CHASE SECURITIES

Sector

Commercial Banks

Umer Serang
research@chasesecurities.com
+92-21-35293054-60

Symbol: **NBP**
Current Price: **PKR 166.95**
Market Cap (PKR bn): **355.19**
Total Shares (bn): **2.13**
Free Float (mn): **510.13**
52 Week High: **PKR 287.80**
52 Week Low: **PKR 152.40**

NBP Pension Ruling: Assessing Incremental Earnings Impact

The Federal Constitutional Court's dismissal of NBP's appeal on September 16, 2026 entitles the bank's pensioners to government pension increases, bringing the potential earnings impact into focus. Public disclosures do not yet provide sufficient information to quantify any additional one-time charge.

However, NBP's 2025 annual report states that, "as a matter of abundant caution," the bank incorporated the financial impact of this case in its 2024 financial statements. This suggests limited incremental provisioning may be required if the judgment falls within the scope already recognized. A wider beneficiary population or greater entitlements than previously assumed could increase both the liability and future expense, while payments against existing recognized obligations would principally represent cash outflows rather than a fresh P&L charge.

NBP's 2023 annual report estimated that an adverse outcome in the pension disputes, including pension recalculation and government pension increases, would add PKR13.5bn to annual pension expense. Adding this to the reported 2023 pension expense of PKR 4.36 Bn implies annual expense of PKR 17.86 Bn. Excluding approximately PKR 0.17 Bn of past-service costs and other payments from the 2023 baseline gives a slightly lower benchmark of PKR 17.70 Bn.

In 2024, reported pension expense was PKR 72.58 Bn, including an exceptional past-service charge of PKR 57.55 Bn. Removing that charge gives PKR 15.03 Bn of pension expense: PKR 72.58 Bn – PKR 57.55 Bn = PKR 15.03 Bn. This comprised PKR 2.58 Bn of current-service cost and PKR 12.45 Bn of net-interest expense. Comparing it with the earlier PKR 17.70–17.86 Bn benchmark implies a potential annual expense gap of PKR 2.67–2.83 Bn, or approximately PKR 3 Bn. This is a conditional stress scenario assuming the 2023 estimate remains applicable; it is not evidence of an uncovered liability, as valuation assumptions, funding and payment timing have subsequently changed.

In 2025, reported pension expense declined to PKR 8.65 Bn, comprising PKR 2.71 Bn of current-service cost and PKR 5.95 Bn of net-interest expense, with no past-service charge. The decline from PKR 15.03 Bn in 2024, excluding the exceptional charge, was almost entirely attributable to lower net-interest expense. Using 2025 as the comparison baseline, a return to the earlier PKR 17.70–17.86 Bn adverse-case benchmark would imply PKR 9.04–9.21 Bn of additional annual expense, equivalent to approximately PKR 2.04–2.08 EPS at 52% tax.

The following sensitivities illustrate the incremental earnings effect of additional annual pension expense. They assume a 52% tax benefit and 2.1275bn shares outstanding, implying approximately PKR 0.226 EPS impact for every PKR 1 Bn of additional deductible expense.

Additional Annual Pre-tax Expense	Annual EPS reduction
PKR 1 Bn	0.23
PKR 2.7–2.8 Bn	0.61–0.63
PKR 3 Bn	0.68
PKR 5 Bn	1.13
PKR 10 Bn	2.26
PKR 20 Bn	4.51

Important Disclosures

Disclaimer:

This report has been prepared by Chase Securities Pakistan (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation or any offer to buy. While reasonable care has been taken to ensure that the information contained in this report is not untrue or misleading at the time of its publication, Chase Securities makes no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Chase Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report Chase Securities as a firm may have business relationships, including investment banking relationships with the companies referred to in this report This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report and Chase Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents At the same time, it should be noted that investments in capital markets are also subject to market risks This report may not be reproduced, distributed or published by any recipient for any purpose.