Jammu & Kashmir Bank Limited

September 15, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier II bonds	1,000.00	CARE AA-; Stable	Reaffirmed
Tier II bonds	1,500.00	CARE AA-; Stable	Reaffirmed

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. The 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. In addition, the 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. In CARE Ratings Limited's (CareEdge Ratings') opinion, parameters considered to assess whether a bank will reach PONV are similar to the parameters considered to assess the rating of the Tier-II instruments even under Basel-II. CareEdge Ratings has rated Tier-II bonds under Basel-III after factoring in the additional feature of the PONV.

Rationale and key rating drivers

Re-affirmation of rating to debt instruments of Jammu & Kashmir Bank Limited (JKB) factors in its strong resource profile characterised by the relatively higher proportion of current account savings account (CASA) deposits and continued improvement in profitability in the last two years with increase in advances and reduction in credit costs. The rating continues to factor in majority shareholding of the Government of the Union Territories of Jammu & Kashmir and Ladakh (UTJKL; 59.40% as on June 30, 2025) in the bank and its expected support to JKB considering the bank's dominant position and strategic importance for the socio-economic development of UTJKL.

Ratings continue to remain constrained by limited geographical diversification, and relatively moderate scale of operations and asset quality parameters compared to peer banks. While the bank has seen improvement in capitalisation levels considering capital infusion in the recent past, it remains moderate and timely infusion of capital remains critical to support growth. Further, the relatively higher concentration in the geography of UTJKL, renders the bank susceptible to natural disasters such as floods, landslides and sporadic incidents of security disruptions, which may impact its business.

Going forward, CARE Ratings Limited (CareEdge Ratings) expects some pressure on the bank's net interest margin (NIM) in line with industry trend; due to faster transmission of recent repo rate cuts in yield on advances than in cost of funds, which would impact profitability in FY26. The bank's ability to maintain its profitability in the medium term remains a monitorable.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significant improvement in the capitalisation levels on a sustained basis.
- Improved profitability on a sustained basis with scale up of business while keeping asset quality under control.
- Significant geographical diversification of business.

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

- Dilution in support from Government of UTJKL.
- Deterioration in asset quality profile with gross non-performing assets (GNPA) ratio remaining over 6.5% on a sustained basis.
- Deterioration in capital adequacy levels with the cushion over the minimum regulatory requirement remaining below 2.5%.

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

Analytical approach: Standalone
CareEdge Ratings has considered standalone business and financial profile of JKB and has factored in the ownership and support from the Government of the UTJKL.

Outlook: Stable
The 'Stable' outlook is considering CareEdge Ratings' expectations of continued improvement in the financial performance with stable asset quality and operating metrics, while maintaining comfortable capital cushions.

Detailed description of key rating drivers:

Key strengths

Long track record of operations and majority ownership by the Government of UTJKL and dominant presence and strategic position in UTJKL

JKB is a mid-sized, private sector scheduled commercial bank, with the Government of UTJKL holding 59.40% of the stake as on June 30, 2025. The bank has a long and established track record of over 80 years and holds a dominant position in the UTJKL with a significant market share in terms of total business in the geography of J&K. The bank had 1,019 branches as on June 30, 2025, out of which 878 are in UTJKL. JKB is the only private sector bank that has been designated as the Reserve Bank of India's (RBI) agent for the banking business for the Government of UTJKL.

The bank has improved upon its systems and processes and upgradation in its core banking system with adoption of technology. Given the systemic importance of the bank to the economy of the UTJKL, the Government of UTJKL has extended continued need-based support to the bank. The bank has received equity capital of ₹1,000 crore from Government of UTJKL in the last six years. CareEdge Ratings expects the bank to receive continued capital and management support considering the bank's position in the J&K regional economy.

The bank's gross advances stood at ₹1,06,985 crore as on March 31, 2025, of which retail, agriculture and MSME (RAM) advances together constituted 66.90% of the total loan portfolio. The remaining portfolio comprised corporate loans with a share of 33.10% in total advances as on March 31, 2025. Around 67.30% of the bank's advances are concentrated within UTJKL.

