Canara Bank – Q3FY26

Result Update (30.01.2026)

AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

" The bank reported a strong profitability performance in Q3FY26, although margins remained under pressure''

Ajcon Global's observations & views

1. NIMs continue to face pressure amid CASA growth challenges. However, the bank's comparatively stronger savings deposit mobilisation relative to peers underpins margin stability over the medium term.
2. With performance surpassing 11 out of 13 guided parameters and management expressing confidence in meeting remaining targets, the bank appears well-positioned to achieve its long-term objectives.

Q3FY26 RESULT ANALYSIS

1) **Total Deposits** increased by 1.40% QoQ at Rs. 1521268 Crores in Q3FY26 against Rs. 1500281 Crores in Q2FY26 and also, rose by 12.95% from Rs. 1346901 Crores in Q3FY25.
2) **Gross Advances** surged by 3.59% QoQ at Rs. 1192326 Crores in Q3FY26 against Rs. 1151041 Crores in Q2FY26 and also, rose by 13.59% from Rs. 1049706 Crores in Q3FY25.
3) **Total Business** rose by 2.35% QoQ at Rs. 2713594 Crores in Q3FY26 against Rs. 2651322 Crores in Q2FY26 and also, increased by 13.23% from Rs. 2396607 Crores in Q3FY25.
4) **Net Interest Income (NII)** expanded by 1.21% QoQ at Rs. 9252 Crores in Q3FY26 against Rs. 9141 Crores in Q2FY26 and also, increased by 1.13% from Rs. 9149 Crores in Q3FY25.
5) **Operating Profit** rose by 6.18 % QoQ at Rs. 9119 Crores in Q3FY26 against Rs. 8588 Crores in Q2FY26 and also, increased by 16.36% from Rs. 7837 Crores in Q3FY25.
6) **Net Profit** rose by 7.98% QoQ at Rs. 5155 Crores in Q3FY26 against Rs. 4774 Crores in Q2FY26 and also, increased by 25.61% from Rs. 4104 Crores in Q3FY25.
7) **Net Interest Margin (NIM)** edge down to 2.45% in Q3FY26 against 2.50% in Q2FY26 and also declined from 2.71% in Q3FY25.
8) **Cost of Deposits** edge down to 5.62% (from 5.66% in Q2FY26), while **Cost of Funds** moderated to 5.18% (from 5.21% in Q2FY26). **Yield on Advances** reduced to 8.34% versus 8.40% in Q2FY26.
9) **Non-Interest Income** rose by 11.99% QoQ at Rs. 7900 Crores in Q3FY26 against Rs. 7054 Crores in Q2FY26 and also, increased by 36.16% from Rs. 5802 Crores in Q3FY25.

KEY FINANCIAL INDICATORS – Q3FY26

CMP (30.01.2026)	: Rs. 147.42
Face Value	: Rs. 2
Book value per share	: Rs. 111.87
Market Capitalisation (Crs)	: Rs. 1,33,709.94 crs
Capital Adequacy Ratio	: 16.50%
C/D ratio	: 78.38%
Domestic CASA ratio	: 29.52%
Net Interest Margin (NIM)	: 2.45%
Cost / Income ratio	: 46.83%
Gross NPA	: 2.08%
Net NPA	: 0.45%
PCR	: 94.19%
Slippage ratio	: 0.16%
Credit cost	: 0.64%
Return on Assets (Annualised)	: 1.16%
Return on Equity (Annualised)	: 20.55%

10) **Treasury Income** rose by 93.05% QoQ at Rs. 3056 Crores in Q3FY26 against Rs. 1583 Crores in Q2FY26 and also, increased by 149.27% from Rs. 1226 Crores in Q3FY25.
11) **Fee-Based Income** decreased 10.02% QoQ at Rs. 2327 crore in Q3FY26 against Rs. 2586 Crores in Q2FY26 but Increased by 6.50% from Rs. 2185 Crores in Q3FY25.
12) **Cost-to-Income Ratio** increased marginally to 46.83% compared to 46.97% in Q2FY26 but declined from 47.58% in Q3FY25.
13) **Domestic CASA Ratio** declined to 29.52% in Q2FY26 from 30.69% in Q2FY26.
14) **Credit-to-Deposit (C/D) Ratio** increased to 78.38%, in Q3FY26 against 76.72% in Q2FY26 and also rose from 77.93% in Q3FY25.
15) **Return on Assets (ROA)** improved to 1.16% against 1.10% in Q2FY26 and also increased from 1.03% in Q3FY25.
16) **Fresh Slippages** reduced to Rs. 1857 crore from Rs. 2031 crore in Q2FY26 and also, declined from Rs. 2363 crore in Q3FY25. **Total Recoveries, including written-off accounts,** increased to Rs. 2904 crore from Rs. 2555 crore in Q2FY26 but declined from Rs. 3178 crore in Q3FY25.
17) **Gross NPA** improved to 2.08% from 2.35% in Q2FY26 and 3.34% in Q3FY25. Net NPA declined to 0.45% versus 0.54% in Q2FY26 and 0.89% in Q3FY25, respectively.
18) **Write-offs** decreased to Rs. 3120 crore compared with Rs. 3463 crore in Q2FY26 and Rs. 3896 crore in Q3FY25, respectively.
19) **Credit Cost** moderated to 0.64% from 0.68% in Q2FY26 and also declined from 0.89% in Q3FY25.
20) **Provision Coverage Ratio (PCR)** improved to 94.19% in Q3FY26 compared with 93.59% in Q2FY26 and also, improved from 91.26% in Q3FY25.
21) **Capital Adequacy Ratio (CAR)** stood at 16.50%, marginally lower than 16.20% in Q2FY26 and 16.44% in Q3FY25.

