Pakistan Banks

5 November 2026

# National Bank of Pakistan (NBP PA)

## Double-digit yield on a recovering franchise

- **We initiate coverage on National Bank of Pakistan (NBP) with a Dec'27 TP of PKR215/sh. NBP offers a state-anchored, well-rated franchise at trough valuations, a 13% D/Y and operating earnings that bottom this year. The pension overhang is clearing, and the de-rating has run well ahead of the fundamentals, in our view, leaving an attractive entry point.**
- **Pre-provision earnings are bottoming this year (9MCY26 EPS is down 26%) as margins reset from 3.6% to c. 3.0%. Recovery is being driven by balance sheet growth rather than rates with NII growing even as policy rates ease in CY27. We see earnings back to PKR50/sh over the medium-term.**
- **While a lower ROE (12.7% vs. 22% for peers) earns NBP a discount (CY27f P/B: 0.7x vs. 1.5x for IMS Universe banks), opportunity lies in the recovery. We expect NBP's returns to rebuild toward the peer range, helped by strong capital buffers and sustained payouts supporting a re-rating theme.**

### Sharp pull-back creates the entry point

We initiate coverage on National Bank of Pakistan (NBP), the third largest bank in Pakistan with a Dec'27 Target Price of PKR215/sh and a Buy rating. NBP has pulled back 39% from its 52-week high of PKR288, leaving it at 5.7x CY27f earnings and 0.74x book (0.89x Tier-I). The reset looks overdone for a franchise that has come a long way from the pension-fine years. The Sep'26 dismissal of NBP's appeal should have limited impact while strong expected payouts (CY26f DPS: PKR25.0) and clearing legal overhang, can turn attention to recovering returns.

### Margins have turned; NII is set to grow

NIMs have already turned, rebounding to 3.1% in 3QCY26 from 2.7% in 2Q as investment yields recovered. The SBP's latest 50bp hike to 12.0% (after +100bp in April) helps floating-rate assets near term, and while we estimate the PR coming off next year (average CY27/28f: 10.9%/9.3%), NIMs should hold steady near the 3.0% mark. We therefore expect NII to rise 8% in CY27f and 10% in CY28f as assets grow. Non-funded income is expected to hold steady while we expect recovering fee income and strong FX income to offer support. With revenues outgrowing costs, cost-to-income should ease from 52% to 46% by CY31f.

### Low-cost, sticky deposits but growth is limited, rebound from CY27f

NBP commands a strong funding franchise with CASA at c.84%. Current accounts are reaching c.50% of deposits while non-remunerative deposits (30%) have room to fill out. However, NBP has been ceding deposit market share to peer banks with deposits coming off 9%CYTD to PKR4.0tn. That said, we expect the bank back on the growth track from CY27f. The Investment book has scaled to PKR5.4tn, and the mix is favorable (68% PIBs - largely floating, 20% T-bills, 8% Sukuks), a short, floating-heavy book that reprices quickly as rates rise. The OMO build-up is the second largest after UBL and is a productive carry trade supporting NII.

### Capital strength underwrites the dividend

Even after the PKR74bn dividend, NBP's capital ratios sit well above SBP minimum (total CAR of 21% at end-Sep'26), a cushion that is wide even for a D-SIB. We expect payouts to settle at around 70% over the medium term, with Tier-1 capital still comfortably intact in CY31f, so shareholders are rewarded without strain on the balance sheet. Earnings should plateau in CY27f as provisions normalize, then rebuild steadily as ROE recovers towards the high teens, alongside a double-digit dividend yield. A re-rating on recovering returns underpins our Buy and Target Price of PKR215/sh.

## Buy

NBP PA
Price: PKR174.5/sh
Target Price: PKR215.0/sh

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### Initiation of Coverage

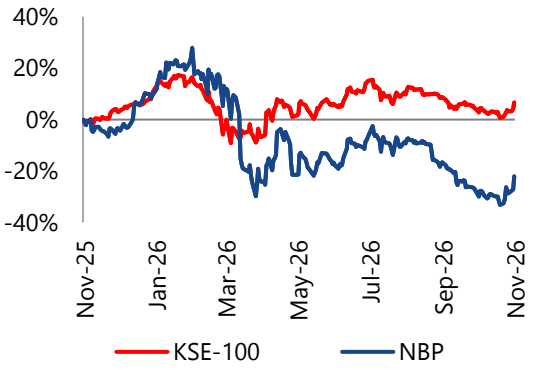
**National Bank of Pakistan**

| | |
|---|---|
| Mkt Cap (US$mn) | 1,342 |
| Upside (%) | 23.2 |
| Fwd D/Y (%) | 12.6 |
| Total Return (%) | 35.8 |
| 12m Hi-Low (PKR/sh) | 286.42/149.69 |
| 6m Avg. D. Vol ('000 shrs) | 3,734 |
| 6m Avg. Td Val (US$mn) | 2.56 |

**NBP - Valuation Snapshot**

| | CY24 | CY25 | CY26f | CY27f |
|---|---|---|---|---|
| EPS (PKR) | 12.21 | 39.97 | 30.81 | 30.77 |
| EPS Growth | -51% | 227% | -23% | 0% |
| PER (x) | 14.29 | 4.37 | 5.66 | 5.67 |
| DPS (PKR) | 8.0 | 35.0 | 25.0 | 22.0 |
| DY | 5% | 20% | 14% | 13% |
| PBV (x) | 0.80 | 0.69 | 0.75 | 0.74 |
| ROE | 6% | 17% | 13% | 13% |

