Jammu and Kashmir Bank Limited

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J&K Bank

Board Secretariat

Ref:-JKB/BS/F3652/2026/103
Date: 20th August, 2026

National Stock Exchange of India Limited
Exchange Plaza 5th Floor
Plot No. C/1 G-Block
Bandra Kurla Complex
Bandra (E) Mumbai – 400 051
Symbol: J&KBANK

The BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code:532209

Sub: - Credit Ratings

Dear Sirs,

Pursuant to Regulation 30 and 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please be informed that India Ratings and Research has reviewed and affirmed Long-term Issuer rating and Basel III Compliant Tier II Bonds of the Bank, the details of which are as under:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating assigned along with Outlook/Watch	Rating Action
Long-term Issuer rating	-	-	-	-	IND AA-/Stable	Affirmed
Basel III compliant Tier II bonds	-	-	-	25000 (reduced from 35000)	IND AA-/Stable	Affirmed

This is for your information and appropriate dissemination.

Thanking you

Yours faithfully
For Jammu and Kashmir Bank Limited

Mohammad Shafi Mir

Digitally signed by Mohammad Shafi Mir
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(Mohammad Shafi Mir)
Company Secretary

India Ratings & Research
A Fitch Group Company

India Ratings Affirms Jammu and Kashmir Bank and its Basel III Compliant Tier II Bonds at 'IND AA-'; Outlook Stable

Aug 20, 2026 | Jammu and Kashmir Bank Limited | Private Sector Bank

India Ratings and Research (Ind-Ra) has affirmed Jammu and Kashmir Bank Limited's (JK Bank) Issuer Rating and Basel III compliant Tier II bonds at 'IND AA-'. The Outlook is Stable. The detailed rating action is as follows:

Details of Instruments

Instrument Description	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating Assigned along with Watch/Outlook	Rating Action
Basel III compliant Tier 2 bonds*	Refer ISIN annexure	-	-	-	25,000 (reduced from 35,000)	IND AA-/Stable	Affirmed
Issuer rating	#	-	-	-	-	IND AA-/Stable	Affirmed

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.
*Details in annexure

Analytical Approach

Ind-Ra continues to take a fully consolidated view of JK Bank and its wholly owned subsidiary, JKB Financial Services Ltd., to arrive at the ratings.

Detailed Rationale of the Rating Action

The rating reflects JK Bank's healthy profitability, supported by benign credit costs and an improved cost-to-income ratio in FY26. The ratings further reflect an improvement in the bank's asset quality matrix, with an improvement in the gross and net NPAs, and controlled levels of special mention accounts-1 (SMA-1) and special mention accounts-2 (SMA-2). The rating also considers the bank's strategic importance to the government of Jammu & Kashmir, given its key role in the region's financial ecosystem and its strong presence in union territory of Jammu, Kashmir & Ladakh (UTJKL). The rating is, however, constrained by the geographical concentration in both assets and liabilities towards the J&K region. However, the same has been reducing since the past few years, as the bank has been growing in non-J&K regions on the retail products side. Ind-Ra will continue to monitor the same. Furthermore, the CET-1 ratio stood at 13.91% at 1QFYE27, higher than the regulatory requirements.

List of Key Rating Drivers

Strengths

- Systemic importance
- Continued improvement in asset quality
- Reasonable deposit profile with adequate low-cost current account saving account (CASA) deposits
- Improved profitability profile
- Adequate capitalisation

Weaknesses

- Inherent geographic concentration

Detailed Description of Key Rating Drivers

Systemic Importance: Although JK Bank has a smaller scale compared to other peer banks, the bank remains systemically important, given its strong franchise and substantial market share in UTJKL. JK Bank benefits from its strong franchise in the UT of Jammu & Kashmir, enabling participation in government-led development initiatives and facilitating business generation from government departments and employees. The bank continues to be designated as the agent bank by the Reserve Bank of India for UTJKL. The bank has received continued financial support from the government of UTJKL. Considering JK Bank is a dominant bank in the strategically important and socio-politically sensitive union territories, it is of high systemic importance and plays a major role in the state economy. While this support had been present when the regions were administered by the state of Jammu & Kashmir, the bank's capital levels had been precariously close to the regulatory levels, given the loan concentration and higher dependence on the government for timely and adequate infusion than most centre-owned mainstream scheduled commercial banks. An improvement in UTJKL's socio-political situation over the medium-to-long term will aid JK Bank's steady state performance, leading to improved internal accruals. Ind-Ra expects the government of UTJKL to continue extending timely and adequate financial support to the bank, reflecting its demonstrated willingness to provide support in the past. The governments of UTJKL continued to hold a majority share of around 59% in the bank at end-1QFY27.

