Not Rated

Jammu and Kashmir Bank

Profitability targets reaffirmed amid tactical preference for growth

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BFSI - Banks | Result Update | **July 30, 2026** | **CMP (Rs): 155 | TP (Rs): NA**

JKBK reported a 12.5% yoy decline in PAT to Rs4.2bn (ROA: 0.87%), primarily due to NIM compression from increased funding costs, lower recoveries from two accounts, and normalized employee expenses. Loan growth remained robust at 26.6% yoy, driven by the ROI (Rest of India) portfolio (+63% yoy), as JKBK continued to diversify beyond its core J&K market. To sustain growth momentum, it leveraged corporate lending opportunities in ROI, supported by higher-cost bulk deposits, which weighed on margins (NIM: 3.28%, -24bps qoq). However, the management reiterated its retail-focused strategy and expects retail growth to outpace corporate growth by FY27-end, improving the portfolio mix. Thus, it expects NIM to recover to ~3.5% in FY27, supported by a shift toward higher-yielding retail assets and the gradual run-down of higher-cost bulk deposits. While FY27 credit growth guidance remains at ~12%, the management sees potential to outperform at 18–20%, driven by ~12–13% growth in J&K and ~25% growth in ROI. On asset quality front, GNPA continued to improve, led by lower slippages, with GNPA guided to remain below 2.25%. Further, the bank remains comfortable on ECL implementation and is evaluating to upsize its planned Rs12.5bn capital raise (subject to approvals) to strengthen its capital base. The management also targets ROA of ~1.25%, supported by sustained business growth, margin recovery, and lower opex and credit costs. JKBK's shares are currently trading at Jun-26 PBV of ~1x.

Strong loan growth; higher-cost deposits drag NIM; guides for ~3.5% margin

JKBK reported strong credit growth of 26.6% yoy/4.5% qoq, driven by the ROI portfolio, which grew 63% yoy/2% qoq, as the bank continued to diversify from its core J&K market (share: 62%). Amid subdued business conditions in J&K, JKBK capitalized on opportunities in well-rated corporates, selectively expanding the corporate book at competitive pricing to sustain growth momentum. However, the bank reiterated its retail-focused strategy and expects retail growth to outpace corporate growth by FY27-end, with retail contributing 55–60% to incremental loan growth, thus improving portfolio mix. To support this, JKBK mobilized higher-cost bulk deposits, which weighed on margins, resulting in a 24bps qoq decline in NIM to 3.28%. JKBK expects NIM to recover to ~3.5% by FY27, driven by a shift to higher-yielding retail assets and planned run-down of higher-cost bulk deposits. Further, it expects growth of ~12% with potential to outperform to 18-20%, led by ~12–13% growth in J&K and ~25% growth in the ROI business.

GNPA continues to improve and expected to stay below 2.25%

Gross slippages declined to Rs1.3bn/0.5% of loans; this, coupled with better recoveries and write-offs, led to 13bps decline in GNPA at 2.4%. NNPA moderated to 0.60%; specific PCR rose to 75.1%. Credit costs remain benign at 0.1%; JKBK does not expect this to be a material concern in the near term. The management stated that it will have better visibility on the ECL impact once the final framework is implemented. However, it believes it is well-positioned to absorb the impact and is evaluating a capital raise during FY27 to strengthen its capital base. JKBK has guided for GNPA to remain below 2.25%.

Target Price – 12M	
Change in TP (%)	**NA**
Current Reco.	Not Rated
Previous Reco.	Not Rated
Upside/(Downside) (%)	NA

