

The Pulse

Market Growth, Risks and Outlook

Poush 2081

Inside This Edition

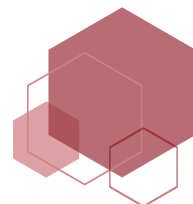
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हिमालयन क्यापिटल लि.



Himalayan Capital





A Subsidiary of Himalayan Bank Limited



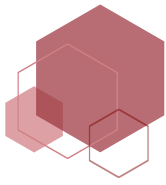
Global Markets Overview

€	1.04 \$ (-1.46%)	S&P 500	5,970.84 (-1.33%)
£	1.26 \$ (-1.29%)	BSE SENSEX	78,699.07 (-1.38%)
₹	85.45* (1.05%)	NIKKEI 225	40,120.00 (5.00%)
¥	157.73* (5.32%)	FTSE 100	8,149.78 (-1.66%)
A\$	0.62 \$ (-4.66%)	DAX	19,984.32 (1.82%)
C\$	0.69\$ (-2.97%)	CAC 40	7,355.37 (1.66%)
		HANG SENG	20,090.46 (3.43%)
		SSE COMPOSITE	3,400.14 (2.21%)

*Values Per 1 \$

	Gold(\$) Per Oz. 2,622.18 (-1.06%)		Bitcoin(\$) 94,164.86 (-2.37%)
	Brent Crude(\$) Per Barrell 73.76 (2.01%)		Ethereum(\$) 3,328.92 (-10.17%)

#All Changes are in MoM basis.



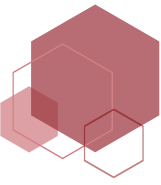
Currency Market Trends

The Euro and British Pound experienced declines of -1.46% and -1.29%, respectively, against the benchmark currency, suggesting mild depreciation. The Australian and Canadian Dollars faced sharper declines, with the Australian Dollar down -4.66% and the Canadian Dollar -2.97%, indicating greater weakness in these currencies. In contrast, the Indian Rupee saw a slight appreciation of 1.05%, while the Japanese Yen surged significantly by 5.32%, signaling robust performance, potentially driven by favorable economic conditions or policy changes.

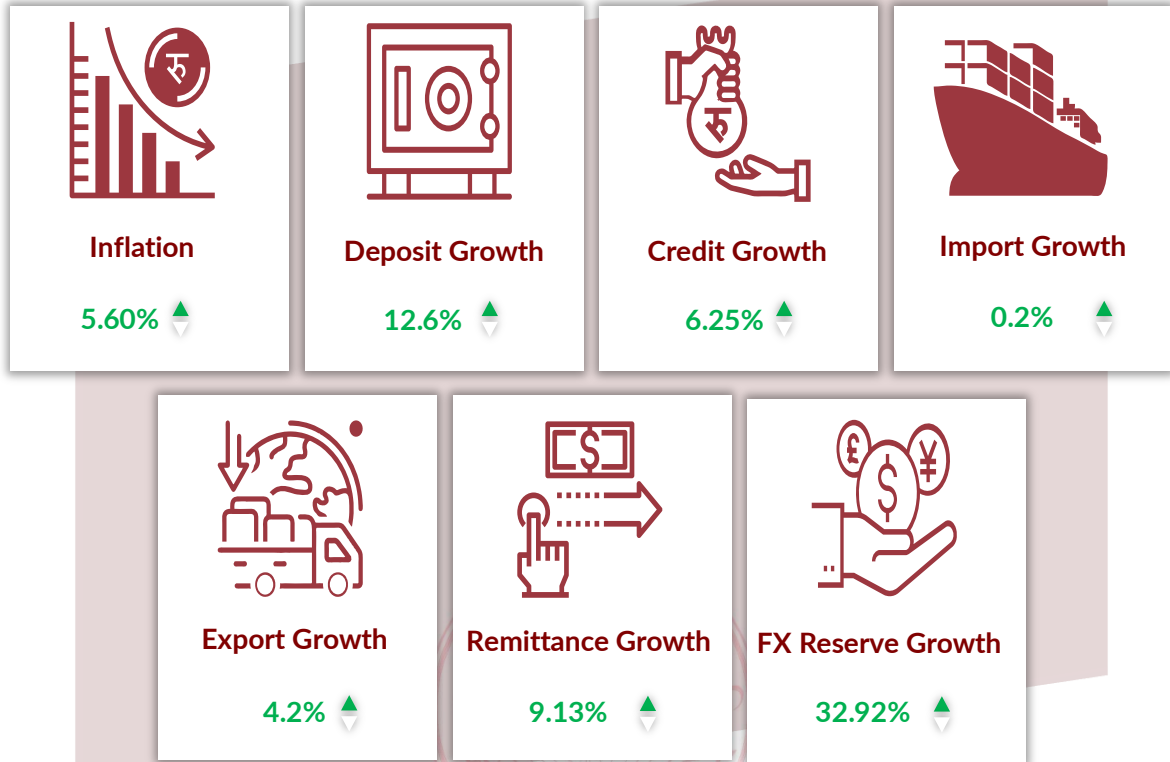
Global stock indices showed mixed trends. The NIKKEI 225 led with a 5.00% increase, reflecting strong growth in Japanese equities, while the HANG SENG and SSE COMPOSITE indices followed with gains of 3.43% and 2.21%, respectively, suggesting optimism in Asian markets. European indices like the DAX and CAC 40 also rose modestly (1.82% and 1.66%). On the downside, major indices like the S&P 500 (-1.33%), BSE SENSEX (-1.38%), and FTSE 100 (-1.66%) faced losses, possibly indicating cautious sentiment in US, Indian, and UK markets.

Bitcoin and Ethereum exhibited notable declines, with Ethereum suffering a sharp -10.17% drop and Bitcoin falling by -2.37%, reflecting bearish sentiment in the cryptocurrency market. Gold also slipped slightly by -1.06%, signaling subdued safe-haven demand. Brent Crude saw a positive uptick of 2.01%, indicating resilience in energy markets amidst fluctuating oil demand and supply dynamics.

In conclusion, across these sectors, the data highlights varying economic trends: depreciation in currencies like the Euro and Australian Dollar, mixed performances in stock markets with notable growth in Asian indices, and a bearish trend in cryptocurrencies countered by strength in crude oil prices. These shifts reflect diverse regional and market-specific dynamics influencing global financial landscapes.



