

Canara Bank

November 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Tier I bonds [#]	3,500.00	CARE AA+; Stable	Assigned
Infrastructure bonds	10,000.00	CARE AAA; Stable	Reaffirmed
Infrastructure bonds	10,000.00	CARE AAA; Stable	Reaffirmed
Tier II bonds ^{&}	750.00 (Reduced from 2,150.00)	CARE AAA; Stable	Reaffirmed
Tier II bonds ^{&}	2,500.00	CARE AAA; Stable	Reaffirmed
Tier II bonds ^{&}	4,000.00	CARE AAA; Stable	Reaffirmed
Tier II bonds ^{&}	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

[&]Tier-II bonds under Basel-III are characterised by a 'point of non-viability' (PONV) trigger, due to which, the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which, the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. Difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier-I (CET I) capital of the bank should be considered the most appropriate way to prevent the bank from turning non-viable.

[#]CARE Ratings Limited (CareEdge Ratings) has rated the mentioned Basel-III compliant additional Tier-I bonds after considering following key features:

- The bank has full discretion, at all times, to cancel coupon payments. The coupon is to be paid from the current year's profits. However, if the current year's profits are not sufficient, the payment of such coupon is likely to result in losses in the current year, balance coupon payment may be made from revenue reserves, including statutory reserves and/or credit balance in profit and loss account and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve, and reserves created on amalgamation, provided the bank meets the minimum regulatory requirements for CET I, Tier-I and total capital ratios, and capital buffer frameworks as prescribed by the RBI.
- The instrument may be written down on CET I breaching pre-specified trigger of 6.125% on and after October 01, 2021, or written off/converted into common equity shares on the occurrence of the trigger event called PONV. PONV trigger will be determined by the RBI. Delays in payment of interest or principal (as the case may be) due to invocation of features mentioned will constitute an event of default per CARE Ratings' definition of default, and as such these instruments may exhibit somewhat sharper migration of the rating compared to other subordinated debt instruments.

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Rationale and key rating drivers

Ratings assigned to debt instruments of Canara Bank continue to derive strength from the bank's established retail franchise and strong network especially in southern states of India, comfortable capital adequacy levels aided by capital infusion by the Government of India (GoI) in the past and internal accruals in recent years, and improvement in profitability in the last three years.

Ratings continue to factor in the majority ownership by the GoI and its demonstrated track record of capital support considering the systemic importance of Canara Bank, which is the fourth largest private sector bank (PSB) in terms of asset size as on September 30, 2025.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Rating strengths are partially offset by relatively low current account and savings accounts (CASA) ratio of Canara Bank than its peers. Ratings also take note of its moderate, albeit improving, asset quality levels.

CareEdge Ratings expects the bank's net interest margin (NIM) to witness pressure in FY26, in line with the industry, considering the faster repricing of advances than deposits.

CareEdge Ratings has withdrawn ratings of 'CARE AAA; Stable' assigned to the Tier-II Bonds (ISIN: INE667A08021 and INE667A08039) with immediate effect due to redemption of the bonds on due date and Tier-II Bonds (ISIN INE476A08076) on exercise of call option by the bank.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Not applicable

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Significant slippages resulting in deterioration of asset quality with the net non-performing assets (NNPA) ratio remaining above 3.5% on a sustained basis.
- Deterioration in the capitalisation levels on a sustained basis and the inability to maintain sufficient cushion of 1% over the regulatory minimum.
- Dilution in GoI support philosophy and in the GoI's stake in the bank to below 51%.

Analytical approach: Standalone

Ratings are based on the standalone profile of the bank and factor in continued support from the GoI, which holds majority shareholding in the bank.

Outlook: Stable

The 'stable' outlook reflects CareEdge Ratings' expectation that the bank will continue to maintain its steady growth in advances and deposits in the medium term, while maintaining stable asset quality and comfortable capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Majority ownership by the GoI and demonstrated support

GoI is majority shareholder in Canara Bank, holding 62.93% stake as on September 30, 2025, and periodically infused capital in the bank, which is expected to continue. In FY16-FY20, GoI infused ₹21,449 crore on a combined basis in Canara Bank and Syndicate Bank. Currently, Canara Bank is the fourth largest PSB by advances as on September 30, 2025, and has high strategic and systemic importance to the GoI, considering the bank's size.