**NBP vs. KSE100 Index**




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# Investment thesis

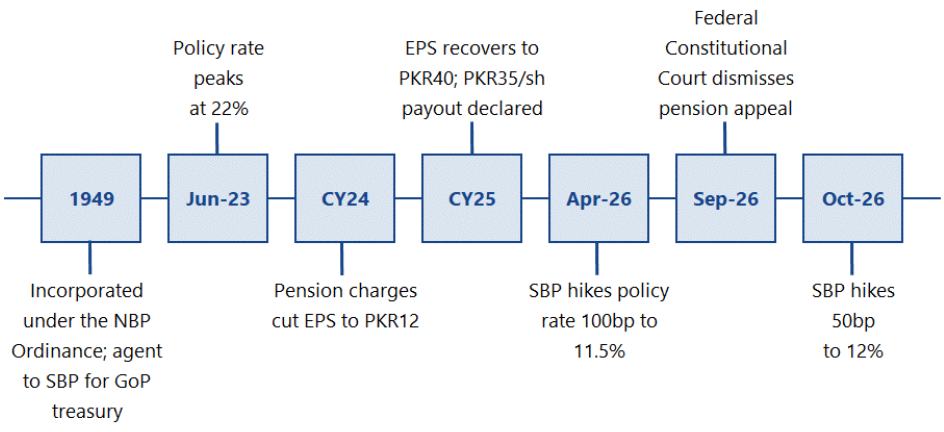
We initiate coverage on National bank of Pakistan (NBP) with a Buy rating and a December 2027 target price of PKR215. Our TP offers 23% potential upside (total return: 36%). NBP is cheap for reasons that are already in the price. Down 39% from its high, the shares trade at CY27f P/B of 0.7x and P/E of 5.7x, a de-rating that has captured the margin squeeze and the pension headlines but not the recovery. While earnings are expected to plateau near PKR31.0 through CY27f, strong balance sheet growth should help rebuild earnings and ROE (to c.17%) over the medium-term. We estimate a CY26f year-end payout of PKR25.0 which translates into an attractive c.13% dividend yield. This is backed by Tier-1 of 16.6% (6ppt buffer over the SBP minimum).

## Historical Background and Current Structure

*NBP sits at the centre of the state's banking system. key features include:*

- *Agent to the SBP for government treasury business and collections*
- *A network of 1,503 branches in Pakistan, including 449 Islamic branches*
- *A sovereign-linked balance sheet: the SBP holds about 75% of the shares*

**NBP and the rate cycle: key milestones**




Source: Company Accounts, IMS Research

### History

National Bank of Pakistan (NBP) was incorporated in 1949 under the National Bank of Pakistan Ordinance and, besides conducting commercial banking at home and overseas, handles treasury transactions for the Government of Pakistan as an agent of the State Bank of Pakistan. That agency role gives the bank a large government-linked treasury commission stream and float franchise, but also leaves it tied to public-sector balance sheet decisions. In recent years earnings were weighed down by pension-related provisions (CY24 EPS of PKR12.2 and a cost-to-income ratio of 75%), before profitability recovered to PKR85bn (EPS: c.PKR40.0/sh) in CY25 and the bank resumed dividends, paying PKR8.0 in CY24 and PKR35.0 in CY25. In Sep'26 the Federal Constitutional Court dismissed NBP's appeal on government pension.

| NBP - Loan book (%) | % of total |
|---|---|
| Corporate | 35.0% |
| Islamic | 15.5% |
| Consumer | 13.9% |
| Other | 10.1% |
| SME / commercial | 8.9% |
| International | 8.4% |
| Agriculture | 8.2% |
| **Total** | **100%** |

Source: NBP CY25 Investor Presentation

| NBP key facts | |
|---|---|
| Assets (PKRbn, Sep-26) | 7,765 |
| Deposits (PKRbn, Sep-26) | 4,011 |
| 9MCY26 NPAT (PKRbn) | 48.8 |
| Branches (no) | 1,503 |
| Overseas branches | 13 |
| Islamic branches | 449 |

Source: Company Reports

| Shareholding (%) | |
|---|---|
| State Bank of Pakistan | 75.2 |
| Ministries / GoP | 0.4 |
| Public & others | 24.4 |
| **Total** | **100%** |

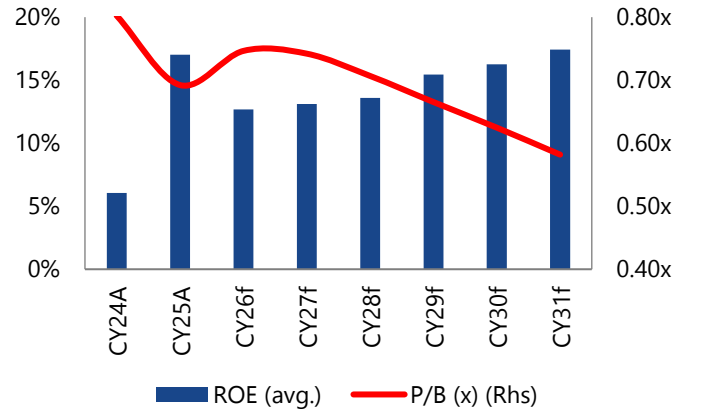
Source: Company Report, PSX

**Current Structure:** NBP operates 1,503 branches in Pakistan, including 449 Islamic banking branches (312 at Dec-25), plus 13 overseas branches. The bank is rated AAA by both VIS and PACRA. Mr. Naved Abid Khan was appointed Chairman in Mar'26, and in Sep'26 the Federal Government appointed Mr. Imran Sarwar as President & CEO for a three year term.

**Shareholding Structure:** The State Bank of Pakistan is by far the largest shareholder with about 75%, with ministries and other government entities holding a further 0.4%. The remaining c.24% is held by the public, institutions and others (free float). This ownership structure explains why NBP's dividend decisions are closely tied to the government's fiscal and capital-adequacy objectives.

