ARIF HABIB LIMITED

National Bank of Pakistan
Pension case update

REP-300

Case Background

- With reference to the PSX notice issued by NBP, the Federal Constitutional Court of Pakistan, on September 16th has announced a judgement with regards to entitlement of pensioners to receive government increases in their pension.

Implications for the Bank

- To recall, the bank had recorded a provisioning expenses PKR 49bn in CY24, pertaining to the pension case, along with a PKR 10.5bn recurring expense, as disclosed in their CY25 annual report.
- NBP had subsequently increased their provisioning to PKR 57.5bn going from CY24 to CY25. Since the exact provisioning amount from this case is yet to be disclosed, we have, for calculation purpose, run a sensitivity analysis of different possible scenarios in order to quantify financial impact.
- We have calculated the incremental impact of PKR 5bn, up to PKR 20bn, and their corresponding EPS impact, as well as estimated impact on CET-1.
- As per estimates, for every PKR 5bn increase in expected provisioning is estimated to have a ~3.4% annualized impact on EPS.
- On the capital front, we estimate a ~10 bps impact on forward CET-1 for CY26, for every incremental PKR 5bn charge.
- Overall, we expect the transaction to primarily entail a cash outflow as the bank settles the associated liability.
- Despite the payment of the liability, we believe NBP's adequate capital position, with Total CAR of 22.3% and CET-1 of 16.9% as of Jun'26, provides sufficient capacity to absorb the associated cash outflow while continuing dividend payments.
- We reiterate our BUY call on NBP, as it continues to trade at a deeply discounted P/B of 0.75x.

Exhibit: Scenario analysis of expected pension related charge

Provisioning (PKR bn) Scenarios	After Tax (PKR bn)	▲ EPS (PKR)	▲ CET 1
5,000	2,400	(1.13)	-0.1%
10,000	4,800	(2.26)	-0.2%
15,000	7,200	(3.38)	-0.3%
20,000	9,600	(4.51)	-0.4%

Source(s): Company Financials, AHL Research

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Disclosure required under Research Analyst Regulations, 2015:

In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in NBP .