Established franchise and deposit base with a strong presence in southern states

Canara Bank's total business stood at ₹26.79 lakh crore as on September 30, 2025, with deposits of ₹15.28 lakh crore and gross advances of ₹11.51 lakh crore making it the fourth largest PSB in India. Erstwhile Syndicate Bank was amalgamated into Canara Bank on April 01, 2020, which helped increase its reach and scale of operations. The bank has an established presence with a network of 9,948 branches and 7,405 ATMs as on September 30, 2025. It also has four international branches in New York, London, Dubai and IBU in Gift City.

Comfortable capitalisation levels, supported by good internal accruals

The bank's current capital adequacy levels remain comfortable and well above the regulatory requirement. The bank reported capital adequacy ratio (CAR) of 16.33% with Common Equity Tier (CET) I Ratio of 12.03% as on March 31, 2025, compared to CAR of 16.28% and CET I Ratio of 11.58% as on March 31, 2024. CAR as on September 30, 2025, stood at 16.20% (CET I Ratio: 12.21%). The bank has raised Tier I bonds of ₹10,403 crore and Tier 2 bonds of ₹6,000 crore in the last three financial years.

Canara Bank had seven subsidiaries and three associates as on September 30, 2025. In October 2025, Canara Bank reduced its shareholding in two of its subsidiaries Canara HSBC Life Insurance Company Limited (Canara HSBC Life) and Canara Robeco Asset Management Company Limited (Canara Robeco AMC) through offer for sale (OFS) of equity shares in subsidiaries. The bank

reduced its shareholding in Canara HSBC Life from 51% to 36.5% and in Canara Robeco AMC from 51% to 38% for combined consideration of ~₹2,150 crore. As a result, both companies have become associates of the bank.

While scale of subsidiaries and associates is significantly smaller compared to scale of the bank, CareEdge Ratings expects Canara Bank to provide need-based support to these entities. Going forward, CareEdge Ratings expects capital adequacy to remain comfortable in the medium term.

Sustained profitability levels despite decline in NIM

Despite a ~13% credit growth reported in FY25, the interest income increased by ~10% in FY25 due to lower yield on advances and higher cost of deposits. The non-interest income grew by ~18% y-o-y due to increase in treasury income, fee-based income and income in the form of recovery from written-off accounts in FY25. The bank's total income stood at ₹1,42,208 crore in FY25 compared to ₹127,654 crore in FY24 registering a growth of ~11%.

The bank's interest expense increased by ~15% y-o-y from ₹72,122 crore in FY24 to ₹82,683 crore in FY25 due to increase in cost of deposit, which led to a lower growth in net interest income (NII) of ~1% to ₹37,072 crore in FY25. NIM contracted to 2.36% for FY25 against 2.60% for FY24.

Operating expenses to total assets decreased to 1.79% of average total assets in FY25 compared to 1.86% for the previous year. Cost-to-income ratio of the bank has increased marginally to 47.27% for FY25 (47.04% for FY24). The bank's pre-provision operating profit (PPOP) increased ~7% to ₹31,390 crore for FY25 from ₹29,413 crore for FY24. Credit cost (provisions and write-offs/ average assets) reduced from 0.69% in FY24 to 0.56% in FY25 due to lower slippages and improvement in asset quality parameters resulting in lower provisioning. The bank's net profit increased by ~17% to ₹17,027 crore in FY25 against ₹14,554 crore in FY24 and return on total assets (ROTA) increased marginally from 1.04% in FY24 against 1.08% in FY25.

The bank reported a net profit of ₹9,526 crore for the H1FY26 on total income of ₹76,661 crore against a net profit of ₹7,919 crore on a total income of ₹68,741 crore for H1FY25. Interest expense of the bank increased from ₹39,960 crore in H1FY25 to ₹44,397 crore in H1FY26 and the interest income increased from ₹58,441 crore in H1FY25 to ₹62,547 crore in H1FY26. In line with broader banking trends, interest income grew at a slower pace due to quicker repricing of advances at lower yields. In contrast, deposit costs remained elevated as they reprice with a lag. This mismatch led to a decline in NII. As a result, NIM for H1FY26 stood 2.11% against 2.41% in H1FY25 on an annualised basis.