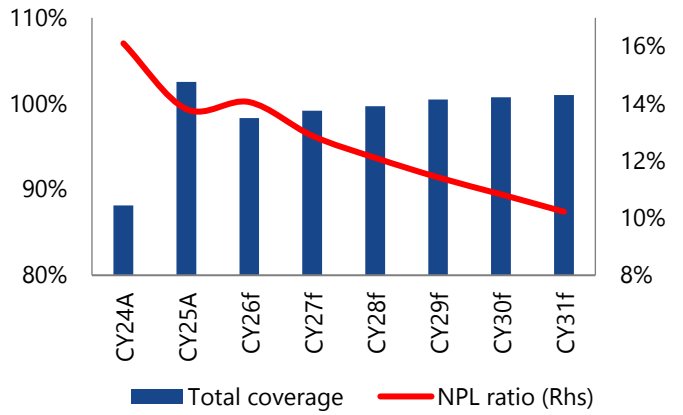
# Key Charts

**Trading at cheap multiples (0.7x P/B) while ROE troughs at 12.7% in CY26f before rising**



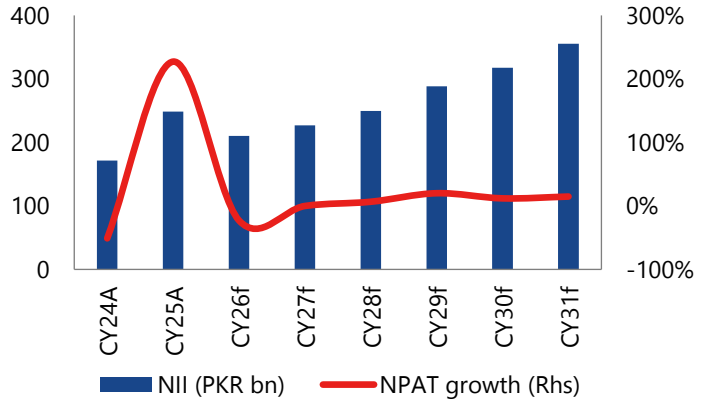

Source: Company Accounts, IMS Research

**High legacy NPLs, but total coverage of c.100% provides comfort**



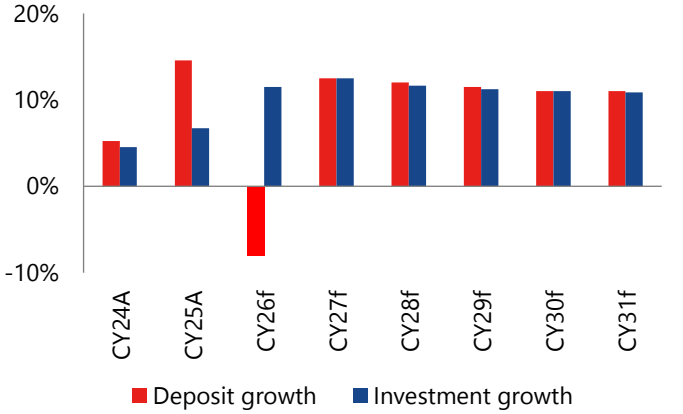

Source: Company Accounts, IMS Research

**NII rebuilds from CY26f as balance sheet growth outweighs lower rates**



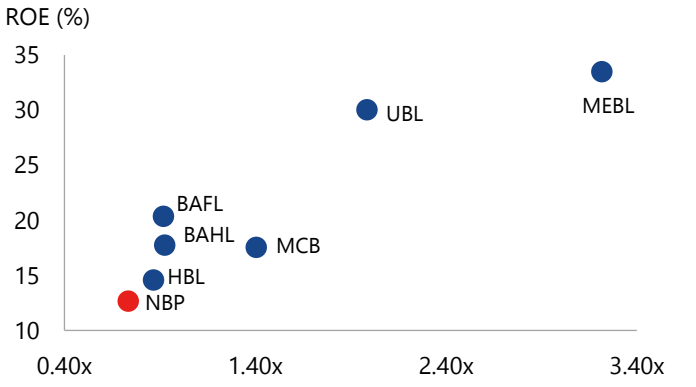

Source: Company Accounts, IMS Research

**Investment growth is being funded by OMOs vs. flat deposits**



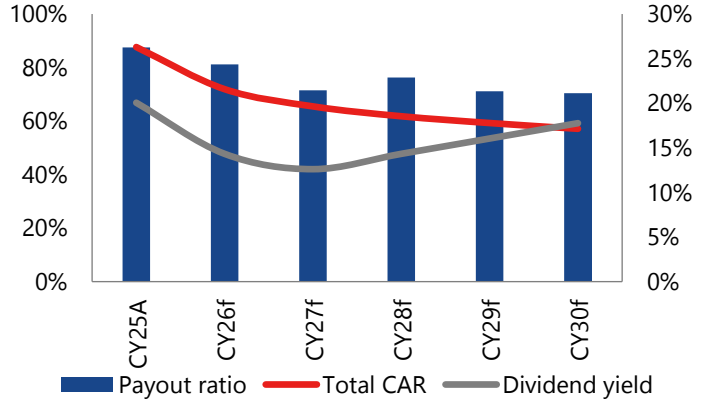

Source: Company Accounts, IMS Research

**NBP's CY26f ROE is the lowest in the sample, which explains most of its P/B discount**




Source: Company Accounts, IMS Research

**Capital supports c.+70 payout and a double-digit yield**




Source: Company Accounts, IMS Research

# Sharp pull-back creates the entry point

NBP has pulled back 28% from its 52-week high of PKR288, leaving it at 5.7x CY27f earnings and 0.74x book (0.89x Tier-I). The reset looks overdone for a franchise that has come a long way from the pension-fine years. The Sep'26 dismissal of NBP's appeal should have limited impact while strong expected payouts (CY26 DPS: PKR25.0) and clearing legal overhang, can turn attention to recovering returns. The market is capturing CY27f ROE of 13.1% - which we expect to improve to 17.4% over the medium-term – driven by a gradual decline in funding costs, compounding fee and a decelerating costs.

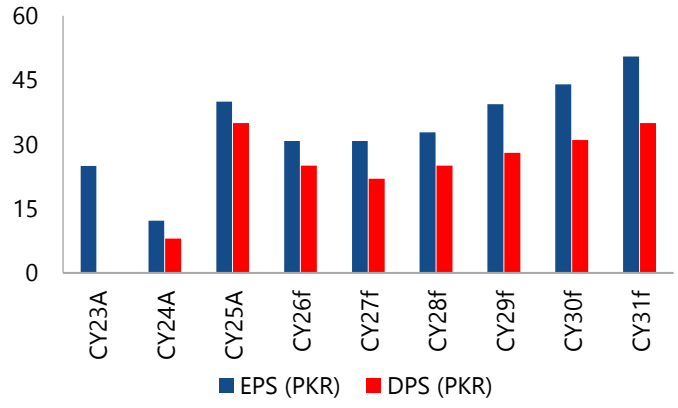
## 9MCY26 earnings come off as margins reset…

9MCY26 earnings have come off 26% YoY (EPS: PKR22.92) as NIMs normalized from 3.7% in CY25 to c.3.0% in 9MCY26. NII fell 18% YoY to PKR156bn as asset yields repriced to lower rates. However, the inflection is already evident in 3QCY26. NII rose 16% QoQ in 3QCY26 to PKR56.0bn with NIMs recovering to 3.1% from 2.7%. This was punctuated by softer non-funded income and provisioning reversals of PKR6.0bn. Pre-provisioning profits trough in CY26f before rising 7% YoY in CY27f with net profits ultimately flattening as we build in greater provisioning in CY27f vs. PKR7.3bn net reversals in CY26f. We estimate CY26/27f earnings at PKR30.8/PKR30.77 respectively.

