Pakistan Banks

18 November 2026

The Bank of Punjab (BOP PA)

BOP - First PKR20bn equity tranche received from Govt. of Punjab

As per a notice to the PSX, BOP has received PKR20bn from the Government of Punjab – the first tranche of the approved equity injection of up to PKR30bn. BOP will issue 523.56mn new shares to GoP at PKR38.20/sh, via other than right issue. PKR15.6bn of this was already held as share deposit money (as at Sep'26), with fresh cash injection of c.PKR4.4bn. The remaining PKR10bn would add another c.261.8mn shares.

CAR expected to rise c.175bps post PKR20bn injection

Excluding the share deposit money, consolidated CAR stood at 12.43% (CET-1: 8.88%) at end-Sep'26, vs. SBP min of 11.5%. Post injection, CET-1/CAR rises to 10.65%/14.17% with the PKR20bn, and to 11.52%/15.02% with the full PKR30bn.

Initially earnings dilutive – but prudent deployment can turn this around

While the equity injection should ultimately lift absolute earnings – it is EPS-dilutive in the near term. Assuming this is deployed equally into Fed. Govt. securities and loans, the PKR30bn adds c.PKR1.7bn to earnings (c.+9%). This is outweighed by a 24% increase in outstanding shares, leaving earnings c.9% lower post first tranche and c. 12% lower post full injection. In our view, earnings recovery is hinged on BOP leveraging the capital into balance-sheet growth near its CY26f ROE of 18%. With the shares yet to be issued (timing not disclosed), the dilution will fall largely in CY27f.

We do not expect the share price to fall from dilution

BOP is issuing new shares at PKR38.20, a 22% premium to the last close and above its Sep'26 BVPS of PKR31.13/sh. Given that is not a right or bonus issue, BOP's price will not be adjusted ex-entitlement. The post-issue price comes to c. PKR32.19 after this tranche (+3.1%) and PKR32.58 after the full injection (+4.3%). The dilution, however will not reflect in the price and should reflect in the EPS and in a higher P/E. Pertinently, free float comes off from c.42.5% to c.36.7% with tradeable shares staying unchanged. We believe the notice is largely priced in where further re-rating is hinged on BOP's ability to successfully deploy this capital.

Capital likely to flow to Punjab's export industry

The injection lines up with GoP's STEP (Sanati Taraqi and Export Promotion) Financing. STEP is part of the c.PKR2tn PIVOT plan launched in Oct'26 (PKR1.1bn public, PKR0.9bn private). It offers PKR300bn of concessional financing across 463 projects in three tiers: SME exporters at 0%, value-added enterprises at 3% and strategic industrial projects at 5%. GoP backs it with a PKR193bn interest subsidy. BOP being the province's own bank and the main channel for GoP's earlier lending schemes (PKR400bn+ disbursed to over 1mn borrowers), is well placed to originate a large share of this lending. This appears to be one of the most likely route for leveraging the new capital and recovering underlying EPS dilution, provided GoP bears the markup gap on concessional loans rather than the bank.

Impact of the GoP equity injection (PKRmn)	Pre-injection	Reported 30-Sep-26	Post - PKR20bn	Post PKR30bn
Outstanding shares (mn)	3,271.6	3,271.6	3,795.1	4,056.9
New share issuance (mn)	-	-	523.6	785.3
Govt. of Punjab shareholding	57.5%	57.5%	63.3%	65.7%
CET-1 ratio*	8.88%	10.34%	10.65%	11.52%
Total CAR	12.43%	13.89%	14.17%	15.02%
Incremental NPAT assuming asset deployment**	-	-	1,128	1,692
NPAT (9MCY26 annualized)	19,060	19,060	20,188	20,752
EPS (PKR)	5.83	5.83	5.32	5.12
EPS (% change vs. current)	-	-	-8.7%	-12.2%
BVPS (PKR)***	31.13	31.13	32.10	32.49

Source: BOP PSX notice, Company Accounts, IMS Research

**Reported CET-1 includes PKR15.6bn of share deposit money*

***Equal deployment in Fed. Govt. Sec at 11.5% (0% risk weight) and loans at 12.0% (100% risk weight) and ETR of tax 52%*

****BVPS excludes the PKR15.6bn share deposit money in the pre-injection and reported numbers*

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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
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*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: (i) Asset quality issues on directed lending, (ii) dilution without growth, and (iii) Sovereign concentration risk

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