Despite a moderation in NIM, improvement in non-interest income and a reduction in credit cost (as a percentage of average total assets) supported an increase in ROTA to 1.11% on an annualised basis against 1.03% in H1FY25 (annualised).

Key weaknesses

Moderate, albeit improving, asset quality in FY25 and H1FY26

Aided by lower slippages and high amount of write-offs, the bank's asset quality parameters witnessed improvement over the last three years. However, the asset quality remains moderate in absolute terms. In FY25, the slippage bank's ratio stood at 0.93% in FY25 compared to 1.30% in FY24. The bank reported Gross NPA (GNPA) ratio of 2.94% and NNPA ratio of 0.70% as on March 31, 2025, compared to GNPA ratio of 4.23% and NNPA ratio of 1.27% as on March 31, 2024, aided by higher write-offs. The bank's NNPA to net worth ratio stood at 8.30% (PY: 16.39%).

The bank reported a provision coverage ratio (PCR) of 92.70% (including technical write-offs [TWO]) as on March 31, 2025, against 89.10% as on March 31, 2024. The bank's net stressed assets (NNPA + Net standard restructured assets + Net security receipts) to net-worth ratio stood at 13.96% as on March 31, 2025, against 21.39% as on March 31, 2024.

As on September 30, 2025, the bank reported Gross NPA ratio of 2.35% and Net NPA ratio of 0.54% and its PCR stood at 93.59% (including TWO).

Going forward, the bank's ability to limit incremental slippages and maintain asset quality will be critical to the bank's earnings profile and will be a key rating sensitivity.

Relatively low CASA share

Aided by a widespread branch network, Canara Bank witnessed steady growth in the bank's deposits by 11% y-o-y to ₹14.57 lakh crore as on March 31, 2025, from ₹13.12 lakh crore as on March 31, 2024, and the bank's share of CASA (domestic deposits

by global deposits) declined to 28.49% as on March 31, 2025, against 29.90% as on March 31, 2024. Share of retail term deposits (as a percentage of domestic term deposits) stood at 58% as on March 31, 2025, against 61% as on March 31, 2024.

CASA stood at 28.02% as on September 30, 2025, against 28.75% as on September 30, 2024. Share of retail term deposits (as a percentage of domestic term deposits) stood at 58% as on September 30, 2025, against 60% as on September 30, 2024. Improvement in deposit profile with growth in CASA ratio remains a key monitorable.

Liquidity: Strong

According to the bank's structural liquidity statement (SLS) as on June 30, 2025, there are no negative cumulative mismatches in up to six-month maturity buckets. The bank maintained an excess statutory liquidity ratio (SLR) investment of ₹72,674 crore (5.22% of net demand and time liabilities [NDTL]) as on September 30, 2025. Canara Bank's liquidity coverage ratio remained adequate at 144.22% for quarter ended June 30, 2025, against minimum regulatory requirement of 100% and NSFR of 127.28% as on June 30, 2025. The bank has access to market liquidity support such as liquidity adjustment facility (LAF) and marginal standing facility (MSF) from RBI.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

While Canara Bank's business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect the bank's regulatory compliance and reputation and hence remains a key monitorable.

Canara Bank's Board comprises 11 Directors, with seven Independent Directors and also includes two female Directors.

Applicable criteria

[Policy on Default Recognition](#)

[Notching by Factoring Linkages with Government](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios-Financial Sector](#)

[Bank](#)

[Rating-Basel III hybrid Instruments issued by Banks](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Public sector bank

Canara Bank is a Bengaluru-based public sector bank established in 1906. Effective from April 01, 2020, another PSB, Syndicate Bank (SB) was amalgamated with Canara Bank.