## …rebuilding from CY27f

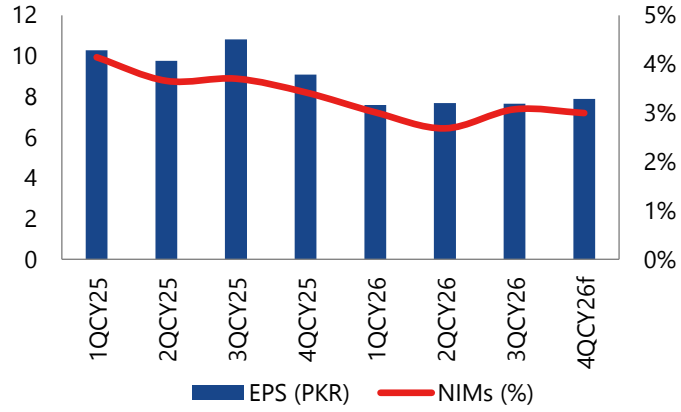
Going forward we expect balance sheet growth to help offset impact of declining policy rates with advances growing 9% and investments and deposits growing by c.13%. This is expected to lift NII by 8% YoY in CY27f and 10% in CY28f. We estimate a c.10% CAGR over CY26-31f. This should help spearhead recovery in ROE, from its cyclical low of c.12.7% in CY26f to 17.4% in CY31f, in our view.

**EPS plateaus in CY26-27f, then rebuilds; DPS follows**




Source: Company Accounts, PSX, IMS Research

**Minor pick-up observed in 3QCY26 NIMs**




Source: Company Accounts, PSX, IMS Research

**3QCY26 / 9MCY26 results snapshot**

| PKRbn | 3QCY26 | 2QCY26 | 3QCY25 | QoQ | YoY | 9MCY26 | 9MCY25 | YoY |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 56.0 | 48.1 | 60.7 | 16% | -8% | 156 | 191 | -18% |
| Non-funded income | 11.1 | 20.5 | 16.3 | -46% | -32% | 42 | 46 | -9% |
| Admin expenses | 31.7 | 36.7 | 30.9 | -14% | 3% | 100 | 92 | 8% |
| Net profit (attrib.) | 16.3 | 16.3 | 23.0 | 0% | -29% | 49 | 66 | -26% |
| **EPS (PKR)** | **7.65** | **7.68** | **10.82** | **0%** | **-29%** | **22.92** | **30.88** | **-26%** |

Source: Company Accounts, IMS Research

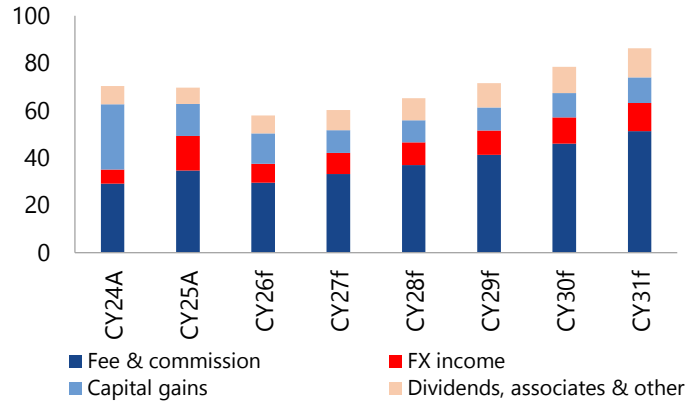
## Non-funded income - fee and FX carry growth

Non-funded income came off 9% YoY to PKR42.0bn in 9MCY26 with fee income down 8% on weak trade flows. Capital gains have also normalized to PKR8.3bn (down 36%). FX income has offered support (up 29% YoY to PKR6.2bn in 9M). Non-funded income is coming off a high base in CY26f to PKR58bn, due to high capital gains and FX income last year. We expect this to rise to 4% YoY to PKR60bn in CY27f. Growth is expected to shift towards fees, (expected to rise 12.5% YoY in CY27f), FX income and normalizing capital gains at PKR9-10bn. This mix is more recurring than the one-off gains it replaces.

## Cost-to-income to eventually ease

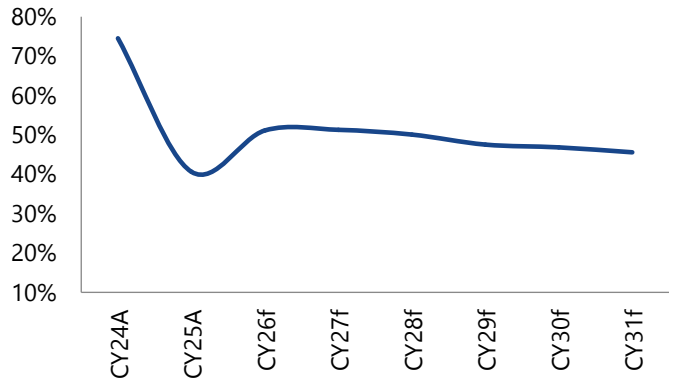
NBP's core admin expenses rose 8% YoY to PKR99bn – however normalizing revenues lifted the overall cost-to-income to 50.7% in 9MCY26 vs. 38.8%. With inflation expected to ease and limited branch expansion plans, we estimate the C/I to ease to 46% over the medium term (by CY31f). We estimate that each 1ppt reduction in the cost-to-income ratio adds c.PKR3bn to annual PBT.