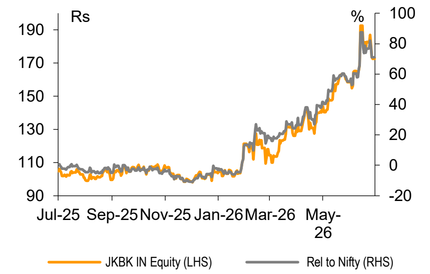
Stock Data	**JKBK IN**
52-week High (Rs)	202
52-week Low (Rs)	97
Shares outstanding (mn)	1,101.2
Market-cap (Rs bn)	170
Market-cap (USD mn)	1,780
Net-debt, FY27E (Rs mn)	NA
ADTV-3M (mn shares)	6.1
ADTV-3M (Rs mn)	868.1
ADTV-3M (USD mn)	9.1
Free float (%)	40.4
Nifty-50	24,250.2
INR/USD	95.6

Shareholding,Jun-26	
Promoters (%)	59.4
FPIs/MFs (%)	9.4/7.8

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(3.1)	14.8	45.6
Rel. to Nifty	(4.4)	14.5	49.1

1-Year share price trend (Rs)



Jammu and Kashmir Bank: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Net profit	5,016	11,925	17,672	20,825	23,635
Loan growth (%)	5.3	16.9	13.9	11.1	17.7
NII growth (%)	3.7	21.3	9.7	11.3	1.4
NIM (%)	3.6	4.0	4.0	4.0	3.6
PPOP growth (%)	(34.1)	74.5	22.8	28.7	1.9
Adj. EPS (Rs)	6.1	12.1	16.6	18.9	21.5
Adj. EPS growth (%)	0.5	99.3	36.6	14.1	13.5
Adj. BV (INR)	64.6	75.7	95.7	114.0	148.0
Adj. BVPS growth (%)	1.2	17.0	26.5	19.1	29.8
RoA (%)	0.4	0.9	1.2	1.3	1.3
RoE (%)	7.2	14.1	17.1	16.6	15.3
P/E (x)	25.4	12.8	9.3	8.2	7.2
P/ABV (x)	2.4	2.0	1.6	1.4	1.0

Source: Company, Emkay Research

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Key takeaways

Outlook on loans, deposits, and margins

- The bank continues to diversify its business mix, with the ROI division contributing ~26% to total business, up from <20% a year ago. The bank continues to retain its market leadership in its core territories of J&K and Ladakh, with a dominant 61.1% share of banking business and an improvement in deposit market share across 19 of 22 districts.
- The higher corporate lending in 1Q was an opportunistic decision to capitalize on attractive opportunities and not a structural shift in the bank's growth strategy. The bank adopted a tactical lending strategy, selectively growing exposure to well-rated corporates with strong fundamentals to capitalize on prevailing market opportunities.
- Given the subdued business conditions in its core geography, the bank had to increasingly rely on growth opportunities in the ROI. A significant portion of these opportunities came from well-rated corporate borrowers, where competition for quality assets remained intense. To capitalize on these opportunities, the bank selectively expanded lending to high-quality corporates at competitive pricing. Supporting this growth requires incremental deposit mobilization, even at relatively higher rates, amid a tight and competitive funding environment.
- The management indicated that corrective measures have already been implemented, with the business mix gradually shifting back to its preferred retail-focused strategy. Retail lending momentum in J&K has improved meaningfully, with retail loan growth in 1QFY27 reportedly doubling compared with the corresponding quarter last year.
- The current quarter's business mix is a temporary aberration rather than a structural shift in strategy. The management expects the loan mix to become more balanced, with retail contributing around 55–60% to incremental advances growth during FY27.
- Retail and agriculture growth in J&K has improved significantly, with growth momentum currently 20–30% higher than in the previous year. The enhanced focus on ROI branches is expected to further improve retail growth, with the current ~30% growth trajectory potentially accelerating toward ~100% growth.
- Retail growth is expected to marginally outpace corporate growth by the end of FY27, supported by improving business conditions and increased focus on retail lending.
- Bulk deposits increased by ~Rs67bn in 1Q, but the proportion of bulk deposits is expected to decline over the next 1-2 months. The higher-cost bulk deposits were raised opportunistically to support growth and are expected to be run down over the coming months, with the reduction process beginning from the current month.
- During 4QFY26, a significant amount of pending retirement benefits was released by the state government, which initially flowed into savings accounts and were subsequently converted into term deposits during 1QFY27.
- As part of its efforts to deepen the liability franchise, the bank entered an MoU with the J&K Police, under which salary accounts of police personnel will be routed through the bank. The bank is actively expanding its salary account franchise, with the renewal of its government MoU for the next five years currently underway and multiple salary package agreements being signed with corporates.
- During Jul-26, the bank entered into three new MoUs covering employee groups ranging from 500 to 1,500 employees, while also extending its salary account initiatives to institutions such as schools in Bengaluru.
- The management highlighted that the bank has avoided short-term lending over the past 12 months, with recent lending focused on building a stable and sustainable loan book with longer-term maturity profiles. The short-term lending opportunities identified earlier were selectively pursued and are expected to naturally run off, which should support margin improvement over time.