The amalgamated bank is the 4th largest PSB post amalgamation. Government of India is the majority shareholder holding 62.93% stake in the bank followed by LIC of India holding 5.72% as on September 30, 2025. As on September 30, 2025, the Bank had 9,948 branches and 7,405 ATMs.

The bank also has four international branches at New York, London, Dubai and IBU in Gift City. K Satyanarayana Raju is the MD and CEO on February 07, 2023, who is assisted by a team of Executive Directors and General Managers heading different departments.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	1,27,654	1,42,208	76,661
PAT	14,554	17,027	9,526
Total Assets	14,76,729	16,71,509	17,64,885 [^]
Net NPA (%)	1.27	0.70	0.54
ROTA (%)	1.04	1.08	1.11*

A: Audited UA: Unaudited; Note: these are latest available financial results; *annualised and [^]reported

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Infrastructure Bonds-II	INE476A08233	July 19, 2024	7.40%	July 19, 2034	10,000	CARE AAA; Stable
Infrastructure Bonds – I	INE476A08191	September 27, 2023	7.54%	September 27, 2033	5,000	CARE AAA; Stable
Infrastructure Bonds – I	INE476A08209	November 29, 2023	7.68%	November 29, 2033	5,000	CARE AAA; Stable
Tier-II Bonds (Basel-III)-II	INE667A08047	December 18, 2015	8.62%	December 18, 2025	750	CARE AAA; Stable
Tier II Bonds (Basel-III)-III	INE476A08142	December 24, 2021	7.09%	December 24, 2036	2,500	CARE AAA; Stable
Tier II Bonds (Basel-III)	INE476A08258	March 18, 2025	7.46	March 18, 2035	4,000	CARE AAA; Stable
Tier I Bonds (proposed)	-	-	-	-	3,500	CARE AA+; Stable
Tier-II Bonds (BaselIII)-I	INE476A08076	March 11, 2020	7.18%	March 11, 2030	0.00	Withdrawn
Tier-II Bonds (BaselIII)-II	INE667A08021	March 23, 2015	8.75%	March 23, 2025	0.00	Withdrawn

Tier-II Bonds (BaselIII)-II	INE667A08039	September 28, 2015	8.58%	September 28, 2025	0.00	Withdrawn
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Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds-Tier II Bonds	LT	-	-	-	1)CARE AAA; Stable (21-Feb-25) 2)CARE AAA; Stable (07-Oct-24) 3)CARE AAA; Stable (08-Jul-24)	1)CARE AAA; Stable (21-Sep-23) 2)CARE AAA; Stable (05-Sep-23)	1)CARE AAA; Stable (07-Sep-22)
2	Bonds-Tier II Bonds	LT	750.00	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb-25) 2)CARE AAA; Stable (07-Oct-24) 3)CARE AAA; Stable (08-Jul-24)	1)CARE AAA; Stable (21-Sep-23) 2)CARE AAA; Stable (05-Sep-23)	1)CARE AAA; Stable (07-Sep-22)
3	Bonds-Tier I Bonds	LT	-	-	-	-	-	1)Withdrawn (07-Sep-22)
4	Bonds-Tier II Bonds	LT	2500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb-25)	1)CARE AAA; Stable (21-Sep-23)	1)CARE AAA; Stable (07-Sep-22)

						2)CARE AAA; Stable (07-Oct- 24) 3)CARE AAA; Stable (08-Jul- 24)	2)CARE AAA; Stable (05-Sep- 23)	
5	Bonds- Infrastructure Bonds	LT	10000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb- 25) 2)CARE AAA; Stable (07-Oct- 24) 3)CARE AAA; Stable (08-Jul- 24)	1)CARE AAA; Stable (21-Sep- 23)	-
6	Bonds- Infrastructure Bonds	LT	10000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb- 25) 2)CARE AAA; Stable (07-Oct- 24) 3)CARE AAA; Stable (08-Jul- 24)	-	-
7	Bonds-Tier II Bonds	LT	4000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (21-Feb- 25)	-	-
8	Bonds-Tier I Bonds	LT	3500.00	CARE AA+; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple
2	Bonds-Tier I Bonds	Highly Complex
3	Bonds-Tier II Bonds	Complex

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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