Jammu & Kashmir Bank Limited

September 11, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Tier-II Bonds#	SEBI	1,000.00	CARE AA-; Stable	Reaffirmed
Tier-II Bonds#	SEBI	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

Reaffirmation of the 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, 2026) in the bank and its expected support to JKB considering the bank's dominant position in this region and strategic importance for the socio-economic development of UTJKL.

The rating remains constrained by the bank's high geographical concentration in the UTJKL region, despite gradual business diversification outside the region in recent years. While the bank's capitalization levels has improved following recent capital infusions and improved internal accruals, it remains at a moderate level compared to its peers. The rating also reflects the improvement in asset quality of the bank, supported by controlled slippages, though remains sub-par compared to its peers. Additionally, the bank's significant exposure to the UTJKL region, which is vulnerable to natural calamities and socio-political disruptions, continues to pose risks to its business performance.

Going forward, CARE Ratings Limited (CareEdge Ratings) expects recovery in the bank's net interest margin (NIM) in line with the industry trend due to diversification of business mix in favour of higher yield retail products, which would support its profitability and will remain a key monitorable. However, credit costs are expected to inch up in FY27 after remaining benign in the last two fiscals and the asset quality of the recently originated advances remains a key 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 the 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%.

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.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Outlook: Stable

The 'Stable' outlook considers CareEdge Ratings' expectation of a healthy growth in JKB's earnings, while maintaining comfortable capital cushion and keeping asset quality under control. CareEdge Ratings also expects the bank to receive need-based support from the Government of UTJKL.

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, 2026. 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 1,008 branches as on June 30, 2026, out of which 835 branches are in UTJK. 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, including an equity capital of ₹1,000 crore in the last seven 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 ₹130,503 crore as on June 30, 2026, of which retail, agriculture and MSME (RAM) advances together constituted 66% of the total loan portfolio. The remaining portfolio comprised corporate loans with a share of 34% in total advances as on June 30, 2026. Around 62% 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 45.65% as on March 31, 2026, and 42.06% as on June 30, 2026 (March 31, 2025: 47.01%). In the last four years, the CASA proportion stood in the range of 42-57%. CareEdge Ratings expects proportion of the CASA to remain above 40% in the medium term, given the bank's dominant position in UTJKL. Total deposits increased by 11.3% to ₹165,354 crore as on March 31, 2026 (June 30, 2026: ₹173,420 crore) against ₹148,569 crore as on March 31, 2025.

Improved earnings profile

The bank's NIM decreased to 3.28% for FY26 from 3.59% for FY25. Non-interest income decreased by 17.3% from ₹1,137 crore in FY25 to ₹940 crore in FY26 due to treasury loss and decline in miscellaneous income. The total income increased by 3.0% from ₹13,673 crore for FY25 to ₹14,085 crore for FY26. The bank's cost-to-income ratio also moderated from 57.73% in FY25 to 56.18% in FY26; 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 1.9% to ₹2,987 crore for FY26 from ₹2,930 crore for FY25. With increase in credit cost due to exhaustion of additional provisions, the bank reported improvement in profit after tax (PAT) to ₹2,363 crore in FY26 against ₹2,082 crore in FY25. The bank's return on total assets (ROTA) increased from 1.29% in FY25 to 1.32% in FY26.

In Q1FY27, the bank reported a PAT of ₹424 crore against ₹485 crore in Q1FY26. The bank's NIM for Q1FY27 was at 3.09% (annualised) and is expected to improve in FY27 in line with overall banking scenario. The bank continued to incur high operating expenses in Q1FY27 with cost-to-income at 58.90%, which is expected to drop in the coming quarters to sub 57%. The bank earned a ROTA of 0.87% in Q1FY27 on an annualised basis due to reduced non-interest income and increased credit cost. 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

Relatively moderate capitalisation levels compared to peers, despite witnessing improvement in recent years

The bank has raised equity capital of ₹1,024.75 in the last four years, which along 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 16.55% with CET I Ratio of 13.54% as on March 31, 2026, improving from CAR of 16.29% and CET I ratio of 12.95%, respectively, as on March 31, 2025. CAR marginally improved to 16.67% with CET-I CAR at 13.91% as on June 30, 2026.