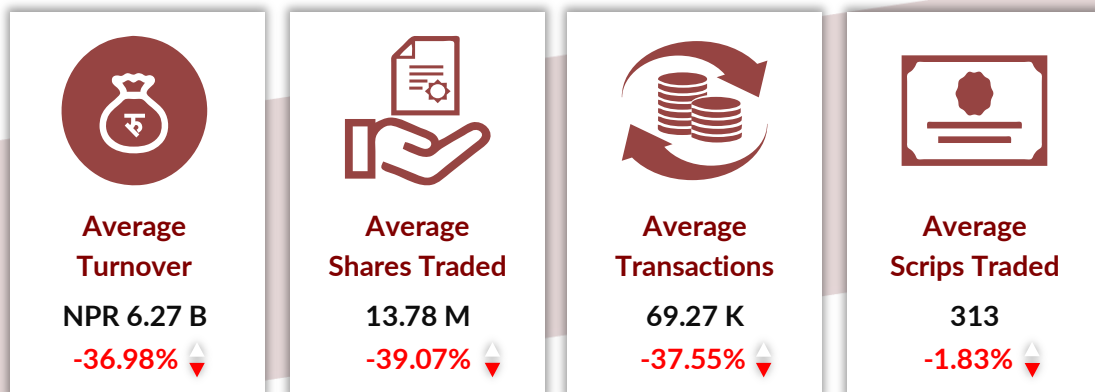
Macroeconomic Overview



* Growth refers to the change between four months data of FY 80/81 and FY 81/82.

* Credit refers to claim on private sector.

Monthly Trading Statistics



* For the period (November 29, 2024) – (December 27, 2024)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Kartik-80	Ashwin-81	Kartik-81	Poush 4	Poush 11	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	3.03	2.86	2.48	2.80	2.80	-0.55	-0.38	0.00
Wt.Avg 91 Days TB rate (%)	4.39	2.96	2.77	2.82	2.82	-1.62	-0.19	0.00
Wt.Avg 364 Days TB rate (%)	5.82	3.02	2.98	2.96	2.96	-2.84	-0.04	0.00
Wt. Avg Interbank Rate (%)	3.43	3.00	2.90	3.00	3.00	-0.53	-0.10	0.00
CapEx (In Billion NPR)	29.99	29.37	34.53	42.41	45.60	4.54	5.16	3.19

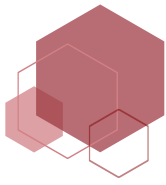
B. BFI Statistics

Description	Value As On					Change		
	Kartik-80	Ashwin-81	Kartik-81	Poush 4	Poush 11	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	7.76	5.24	5.01	5.01	5.01	-2.75	-0.23	0.00
Wt. Avg Lending Rate (%)	11.96	9.33	9.07	9.07	9.07	-2.89	-0.26	0.00
Base Rate (%)	9.74	7.29	7.02	7.02	7.02	-2.72	-0.27	0.00
CD Ratio (%)	81.38	78.36	78.26	78.64	78.79	-3.12	-0.10	0.15
Fixed Deposits/Total Deposits (%)	59.75	54.49	54.13	54.13	54.13	-5.62	-0.36	0.00
Total Liquid Assets/Total Deposits (%)	27.50	25.76	25.62	25.62	25.62	-1.88	-0.14	0.00

Public Debt Subscription

Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Highest	Average
28 Days	Kartik 13	500.00	0.00	25	65	7.89	500.00	2.01	2.35	2.26
91 Days	Kartik 13	810.00	0.00	24	56	4.74	810.00	2.46	2.76	2.75
182 Days	Kartik 13	1300.00	0.00	20	46	3.78	1300.00	2.90	2.95	2.94
364 Days	Kartik 13	156.00	0.00	14	26	7.42	156.00	2.97	2.98	2.98

*Figures are in Millions NPR

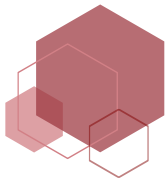


Sectoral Movement

Index	Mangsir 13	Poush 11	Change
NEPSE	2,748.05	2,630.71	-4.27%
Trading	4,229.19	4,718.85	11.58%
Manufacturing & Processing	6,828.56	6,817.81	-0.16%
Hydropower	3,579.03	3,494.98	-2.35%
Commercial Bank	1,492.68	1,427.91	-4.34%
Microfinance	5,161.85	4,922.47	-4.64%
Non Life Insurance	13,191.17	12,460.42	-5.54%
Others	2,058.43	1,940.61	-5.72%
Hotels & Tourism	6,896.54	6,427.14	-6.81%
Investment	106.85	99.42	-6.95%
Mutual Fund	21.86	20.30	-7.14%
Life Insurance	13,567.88	12,493.73	-7.92%
Development Bank	5,861.12	5,366.11	-8.45%
Finance Company	3,638.25	3,073.25	-15.53%

Major Movers

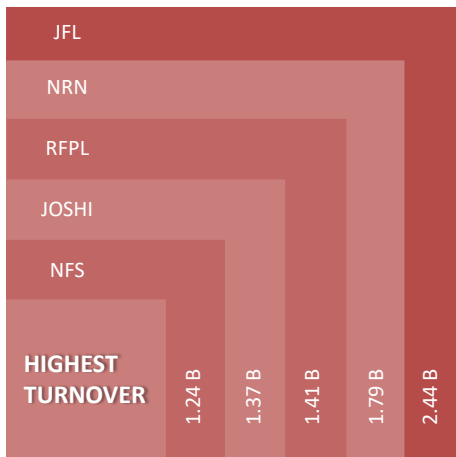
SMB	36.34%	NFS	-30.34%
JOSHI	33.61%	BFC	-19.03%
KKHC	31.53%	LICN	-18.07%
NYADI	23.63%	SFCL	-16.50%
ULBSL	23.09%	RLFL	-16.04%