**Expect broad based recovery in fee, capital gains to normalize**




Source: Company Accounts, IMS Research

**Cost-to-income peaks in CY27f and eases thereafter**




Source: IMS Research

**Earnings summary**

| PKRbn | CY25A | CY26f | CY27f | CY28f | CY29f | CY30f | CY31f |
|---|---|---|---|---|---|---|---|
| Net interest income | 249 | 210 | 227 | 249 | 288 | 318 | 355 |
| Non-funded income | 70 | 58 | 60 | 65 | 71 | 78 | 86 |
| Operating expenses | 129 | 137 | 147 | 157 | 171 | 186 | 201 |
| Provisions | 9 | (7) | 2 | 10 | 13 | 14 | 15 |
| Pre-tax profit | 180 | 138 | 138 | 147 | 176 | 197 | 226 |
| Net profit | 85 | 66 | 65 | 70 | 84 | 94 | 107 |
| EPS (PKR) | 40 | 31 | 31 | 33 | 39 | 44 | 50 |

Source: Company Accounts, IMS Research

# Margins have turned; NII is set to grow

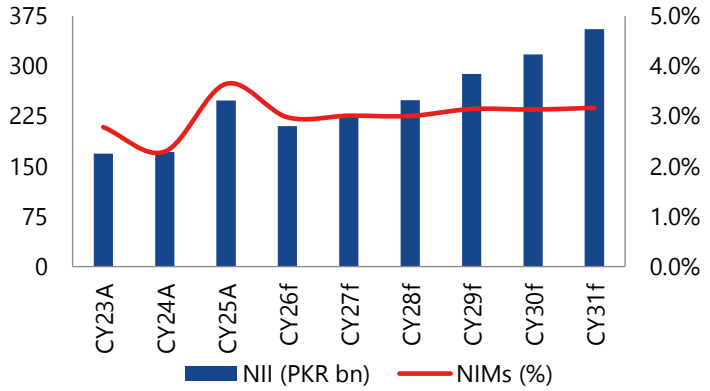
## 50bps hike is supportive but not central - NIMs to settle at 3%

The SBP raised policy rates by 50bps to 12% in Oct'26, the second increase this year after 100bps in Apr'26, citing crude above US$100 and Sep'26 inflation of 10.3%. NBP's assets reprice quickly where we assume about 70% of PIBs are floating-rate and T-bills are 20% of the book – visible in the QoQ recovery in investment yields to 11.1% in 3QCY26 (vs. 10.5% in 2QCY26). However, rate sensitive liabilities appear to be repricing at a similar pace, with short-dated repo of PKR2.8tn at 10.75-12.5% (Sep-26) – leading us to view the hike as a modest near-term offset to margin pressure.

## NIMs to settle near 3% with easing expected next year

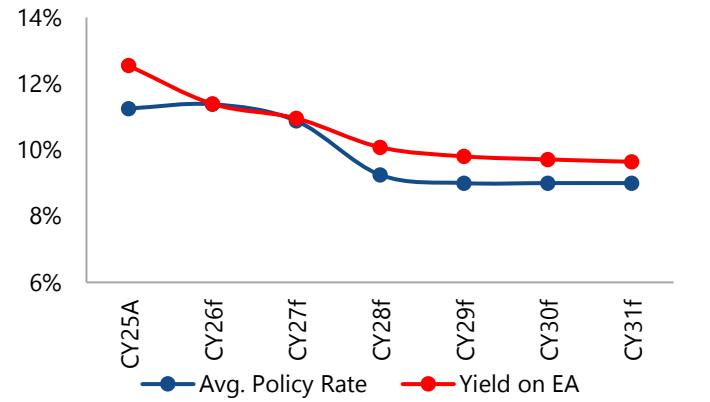
NIMs declined from 3.6% in CY25 to 2.7% in 2QCY26 as the drop in investment yields outpaced the cost of funds (8.1%). We expect the policy rate to ease next year as the oil shock fades and estimate PR at 10.9%/9.2% in CY27/28f, and settling at 9.0% over the medium-term. NIMs are expected to remain largely stable over the medium term and rise gradually as the repo book reprices and the CASA mix improves.

**NII rebuilds even as NIMs remain stable near 3%**




Source: Company Accounts, IMS Research

**Rates assumed to ease; yields follow with a lag**




Source: SBP, IMS Research

**Margin Drivers**

| Yields and Costs | CY25A | CY26f | CY27f | CY28f | CY29f | CY30f | CY31f |
|---|---|---|---|---|---|---|---|
| Yield on earning assets | 12.6% | 11.4% | 11.0% | 10.1% | 9.8% | 9.7% | 9.6% |
| Cost of funds | 8.9% | 8.4% | 7.9% | 7.1% | 6.7% | 6.6% | 6.5% |
| **NIMs** | **3.7%** | **3.0%** | **3.0%** | **3.0%** | **3.2%** | **3.1%** | **3.2%** |
| Avg policy rate | 11.3% | 11.4% | 10.9% | 9.3% | 9.0% | 9.0% | 9.0% |

Source: SBP, Company Accounts, IMS Research

# Deposits sticky and low cost but not growing...

NBP is the third-largest bank in Pakistan by deposits (c.10% of industry deposits at Sep'26) at PKR4.0tn, spanned across a network of 1,503 branches. Deposit growth however, has weakened with the franchise ceding market share (deposits coming off c.9% in 9MCY26). However, this appears to be strategic as the bank lets high-cost balances run off. We expect deposits to grow by c.12.5% in CY27f. NBP's liquidity is ample, with LCR of 177% and NSFR of 158% at Sep'26, where ADR c.34% keeps the balance sheet investment-led and earnings dependent on government paper spreads – similar to most other banks in Pakistan.

## Conversion towards Islamic banking is ongoing

Islamic banking deposits rose 40% in 9MCY26 to PKR781bn (PKR559bn at end-Dec'25). The proportion of Islamic deposits now stands at c.19% vs. 13% previously, while conventional deposits fell 17% CYTD. The network expanded to 449 branches and 593 windows. About 97% of Islamic deposits are current or savings accounts, vs. 82% on the bank level, adding to NBP's low-cost funding while higher-cost conventional balances run off.