Strong deposit base with a relatively high proportion of CASA
Owing to JKB's strong market position in the UTJKL, its deposit mobilisation capability within that region remains strong. The bank has a strong resource profile, as depicted by the significant proportion of low-cost steady CASA deposits, which stood at 47.01% as on March 31, 2025, and 45.71% as on June 30, 2025 (March 31, 2024: 50.51%). In the last four years, the CASA proportion stood in the range of 45-57%. CareEdge Ratings expects proportion of the CASA to remain at similar levels in the medium term, given the bank's dominant position in UTJKL. Total deposits increased by 10.24% to ₹1,48,569 crore as on March 31, 2025 (June 30, 2025: ₹1,48,542 crore) against ₹1,34,775 crore as on March 31, 2024.

Improved earnings profile
The bank's NIM increased to 3.59% for FY25 from 3.50% for FY24. Non-interest income increased by 37.80% from ₹825 crore in FY24 to ₹1,137 crore in FY25. The total income increased by 13.58% from ₹12,038 crore for FY24 to ₹13,673 crore for FY25. The bank's cost to income ratio also moderated from 62.23% in FY24 to 57.73% in FY25; however, it continues to be high with expansion of branches and process and technological improvements. The bank's pre-provision operating profit (PPOP) increased by 28.67% to ₹2,930 crore for FY25 from ₹2,277 crore for FY24. With sustained reduction in the credit cost due to reversals of provisioning done for bad debt, the bank reported improvement in profit-after-tax (PAT) to ₹2,082 crore in FY25 against ₹1,767 crore in FY24. The bank's return on total assets (ROTA) increased from 1.19% in FY24 to 1.29% in FY25.

In Q1FY26, the bank reported a PAT of ₹485 crore against ₹415 crore in Q1FY25. The bank's NIM for Q1FY26 was at 3.64% (annualised) and is expected to witness some pressure in FY26 in line with overall banking scenario. However, the impact is likely to be lower considering the bank's high CASA base. The bank continued to incur high operating expenses in Q1FY26 with cost to income at 60.76%, which is expected to drop in the coming quarters to 57%. The bank earned a ROTA of 1.20% in Q1FY26 on an annualised basis. The bank is expected to maintain its ROTA above 1% on a steady state basis.

CareEdge Ratings expects JKB's earnings profile to improve in the medium term with growth in advances and gradual reduction in operating costs helping the bank's profitability.

Key weaknesses

Capitalisation levels, despite improvement, remain relatively moderate compared to peers

The bank has raised equity capital of ₹1,118.25 in the last three years, which with accrued profit has helped the augmentation of Common Equity Tier I (CET I) capital base of the bank. The bank's capital adequacy ratio (CAR) stood at 16.29% with CET I Ratio of 12.95% as on March 31, 2025, improving from CAR of 15.33% and CET I ratio of 12.02% respectively as on March 31, 2024. Further, overall, CAR marginally declined to 15.98% with CET-I CAR at 12.69% as on June 30, 2025.

The bank's ability to maintain a minimum cushion of 2.5% against the minimum regulatory requirement to support advances growth remains a key rating monitorable. CareEdge Ratings expects the bank to receive need-based capital support from the Government of UTJKL considering its majority shareholding and strategic importance of the bank to economy of the J&K region.

Moderate asset quality with improvement, with relatively high restructured assets

The bank has faced challenges with asset quality in the past; however, with upgrades and recovery efforts, the asset quality parameters of the bank has improved in the last few years. The GNPA ratio and Net NPA (NNPA) ratio improved to 3.37% and 0.79%, respectively, as on March 31, 2025, from 4.08% and 0.79% respectively, as on March 31, 2024. GNPA ratio and NNPA ratio stood at 3.50% and 0.82%, respectively, as on June 30, 2025. The bank's NNPA to net worth ratio stood at 5.74% as on March 31, 2025 (March 31, 2024: 6.82%).

The net stressed assets (Net restructured assets + security receipts + NNPA) of the bank stood at 1.62% as a proportion of total net advances as on March 31, 2025, against 1.69% as on March 31, 2024. The bank's special mention account (SMA) 1 and SMA 2 exposures stood at 6.42% of gross advances as on March 31, 2025, against 7.29% as on March 31, 2024, which despite improvement remains higher than mid-sized private sector banks.