Continued Improvement in Asset Quality: The gross and net NPAs of the bank have been witnessing continued improvement, led by the improving business and socio-political environment in the J&K territory, which has been aiding tourism, agriculture, and small businesses, and the bank's consistent collection efforts. The gross NPA improved to 2.37% in 1QFY27 (FY26: 2.50%, FY25: 3.37%, FY24: 4.08%), and the net NPAs improved to 0.60% (0.64%, 0.79%, 0.79%). The bank's provision coverage ratio remained strong at 75.1% in 1QFY27 (FY26: 74.9%, FY25: 77.3%, FY24: 81.4%), in line with that of peer banks. The bank was able to reduce its SMA portfolio in 1QFY27, with SMA-1 and SMA-2 constituting 5.3% of the total advances in 1QFY27 (1QFY26: 7.3%), though the same remains higher compared to peer banks. The SMA-0 bucket has improved significantly, standing at 5.8% in 1QFY27 (9.0% in 1QFY26), due to the realignment of repayment dates with borrowers' cash flows. The management expects the SMA portfolio to normalise and align with industry trends over the medium term.

Reasonable Deposit Profile with Adequate Low-cost CASA Deposits: At 1QFYE27, the bank's CASA ratio declined but remained higher than peers at 42.1% (FY26: 45.6%, FY25: 47.0%; FY24: 50.5%), with the credit to deposit ratio remaining comfortable at 73.9% at 1QFY27 (74.2%; 70.1%; 69.6%). While the CASA growth has been facing certain pressure due to increasing competition from private sector banks, JK Bank's CASA ratio is better than that of most peers. This is attributed to the majority government ownership and JK Bank being the agency bank for UTJKL, with all the transactions related to the UTJKL government and government employees (salaries) being routed through the bank. This has helped the bank sustain traction in retail deposits over the years. Overall, the bank's deposit profile plays an important role in maintaining its annualised margins (1QFY27: 3.3%; FY26: 3.6%, FY25: 3.9%, FY24: 3.9%). The margins reduced in FY26 largely due to asset repricing, given the repo rate cut environment. The margins have also been impacted to some extent by advances growth in the better-rated corporate book. The cost of deposits, which stood at 4.7% in 1QFY27 (1QFY26: 4.8%), is one of the lowest rates among Indian scheduled commercial banks, implying lower-than-peers' deposit costs. However, the deposit profile remains constrained by limited deposit franchise outside UTJKL, as nearly 83.2% of the deposits come from the territory.

Improved Profitability Profile: The bank was able to maintain comfortable net interest margins of around 3.3% in 1QFY27 (1QFY26: 3.7%), mainly supported by the low cost of deposits and a healthy CASA profile. The bank expects its net interest margins to be around 3.6% in FY27. While the bank witnessed a loss of INR11.4 billion in FY20 with credit costs of 4%, its reported return on assets (ROA) has remained positive on a sustained basis for the past eight quarters, largely because of its benign credit cost, healthy operating buffers, and controlled cost to income ratio. The bank's cost to income had reduced consistently since FY22 and stood at 56.2% in FY26 (FY25: 57.7%, FY24: 62.2%), but it inched up slightly to 58.9% in 1QFY27 due to a one-off impact of reversal of employee terminal benefit in 4QFY26 that the bank had provided for in FY26. Overall, Ind-Ra expects the profitability to sustain and improve further in the near-to-medium term. However, the impact of Expected Credit Loss (ECL) implementation remains a key monitorable.