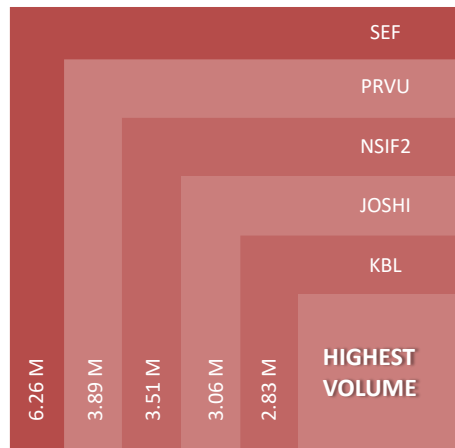
Sectoral Divergence-Turnover

Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	9.95 B	6.27 B	-36.98%
Tradings	0.04 B	0.05 B	36.69%
Development Banks	0.77 B	0.92 B	19.25%
Hydro Power	3.16 B	2.94 B	-7.18%
Microfinance	0.61 B	0.53 B	-13.33%
Finance	1.25 B	1.00 B	-20.22%
Mutual Fund	0.01 B	0.01 B	-26.50%
Investment	0.68 B	0.43 B	-36.34%
Hotels And Tourism	0.21 B	0.13 B	-38.34%
Life Insurance	0.53 B	0.32 B	-40.96%
Manufacturing And Processing	0.42 B	0.23 B	-45.39%
Commercial Banks	1.09 B	0.59 B	-45.68%
Non Life Insurance	0.44 B	0.19 B	-57.34%
Others	0.47 B	0.17 B	-64.56%

Highest Turnover



Highest Volume





NEPSE Outlook

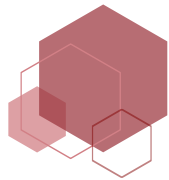
A. Current Overview



As of 26 December 2024, the NEPSE index closed at 2,630.71 points, marking a loss of 117.34 points (4.27%) across 18 trading days. The average turnover in these 18 trading days saw a notable decrease to NPR 6.18 billion, down from NPR 8.18 billion in the previous month.

The Relative Strength Index (RSI) stands at 43.64 points, indicating the market is near the oversold zone while the Moving Average Convergence Divergence (MACD) indicator suggests a bearish trend.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,540, (S2) 2,495 and (S3) 2,430 while immediate resistance levels are recognized at (R1) 2,660, (R2) 2,770 and (R3) 2,860. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

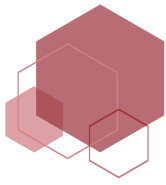


B. Long Term Overview



The NEPSE index has recently broken through the psychological barrier of 2,200, a level not reached in over two years. This surge is driven by several key factors: a reduction in interest rates, and the Nepal Rastra Bank's (NRB) rate cuts aimed at stimulating economic activity. The NRB's policy rate reductions have notably benefited the banking, financial institutions (BFI), and construction sectors. Furthermore, the NRB's decision to remove the NPR 20 crore cap on institutional investors is expected to further boost capital inflows into the market.

Given these factors, the market is likely to continue its upward momentum. If the NEPSE index surpasses its previous high of 3,200, Trend Based Fibonacci extension levels suggest it could target 3,400 and 3,690. On the downside, if the market experiences a pullback, long-term support is expected around 2,390, followed by 2,200, the previous resistance level. These levels will depend on broader economic conditions and market sentiment.



SCRIP ANALYSIS

NMB Bank Limited (NMB)

A. About the Company

NMB Bank Ltd. started operating on 26 December 1996 as a Class C Finance Company. Following its upgradation from Class C to Class A in May 2008, the bank has been operating as a commercial bank. As one of the leading commercial banks in the industry, the Bank has consistently demonstrated its commitment to growth, innovation, and sustainable banking practices.

In September 2016, NMB Bank entered into a strategic Joint Venture Agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), the Dutch development bank, which holds a 13.69% stake as the largest shareholder. This partnership has strengthened the Bank's position as a leader in managing environmental and social risks while establishing itself as a key player in the renewable energy and agribusiness sectors. The alliance with FMO underscores NMB Bank's vision of sustainable banking and its active contribution to Nepal's economic development.

NMB Bank currently operates a robust network of 201 branches, 11 extension counters, and 187 ATMs across Nepal. According to the NRB report for Kartik 2081, the Bank holds a market share of 4.09% in deposits and 4.68% in loans among commercial banks, highlighting its significant presence in the industry. As of the fiscal year 2080/81, CASA deposits represent 46.59% of the Bank's total deposits, demonstrating a strong and stable low-cost funding base. With a strategic focus on term loans, these account for 42.27% of the total loan portfolio, reflecting its commitment to long-term lending opportunities. Additionally, NMB Bank maintains a well-balanced promoter-to-public shareholding ratio of 51:49, ensuring a sound ownership structure that supports its sustainable growth and strategic vision.

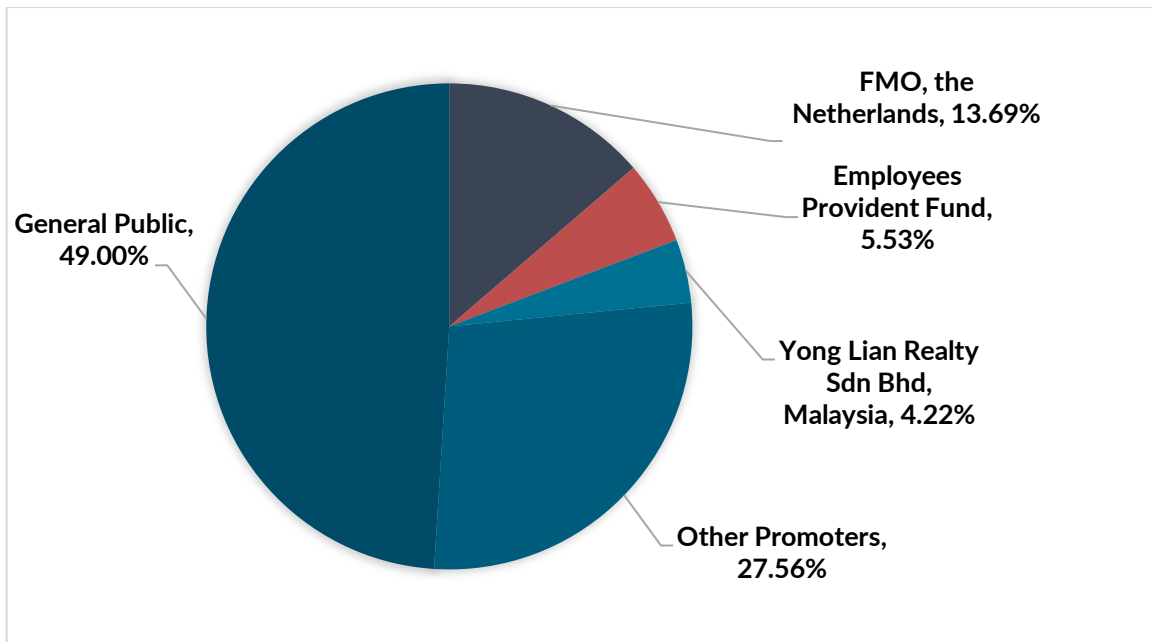
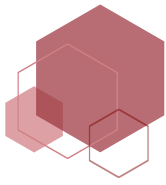


