Rating Rationale

29 Sep 2026

The Jammu & Kashmir Bank Ltd

SUMMARY OF RATING ACTION

Instruments	Tenure	Amount (₹ crore)		Rating Action & Outlook		Regulator
		Previous	Present	Previous 30 Sep 2025	Present	
Tier II Bonds (under Basel III)	Long Term	0.00	-	Withdrawn	-	SEBI
Additional Tier I Bonds (under Basel III)	Long Term	1000.00	**1000.00**	BWR A/Stable (Reaffirmed)	**BWR A/ Stable (Reaffirmed)**	SEBI
Total		1000.00	**1000.00**	**Rupees One Thousand Crores Only**		

Note

1. Please refer to the BWR website www.brickworkratings.com for the definition of the ratings
2. Refer to Annexures I, II, and III for details of rated bank loan facilities, debt instruments, and the List of Entities Consolidated**.**

RATING ACTION/OUTLOOK: REAFFIRMATION/ STABLE

Brickwork Ratings (BWR) reaffirms the rating at BWR A/Stable for the Additional Tier I Bonds (under Basel III) amounting to Rs.1000 Crores of The Jammu & Kashmir Bank Ltd. The rating reaffirmation continues to factor in the continued support of the Government of Union Territories of J&K and Ladakh (GoJKL), as the promoter and major shareholder with a 59.40% stake in Jammu & Kashmir Bank as of 30 June 2026. The rating factors in comfortable capital adequacy, resource profile, and improved Asset quality. The rating also factors in the moderation in profitability during Q1FY27. Given the strategic importance of the Bank, its operations with regional concentration have a dependency on the growth in the hospitality, agriculture, and tourism industry in the region, especially in a challenging environment. The Bank is, however, focusing on diversification of business throughout India.

BWR maintains a Stable outlook for the bank as the bank's business risk profile is likely to remain unchanged over the medium term, indicating a low likelihood of a rating change over the medium term. The Stable outlook on the rating reflects that Jammu and Kashmir Bank will maintain steady growth in its business, manage its credit profile effectively, and is expected to improve upon its profitability

KEY COVENANTS OF THE INSTRUMENT/FACILITY

ISIN INE168A08061: The unsecured listed redeemable non-convertible Basel III Compliant Additional Tier I Bonds. These bonds were raised on 14 June 2018 and are perpetual in nature. These bonds carry a fixed coupon rate of 10.50% payable on an annual basis from the date of issue. This bond has a call option on the condition that any Redemption of the PDIS on account of exercise of the call option shall be subject to the issuer giving not less than fifteen calendar days' prior notice to the trustee.

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Note on Additional Tier I Bonds under Basel III: The differentiating features of Additional Tier-I (AT1) capital instruments (under Basel III) include the discretionary payment of coupons by the bank and principal write-down upon the breach of pre-specified triggers. These features increase the risk attributes of AT1 instruments over those of Tier-II instruments under Basel III. The rating on AT1 bonds (under Basel III), therefore, are lowered by at least one notch from the bank's base case/ issuer rating. The factors based on which the rating of the AT1 bonds (under Basel III) is lowered depend on the bank's asset quality and its impact on profitability and capitalisation. Nevertheless, the bank's revenue reserves have to be comfortable, wherein the bank ensures timely coupon payments.

The factors that could trigger a default event for non-equity Tier-I capital instruments (under Basel III) resulting in non-payment of coupons are: i) the bank exercising coupon discretion; ii) inadequacy of eligible reserves to honour coupon payments if the bank reports losses or low profits; or iii) the bank breaching the minimum regulatory Common Equity Tier-I ratio. Moreover, given the additional risk attributes, the rating transition for non-equity Tier-I capital instruments (under Basel III) can potentially be higher and faster than that for Tier-II instruments.

The Stable outlook on the Basel III Additional Tier-I bonds is on account of the bank's adequate capitalization levels and reserves. The bank's ability to maintain its capital adequacy levels along with improving the profitability in the near to long term will be a key rating monitorable.