Adequate Capitalisation: The bank's CET1 ratio improved to historical levels of 13.9% in 1QFY27 (FY26: 13.5%, FY25: 13.0%), supported by its improving internal accruals. The increase in CET1 was partly offset by an increase in risk-weighted-assets (RWA) for operational risks during 1QFY27. The Tier 1 and overall CAR ratio of the bank also improved to 14.8% (14.4%, 13.9%) and 16.7% (16.6%, 16.3%), respectively. Additionally, the bank's capitalisation is likely to be supported by the proposed equity raise of up to INR10 billion through a qualified institutional placement (QIP), which was approved by the board on 11 August 2026 and is subject to shareholder and regulatory approvals. The government of UTJKL, the bank's majority shareholder, is likely to participate in the issuance to maintain its shareholding. Ind-Ra believes the manageable asset quality would enable the bank to maintain material profitability over the medium term. Ind-Ra believes the existing capital buffers are adequately placed to absorb asset quality shocks. The management has estimated an incremental provisioning requirement of approximately INR15 billion upon transition to the ECL framework. The proposed INR10 billion equity infusion is likely to partly offset the impact of the ECL transition and support the planned redemption of the bank's outstanding AT1 bonds of INR10 billion.

Inherent Geographic Concentration: The geographical concentration remained high in 1QFY27, with UTJKL accounting for around 62% of the gross advances (1QFY26: 71%) and around 83% (88%) of the deposits. The bank was successful in reducing the geographical concentration in its gross advances by expanding in corporate and other advances outside the UTJKL region. The management expects to gradually bring down the portfolio concentration to 50% by FY28, which remains to be seen. The concentration could be partly mitigated by the fact that around 17.31% of the overall portfolio comprises retail loans to government employees, which is also guaranteed by the government of UTJKL. Also, the retail portfolio of the bank has seen limited delinquencies, with the GNPAs remaining less than 1% historically.

Liquidity

Adequate: As per the bank's structural liquidity statement as of March 2026, the bank had a negative cumulative mismatch (outflows exceeding inflows) of around 8% of the total assets in the up-to-one-year bucket. However, the same is within the bank's tolerance limit. Moreover, it has a liquidity coverage ratio of 115.7% at 4QFY26, well above the regulatory requirement.

Rating Sensitivities

Positive: The bank's ability to reduce the geographical concentration in the J&K region as planned and improve its market share, especially outside UTJKL, a further improvement in the capital ratios and stable profitability from the core lending operations, and the absence of any material deterioration in the asset quality could lead to a positive rating action.

Negative: Events that could, individually or collectively, lead to a negative rating action are as follows:

- any significant findings that come to Ind-Ra's notice that could have a material impact on the bank's financials or raise larger questions on the propriety of the bank's processes

- larger-than-Ind-Ra-expected asset quality issues, leading to a decline in the CET 1 ratio below 12% on sustained basis

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on JK Bank, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

Srinagar-based JK Bank was established in 1938. It is majority-owned (59% as of June 2026) by the government of UTJKL. The bank had 1,008 branches and 1,445 ATMs at end-June 2026.

Key Financial Indicators

Particulars - Consolidated	FY26	FY25
Total assets (INR billion)	1,889.6	1,694.2
Total equity (INR billion)	165.0	142.1
Net income (INR billion)	23.7	20.9
Return on average assets (%)	1.3	1.3
Equity/assets (%)	8.7	8.3
Capital adequacy ratio (%)	16.4	16.4
Source: Company, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	21 August 2025	22 August 2024	23 August 2023
Issuer Rating	Long-term	-	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND A+/Positive
Basel III compliant Tier 2 bonds	Long-term	25,000.00	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND A+/Positive

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III compliant Tier 2 bonds	Moderate

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	Regulator of Instrument	ISIN	Date of Allotment	Maturity Date	Coupon rate (%)	Size of Issue (million)	Rating/Outlook
Basel III compliant Tier 2 bonds	SEBI	INE168A08079	30 March 2022	30 March 2032	9.5	INR3,600	IND AA-/Stable
Basel III compliant Tier 2 bonds	SEBI	INE168A08087	30 December 2022	30 December 2032	9.75	INR10,210	IND AA-/Stable
Utilised Limit	SEBI	-	-	-	-	INR13,810	IND AA-/Stable
Unutilised Limit	SEBI	-	-	-	-	INR11,190	IND AA-/Stable
Total Limit	SEBI	-	-	-	-	INR25,000	IND AA-/Stable
Source: NSDL; JK Bank							

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

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APPLICABLE CRITERIA AND POLICIES

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

Evaluating Corporate Governance

DISCLAIMER

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