading to further pressure on NIMs.
- **Concall Highlights** – 1) One real estate account from Bengaluru worth ~₹2,000crs and one state govt guaranteed irrigation account worth ~₹3,000crs are hovering between SMA – 0 to SMA – 2. Regarding these two accounts, an additional provision worth ~₹1,200crs have been done in this quarter. 2) Management commentary suggests that FY26 GNPA and NNPA targets can be achieved earlier by Q2FY26 or Q3FY26. 3) Despite the sale of PSLC assets, the bank is comfortably placed ahead of the regulator's 40% benchmark. 4) Sequential fall in NBFC exposure was owing to one large account worth ~₹8,500crs. 5) MCLR book is ~54% and the bank's MCLR rate cut from 9.1% to 8.75% (~35bps rate cut)

## Outlook and View

Canara Bank posted a mixed set of Q1FY26 earnings, with margin pressures offset by higher other income. Business growth momentum recovered well this quarter. On NPA front, the management is confident of achieving target levels by Q2-Q3FY26. While this quarter witnessed a partial impact of interest rate cut pass on to borrowers, full impact will be seen in Q2FY26. This may lead to further NIM compression; however, management believes the downside can be capped at ~2.5% and it will recover in H2FY26. Sale of PSLC assets and strong growth momentum can be the levers to offset any significant impact of NIMs. We remain constructive on bank's long-term prospects and maintain **HOLD** rating currently trading at 0.7x FY27e P/B.

## Important Data

Nifty	24,649
Sensex	80,710
<b>Key Stock Data</b>	
Close* (₹)	107.60
Market Cap (₹ bn)	974.13
52W High/Low	119/78.60
Number of Equity shares (crs)	907.07
Daily Vol. (3M NSE Avg.)	2.8592crs
BSE Code	532483
NSE Code	CANBK
Bloomberg Code	CBK:IN

Close\* as on 05<sup>th</sup> Aug 25

## Shareholding Pattern (%) – Jun'25

Promoter	62.93
FII	11.38
DII	11.41
Public & Others	14.27

## Financials

Particulars (₹bn)	FY25	FY26E	FY27E
Net Int. Inc.	371	401	449
Net Int. Mar.	2.7%	2.7%	2.7%
Op. Expenses	281	306	336
Core Profit	314	338	371
Provisions	88	97	111
PBT	226	241	261
Tax	56	61	66
PAT	170	179	194
EPS (₹)	19	20	21
BV (₹)	111	130	152
P/E	5.7	5.4	5.0
P/BV	1.0	0.8	0.7

Source: Company, Way2Wealth Research

## Relative Performance

Return(%)	1Yr	3Yr	5Yr
Canara Bank	2%	133%	428%
Nifty50	2%	41%	120%
Sensex	3%	38%	112%