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Management Comments

22) Shri. Hardeep Singh Ahluwalia , MD & CEO (I/c) & ED, informed on NIM trend & outlook that he Bank's Q3 NIM compression was structural and timing-led rather than strategic, driven by 49% of the loan book being repo-linked and repricing immediately after the 25 bps repo cut, while deposit repricing lags by 6–12 months; despite this, NIM is guided to remain in the 2.45–2.50% range, supported by higher-yield RAM-led growth, gradual easing in deposit costs (only 15% of term deposits pending repricing) and a disciplined, yield-focused approach to lending, avoiding low-spread exposures even in high-rated NBFCs to protect margins.
23) While answering to an analyst's query on ECL impact, Shri. Ahluwalia, replied that the Bank estimated a total ECL transition impact of ₹10,000 crore, mainly from Stage 2 and Stage 1 provisioning. This will be spread over four years, translating into an annual impact of ₹2,000–2,500 crore, which is comfortably absorbable given annual profits of ₹17,000–20,000 crore, strong CET1, low slippages (0.64%) and improving SMA levels.
24) The Bank's total NBFC exposure stands at ₹1,51,000 crore, growing 6.1%, with incremental lending remaining selective and yield-driven. The bank is open to lending only to AA/AAA-rated NBFCs where pricing is attractive and continues to avoid low-yield NBFC loans to protect NIM, especially given stronger 13.6% growth opportunities in RAM segments, the MD & CEO (I/c) & ED on Bank's NBFC exposure.
25) Replying to an analyst, Shri S K Majumdar, ED, said that the softer PSLC income was not due to seasonality or any RBI action. Instead, regulatory changes have made PSLC earnings more stable across the year. Earlier, most PSLC income came in Q1, but now it is spread evenly across Q1–Q4. This is supported by the bank's surplus PSL position (45.25% vs the 40% requirement), which continues to provide scope for PSLC sales.
26) Replying to an analyst query, Shri Ahluwalia said SMA metrics have improved sharply, with total SMA falling from 4.18% to 2.99%. This was driven by a decline in SMA-2 from 2.0% to 1.30% and SMA-1 from 1.13% to 0.89%. The small uptick in SMA-1 was mainly due to the Kaleshwaram Irrigation Project. He clarified that there is no rule-based ECL provisioning for SMA-1/2, but the bank has taken additional prudent provisions of ₹1,946 crore on three large accounts, maintaining a strong PCR of 94.1% and industry-leading slippage performance.
27) The bank's total gold loan book stands at ₹2.21 lakh crore, comprising ₹1.48 lakh crore of agri gold loans and ₹72,661 crore of non-agri/retail loans, with no change in classification norms. The bank has rolled back certain gold loan products in metro and urban centres in line with RBI observations and is now fully compliant. Despite this, gold loans continue to grow at 30% YoY, driven entirely by organic retail and agri demand, with no portfolio buyouts.
28) The QoQ jump in treasury income was largely one-off, driven by ₹2,006 crore gains from stake dilution in Canara HSBC and Canara Robeco post listing. Going forward, treasury income will be linked to the interest rate cycle, with upside possible if yields soften due to OMOs and improved system liquidity, said Shri Hardeep Singh Ahluwalia.
29) Shri Ahluwalia highlighted sustained recovery momentum from the written-off book, with Q3 recoveries of ₹2,051 crore and a consistent quarterly run-rate of over ₹2,000 crore in recent quarters. Despite a shrinking NPA pool, the bank aims to maintain this pace on a total written-off book of ₹66,000 crore, reflecting disciplined recovery efforts.
30) The QoQ fluctuation in CASA was mainly due to a one-off large current account deposit of ₹26,000 crore in Q2. On an adjusted basis, current account balances increased from ₹49,000 crore to ₹54,000 crore (15% growth), while savings deposits rose 8.5% (individual savings >10%). Overall CASA grew 9.3%, indicating steady improvement in the deposit franchise despite short-term volatility, said the MD & CEO (I/c) and ED.
31) Shri S K Majumdar said the bank has no immediate plans for a QIP, supported by a comfortable capital adequacy of 16.5% and strong internal accruals of ₹17,000–20,000 crore profit annually. These are sufficient to fund double-digit growth over the next few years, with capital raising to be considered only if required in the future.