ANALYTICAL APPROACH & APPLICABLE RATING CRITERIA

Analytical Approach	Comments
Applicable Rating Criteria	• General Criteria • Approach to Financial Ratios • Banks and Financial Institutions • Capital Instruments Issued by Banks and Financial Institutions • Rating based on Government Support
Parent/Group/Government Support	Government Support
Analytical Approach (Consolidation/Standalone)	**Standalone** For arriving at its ratings, BWR has evaluated the risk profile of the Bank on a standalone basis. BWR has applied its rating methodology as detailed in the Rating Criteria

KEY RATING DRIVERS WITH DETAILED DESCRIPTION

Credit Strengths:

Strong support from the Government of Jammu Kashmir and Ladakh (GoJKL): The Government of Jammu Kashmir and Ladakh holds a 59.4% stake in the bank as of 30 June 2026. The bank benefits from the continuing support received from the GoJKL, considering its majority shareholding and the importance of the bank in its regions of operation in J&K and Ladakh. The Bank holds a dominant position in the Union Territories of JKL, constituting the majority of the credit and deposits. Given its high systemic importance to the territory's economy, the Govt. of JKL has demonstrated consistent need-based support in the past and is expected to do so in the future. The bank is planning to raise capital through a mix of equity and bonds.

Comfortable resource profile supported by high levels of CASA deposits: The bank has a stable and substantial deposit base, with JKL holding 83.27% of the total deposits. As of 31 March 2026, total deposits increased by 11.30% y-o-y, standing at Rs. 165,354 crore, of which term deposits constitute 54% of the total deposits of the Bank. As of 30 June 2026, the total deposits of the Bank further improved to Rs. 173,420 crore, of which term deposits were 58%. The Bank's low-cost CASA deposit has conventionally remained above 50% over the years till March 2024. However, during the year ended 31 March 2026 and 30 June 2026, the CASA ratio declined to 45.65% and 42.06%, respectively, but was better than peers in the industry. However, to improve the CASA ratio, the bank is focusing on capturing corporate salary packages to boost low-cost deposit mobilization to align with the bank's guidance of 45% of CASA in FY27.

Comfortable capitalization: The Bank's capital-to-risk-weighted assets ratio (CRAR) continued to improve to 16.67% as of 30 June 2026 as compared to 16.55% at the end of FY26 (16.29% at the end of FY25). The bank maintained CRAR well above the minimum regulatory requirement of 11.5% (including capital conservation buffer of 2.5%). The Tier I Capital adequacy ratio improved to 14.78% as of 30 June 2026 (14.44% at the end of FY26 and 13.96% at the end of FY25). The Common Equity Tier 1 (CET 1) ratio was 13.91% as of 30 June 2026, an improvement from 13.54% at the end of FY26. The bank's total capital to risk-weighted assets ratio, the Tier I ratio and the CET-1 ratio continued to remain strong and well above the regulatory requirements of a minimum Common Equity Tier-1 (CET1) capital ratio of 8.0% (including the capital conservation buffer of 2.5%), and a minimum Tier 1 capital ratio of 9.5%, and a minimum total capital adequacy ratio (total CRAR) of 11.5% as of 30 June 2026. The Bank also has plans to raise equity capital of Rs 1500 Crores (CET 1 Capital of Rs 1000 Crores via Qualified Institutional Placement (QIP) and Tier-II capital of Rs 500 Crores Via Tier-II bonds) over the medium term to maintain healthy capitalisation levels.

Improvement in overall Asset quality of the Bank: The Asset quality of the bank continued to show improvement through Q1FY27, highlighted by the Gross Non-Performing Asset (GNPA) ratio contracting by 113 bps y-o-y to 2.37% (down from 3.50% in Q1FY26 and 2.50% in Q4FY26). This asset quality improvement was primarily anchored by a sharp drop in fresh slippages in Q1FY27 by 52.55% y-o-y to Rs 130 crore (annualized slippage ratio of 0.45%). While Q1FY27 recoveries moderated to Rs 61 crore (-42.80% y-o-y), Bank expects Rs 250 crore in recovery from written-off accounts for FY27 (with Rs 150–170 crore anticipated in Q2FY27). The Provision Coverage Ratio (PCR) remained robust at 90.53% as of 30 June 2026, which improved from 90.33% as of 31 Mar 2026 and 90.09% as of 30 June 2025, indicating adequate PCR to withstand asset quality pressures. Consequently, the Net NPA (NNPA) ratio improved to 0.60% in Q1FY27.