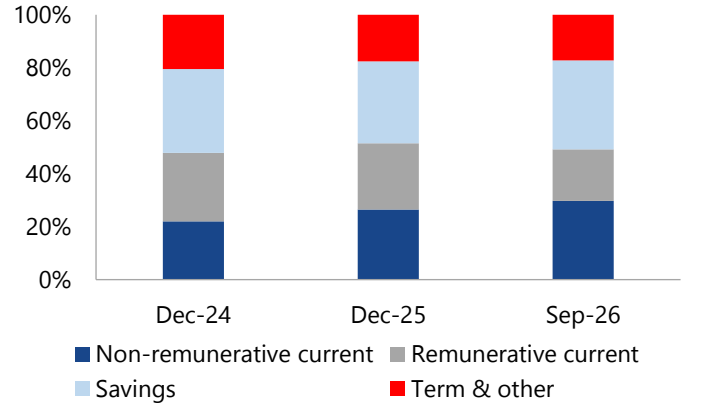
## Mix: CASA of 82%, but room to improve current accounts

While NBP's CASA stands at c.82% only 30% is non-remunerative (remunerative current accounts: 18%, savings: 35%). The non-remunerative share has risen from 22% in CY24 to 30% at end-Sep'26, however, 70% of deposits still pay a return. Thus shifting balances into non-remunerative current accounts should help reduce funding costs (cost of deposits 6.5% in 3QCY26). The SBP's removal of the minimum deposit rate on large savings balances has also helped.

| Funding | CY25A | CY26f | CY27f | CY28f | CY29f | CY30f | CY31f |
|---|---|---|---|---|---|---|---|
| Deposits (PKRbn) | 4,428 | 4,073 | 4,583 | 5,133 | 5,723 | 6,352 | 7,051 |
| Growth (% YoY) | 14.6% | -8.0% | 12.5% | 12.0% | 11.5% | 11.0% | 11.0% |
| CASA (%) | 82.4% | 84.9% | 84.7% | 84.4% | 84.2% | 83.9% | 83.7% |
| ADR (%) | 30.2% | 33.8% | 32.8% | 32.2% | 31.8% | 31.7% | 31.7% |
| Invest./deposits (x) | 1.11 | 1.35 | 1.35 | 1.34 | 1.34 | 1.34 | 1.34 |

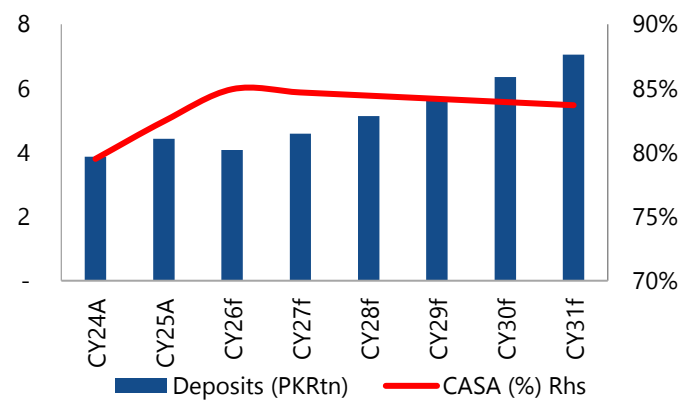
Source: Company Accounts, IMS Research

**Non-remunerative C/As are rising as % of deposits**




Source: Company Accounts, IMS Research

**Deposits recover from CY27f; CASA stays above 83%**




Source: SBP, IMS Research

# ...OMO is funding the growth

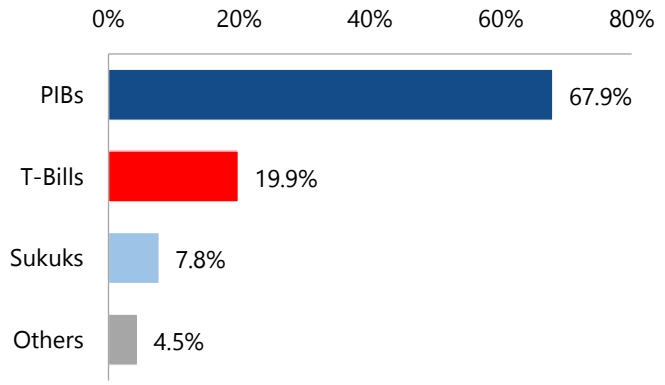
## NBP has scaled its investment book aggressively - mix is favorable

Investments grew 6.7% in CY25 and a further 9% in 9MCY26 to PKR5.4tn, equivalent to 69% of assets and 1.3x deposits. The composition is favorable – PIBs account for 68% of the book, T-bills 20%, with sukuks at 8%. We assume about 70% of PIBs are floating-rate, which limits duration risk and allows rapid repricing when rates rise and reduces exposure to capital losses, although yields will also decline quickly as rates ease.

## OMO build-up - lucrative, but a concentration risk

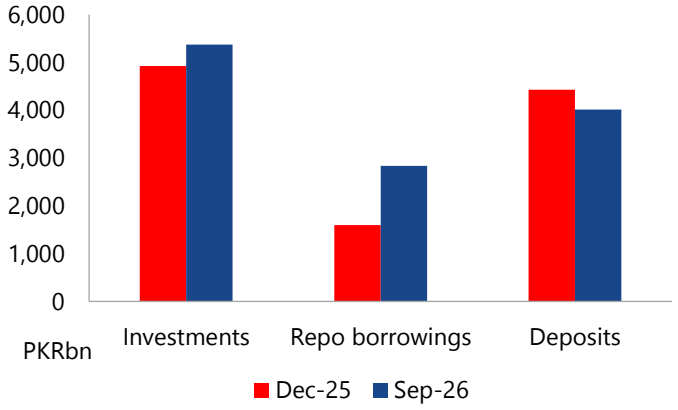
Borrowings increased 72% in 9MCY26 to PKR2.9tn as NBP funded investment growth through the SBP's OMO window (repo of PKR2.84tn, 97% of borrowings, at 10.75-12.5% against investment yields of c.11%). NBP is the second-largest OMO participant after UBL. The carry trade supports NII but ties profitability to the spread between PIB yields and the repo rate, and requires frequent rollover, which makes it the principal concentration risk in the franchise. We expect the book to remain elevated and model borrowings of PKR3.2tn by CY27f, where capital and liquidity (LCR 177%) remain central to our thesis.

**Investment mix: PIBs and T-bills are 88% of the book**




Source: Company Accounts, IMS Research

**Repo borrowings funding the book**




Source: SBP, IMS Research

## Asset quality - high legacy NPLs, but well covered

NBP's NPL ratio stands at a high 14.7% at Sep'26 (PKR239bn, from 13.8% at Dec-25). The stock is largely legacy and government-related, where provisioning coverage stands at 112% of NPLs (Stage 3 coverage 93%). NBP reported strong provisioning reversals of PKR6.0bn in 9MCY26 – however, we expect these to normalize form CY27f. While we expect absolute NPLs to lift overtime, the NPL ratio is expected to normalize to 10.2% over the medium-term, with the cost of risk normalizing at 50bps over the medium-term. We flag any reversal would be a key trigger for earnings.