- The mismatch between the decline in asset yields and the relatively slower repricing of deposits led to NIM compression, with margins declining to 3.28% in 1Q.

- The reported qoq increase in CoD is distorted by a one-off interest expense of Rs1.05bn recognized in 4QFY26 under a government-linked scheme. Excluding this one-off item, CoD would have improved qoq, reflecting underlying moderation in funding costs. The higher funding cost was a conscious and strategic decision taken in the context of a challenging operating environment in J&K over the past year.
- The shift toward higher-yielding retail assets is expected to improve asset yields, with retail lending yields estimated to be at least 200bps higher than corporate loan yields.
- The management expects NIM to recover to ~3.5% in the near term, potentially by 3QFY27 or earlier.

Asset quality

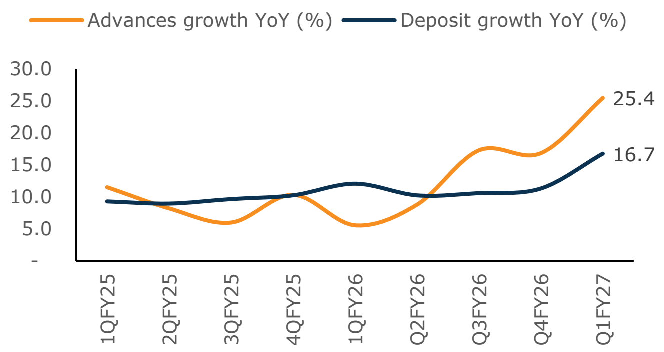
- The management highlighted that credit costs remain benign at just 0.1% in 1Q, and are not expected to be a material concern in the near term. The bank will have better visibility on the impact once the final ECL framework is implemented.
- To strengthen its capital position ahead of ECL adoption, the bank is considering a capital raise during FY27 and believes it is adequately placed to absorb any potential impact from the new provisioning regime.

Others

- The management has maintained its FY27 guidance and will reassess it after the 2QFY27 results. The bank expects deposit growth of ~10%, CASA ratio of 45%, ROA at 1.25%, and ROE at ~16%. GNPA guided to stay below 2.25%.
- While the bank has guided for ~12% credit growth in FY27, the management indicated that actual loan growth could be materially higher at 18–20%. This would be driven by ~12–13% growth in J&K and a robust ~25% growth in the ROI business.
- The weaker recovery income was attributed to timing-related delays, as certain recoveries from written-off accounts that were expected during the quarter did not materialize. These recoveries remain in the pipeline and are likely to be realized in the coming quarters, with the associated income expected to be reflected subsequently.
- The management expects recoveries from written-off accounts to be ~Rs2.5-3bn for FY27, depending on the resolution of ongoing recovery cases.
- The management expects the C/I ratio to be stable or marginally improve, extending the trend seen over the past 6-7 quarters. At worst, the ratio is likely to be flat, with any potential pressure arising from planned hiring to support business expansion.
- To accelerate growth in the ROI business, the bank has strengthened its workforce by deploying ~100 employees and plans to recruit an additional ~300 employees.
- The management clarified that the Rs12.5bn capital raise has already been approved and is expected to be completed. However, the bank is evaluating a potential increase in the quantum of the raise, with further details to be disclosed after receiving the required approvals.
- The management clarified that 4QFY26 employee costs were lower due to a reversal of employee terminal benefit provisions created during the year. Excluding this one-off impact, 1QFY27 employee expenses are expected to be a more representative base for the full year. Employee expenses are expected to be stable or slightly decline.
- The bank typically adds around 15–20 branches annually in J&K, while it plans to accelerate expansion in ROI by adding ~50–70 branches over the next two years.

