RATING REPORT

National Bank of Pakistan

REPORT DATE:
June 30, 2025

RATING ANALYST:
Musaddeq Ahmed Khan
musaddeq@vis.com.pk

RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity	AAA	A1+	AAA	A-1+
Outlook/ Rating Watch	Stable		Stable	
Rating Action	*Reaffirmed*		*Reaffirmed*	
Rating Date	*June 30, 2025*		*June 26, 2024*	

COMPANY INFORMATION	
Incorporated in 1949	**External auditors:** BDO Ebrahim & Co. ; A.F. Ferguson & Co.
Public Limited Company	**Chairman:** Mr. Ashraf Mahmood Wathra
Key Shareholders (with stake 5% or more):	**President & CEO:** Mr. Rehmat Ali Hasnie
Govt. of Pakistan (through SBP) ~75.6%	
General Public ~ 5.44%	
Public Sector Companies ~ 5.59%	
Foreign Companies ~ 7.03%	
Others ~ 6.34%	

APPLICABLE METHODOLOGY(IES)

VIS Financial Institution
https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf

VIS Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

National Bank of Pakistan (NBP)

OVERVIEW OF THE INSTITUTION

Incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949, National Bank of Pakistan (NBP) is the largest public sector bank in the country. Shares of the Bank are listed and traded on Pakistan Stock Exchange (PSX).

Profile of Chairman

Mr. Ashraf Mahmood Wathra served as Governor of the State Bank of Pakistan (SBP) from April 29, 2014, until 2017. He represented Pakistan in various international forums. Within Pakistan, he held significant positions. His career began at Grindlays Bank in 1978, and he held leadership roles in international banks before joining SBP as Deputy Governor in March 2013.

Profile of President

Mr. Hasnie, President of NBP since August 2023, has 27 years of financial sector experience, with expertise in economic research, capital

RATING RATIONALE

National Bank of Pakistan's ('NBP' or 'The Bank') ratings reflects its status as the largest public sector commercial bank in the country, a systemically important financial institution with a market share of 10.8% in term of domestic deposits, and with a strategic role in handling government transactions and supporting public sector mandates. The ratings continue to draw strength from the Bank's strong franchise value reflected in ready access to funds, sustained earnings generation, sound asset quality and sovereign ownership structure. Operationally, NBP is advancing its digital transformation strategy. Significant investments in core banking modernization, cybersecurity, and customer interface platforms underscore its efforts to enhance efficiency and service quality. Governance structures, including board oversight and Shariah compliance for Islamic banking operations, remain strong. The Bank is also increasingly integrating environmental, social, and governance (ESG) considerations into its business model.

Asset quality metrics exhibited some deterioration during 2024, driven largely by stress in the agriculture portfolio linked to external factors such as the wheat crisis. However, the Bank set aside higher provisions over the next 15 months, in addition to a reversal in non-performing loan balances as of Mar'25, resulting in the accumulation of stronger asset loss buffers.

NBP's liquidity position remains sound, underpinned by a healthy base of customer deposits and a conservative investment strategy focused primarily on government securities. Liquidity coverage and funding ratios are well above minimum requirements, offering resilience against any short-term volatility. The Bank's profitability came under pressure during 2024 due to one-off pension-related expenses. Nonetheless performance in the first quarter of 2025 showed a strong rebound, aided by margin expansion, following policy rate cuts and higher non-markup income. Ongoing focus on cost containment and earnings diversification will continue to strengthen this trend.

NBP's capitalization profile is strong, inching up further due to retained earnings and favorable regulatory changes that allowed the inclusion of foreign currency translation reserves in core capital. The Bank's capital adequacy ratio remains comfortably above regulatory thresholds, reflecting prudent capital management amid evolving risk dynamics.

Banking Sector

In 2024, Pakistan's banking sector remained resilient, supported by improving macroeconomic conditions. Inflation receded from the previous year's highs, the currency stabilized, and fiscal consolidation progressed, enabling steadier economic activity. The aggregate balance sheet of commercial banks expanded significantly — rising by approximately 15.8% during the year to reach around PKR 53.7 tn. As of Dec'24, deposits had grown by about 9.2% year-on-year to over PKR 31.8 tn, driven by favorable interest rates during much of the year and financial inclusion efforts.