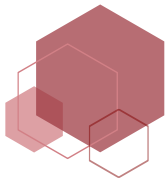
Figure: Shareholding Pattern of NMB

B. SWOT Analysis

A SWOT analysis provides a comprehensive view of NMB Bank Limited's current position by evaluating its internal strengths and weaknesses alongside external opportunities and threats. This tool highlights the bank's key areas of resilience, such as its strong ownership structure and liquidity, while identifying challenges like asset quality pressure and regulatory constraints. Through this analysis, we can better understand the bank's ability to navigate a dynamic operating environment and capitalize on growth prospects.

Strengths

- NMB benefits from a robust ownership structure, with 14% held by FMO (Netherlands) and 6% by the Employees' Provident Fund (Nepal), both of which contribute to strong governance.
- A seasoned leadership team ensures sound risk management and operational practices.
- NMB has been operational since 1996 and has achieved significant geographical and portfolio diversification through strategic mergers and acquisitions.
- The bank has maintained a healthy credit-to-deposit ratio (~81.79%) and net liquid assets (~29.47%), ensuring operational stability as of FY 2081/82 Q1.



Weaknesses

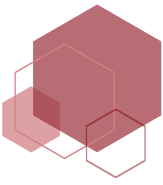
- Rising gross non-performing loans (NPLs) to 3.63% as of FY 2081/82 Q1 and high stressed accounts indicate sustained asset quality pressure.
- The tier-I capital ratio declined to 9.58% in FY 2081/81 Q1, providing limited cushion to absorb future credit shocks. In the past 5 years, it has been in a decreasing trend.
- Declining net interest margins (NIMs) and rising provisioning expenses have diluted profitability indicators.

Opportunities

- Implementing effective measures to manage incremental slippages and restructure stressed assets could improve financial health.
- Targeting new segments or regions for credit growth can help diversify risks and enhance profitability.
- Continued backing from institutional investors like FMO and the Employees Provident Fund (EPF) can aid in accessing resources and improving capital buffers.
- A potential rebound in Nepal's economy could boost credit demand and improve the creditworthiness of borrowers.

Threats

- Stringent norms, such as working capital guidelines and tighter loan classification, increase compliance burdens and restrict credit growth.
- Broader economic slowdown, liquidity issues among borrowers, and reduced demand could further strain asset quality.
- Increasing competition from other commercial banks with stronger CASA and profitability profiles may impact market share.
- Macroeconomic vulnerabilities, such as foreign reserve challenges and inflation, pose long-term threats to the banking sector.



Comparative Annual Performance Visualizations

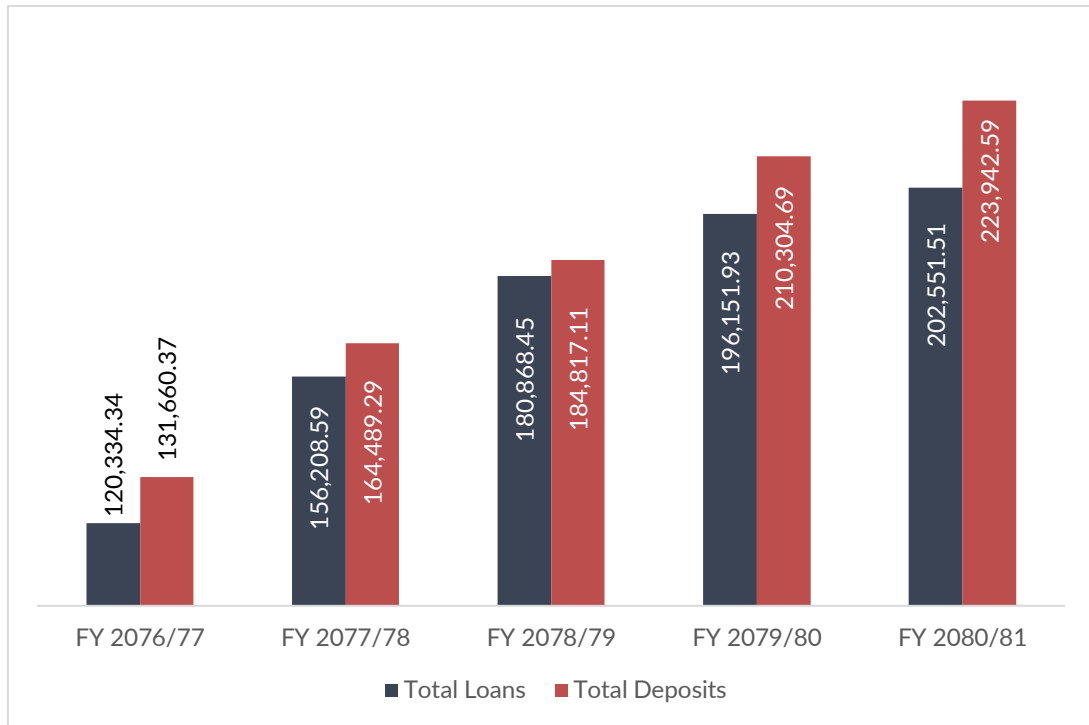


Figure: Total Deposit and Loans in millions (NPR)