# Capital strength underwrites the dividend

## A large buffer even for a D-SIB

NBP reported CAR at 21.1% and Tier-1 of 16.6% at end-Sep'26, down from 26.2%/19.8% in Dec'25 following the PKR74bn dividend and 8% growth in risk-weighted assets to PKR2.3tn. This is against SBP min. capital/Tier-1 requirement of 13%/10.5%. However, as per the most recent BPRD circular, NBP has seen a 50bps reduction in its D-SIB req. to 1.0% vs. 1.5% previously effective Mar'27. The relaxation for NBP allows further liquidity headroom although immaterial for NBP given its already high CAR buffer. We forecast a payout of 81% in CY26f which eases to c.70% by CY31f, leaving T-1 at 14% in CY31f, 4ppt above the minimum. Risk-weighted assets are only 29% of total assets, so growth consumes little capital. Leverage ratio however, (3.7% against a 3% minimum, 4.4% at Dec'25) forms a tighter constraint and warrants monitoring as the investment book grows. Capital adequacy is therefore more than ample to support NBP's dividend story.

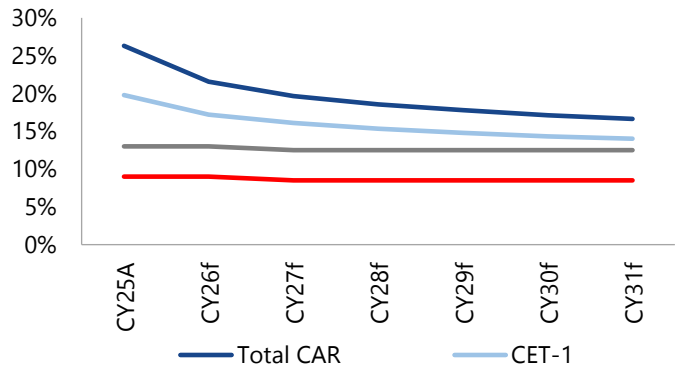
## Pension case is provided for, with a residual tail

NBP's management states that the Mar'24 Supreme Court order made the pension litigation final, that payments have been made to the majority of petitioners and non-petitioners, and financial impact of government pension increases incorporated in CY24 accounts. The latest Sep'26 Federal Constitutional Court ruling concerns an appeal covering six pensioners, and the bank is seeking a review. We do not expect a large provisioning charge (if at all). Payables to the pension fund were PKR83.0bn at Sep'26 (PKR75.3bn in Dec-25), plus PKR53.8bn for post-retirement medical benefits. On our sensitivity range of PKR5-20bn, the cost is PKR1.1-4.5 of EPS (c.4-15%) and c.10-40bp of CET-1, which the capital buffer can easily absorb.

## TSA exposure is a concentration risk

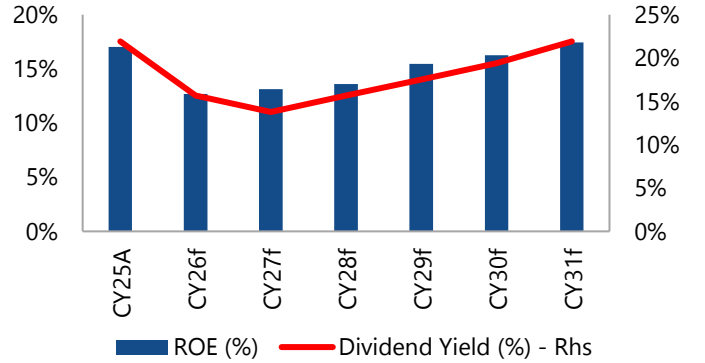
The IMF program requires public entities to consolidate their funds in the Treasury Single Account at the SBP. In Apr'26 public funds held in commercial banks stood at over PKR1tn, with 242 accounts (c.PKR200bn) already transferred and a further 70 ministry accounts (c.PKR290-300bn) next. Savings accounts sit outside the first phase and no deadline is set. NBP is exposed by structure – deposits from government-related entities were PKR1.93tn at Sep'26, or 48% of deposits (44% at Dec'25). The impact is restricted by price. Profit paid to these entities was PKR124.5bn in 9MCY26, c.8.6% annualized on the Sep'26 balance, which is below the 10.75-12.5% repo rate at which outflows would be replaced. Based on this we estimate every PKR100bn outflow costs c.PKR2-4bn in pre-tax profit (PKR0.5-0.9 per share, c.2-3% of CY26f EPS), against c.PKR400bn system-wide in the first phase.

**Capital stays well above minimum (%)**




Source: Company Accounts, IMS Research

**ROE rebuilds while the yield stays in double digits**




Source: Company Accounts, IMS Research

# Valuation methodology

We value National Bank of Pakistan (NBP) on a modified Gordon Growth methodology [(ROE-g)/(CoE-g)] based on mid-cycle ROE and 2031f book value which we discount back, while also including the value of interim dividends. This approach serves to reduce the impact of short term fluctuations on valuations.

## Key assumptions include:

- We have used tangible book values and employ mid-cycle ROE (2031f).
- We use a risk-free rate of 12% (similar to 10-year average PIB yield).
- Our equity risk premium is 6%, based on the average KSE-100 return over and above the risk-free rate since the KSE-100 Index was introduced in 1991.
- To derive COE (Ke), we employ beta of 1.0x – close to the 5-year beta available on Bloomberg (ranging from 0.88-1.04). Our COE range for our banks universe thus comes to 18.0%.
- Terminal growth of 9% - the average nominal GDP growth for Pakistan is in early double-digits but we choose to be conservative.
- Target price is for a time horizon of December 2027.