The divergence between deposit and asset growth is explained by superior equity growth and more notably interbank transactions backed by and channeled into the purchase of government securities to magnify positive spreads through volumes. A substantial portion of the deposit growth during the first three quarters of 2024 was also directed into government securities. In the final quarter, private-sector advances gained significant traction, as banks sought to comply with the regulatory directive mandating *markets, and investment banking. He holds an MA in Development Banking and has led NBP's Inclusive Development Group since 2019. He chairs the Pakistan Mortgage Refinance Company and has served on several boards, including First Credit & Investment Bank and Pakistan Mercantile Exchange. He is also a member of key banking associations in Pakistan.*

that outstanding advances be maintained at a minimum of 50% of respective deposit bases, in order to avoid incremental taxation of up to 15%. Consequently, the advance-to-deposit ratio stood at 49.7% by year-end.

Financial performance in 2024 remained broadly stable. Aggregate after-tax profitability for the banking sector was largely unchanged, with SBP data indicating a marginal increase in after-tax profits to PKR 644.0 bn (2023: PKR 642.0 bn). The monetary easing initiated in June 2024, along with increased provisioning requirements, exerted pressure on returns. As a result, key profitability indicators—Return on Average Assets (ROAA) and Return on Average Equity (ROAE)—moderated slightly.

Capital buffers remained strong. The industry's capital adequacy ratio (CAR) rose to approximately 20.6% by end-2024 (2023: 19.7%), remaining well above the regulatory minimum. Banks benefited from strong deposit inflows—boosted by the SBP's digital and financial inclusion initiatives—and continued to maintain excess capital to mitigate systemic risks. In a move to enhance depositor confidence and systemic stability, the Deposit Protection Corporation (DPC) raised insured limits to PKR 1 mn per depositor in late 2024.

Asset quality continued to improve during 2024. The non-performing loan (NPL) ratio declined to approximately 6.3% (2023: 7.6%). Following the implementation of IFRS-9 in 2024, specific provisioning coverage for Stage-3 assets rose to 83.8% (2023: 81.3%), while general provisioning coverage against performing advances increased to 1.4% (2023: 0.9%). Regulatory authorities maintained a strong focus on prudent provisioning and risk management practices, including adherence to Basel III capital standards, which supported containment of credit risk. Large corporate borrowers generally remained creditworthy, underpinned by adequate liquidity and repayment capacity. Looking ahead, Pakistan's commercial banking sector appears well-positioned, underpinned by strong fundamentals, though it must navigate a landscape of mixed opportunities and risks. The sharp monetary easing in the second half of 2024—reducing policy rates from 22% to around 11% by early 2025—was supported by a marked decline in inflation to single digits, creating room for continued gradual policy support. In this evolving macroeconomic environment, banks may face some compression in net interest margins, while the pace of credit expansion will depend on the strength of economic recovery and borrower demand. If growth momentum strengthens, lending to SMEs and consumers is expected to rebound, aided by regulatory incentives and targeted refinance schemes.

Simultaneously, sustained efforts in digital transformation and financial inclusion—including the expansion of instant payment systems and broader outreach to underserved market segments—are expected to improve operational efficiency and deepen market penetration. While fiscal and external vulnerabilities may moderate the pace of policy easing and credit growth, the sector enters 2025 with improved asset quality, strong capitalization, and ample liquidity buffers. Overall, the outlook remains one of cautious optimism, supported by continued regulatory facilitation and a more stable macroeconomic environment, laying the groundwork for gradual and broad-based sectoral growth.