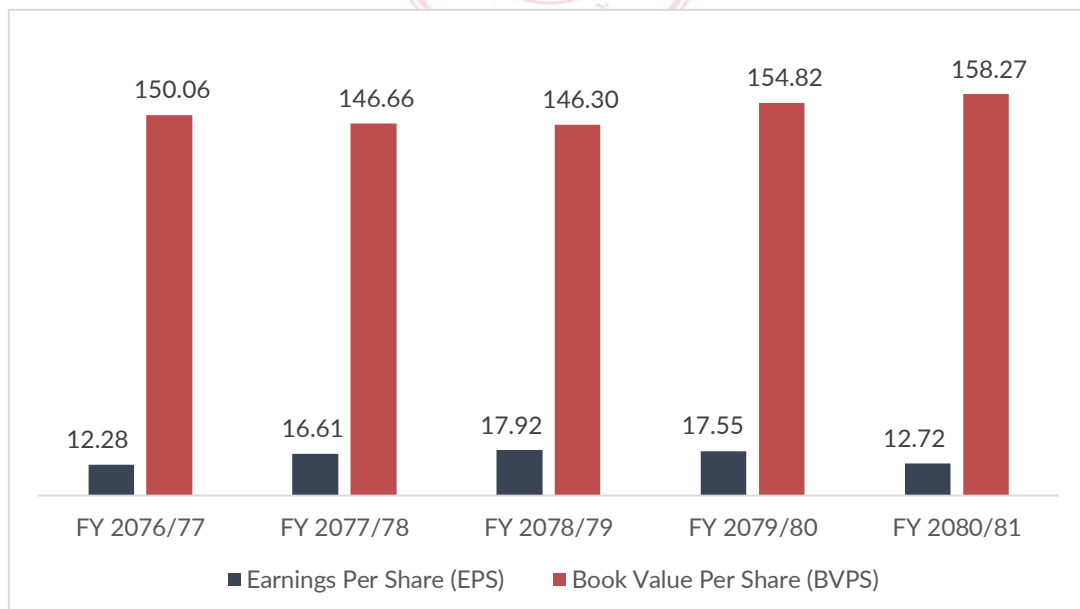


Figure: EPS and BVPS in NPR

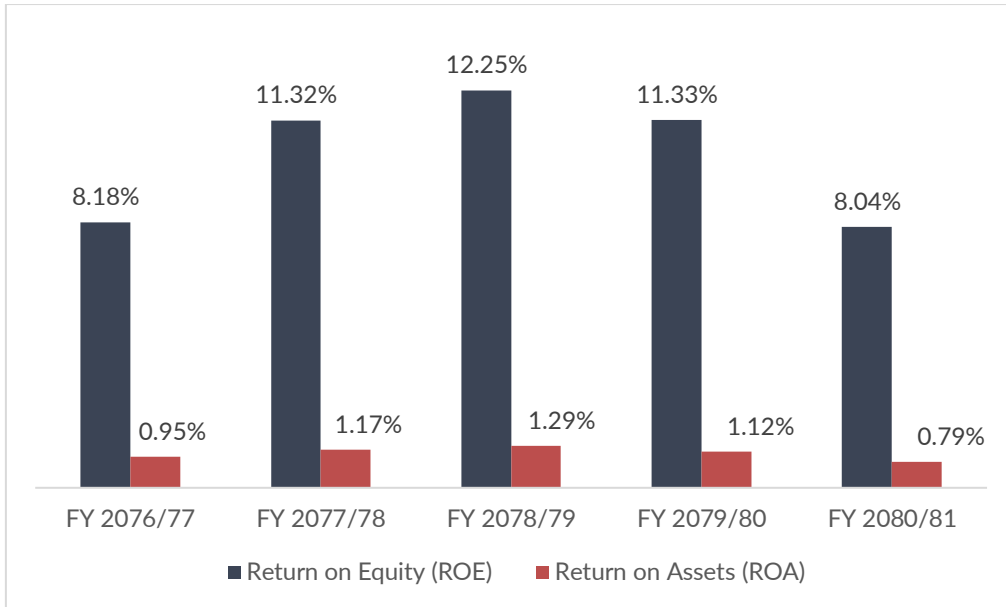
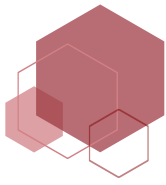


Figure: Comparison of Return on Asset (ROA) and Return on Equity (ROE)