Early-stress indicators also trended favorably overall as total Special Mention Accounts (SMA) dropped to 10.85% of total advances (Rs 14,157 crore) as of 30 June 2026 from 15.73% of total advances as of 30 June 2025..

Credit Risks:

Moderation in profitability in Q1FY27 in a competitive environment, albeit improving in FY26: The Bank witnessed moderation in profitability in Q1FY27 with a decline in net profit to Rs 424 crore y-o-y by 12.58% despite an 8.51% y-o-y growth in interest income. Bottom-line performance was constrained by a sharp increase in provisions (rising to Rs 84 crore from Rs 15 crore in Q1FY26 due to growth in advances in Q1FY27) and a 13.64% y-o-y increase in interest expenses in Q1FY27. Consequently, return metrics contracted, with Return on Equity ROE and ROA declining to 11.11% and 0.87%, respectively. Net Interest Margin (NIM) moderated to 3.28% in Q1FY27 as compared to 3.72% in Q1FY26 despite an increase in net interest income. NIM compression stemmed from asset-side re-pricing following repo rate cuts (with floating-rate loans expanding to 65% of the book from 50% previously) alongside intense deposit pricing competition. The Bank aims to stabilize NIM around 3.50%, which is projected for FY27 and FY28.

However, the bank's operating profit grew y-o-y to Rs 703 crore in Q1FY27, supported by a 6.88% rise in core interest earnings. The cost-to-income ratio of the bank improved y-o-y to 58.90% from 60.78% in Q1FY26 as on a y-o-y basis, operating expenses declined to Rs 1008 Crores in Q1FY27 from Rs 1041 Crores in Q1FY26.

In FY26, however, Net Profit improved by 13.49% to Rs 2,363 Crores from Rs 2,082 Crores in FY25. This growth was driven by a 3.02% increase in total income to Rs 14,085 crore. Core operations remained robust, with interest income rising 4.85% y-o-y to Rs 13,145 crore, driving Net Interest Income (NII) up by 1.42% y-o-y to Rs 5,876 crore. However, total income expansion was partially muted by non-interest income—accounting for 7% of total income—which contracted 16.85% y-o-y to Rs 940 crore. This non-interest drag was non-operational, stemming from a one-off Rs 180 crore provision absorbed within 'other income' to facilitate the EDB amalgamation with the bank's Regional Rural Bank. Despite the absolute growth in NII, the bank's Net Interest Margin (NIM) compressed by 32 bps y-o-y to 3.60%, while yield on advances softened to 8.98% (from 9.56% in FY25). This margin compression directly reflects asset-side repricing following the cumulative 125 bps policy rate cuts by the RBI through December 2025. To counter these top-line yield pressures, the bank relied on disciplined overhead control, lowering its Cost-to-Income ratio by 155 bps y-o-y to 56.18%. Operating cost efficiencies, paired with excellent asset quality—evidenced by credit costs remaining near zero for the third consecutive year. Return on Assets strengthened to 1.37% from 1.32% in FY25 with higher profit in FY26, while Return on Equity moderated slightly by 52 bps to 16.85% (17.37% in FY25).

Regional concentration and challenging operating environment: J&K Bank has 61.89% of its advances and 83.27% of its deposits from J&K and Ladakh as of 30 June 2026, indicating a regional concentration in the bank's business operations. However, the bank is focusing on diversification of its credit portfolio and expanding geographically. Additionally, owing to the regional concentration of the bank, natural calamities and socio-political disturbances make the operating environment challenging for the bank. However, the bank has managed these challenges through taking corrective, timely measures, and with adequate support from the government and regulatory bodies. As per the Bank, 50% credit growth is expected to come from the rest of India and 50% from the J&K and Ladakh region. Hence, the loan book composition, which is now at 62 (J&K and Ladakh region):38 (Rest of India), the bank is expecting the ratio to be 50:50 in the next 2 to 3 years. The Bank continues to maintain its dominant position in J&K and Ladakh with a commanding market share of 61.13% of banking business as on 31st March 2026 and has recorded an improvement in deposit market share in 19 out of 22 districts in J&K and Ladakh during FY 2025-26. However, as per the Bank, the Rest of India contributed 26% as of 30 June 2026 of the Bank's overall business as of 30 June 2026, which was 20% as of 30 June 2025. This indicates the Bank's continued efforts towards diversification of its business portfolio towards the rest of India.