National Bank of Pakistan (NBP) Appendix I

FINANCIAL SUMMARY (Rs. in millions)				
BALANCE SHEET	**31-Dec-22**	**31-Dec-23**	**31-Dec-24**	**31-Mar-25**
Total Investments	3,477,353.87	4,403,364.04	4,612,334.20	4,793,082.01
Gross Advances	1,438,581.20	1,631,685.69	1,672,763.00	1,567,784.09
Net Advances	1,230,521.80	1,398,076.82	1,404,867.87	1,285,813.61
Total Assets	5,240,424.55	6,652,707.44	6,744,078.25	6,830,189.41
Borrowings	1,940,485.79	2,177,743.19	1,937,756.92	2,081,780.73
Deposits & other accounts	2,666,184.36	3,674,359.38	3,865,564.88	3,891,250.49
Subordinated Loans	0.00	0.00	0.00	0.00
Paid Up Capital	21,275.13	21,275.13	21,275.13	21,275.13
Tier-1 Equity	231,190.93	283,307.17	353,929.60	350,440.77
Net Shareholders Equity (excl. revaluation surplus)	257,930.86	319,101.00	338,749.02	336,445.54
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**1QCY25**
Net Spread Earned	116,826.51	168,747.58	170,888.15	69,587.72
Net Provisioning / (Reversal)	0.00	0.00	2,258.37	6,393.80
Non-Markup Income	36,683.88	40,606.47	65,426.19	11,097.00
Operating Expenses	78,099.99	93,345.71	177,337.95	28,190.92
Profit/ (Loss) Before Tax	62,737.16	101,253.09	56,677.06	46,088.21
Profit / (Loss) After Tax	30,410.30	51,840.46	26,865.74	21,449.10
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**1QCY25**
Market Share (Advances) (%)	11.05%	10.80%	8.66%	10.66%
Market Share (Deposits) (%)	10.10%	11.26%	10.83%	10.38%
Gross Infection (%)	14.27%	13.53%	16.10%	14.16%
Net Infection (%)	1.17%	1.21%	3.00%	-1.10%
Specific Provisioning Coverage (%)	92.89%	92.19%	83.86%	106.58%
General Provisioning Coverage (%)	1.41%	2.13%	3.00%	3.38%
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	5.87%	5.51%	10.97%	-3.69%
Cost of Deposits (%)	7.21%	11.33%	12.01%	7.59%
NIM (%)	2.59%	2.82%	2.39%	4.12%
Efficiency (%)	51.85%	45.94%	57.49%	34.92%
ROAA* (%)	0.67%	0.87%	0.40%	1.26%
ROAE* (%) (Net Shareholder Equity)	12.68%	17.97%	8.17%	25.41%
Liquid Coverage Ratio (%)	147.00%	176.00%	206.00%	213.00%
Net Stable Funding Ratio (%)	251.00%	159.00%	174.00%	178.00%
Liquid Assets to Deposits & Borrowings (%)**	67.90%	74.52%	79.66%	80.82%
Gross Advances to Deposits Ratio* (%)**	50.79%	42.38%	41.79%	38.85%
Tier-1 CAR (%)	16.30%	19.16%	20.51%	21.33%
Capital Adequacy Ratio (%)	21.59%	25.47%	27.80%	28.39%

**Annualized*
***Adjusted for SBP refinancing schemes*
**** Adjusted for Repo and Collateral*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	National Bank of Pakistan (NBP)
Sector	Public Sector Banks
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
30-Jun-25	AAA	A1+	Stable	Reaffirmed
26-Jun-24	AAA	A1+	Stable	Reaffirmed
23-Jun-23	AAA	A1+	Stable	Reaffirmed
27-Jun-22	AAA	A1+	Stable	Reaffirmed
28-Jun-21	AAA	A1+	Stable	Reaffirmed
29-Jun-20	AAA	A1+	Stable	Reaffirmed
28-Jun-19	AAA	A1+	Stable	Reaffirmed
29-Jun-18	AAA	A1+	Stable	Reaffirmed
30-Jun-17	AAA	A1+	Stable	Reaffirmed

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile.

Due Diligence Meeting Conducted

Name	Designation	Meeting Date
Mr. Rehmat Ali Hasnie	President & CEO	**June 05, 2025**
Mr. Abdul Wahid Sethi	SEVP & Group Chief Financial Control Group	
Mr. Muhammad Ismail Usuf	SEVP and Group Chief, Treasury & Capital Markets Group	
Mr. Haroon Zamir Khan	SEVP & Group Chief/Chief Risk Officer, Risk Management Group	
Mr. Shamim Bukhari	Head of Investor Relations & Policy Review	