

Press Release

VIS Reaffirms Entity Ratings of National Bank Limited

Karachi, June 30, 2025: VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of National Bank of Pakistan ('NBP' or the 'Bank') at 'AAA/A1+' (Triple A/A One Plus). Medium to long term rating of 'AAA' indicates highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt. Short term rating of 'A1+' indicates strongest likelihood of timely repayment of short-term obligations with outstanding liquidity factors. Outlook on the assigned ratings remains 'Stable.' Previous rating action was announced on June 26, 2024.

National Bank of Pakistan ('NBP' or 'The Bank') was incorporated as a public limited company under the National Bank of Pakistan Ordinance, 1949. NBP is the largest public sector banks in the country with an additional mandate to handle treasury transactions for Government of Pakistan (GoP), by serving as an agent to State Bank of Pakistan (SBP).

Branch network encompasses 1,503 (2023: 1,508) domestic and 16 (2023: 18) overseas branches. Of the domestic branches, 207 (2023: 188) are dedicated to Islamic banking.

NBP's 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.

For further information on this rating announcement, please contact at 021-35311861-64 or email at info@vis.com.pk.

Applicable Rating Criteria:

Financial Institution

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

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>