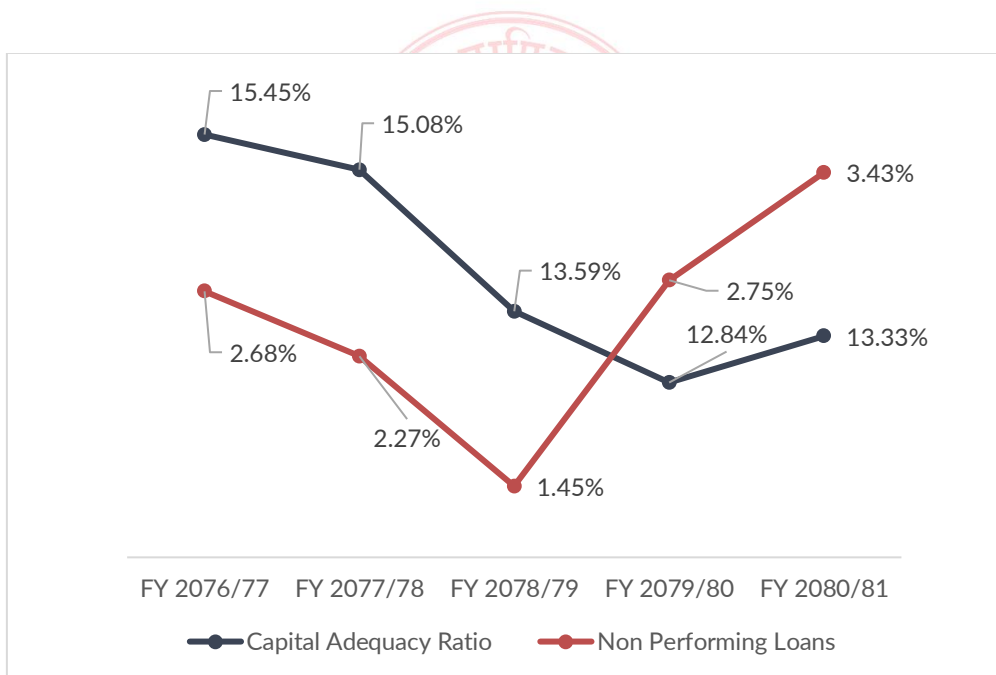


Figure: Capital Adequacy Ratio and Non-Performing Loans

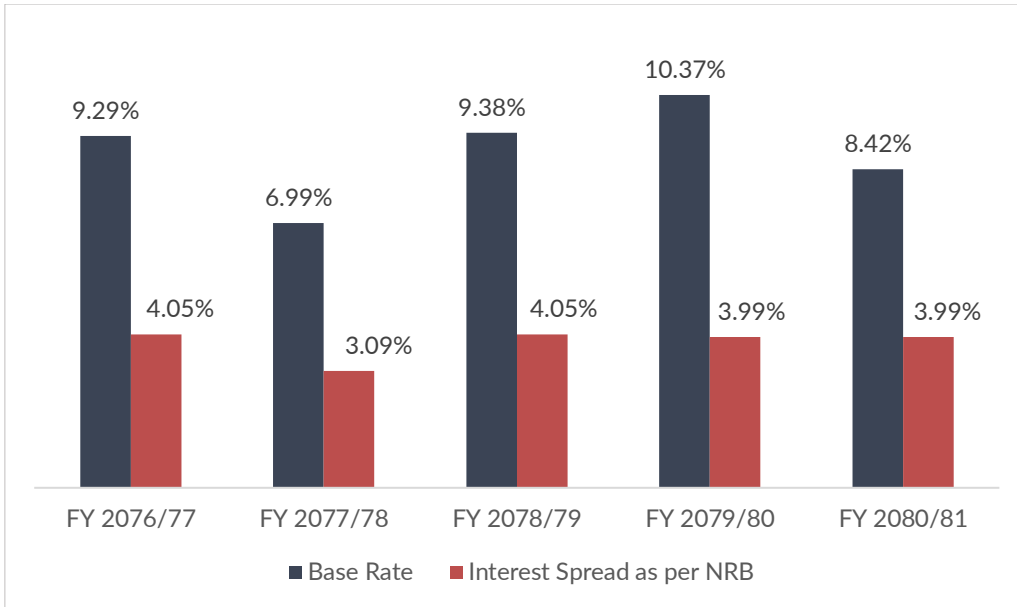
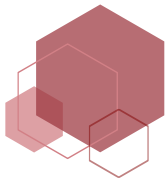


Figure: Base Rate and Interest Spread Rate

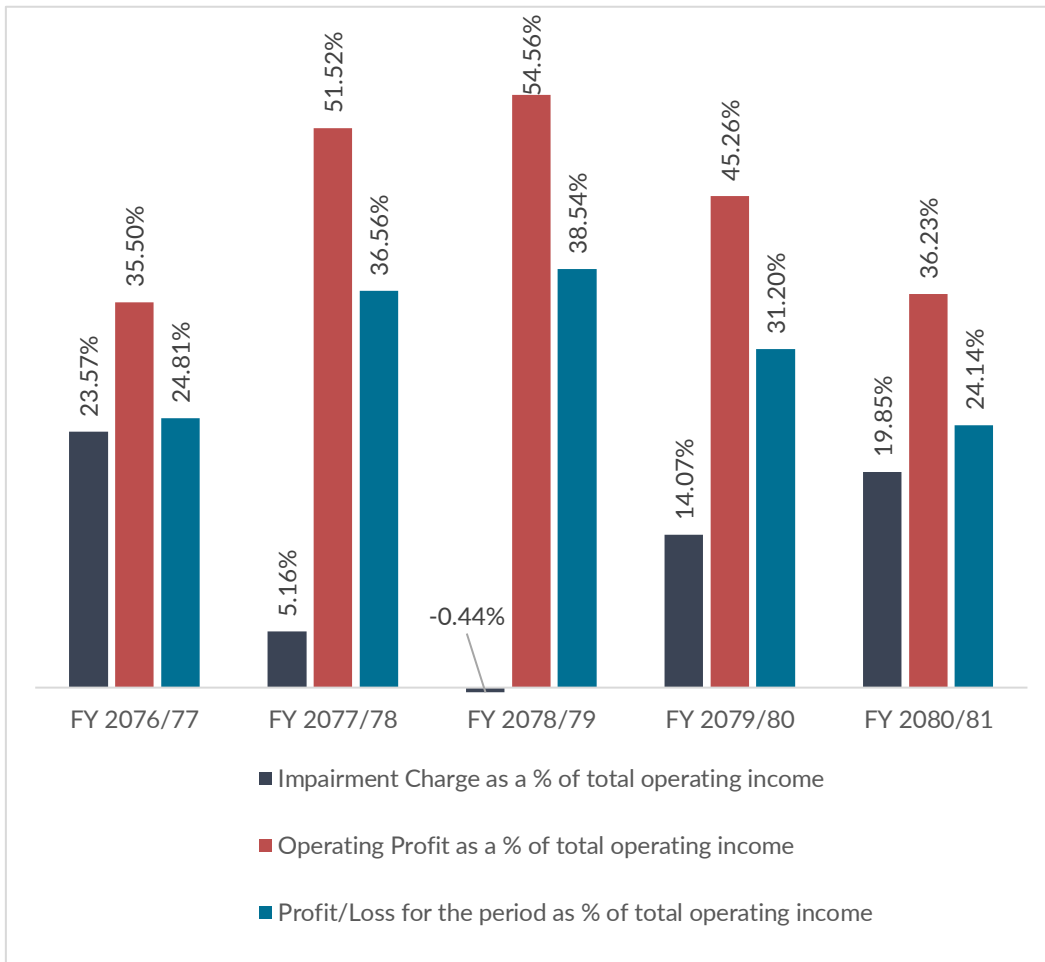
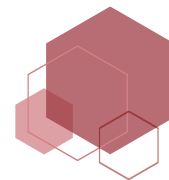


Figure: Annual Comparison of Net profit, Operating Income and Impairment charge (reversal) as a %total operating income

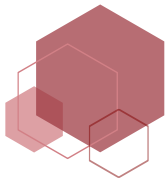


Analysis of the Loan Portfolio of NMB Bank

Total Outstanding Loans by Product Type	2076/77	2077/78	2078/79	2079/80	2080/81
Term Loans	27.10%	26.72%	26.93%	37.14%	42.27%
Overdraft	7.17%	10.15%	32.60%	26.78%	23.72%
Trust Receipt and Import Loans	4.15%	4.68%	1.36%	1.27%	1.26%
Demand and Other Working Capital Loans	17.90%	16.65%	18.45%	13.47%	12.22%
Residential Loans up to NPR 10 million	10.89%	8.21%	8.51%	7.20%	7.55%
Real Estate Loans	3.64%	2.91%	1.87%	2.67%	2.37%
Margin type Loans	0.45%	2.51%	0.81%	0.73%	0.48%
Hire Purchase Loans	4.43%	3.30%	3.51%	2.91%	2.89%
Deprived Sector Loans	1.28%	2.66%	1.80%	1.67%	1.17%
Bills Purchased	0.00%	0.00%	0.00%	0.00%	0.05%
Staff Loan	0.68%	0.98%	1.12%	1.17%	1.16%
Others	20.78%	20.36%	2.24%	3.69%	0.00%
Interest Receivable	1.53%	0.87%	0.80%	1.28%	1.79%
Total Outstanding Loans by Product Type	100.00%	100.00%	100.00%	100.00%	100.00%