**Scenario Analysis**

| | Ke | g | ROTE | Value | vs price |
|---|---|---|---|---|---|
| Bear | 19.0% | 8.0% | 15.0% | 163 | -6.6% |
| **Base** | **18.0%** | **9.0%** | **17.4%** | **215** | **23.2%** |
| Bull | 17.0% | 9.0% | 19.0% | 271 | 55.3% |
| ROTE 15% only | 18.0% | 9.0% | 15.0% | 173 | -0.9% |

Dividends held constant (CY27-30f DPS)

**Target price sensitivity (PKR/share)**

| Ke | Terminal growth | | | | |
|---|---|---|---|---|---|
| | 7% | 8% | 9% | 10% | 11% |
| 16% | 265 | 268 | 272 | 278 | 286 |
| 17% | 238 | 239 | 240 | 241 | 243 |
| 18% | 216 | 216 | 215 | 213 | 212 |
| 19% | 198 | 196 | 194 | 192 | 188 |
| 20% | 183 | 181 | 178 | 174 | 170 |

Source: IMS Research

# Key risks

- **ROE recovery:** Our TP assumes terminal ROTE of 17.4% against 12.7% in CY26f; at 15% the Gordon Growth value comes to PKR173/sh. Slower NIMs recovery, higher tax or sticky costs would delay it.
- **Pension judgment:** The full judgment issues a charge above the PKR5-20bn, with arrears and ongoing indexation affecting both the P&L and CET-1.
- **Repo-concentration:** PKR2.7tn+ of repo funding must be rolled over frequently where any narrowing of the PIB-repo spread would hit NII directly.
- **Asset quality and tax:** NPLs are 14.7% of gross advances and the effective tax rate is above 50%; new taxes, higher then expected provisioning charge would reduce earnings**.**
- **Governance and liquidity:** A new President & CEO (Mr Imran Sarwar, appointed September 2026) is still to set out a strategy, the state holds about 75% of shares, and free float is only c.24%, limiting trading liquidity and re-rating catalysts.
- **TSA:** Faster-than-expected migration of government balances to the SBP could reduce deposits and push up funding costs.

## NBP - Income Statement

| (PKRmn) | CY25A | CY26f | CY27f | CY28f |
|---|---|---|---|---|
| Interest earned | 781,160 | 760,649 | 811,538 | 831,284 |
| Interest expensed | 532,540 | 550,511 | 584,772 | 581,963 |
| **Net interest income** | **248,620** | **210,138** | **226,767** | **249,321** |
| Total Provisions | 9,196 | -7,293 | 1,643 | 9,891 |
| **Post provisioning NII** | **239,424** | **217,431** | **225,123** | **239,430** |
| Fee income | 34,691 | 29,487 | 33,173 | 36,988 |
| Dividend income | 5,289 | 6,611 | 7,272 | 7,999 |
| FX Income | 14,526 | 7,989 | 8,948 | 9,574 |
| Total Income | 1,142 | 514 | 591 | 650 |
| **Total non-interest income** | **69,633** | **57,948** | **60,162** | **65,143** |
| Administrative expenses | 129,235 | 134,864 | 142,349 | 152,249 |
| **Total non-interest expenses** | **129,274** | **137,031** | **147,113** | **157,440** |
| **NPBT** | **179,783** | **138,348** | **138,173** | **147,134** |
| Total Tax | 93,905 | 71,941 | 71,850 | 76,510 |
| **NPAT** | **85,032** | **65,553** | **65,460** | **69,752** |

## NBP - Balance Sheet

| (PKRmn) | CY25A | CY26f | CY27f | CY28f |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances | 375,938 | 392,229 | 424,695 | 467,054 |
| Balances with other banks | 33,533 | 43,152 | 45,991 | 48,788 |
| Lending to Fin. Institutions | 46,000 | 98,299 | 79,033 | 88,041 |
| Investments | 4,924,847 | 5,491,204 | 6,177,605 | 6,897,296 |
| Advances | 1,337,739 | 1,377,871 | 1,501,879 | 1,652,067 |
| **Total Assets** | **7,078,397** | **7,765,413** | **8,616,085** | **9,566,067** |
| **Liabilities** | | | | |
| Bills payable | 20,817 | 21,234 | 22,826 | 24,538 |
| Borrowings | 1,689,657 | 2,855,520 | 3,169,628 | 3,518,287 |
| Deposits | 4,427,668 | 4,073,454 | 4,582,636 | 5,132,552 |
| **Total Liabilities** | **6,540,471** | **7,266,301** | **8,114,060** | **9,038,935** |
| **Net Assets** | **537,926** | **499,112** | **502,025** | **527,132** |
| | | | | |
| **Equity** | | | | |
| Share Capital | 21,275 | 21,275 | 21,275 | 21,275 |
| Reserves | 82,648 | 89,203 | 95,749 | 102,724 |
| Surplus on Rev. of assets | 125,364 | 94,023 | 84,621 | 86,736 |
| Unappropriated Profits | 306,950 | 292,879 | 298,605 | 314,577 |
| **Tier-I Equity** | **536,237** | **497,380** | **500,250** | **525,313** |
| Minority Interest | 1,689 | 1,732 | 1,774 | 1,819 |
| **Total Equity** | **537,926** | **499,112** | **502,025** | **527,132** |

Source: IMS Research, Company Accounts

| Key Ratios | CY25A | CY26f | CY27f | CY28f |
|---|---|---|---|---|
| EPS (PKR) | 39.97 | 30.81 | 30.77 | 32.79 |
| EPS Growth | 227% | -23% | 0% | 7% |
| BVPS (PKR) | 252 | 234 | 235 | 247 |
| P/B (x) | 0.69 | 0.75 | 0.74 | 0.71 |
| PER (x) | 4.37 | 5.66 | 5.67 | 5.32 |
| ADR | 30% | 34% | 33% | 32% |
| NIMs | 4% | 3% | 3% | 3% |
| Growth in Loan Book | -5% | 3% | 9% | 10% |
| Growth in Deposits | 15% | -8% | 13% | 12% |
| Cost/Income | 41% | 51% | 51% | 50% |
| ROE (average) | 17% | 13% | 13% | 14% |
| ROA (average) | 1% | 1% | 1% | 1% |
| DPS (PKR) | 35 | 25 | 22 | 25 |
| Dividend yield | 20% | 14% | 13% | 14% |
| Payout Ratio | 88% | 81% | 72% | 76% |

Source: Company Reports, IMS Research

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| Ratings Guide* | Criteria |
|---|---|
| Buy | Total return expectation of ≥ 15% or expected to outperform the KSE-100 index |
| Neutral | Total return expectation of > -5% or expected to match the return of KSE-100 index |
| Sell | Expected downside of more than 5% or expected to underperform the KSE-100 index |

*Based on 12 month horizon unless stated otherwise in the report.

**Valuation Methodology:** We use multiple valuation methodologies in arriving at a Target Price including, but not limited to, Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and relative multiples based valuations.

**Risks:** Please refer to pg. 11

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