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, though improving, asset quality 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 2.50% and 0.64%, respectively, as on March 31, 2026, from 3.37% and 0.79%, respectively, as on March 31, 2025. GNPA ratio and NNPA ratio stood at 2.37% and 0.60%, respectively, as on June 30, 2026. The bank's NNPA to net worth ratio stood at 4.69% as on March 31, 2026 (March 31, 2025: 5.74%).

The net stressed assets (Net restructured assets + security receipts + NNPA) of the bank stood at 2.17% as a proportion of total net advances as on March 31, 2026, against 1.58% as on March 31, 2025. The bank's special mention account (SMA) 1 and SMA 2 exposures stood at 5.03% of gross advances as on March 31, 2026, against 6.42% as on March 31, 2025, which despite improvement remains higher than mid-sized private sector banks.

Limited geographical diversification with moderate scale of operations

With total gross advances of ₹130,503 crore and deposits of ₹173,420 crore as on June 30, 2026, JKB is a mid-sized bank compared to other public and private sector peers. The bank's operations are regionally concentrated, though improving, with 83.2% of the bank's deposits and 61.9% of its advances emanating from J&K and Ladakh as on June 30, 2026, against 87.9% of the bank's deposits and 67.3% of its advances 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.

Liquidity: Adequate

Per the structural liquidity statement of the bank as on June 30, 2026, the bank had no negative cumulative mismatches up to one-month buckets. The bank had excess statutory liquidity ratio (SLR) holdings of ₹8,838 crore (comprising 5.62% of Net Demand & Time Liabilities [NDTL]) as on March 31, 2026. Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as on June 30, 2026, stood at 111.77% and 123.36% 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.

J&K Bank's Board comprised 12 Directors, with five Independent Directors and 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 ~55.24% and Government of Ladakh holds 4.16% stake in the bank as on June 30, 2026. JKB holds a dominant position in the UT of J&K, constituting majority credit and deposits in the state. As on June 30, 2026, it operated through a network of 1,008 branches and 1,445 ATMs. While predominantly focused in J&K, the bank has spread over 22 states and UTs. The bank remains largely rural focused, with 54.2% of the total branches (as on June 30, 2026) in rural areas, followed by 18.1% in metro, 17.2% in semi-urban, and the remaining 10.6% in urban locations.

Standalone Financials:

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total income	13,673	14,085	3,760
Profit after tax (PAT)	2,082	2,363	424
Total assets	1,69,468	1,89,194	1,98,838
Net interest margin (NIM) (%)	3.59	3.28	3.09
Gross non-performing assets (NPA) (%)	3.37	2.50	2.37
Net NPA (%)	0.79	0.64	0.60
Capital adequacy ratio (CAR) (%)	16.29	16.55	16.67

A: Audited; UA: Unaudited; Note: these are latest available financial results
Note: Financial Ratios are computed per CareEdge Ratings

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier-II Bonds	SEBI	Complex	INE168A08079	30-Mar-2022	9.50	30-Mar-2032	360.00	CARE AA-; Stable
Bonds-Tier-II Bonds	SEBI	Complex	Proposed	-	-	-	640.00	CARE AA-; Stable
Bonds-Tier-II Bonds	SEBI	Complex	INE168A08087	30-Dec-2022	9.75	30-Dec-2032	1,021.00	CARE AA-; Stable
Bonds-Tier-II Bonds	SEBI	Complex	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 2026-2027	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
1	Bonds-Tier-II Bonds	LT	1000.00	CARE AA-; Stable	-	1)CARE AA-; Stable (15-Sep-25)	1)CARE AA-; Stable (16-Sep-24)	1)CARE A+; Positive (18-Sep-23)
2	Bonds-Tier-II Bonds	LT	1500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (15-Sep-25)	1)CARE AA-; Stable (16-Sep-24)	1)CARE A+; Positive (18-Sep-23)

LT: Long term

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

Annexure-4: 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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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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