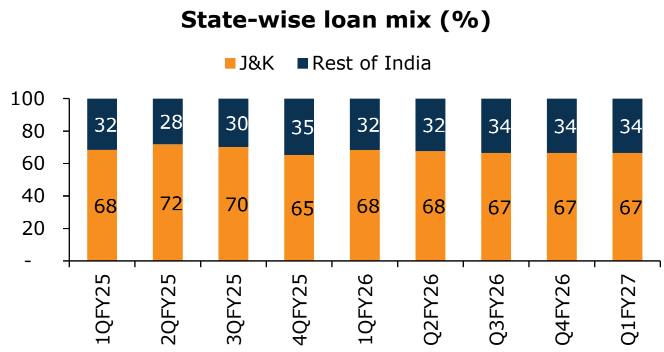
Story in charts

Exhibit 1: Strong loan growth driven by corporate; deposit growth healthy, led by bulk deposits



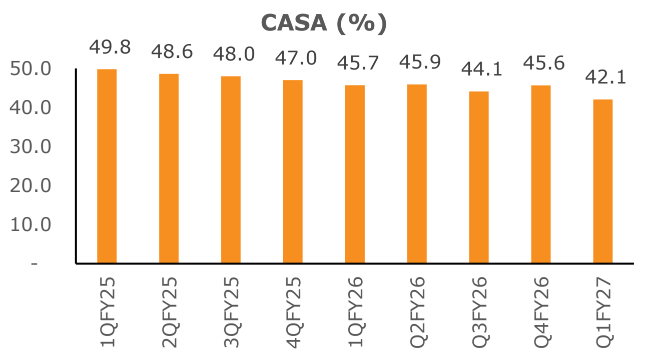
Source: Company, Emkay Research

Exhibit 2: The bank remains focused on growing outside J&K market



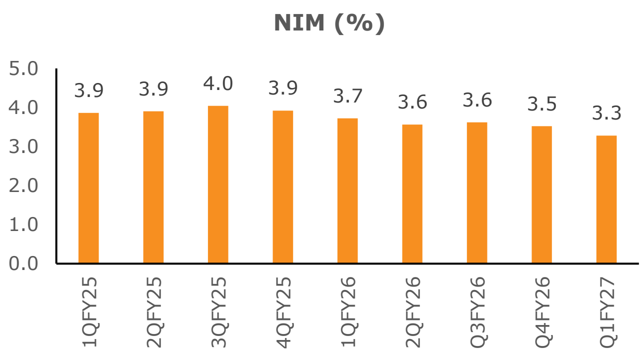
Source: Company, Emkay Research

Exhibit 3: CASA ratio moderates as the bank sees some shift from CASA to TDs, while it has an enviably higher CASA ratio, owing to its strong deposit pool in the state of J&K



