Jammu and Kashmir Bank Limited

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Board Secretariat

Ref:-JKB/BS/F3652/2025/104
Date: 21st August, 2025

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 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 (billion)	Rating assigned along with Outlook/Watch	Rating Action
Long-term Issuer rating	-	-	-	-	IND AA-/Stable	Affirmed
Basel III compliant Tier II bonds	-	-	-	INR35 (reduced from INR40)	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
Date: 2025.08.21 23:51:41 +05'30'

(Mohammad Shafi Mir)
Company Secretary

India Ratings & Research
A Fitch Group Company

India Ratings Affirms Jammu and Kashmir Bank and its Bonds at 'IND AA-'; Outlook Stable

Aug 21, 2025 | Private Sector Bank

India Ratings and Research (Ind-Ra) has affirmed Jammu and Kashmir Bank Limited's (JK Bank) Long-Term 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 Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Long-term Issuer rating	-	-	-	-	IND AA-/Stable	Affirmed
Basel III compliant Tier II bonds*	-	-	-	INR35 (reduced from INR40)	IND AA-/Stable	Affirmed

*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., in its analysis 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 FY25. While the bank's provisioning is adequate and its gross non-performing asset (GNPA)/net non-performing asset (NNPA) levels have improved, the elevated SMA-1 and SMA-2 levels remain a concern; according to the management, corrective measures have been initiated. 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 a strong presence in union territory of Jammu, Kashmir & Ladakh (UTJKL). The agency also noted high geographical concentration in both assets and liabilities towards the J&K region; however, this has been improving from the past few years, as the bank looks to grow aggressively in the non-J&K region. Furthermore, while the CET-1 ratio at 12.7% at 1QFY26 (excluding 1QFY26 profits) is above regulatory requirements, it remains modest.

List of Key Rating Drivers

Strengths

- Systemic importance
- Improving asset quality
- Reasonable deposit profile with high low-cost current account saving account (CASA) deposits
- Improved profitability profile likely to sustain
- Adequate capitalisation

Weaknesses

- Inherent geographic concentration

Detailed Description of Key Rating Drivers

Systemic Importance: Although it has a smaller scale compared to other peer banks, the bank remains systemically important, given its strong franchise and substantial market share in the UTJKL. 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 continued financial support from the UTJKL government (equity infusions; FY22: INR5.0 billion, FY20: INR5.0 billion, FY17-FY18: INR5.3 billion) in a timely and adequate manner; the regions are governed by the central government since they are union territories. UTJKL held a majority share of around 59% in the bank at end-1QFY26.

Improving Asset Quality: The gross NPAs of the bank were steady at 3.5% at end-1QFY26; however, a continued improvement has been observed historically (FYE25: 3.4%; FY24: 4.1%; FY23: 6.0%; FY22: 8.7%); the net NPAs remained steady at 0.8% (0.8%; 0.8%; 1.6%; 2.5%in line with peer banks'. The steady decline in the NPA ratios can also be attributed to the improving business and socio-political environment in the J&K territory, which has been aiding tourism, agriculture, and small businesses. The bank's provision coverage ratio remained strong at 77.2% in 1QFY26 (FY25: 77.3%; FY24: 81.4%; FY23: 74.4%; FY22: 73.2%), in line with that of peer banks'. The bank continued to have a high special mention accounts (SMA) portfolio in 1QFY26, with the share of SMA-1 and SMA-2 remaining elevated at 7.3% of total advances as of 1QFY26 (1QFY25: 6.3%), compared to peer banks. However, the SMA-0 bucket has improved significantly and stood at 9% in 1QFY26 (1QFY25: 21.6%), 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 High Low-cost CASA Deposits: At 1QFYE26, the bank's CASA ratio declined but remained higher than peers' at 45.71% (FY25: 47.0%; FY24: 50.5%), with the credit to deposit ratio remaining comfortable at 68.1% at end-1QFY26 (FYE25: 70.1%; FYE24: 69.6%). JK Bank's CASA ratio is better than that of most peers' due to the majority government ownership and it being the agency bank for UTJKL; this has helped JK Bank sustain traction in retail deposits over the years, as all the transactions related to the UTJKL government and government employees (salaries) are routed through the bank. Overall, the bank's deposit profile plays an important role in maintaining its margins (FY25: 4.2%, FY24: 4.2%), however bank expects to maintain margin of 3.7% in FY26 largely because of higher asset repricing among repo rate cut. The cost of deposits, which stood at 4.8% in 1QFY26 (FY25: 4.7%; FY24: 4,6%), 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 88% of the deposits come from the territory.