The table shows NMB Bank's loan portfolio by product type across fiscal years from FY 2076/77 to FY 2080/81. Below is an analytical view:

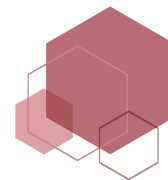
- **Term Loans:** Term loans have grown significantly, from 27.10% in FY 2076/77 to 42.27% in FY 2080/81. This indicates a strategic focus on long-term financing, potentially targeting stable income-generating projects and investments.
- **Overdraft:** Overdraft loans consistently account for a substantial portion of the portfolio, peaking at 32.60% in FY 2078/79 before declining slightly to 23.72% in FY 2080/81. The fluctuations suggest adjustments in customer credit requirements or risk management policies.
- **Trust Receipt and Import Loans:** The share of trust receipt and import loans has decreased from 4.15% in FY 2076/77 to 1.26% in FY 2080/81. This decline could be due to reduced trade financing or a shift in focus to other loan products.
- **Demand and Other Working Capital Loans:** These loans have decreased consistently, from 17.90% in FY 2076/77 to 12.22% in FY 2080/81. This reduction indicates a potential shift away from short-term financing toward long-term stability.



- **Residential Loans up to NPR 10 million:** Residential loans have decreased from 10.89% in FY 2076/77 to 7.55% in FY 2080/81. This reflects stricter lending regulations and reduced demand for housing loans in this segment.
- **Real Estate Loans:** Real estate loans have gradually declined over the years, from 3.64% in FY 2076/77 to 2.37% in FY 2080/81. This trend highlights the bank's cautious approach to lending in the real estate sector, likely influenced by stricter regulatory requirements and the inherently high-risk nature of this segment.
- **Margin Type Loans:** The share of margin loans has consistently been low, with a minimal increase from 0.45% in FY 2076/77 to 0.48% in FY 2080/81, indicating limited exposure to stock market-related loans.
- **Hire Purchase Loans:** Hire-purchase loans have remained relatively stable, ranging from 4.43% to 2.89% over the period. This suggests moderate engagement in vehicle or equipment financing.
- **Deprived Sector Loans:** These loans saw a rise from 1.28% in FY 2076/77 to 3.00% in FY 2080/81, reflecting compliance with regulatory requirements to support priority sectors.
- **Staff Loans:** The share of staff loans has increased slightly from 0.68% to 1.16%, showing consistent internal support for employees.
- **Others:** The "Others" category shows a significant rise, particularly from FY 2077/78 onward, peaking at 30.60% in FY 2078/79 before decreasing to 9.50% in FY 2080/81. This volatility suggests changing classifications or shifts in loan strategies.
- **Interest Receivable:** Interest receivable remains low, with minor fluctuations, indicating effective collection and accrual policies.

Conclusion:

NMB Bank's loan portfolio demonstrates a clear focus on term loans, reflecting a strategic shift toward long-term investments. The reduction in working capital, trade, and real estate loans indicates a cautious approach to high-risk areas, while compliance with deprived sector loans suggests adherence to regulatory requirements. The bank's evolving portfolio structure reflects strategic adjustments to market demand and risk management policies.



Non-Performing Loans (NPLs) Dynamics: FY 2079/80 vs. FY 2080/81 in Lakhs (NPR):

Particulars	Gross (79/80)	Gross (80/81)	Change in Gross	Provisions (79/80)	Provisions (80/81)	Change in Provisions	Net (79/80)	Net (80/81)	Change in Net
Restructuring / Rescheduling	4,558.97	3,983.97	-12.62%	847.54	498.00	-41.26%	3,711.43	3,485.97	-6.07%
Substandard	15,103.16	23,435.90	55.17%	3,656.86	6,716.20	83.74%	11,446.30	16,719.70	46.01%
Doubtful	16,115.92	13,327.56	-17.32%	7,903.04	6,421.20	-18.75%	8,212.88	6,906.36	-15.91%
Bad	18,557.55	28,861.16	55.48%	18,252.90	28,332.16	55.21%	304.65	529.00	73.59%
Total	54,335.60	69,608.59	28.08%	30,660.34	41,967.56	36.86%	23,675.26	27,641.03	16.74%

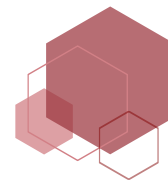
The table highlights the year-on-year changes in NPLs for FY 2079/80 and FY 2080/81, showing a 28.08% rise in gross NPLs and a 16.74% increase in net NPLs, signaling a deterioration in loan portfolio quality. Provisions increased by 36.86%, reflecting a cautious approach to managing rising credit risks.

Substandard and bad loans showed significant increases in gross NPLs by 55.17% and 55.48%, respectively, with net NPLs for bad loans surging by 73.59%. These categories pose the greatest challenge for the bank. In contrast, doubtful loans improved, with gross and net NPLs declining by 17.32% and 15.91%, while restructuring/rescheduling loans also saw a 12.62% drop in gross NPLs.

NMB Bank's Provision Coverage Ratio (PCR) rose to 60.29% in FY 2080/81 from 56.43% in FY 2079/80, reflecting improved risk management. However, it remains below the 70% international benchmark, indicating scope for further strengthening provisions to enhance asset quality, align with global standards, and ensure greater resilience against potential defaults.

$$\text{PCR} = (\text{Provisions on Gross NPA} / \text{Gross NPA}) * 100\%$$

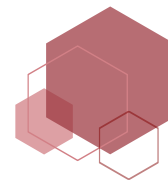
The overall rise in NPLs highlights the need for stricter credit policies, improved recovery mechanisms, and a targeted focus on high-risk segments, particularly substandard and bad loans, to strengthen the bank's asset quality. The monetary policy for FY 2081/82 allows non-performing loans (NPLs) to be reclassified as performing after six months of close monitoring. This change is expected to reduce loan loss provisions, improve asset quality, lower NPL ratios, and enhance profitability in this fiscal year, thereby strengthening banks' financial positions and supporting credit expansion.