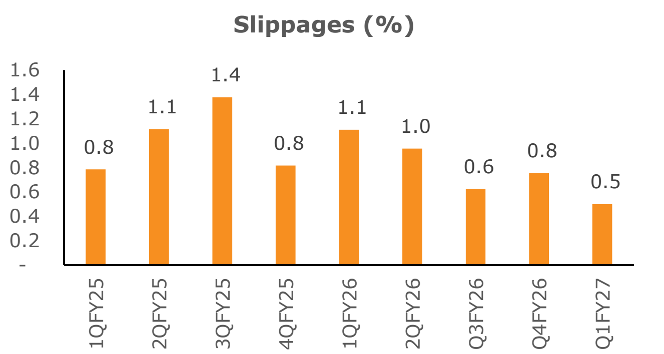
Source: Company, Emkay Research

Exhibit 4: Margins compressed due to higher cost of bulk deposits



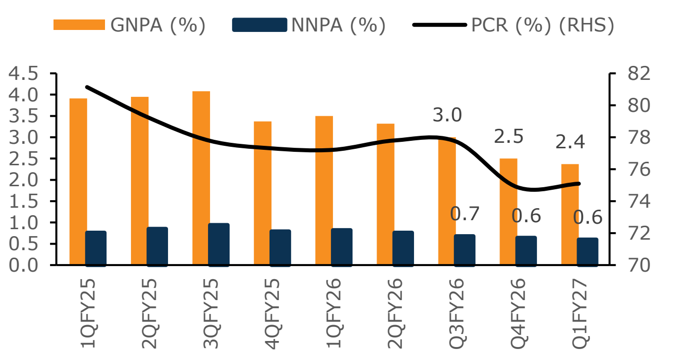
Source: Company, Emkay Research

Exhibit 5: Slippages decline qoq…



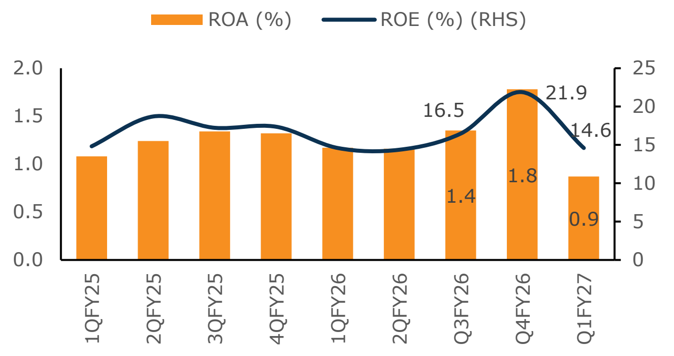
Source: Company, Emkay Research

Exhibit 6: …this, coupled with higher recoveries and write-offs, led to improvement in GNPA



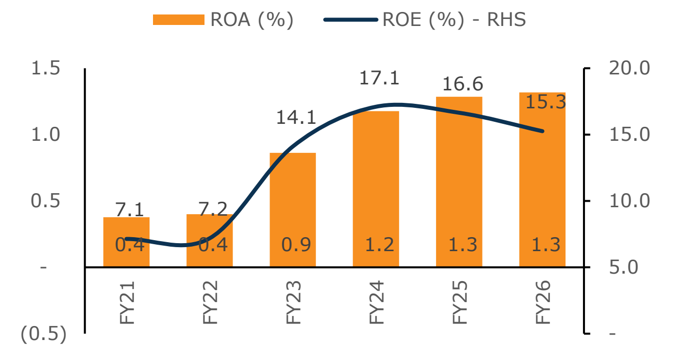
Source: Company, Emkay Research

Exhibit 7: ROA declined due to margin compression, lower other income, and higher provisions



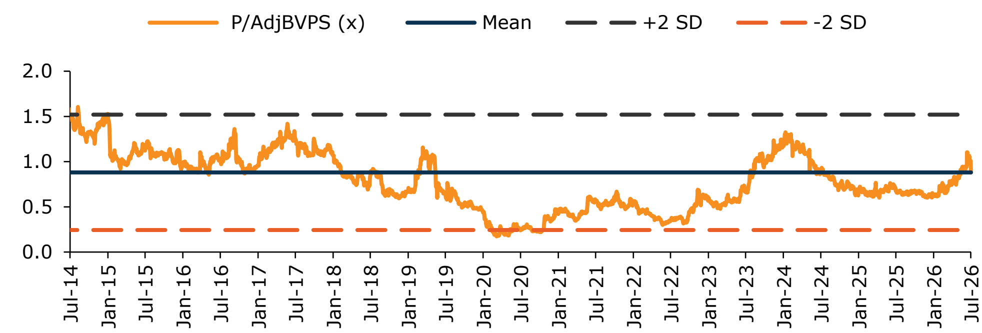
Source: Company, Emkay Research

Exhibit 8: We expect ROA to gradually improve, led by sustained business growth, margin recovery, lower opex, and credit costs