RATING SENSITIVITY FACTORS

Positive:

- Maintaining and strengthening the capital adequacy levels from the current levels with the continued support of the GoJKL, and a substantial improvement in net profits

Negative:

- Substantial deterioration in asset quality in the near to medium term and its impact on the net profits and capital adequacy levels
- Weakening of capital cushioning levels of less than 1% over and above the minimum regulatory requirements of CRAR of 11.5% and Tier 1 ratio of 9.5%

LIQUIDITY POSITION: ADEQUATE

The bank has an adequate liquidity position, with a cash balance with RBI that stood modest at Rs 7077.03 Crores as of 30 June 2026 (declined from Rs 7621.87 Crores as of 31 March 2026) and balances with banks at Rs 983.62 Crores (improved from Rs 203.93 Crores as of 31 March 2026). The LCR as of 30 June 2026 was 113.96% (Daily Average) above the regulatory requirement of 100%. SLR of the bank as of 30 June 2026 was 21.03%, which is 3.03% higher than the regulatory requirement of 18%.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) PRACTICES:

The Bank demonstrates an adequate ESG profile based on its environmental, social, and governance practices. The ESG profile for financial sector entities typically factors governance as a key differentiator.

Environmental: Environmental evaluation considers lending restrictions on environmentally sensitive sectors and the extent of support for green or sustainable financing products (such as sustainable livelihood activities, including dairy farming).

Social: Social assessment covers employee welfare initiatives, diversity and inclusion practices and financial-inclusion measures. Customer service and grievance-resolution systems, data privacy and information-security measures, and community development or CSR initiatives.

Governance: Governance analysis includes the effectiveness of investor and stakeholder grievance-redressal mechanisms, the structure and independence of the board (with 40% independent directors and a maximum tenure of 5 years), adherence to regulatory and ethical standards, and workforce-governance policies promoting fairness and equity.

COMPANY/FIRM PROFILE

Industry Classification			
Macroeconomic Indicator	**Sector**	**Industry**	**Basic Industry**
Financial Services	**Financial Services**	**Banking**	**Banks**

The Jammu and Kashmir Bank Ltd (J&K Bank) is a banking company incorporated in 1938. The Bank is headquartered in Srinagar, Jammu and Kashmir, India. The bank is the first Jammu & Kashmir company listed on BSE & NSE. The bank functions as a leading bank in the Union Territories of Jammu & Kashmir and Ladakh and is designated by the Reserve Bank of India as its exclusive agent for carrying out banking business for the Government of Jammu & Kashmir and Ladakh. The bank had a stakeholding of the Government of the UTs of J&K and Ladakh of 59.4% as of 30 June 2026. JKB holds a dominant position in the State of J&K, constituting the majority of the credit and deposits in the state. As of 30 June 2026, it operated through a network of 1,008 branches and 1445 ATMs. While predominantly focused in J&K, the bank has spread across 18 states and 4 UTs. The bank remains largely rural-focused, with 54.2% of the total branches (as on 30 June 2026) in rural areas, followed by 18.1% in metro, 17.2% in semi-urban, and the remaining 10.6% in urban locations.

Mr. Ketan Kumar Joshi has been appointed as the new Chief Financial Officer (CFO) of The Jammu and Kashmir Bank Ltd effective from 27 June 2025, for a period of 3 Years, replacing Mr. Fayaz Ahmad Ganai. Mr. Ketan Kumar Joshi was previously CFO at North East Small Finance Bank Ltd. He also had international exposure, as he also worked as CFO at Maiwand Bank, Bakhtar Bank, and Ghazanfar Bank, Kabul, Afghanistan. On 31 Aug 2026, Mr. Tsewang Tharchin was appointed as an additional director of the Bank in the category of Rotational Directors on the Board of Directors of the Bank.