Limited geographical diversification with moderate scale of operations

With total gross advances of ₹1,06,985 crore and deposits of ₹1,48,569 crore as on March 31, 2025, JKB is a mid-sized bank compared to other public and private sector peers. The bank's operations are regionally concentrated, with 87.90% of the bank's deposits and 67.30% of its advances emanating from J&K and Ladakh as on March 31, 2025. Owing to the bank's high reliance on J&K region, which remains exposed to socio-political disruptions and natural calamity in the past, political or business instability in the region can adversely impact the bank's growth, asset quality, and profitability.

Liquidity: Adequate

Per the structural liquidity statement of the bank as on June 30, 2025, the bank has no negative cumulative mismatches across all its time buckets up to six months. The bank had excess statutory liquidity ratio (SLR) holdings of ₹7,412.30 crore (comprising 5.07% of Net Demand & Time Liabilities [NDTL]) as on June 30, 2025. Liquidity coverage ratio (LCR) as on June 30, 2025, stood at 130.16% against the minimum regulatory requirement of 100%. The net stable funding ratio (NSFR) as on June 30, 2025, stood at 123.31% against the minimum regulatory requirement of 100%. Access to call money markets, RBI's repo, marginal standing facility (MSF) and an option to refinance from refinance institutions, provide comfort.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks:

While J&K Bank's business model limits its direct exposure to environmental risks, credit risk may arise if operations of 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 J&K Bank's regulatory compliance and reputation and hence remain a key monitorable. Bank's remains largely compliant on this aspect.

J&K Bank's Board comprises 13 Directors, with six Independent Directors and includes one female Director.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Banks
Financial Ratios – Financial Sector
Factoring Linkages Government Support
Rating Basel III – Hybrid Capital Instruments issued by Banks

About the company and industry

Industry classification

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

A private sector scheduled commercial bank, JKB was incorporated on October 01, 1938, and commenced business from July 4, 1939, from Srinagar, Kashmir. The bank functions as a leading bank in the UTJKL and is designated by the RBI as its exclusive agent for carrying out the banking business for the Government of J&K and Ladakh. JKB is the only state government (now Government of UT)-owned bank in the country, and the Government of the UT of J&K (GoJK) holds ~59.40% stake in the bank as on June 30, 2025. JKB holds a dominant position in the UT of J&K, constituting majority credit and deposits in the state. As on June 30, 2025, it operated through a network of 1,019 branches and 1,424 ATMs. While predominantly focused in J&K, the bank has spread over 22 states and UTs. The bank remains largely rural focused, with 54.4% of the total branches (as on June 30, 2025) in rural areas, followed by 18.40% in metro, 16.30% in semi-urban, and the remaining 10.90% in urban locations.

Standalone Financial Statement

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	12,038	13,673	3,519
PAT	1,767	2,082	485
Interest coverage (times)	1.40	1.44	1.37
Total Assets	1,54,527	1,69,468	1,70,820
Net NPA (%)	0.79	0.79	0.82
ROTA (%)	1.19	1.29	1.20

A: Audited UA: Unaudited; Note: these are latest available financial results

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
Bonds-Tier II Bonds	INE168A08079	30-Mar-2022	9.50	30-Mar-2032	360.00	CARE AA-; Stable
Bonds-Tier II Bonds (Proposed)	Proposed	-	-	-	640.00	CARE AA-; Stable
Bonds-Tier II Bonds	INE168A08087	30-Dec-2022	9.75	30-Dec-2032	1021.00	CARE AA-; Stable
Bonds-Tier II Bonds (Proposed)	Proposed	-	-	-	479.00	CARE AA-; Stable

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	1000.00	CARE AA-; Stable	-	1)CARE AA-; Stable (16-Sep-24)	1)CARE A+; Positive (18-Sep-23)	1)CARE A+; Stable (20-Sep-22)
2	Bonds-Tier II Bonds	LT	1500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (16-Sep-24)	1)CARE A+; Positive (18-Sep-23)	1)CARE A+; Stable (27-Sep-22)

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-Tier II Bonds	Complex
2	Bonds-Tier II Bonds	Simple

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.

Contact us

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About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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