Source: Company, Way2Wealth Research

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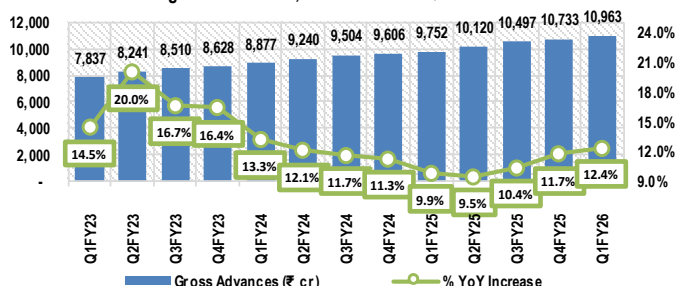
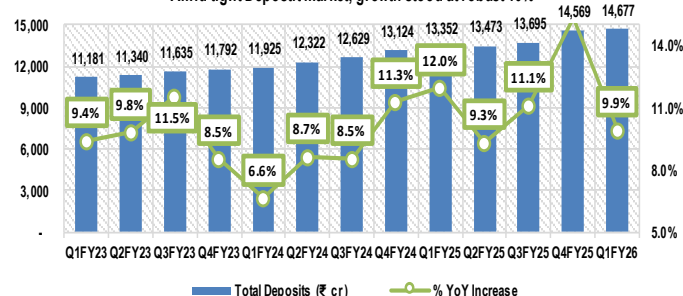
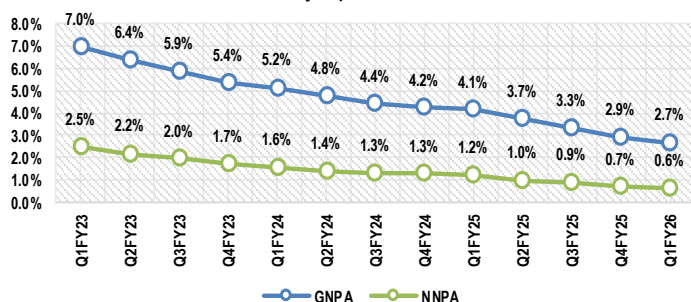
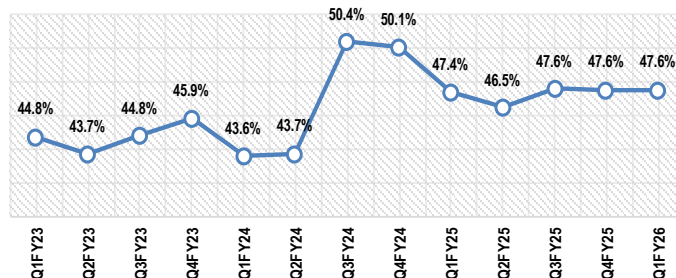
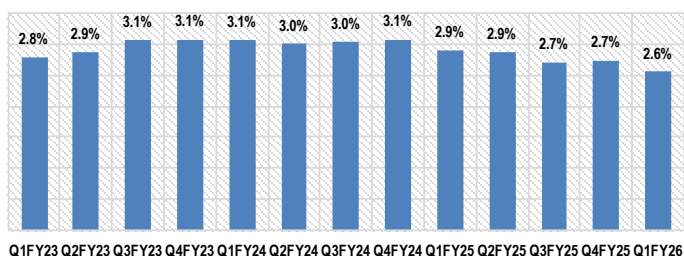
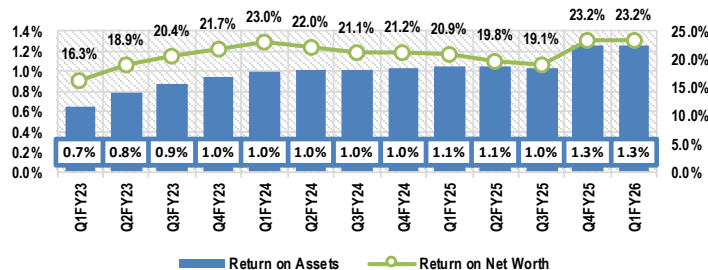
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Advance Mix (₹bn)	Q1FY26	Q1FY25	% YoY Chng	Q4FY25	% QoQ Chng
Retail	2354	1758	34%	2234	5%
Agriculture & Allied	2488	2532	-2%	2469	1%
MSME	1466	1292	13%	1399	5%
<b>Domestic Gross Advances</b>	<b>6309</b>	<b>5388</b>	<b>17%</b>	<b>6101</b>	<b>3%</b>
<b>Global Gross Advances</b>	<b>58%</b>	<b>56%</b>		<b>57%</b>	
Corp. & Others	4654	4218	10%	4632	0%
<b>Domestic Gross Advances</b>	<b>10321</b>	<b>9082</b>	<b>14%</b>	<b>10087</b>	<b>2%</b>

Deposit Mix (₹bn)	Q1FY26	Q1FY25	% YoY Chng	Q4FY25	% QoQ Chng
Saving Deposits	3,417	3,322	3%	3,371	1%
Current Deposits	540	492	10%	778	-31%
<b>CASA Deposits</b>	<b>3,957</b>	<b>3,814</b>	<b>4%</b>	<b>4,150</b>	<b>-5%</b>
<b>CASA Ratio</b>	<b>29.6%</b>	<b>31.0%</b>		<b>31.2%</b>	
Term Deposits	9,430	8,497	11%	9,162	3%
Retail Term Deposits	5,480	5,146	7%	5,322	3%
Retail Mix	58.1%	60.6%		58.1%	
<b>Total Domestic Deposit</b>	<b>13,387</b>	<b>12,312</b>	<b>9%</b>	<b>13,311</b>	<b>1%</b>
<b>Overall Deposits</b>	<b>14,677</b>	<b>13,352</b>	<b>10%</b>	<b>14,569</b>	<b>1%</b>

Source: Company, Way2Wealth Research

## Financials in Chart

**Loan book growth recovers; at 12.4% YoY in Q1FY26**

**Amid tight Deposit market, growth stood at robust 10%**

**Asset Quality improvement continues**

**Controlled operating cost improves Cost to Income Ratio**

**Margins come under pressure with rate cut pass on**

**Return Ratios**


Source: Company, Way2Wealth Research

## Quarterly Financials

(₹ bn)