KEY FINANCIAL INDICATORS

Standalone Financial Indicators	Unit	FY25 (A)	FY26 (A)	Q1/3M FY27 (UA)
Total Business	in ₹ crore	255,554	290,335	303,923
PAT	in ₹ crore	2082	2363	424
CASA ratio	%	47.01	45.65	42.06
Gross NPA ratio	%	3.37	2.50	2.37
Net NPA ratio	%	0.79	0.64	0.60
PCR	%	90.28	90.33	90.53
NIM	%	3.92	3.60	3.28
CRAR	%	16.29	16.55	16.67
Tier I Ratio	%	13.96	14.44	14.78

A: Audited; UA: Unaudited.
Note: These are the latest available financial results. Amount in ₹ crore.

RATING HISTORY FOR THE PREVIOUS THREE YEARS

	Current Rating			Rating History					
	(Sep 2026)			FY26		FY25		FY24	
Instrument	Type	Amount (in ₹ crore)	Rating	Date	Rating	Date	Rating	Date	Rating
Tier II Bonds (under Basel III)	-	-	-	30 Sep 2025	Withdrawn (Amt O/s nil)	03 Oct 2024	BWR AA-/ Stable (Reaffirmed) (Rs.500 crores)	05 Oct 2023	BWR AA-/ Stable (Reaffirmed) (Rs.500 crores)
Additional Tier I Bonds (under Basel III)	Long Term	1000.00	BWR A/ Stable (Reaffirmed	30 Sep 2025	BWR A/ Stable (Reaffirmed)	03 Oct 2024	BWR A/ Stable (Reaffirmed)	05 Oct 2023	BWR A/ Stable (Reaffirmed)
Total		**1000.00**		**Rupees One Thousand Crores Only**					

COMPLEXITY LEVEL OF THE RATED INSTRUMENTS

Instrument	Complexity Indicator
Additional Tier I Bonds (under Basel III)	Highly Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, or industry risks or complexity related to the structural, transactional, or legal aspects.

Details on the complexity levels of the instruments are available on BWR's website
www.brickworkratings.com/download/ComplexityLevels.pdf

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):

No non-cooperation rating with other Credit Rating Agencies.

ANY OTHER INFORMATION: **Not Available**

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ANNEXURE I: Details of Instruments / Facilities

Name of the Instrument / Facility	Long Term/ Short Term	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ Cr)	Rating Assigned and Rating Outlook	Regulator
Additional Tier I Bonds (under Basel III)	Long Term	INE168A08061	14-June-2018	10.50%	Perpetual	1000.00	BWR A/ Stable / Reaffirmed	SEBI
Total	**Rupees One Thousand Crores Only**					**1000.00**		

ANNEXURE II: Details of Bank Facilities

Type	Facilities	Tenor	Bank	Total	Regulator
NA	NA	NA	NA	NA	NA

ANNEXURE III: List of Entities Consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

Annexure IV: List of Instruments and Names of Regulators of the Instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

No.	Instrument/Activity Name	Regulator of the Instruments
1	Listed/Proposed to be listed bonds/debentures/preference shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs,HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA

13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts $	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference shares (all securities))	SEBI
22	Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	MCA
23	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.
~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Brickwork Ratings India Private Limited (BWR) shall separately capture the rated quantum details along with names of respective regulators.
^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
# 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 the SEBI Master Circular for CRAs.
@ These ratings were assigned during the regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and the investor-side regulators have accordingly been included.
$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

Grievance Management

For any grievances relating to rating of instruments regulated by SEBI, please contact **sebigrievance@brickworkratings.com.** 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.

For any grievances relating to rating of instruments regulated by other FSR (Financial Services Regulators), please contact **grievance@brickworkratings.com**

Disclosure of Conflict of Interest

BWR Board of Directors have no influence over rating decisions, nor do they sit on the rating committees or review, discuss, or evaluate any credit ratings during the Board meetings.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and is accredited by the Reserve Bank of India [RBI]. BWR is the 5th agency to get a credit rating registration in India in 2009, and its corporate office in Bengaluru. It has a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi, along with representatives in 150+ locations. Canara Bank is Brickwork's strategic partner.

Brickwork offers credit ratings of bank loans, Non- convertible/convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporate and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

For more information on policies and ratings, please visit our website **www.brickworkratings.com**