Improved Profitability Profile likely to Sustain: The bank has been able to maintain slightly high net interest margins compared to peers at around 3.7% in 1QFY26 (1QFY25: 3.9%) mainly supported by the low cost of deposits and a healthy CASA profile. After having witnessed a loss of INR11.4 billion in FY20 with credit costs of 4.1%, JK Bank's reported return on assets (ROA) has remained above 1% on a sustainable basis for the past eight quarters, mainly helped by its benign credit cost, and healthy operating buffers on the improving cost to income ratio. Ind-Ra expects the bank's credit costs to remain low in FY26 as well. The bank's cost to income has consistently reduced to 58% in FY25 from the peak of 71% in FY22 but inched up to 60% in 1QFY26 due to a one-off impact of INR870 million; adjusted for that, the cost-to-income would have been 57%. Moreover, recently, the bank has initiated to centralise its expense management system to reduce the compliance burden on branches and increase the focus on marketing through a majority of branches to boost the volume through-put. Overall, Ind-Ra expects the profitability to sustain and improve further in the near-to-medium term with an RoA of around 1.3%.

Adequate Capitalisation: The bank's CET1 ratio has improved historically to 12.7% in 1QFY26 (FY25: 13.0%; FY24:

12%; FY23: 11.05%; FY22: 10.35%), supported by its improving internal accruals. The increase in CET1 was partly offset by an increase in risk- weighted-assets (RWA) for unsecured retail loans during the year. This also needs to be viewed in the context of the bank's net NPAs being reduced to about 0.8% at end-1QFY26 from 2.9% at end-FY21. The Tier 1 and overall CAR ratio of the bank also improved to 13.7% (14.0%, 13.1%) and 16.0% (16.3%, 15.3%). Additionally, The bank plans to raise equity of around INR10 billion and Tier II capital of around INR5 billion. The final decision is likely to be taken in 2HFY26. 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.

Inherent Geographic Concentration: The geographical concentration remained high in 1QFY26, with UTJKL accounting for around 71% of the gross advance (FY25: 67.3%; FY24: 68.5%), and around 88% of the deposits coming from the region. The management expects to gradually bring down the portfolio concentration to 60% by FY28, which remains to be seen. The concentration could be partly mitigated by the fact that around 24% 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 2025, the bank had a negative cumulative mismatch (outflows exceeding inflows) of around 8% of the total assets (INR38 billion) in the up-to-one-year bucket. However, this is adequately covered by the excess SLR of INR81 billion maintained by the bank as of March 2025. Moreover, it has a liquidity coverage ratio of 135.7% at 1QFY26, against the regulatory requirement of 100%.

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 no 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 10% 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 March 2024) by the government of UTJKL. The bank had 1,019 branches and 1,42~~5~~4 ATMs at end-June 2025.

Key Financial Indicators

Particulars - Consolidated	FY25	FY24
Total assets (INR billion)	1,694.2	1,545.0
Total equity (INR billion)	142.1	121.9
Net income (INR billion)	20.9	17.7
Return on average assets (%)	1.3	1.2
Equity/assets (%)	8.3	7.9
Capital adequacy ratio (%)	16.4	15.4
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 (billion)	Rating	22 August 2024	23 August 2023	30 August 2022
Issuer rating	Long-term	-	IND AA-/Stable	IND AA-/Stable	IND A+/Positive	IND A+/Stable
Basel III compliant Tier 2 bonds	Long-term	INR35	IND AA-/Stable	IND AA-/Stable	IND A+/Positive	IND A+/Stable

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

ISIN	Instrument	Date of Issue	Date of Issue (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
INE168A08046	Basel III compliant Tier 2 bonds	28 December 2017	9.25	27 December 2024	INR5	WD (paid in full)
INE168A08079	Basel III compliant Tier 2 bonds	30 March 2022	9.5	30 March 2032	INR3.6	IND AA-/Stable
INE168A08087	Basel III compliant Tier 2 bonds	30 December 2022	9.75	30 December 2032	INR10.2	IND AA-/Stable
	Total unutilised				INR21.2	
	Total				INR35	
Source: NSDL; JK Bank						

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About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

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.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

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