Source: Company, Emkay Research

Exhibit 9: The stock is currently trading above its mean value



Source: Emkay Research

Jammu and Kashmir Bank: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26
Interest Income	80,135	93,551	112,123	125,359	131,452
Interest Expense	41,022	46,098	60,087	67,420	72,694
Net interest income	**39,112**	**47,453**	**52,036**	**57,938**	**58,758**
NII growth (%)	3.7	21.3	9.7	11.3	1.4
Other income	7,440	7,568	8,255	11,368	9,440
Total Income	**46,552**	**55,021**	**60,291**	**69,306**	**68,198**
Operating expenses	35,928	36,484	37,523	40,008	38,333
PPOP	**10,625**	**18,536**	**22,768**	**29,298**	**29,865**
PPOP growth (%)	(34.1)	74.5	22.8	28.7	1.9
Core PPOP	**9,748**	**18,145**	**21,734**	**28,764**	**30,173**
Provisions & contingencies	3,198	741	(1,077)	(39)	286
PBT	**7,427**	**17,795**	**23,845**	**29,337**	**29,579**
Extraordinary items	0	0	0	0	0
Tax expense	2,411	5,870	6,173	8,512	5,944
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**5,016**	**11,925**	**17,672**	**20,825**	**23,635**
PAT growth (%)	16.1	137.8	48.2	17.8	13.5
Adjusted PAT	**5,016**	**11,925**	**17,672**	**20,825**	**23,635**
Diluted EPS (Rs)	**6.1**	**12.1**	**16.6**	**18.9**	**21.5**
Diluted EPS growth (%)	0.5	99.3	36.6	14.1	13.5
DPS (Rs)	**0**	**5.0**	**21.5**	**10.0**	**13.0**
Dividend payout (%)	**0**	**43.2**	**134.0**	**52.9**	**60.6**
Effective tax rate (%)	32.5	33.0	25.9	29.0	20.1
Net interest margins (%)	3.6	4.0	4.0	4.0	3.6
Cost-income ratio (%)	77.2	66.3	62.2	57.7	56.2
Shares outstanding (mn)	935.0	1,031.7	1,101.4	1,101.3	1,101.3

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26
Share capital	935	1,032	1,101	1,101	1,101
Reserves & surplus	80,137	98,400	121,255	141,418	166,397
Net worth	**81,072**	**99,432**	**122,356**	**142,519**	**167,499**
Deposits	1,147,104	1,220,377	1,347,763	1,485,695	1,653,540
Borrowings	23,708	28,923	28,850	23,828	34,310
Interest bearing liab.	**1,170,812**	**1,249,300**	**1,376,613**	**1,509,523**	**1,687,850**
Other liabilities & prov.	**54,140**	**110,890**	**46,296**	**42,642**	**36,591**
Total liabilities & equity	**1,306,024**	**1,459,622**	**1,545,265**	**1,694,685**	**1,891,940**
Net advances	704,007	822,855	937,625	1,041,987	1,226,410
Investments	338,350	348,292	349,867	412,127	408,219
Cash, other balances	87,850	88,787	81,775	97,599	78,258
Interest earning assets	**1,130,207**	**1,259,933**	**1,369,267**	**1,551,712**	**1,712,887**
Fixed assets	19,537	22,715	22,575	21,912	25,325
Other assets	156,280	176,975	153,424	121,060	153,728
Total assets	**1,306,024**	**1,459,622**	**1,545,265**	**1,694,685**	**1,891,940**
BVPS (Rs)	76.5	84.0	99.6	118.5	152.1
Adj. BVPS (INR)	64.6	75.7	95.7	114.0	148.0
Gross advances	752,353	861,928	970,682	1,070,563	1,250,784
Credit to deposit (%)	61.4	67.4	69.6	70.1	74.2
CASA ratio (%)	56.6	54.1	50.5	47.0	45.6
Cost of deposits (%)	3.5	3.7	4.4	4.5	4.5
Loans-to-Assets (%)	53.9	56.4	60.7	61.5	64.8
Net advances growth (%)	5.3	16.9	13.9	11.1	17.7
Deposit growth (%)	6.2	6.4	10.4	10.2	11.3
Book value growth (%)	(6.7)	9.7	18.6	19.0	28.4