Particulars	Q1FY26	Q1FY25	% YoY Chng	Q4FY25	% QoQ Chng	FY25	FY24	% YoY Chng
Interest / Discount on advances / bills	226	208	9%	228	-1%	878	782	12%
Income on investments	62	61	2%	63	-1%	246	227	8%
Interest on balances with RBI & other banks	15	11	38%	14	6%	47	42	10%
Others	7	8	-8%	5	35%	27	36	-24%
<b>Interest earned</b>	<b>310</b>	<b>287</b>	<b>8%</b>	<b>310</b>	<b>0%</b>	<b>1,198</b>	<b>1,087</b>	<b>10%</b>
Interest expensed	220	195	13%	216	2%	827	721	15%
<b>Net Interest Income</b>	<b>90</b>	<b>92</b>	<b>-2%</b>	<b>94</b>	<b>-5%</b>	<b>371</b>	<b>366</b>	<b>1%</b>
Other income	71	53	33%	64	11%	225	190	18%
<b>Total income</b>	<b>161</b>	<b>145</b>	<b>11%</b>	<b>158</b>	<b>2%</b>	<b>595</b>	<b>555</b>	<b>7%</b>
Employees Cost	48	42	13%	48	0%	179	164	9%
Other operating E xpenses	27	26	3%	27	0%	103	97	6%
<b>Total Operating Expenses</b>	<b>75</b>	<b>69</b>	<b>9%</b>	<b>75</b>	<b>0%</b>	<b>281</b>	<b>261</b>	<b>8%</b>
<b>Core Profit</b>	<b>86</b>	<b>76</b>	<b>12%</b>	<b>83</b>	<b>3%</b>	<b>314</b>	<b>294</b>	<b>7%</b>
Provisions and Contingencies	24	23	3%	18	28%	88	97	-10%
<b>Profit Before Tax</b>	<b>62</b>	<b>53</b>	<b>16%</b>	<b>65</b>	<b>-4%</b>	<b>226</b>	<b>197</b>	<b>15%</b>
Tax Expense	15	14	2%	14	0%	56	52	9%
<b>Profit After Tax</b>	<b>48</b>	<b>39</b>	<b>22%</b>	<b>50</b>	<b>-5%</b>	<b>170</b>	<b>146</b>	<b>17%</b>
EPS	5.2	4.3	21%	5.5	-5%	13.3	11.9	11%

Source: Company, Way2Wealth

## Financials

(₹ bn)

Profit and Loss Statement	FY20	FY22	FY23	FY24	FY25	FY26E	FY27E	FY24-26E CAGR
Interest / Discount on advances / bills	504	499	614	782	878	941	1032	
Income on investments	169	170	195	227	246	257	275	
Interest on balances with RBI & other banks	19	22	30	42	47	58	70	
Others	1	4	6	36	27	34	38	
<b>Interest earned</b>	<b>693</b>	<b>694</b>	<b>844</b>	<b>1087</b>	<b>1198</b>	<b>1290</b>	<b>1415</b>	<b>9%</b>
Interest expensed	452	430	530	721	827	889	966	8%
<b>Net Interest Income</b>	<b>241</b>	<b>264</b>	<b>314</b>	<b>366</b>	<b>371</b>	<b>401</b>	<b>449</b>	<b>10%</b>
Other income	149	165	188	190	225	244	258	
<b>Total income</b>	<b>390</b>	<b>429</b>	<b>502</b>	<b>555</b>	<b>595</b>	<b>644</b>	<b>707</b>	<b>9%</b>
Employees Cost	128	127	137	164	179	191	210	
Other operating E xpenses	66	71	87	97	103	115	126	
<b>Total Operating Expenses</b>	<b>193</b>	<b>198</b>	<b>225</b>	<b>261</b>	<b>281</b>	<b>306</b>	<b>336</b>	<b>9%</b>
<b>Core Profit</b>	<b>197</b>	<b>231</b>	<b>277</b>	<b>294</b>	<b>314</b>	<b>338</b>	<b>371</b>	<b>9%</b>
Provisions and Contingencies	160	128	135	97	88	97	111	
<b>Profit Before Tax</b>	<b>37</b>	<b>103</b>	<b>142</b>	<b>197</b>	<b>226</b>	<b>241</b>	<b>261</b>	<b>7%</b>
Tax Expense	11	33	36	52	56	61	66	
<b>Profit After Tax</b>	<b>26</b>	<b>70</b>	<b>106</b>	<b>146</b>	<b>170</b>	<b>179</b>	<b>194</b>	<b>7%</b>
Exceptional Item	0	14	0	0	0	0	0	
<b>Reported PAT</b>	<b>26</b>	<b>57</b>	<b>106</b>	<b>146</b>	<b>170</b>	<b>179</b>	<b>194</b>	<b>7%</b>
EPS	3	6	12	16	19	20	21	

Source: Company, Way2Wealth

## Coverage

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
21-Feb-24	Quick Insight	113.40	94-98	115-118
14-May-24	Q4FY24	109.87		
31-Jul-24	Q1FY25	115.70		
07-Nov-24	Q2FY25	105.00		
20-Feb-25	Q3FY25	87.80		
22-May-25	Q4FY25	107.00		

\* Report price adjusted to split (1:5) WEF 15-May-24

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## Disclosure of Interest Statement: Canara Bank Ltd. as on 6<sup>th</sup> August 2025

Name of the Security	Canara Bank Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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