Source: Company, Emkay Research

Asset quality and other metrics

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26
Asset quality					
Gross NPLs	65,205	52,044	39,562	36,048	31,248
Net NPLs	16,859	12,971	6,505	7,472	6,875
GNPA ratio (%)	8.7	6.0	4.1	3.4	2.5
NNPA ratio (%)	2.4	1.6	0.7	0.7	0.6
Provision coverage (%)	74.1	75.1	83.6	79.3	78.0
Gross slippages	31,309	74,466	11,117	9,529	8,677
Gross slippage ratio (%)	4.2	8.6	1.1	0.9	0.7
LLP ratio (%)	0.4	0.0	(0.2)	0.1	0.0
NNPA to networth (%)	22.0	14.0	5.7	5.5	4.0
Capital adequacy					
Total CAR (%)	13.2	15.4	15.3	16.3	16.6
Tier-1 (%)	11.7	12.3	13.1	14.0	14.4
CET-1 (%)	11.7	12.3	13.1	14.0	14.4
RWA-to-Total Assets (%)	55.5	53.0	60.2	60.0	60.0
Miscellaneous					
Total income growth (%)	(0.8)	15.5	19.0	13.6	3.0
Opex growth (%)	24.8	1.5	2.8	6.6	(4.2)
Core PPOP growth (%)	(28.3)	86.1	19.8	32.3	4.9
PPOP margin (%)	12.1	18.3	18.9	21.4	21.2
PAT/PPOP (%)	47	64	78	71	79
LLP-to-Core PPOP (%)	32.8	4.1	(5.0)	(0.1)	0.9
Yield on advances (%)	9.0	9.3	9.9	9.6	8.6
Cost of funds (%)	3.6	3.8	4.6	4.7	4.5

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24	FY25	FY26
P/E (x)	25.4	12.8	9.3	8.2	7.2
P/B (x)	2.0	1.8	1.6	1.3	1.0
P/ABV (x)	2.4	2.0	1.6	1.4	1.0
P/PPOP (x)	16.0	9.2	7.5	5.8	5.7
Dividend yield (%)	0	3.2	13.9	6.5	8.4
DuPont-RoE split (%)					
NII/avg assets	3.1	3.4	3.5	3.6	3.3
Other income	0.6	0.5	0.5	0.7	0.5
Fee income	0.5	0.5	0.5	0.7	0.5
Opex	2.9	2.6	2.5	2.5	2.1
PPOP	**0.8**	**1.3**	**1.5**	**1.8**	**1.7**
Core PPOP	0.8	1.3	1.4	1.8	1.7
Provisions	0.3	0.1	(0.1)	0.0	0.0
Tax expense	0.2	0.4	0.4	0.5	0.3
RoA (%)	**0.4**	**0.9**	**1.2**	**1.3**	**1.3**
Leverage ratio (x)	19.3	17.5	15.3	13.5	12.0
RoE (%)	**7.2**	**14.1**	**17.1**	**16.6**	**15.3**

Quarterly data

Rs mn	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
NII	14,654	14,340	14,889	14,875	14,971
NIM (%)	3.7	3.6	3.6	3.5	3.3
PPOP	6,728	6,226	7,803	9,108	7,033
PAT	4,848	4,941	5,867	7,978	4,242
EPS (Rs)	4.4	4.5	5.3	7.2	3.9

Source: Company, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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