Interest Income Analysis of NMB

Particulars	2076/77	2077/78	2078/79	2079/80	2080/81
Cash and Cash Equivalents	0.00%	0.00%	0.00%	0.00%	0.00%
Balance in NRB	1.35%	0.64%	1.07%	0.73%	1.49%
Balance in other BFIs	3.17%	2.18%	2.39%	2.88%	2.98%
Loans and Advances to BFIs	3.17%	2.18%	2.39%	2.88%	2.98%
Loans and Advances to Customers	90.17%	90.31%	88.72%	87.07%	85.53%
Investment Securities	3.90%	5.24%	6.40%	8.05%	8.30%
Loans and Advances to Employees	0.98%	1.43%	1.36%	1.09%	1.08%
Others	0.19%	0.11%	0.04%	0.01%	0.00%

- NMB Bank's interest income is predominantly derived from loans and customer advances, which have consistently contributed over 85% of total interest income. Although this figure has declined slightly from 90.17% in FY 2076/77 to 85.53% in FY 2080/81, it remains the primary revenue driver, reflecting the bank's strong focus on retail and corporate lending.
- Loans and advances to BFIs also form a stable secondary source of income, rising to 2.98% in FY 2080/81, indicating the bank's efforts to optimize short-term liquidity and interbank lending opportunities.
- Additionally, investment securities have gained importance, growing from 3.90% in FY 2076/77 to 8.30% in FY 2080/81, showcasing NMB Bank's strategy to diversify income streams and leverage excess liquidity for better returns.
- Smaller contributions come from cash and cash equivalents, which increased to 0.62% in FY 2080/81, likely due to improved liquidity management, and loans and advances to employees, which have remained steady at around 1%.
- Minimal or zero contributions from balances in NRB and other sources further highlight the bank's preference for deploying funds in profitable lending and investment avenues.
- Overall, NMB Bank's income structure reflects a healthy mix of traditional lending activities supported by diversified investment strategies, ensuring both stability and growth potential.



Analysis of Operating Income:

Particulars	2076/77	2077/78	2078/79	2079/80	2080/81
Net Interest Income	79.63%	72.11%	74.16%	80.76%	77.47%
Net Fee and Commission Income	11.68%	18.77%	17.96%	14.97%	17.30%
Net trading Income	5.57%	4.64%	3.16%	2.29%	2.84%
Other Operating Income	3.12%	4.48%	4.72%	1.98%	2.39%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

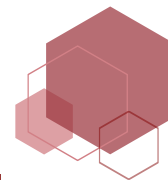
NMB Bank's operating income is primarily driven by Net Interest Income (NII), which consistently accounted for the largest share over the past five years, peaking at 80.76% in FY 2079/80, and settling at 77.47% in FY 2080/81. Despite this slight decline, NII remains a stable and dominant revenue source. The bank has also shown a positive trend in Net Fee and Commission Income, increasing from 11.68% in FY 2076/77 to 17.30% in FY 2080/81, reflecting successful diversification.

On the other hand, Net Trading Income has steadily decreased from 5.57% in FY 2076/77 to 2.84% in FY 2080/81, indicating a reduced focus on trading activities. Similarly, Other Operating Income fluctuated, rising from 3.12% in FY 2076/77 to 4.72% in FY 2078/79, but declining to 2.39% in FY 2080/81.

Overall, NMB Bank has maintained a strong focus on its core business, with NII remaining dominant and fee-based income growing, while trading and other income sources have seen reductions. This balanced approach supports the bank's stability and sustainable growth.

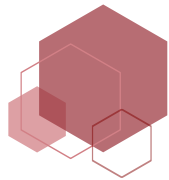
Comparable Company Analysis as of FY 2081/82 Q1

Metrics	NMB Bank	Industry Average
Deposit Growth (YoY)	22.42%	12.10%
Loan Growth (YoY)	7.72%	5.45%
Total Operating Income (YoY)	-2.81%	0.14%
Net Operating Income (YoY)	18.29%	35.87%
Impairment Charges (YoY)	-107.71%	-51.77%
EPS	24.95	18.19
Capital Fund to RWA	12.90%	13.03%
Non-Performing Loans (NPL)	3.63%	4.03%



Metrics	NMB Bank	Industry Average
Loan Loss Provision to NPL	102.23%	115.76%
Cost of Funds	5.78%	5.48%
Credit-to-Deposit Ratio	81.79%	78.82%
Base Rate	7.94%	7.42%
Interest Spread Rate	3.99%	3.96%
Net Worth per Share (NPR)	164.95	189.36
Return on Equity (ROE)	15.13%	9.69%
Return on Assets (ROA)	1.59%	1.02%
Distributable Profit per Share	5.81	6.29
Price Earnings Ratio (PE) as of 29 December, 2024	11.73	37.79
Price to Book Ratio (PB) as of 29 December, 2024	1.54	1.76

- **Deposit Growth (YoY):** Higher-than-average growth signals strong deposit mobilization but could lead to higher interest costs.
- **Loan Growth (YoY):** Above-average loan growth indicates aggressive lending strategy but raises potential credit risk.
- **Total Operating Income (YoY):** Decline in income growth signals pressure on profitability and revenue generation.
- **Impairment Charges (YoY):** A notable easing of NRB's monetary policy for FY 2081/82 provided substantial benefits to the BFI sector.
- **Net Operating Income (YoY):** The company has shown positive growth, though it trails behind industry benchmarks, reflecting moderate operational performance. While the reduction and reversal of impairment charges have boosted net operating income, this improvement is not a sustainable driver of growth.
- **EPS:** Higher EPS highlights profitability despite revenue challenges.
- **Capital Fund to RWA:** Slightly below average, indicating sufficient capitalization but less buffer for unexpected losses. However, it's above the minimum requirement of 11%.
- **Non-Performing Loans (NPL):** Lower-than-average NPLs, but still elevated, signaling ongoing asset quality challenges.
- **Loan Loss Provision to NPL:** Adequate provisioning, but lower coverage compared to the industry requires monitoring.
- **Cost of Funds:** Above-average costs suggest relatively expensive liabilities, which may impact margins.



- **Credit-to-Deposit Ratio:** A higher ratio shows focus on lending but may create liquidity constraints if deposits slow down.
- **Base Rate:** A higher base rate might reduce competitiveness in attracting borrowers.
- **Interest Spread Rate:** In line with the industry average, indicating pricing efficiency.
- **ROE:** Strong returns indicate effective capital utilization and profitability.
- **ROA:** Higher asset returns reflect efficient use of resources.
- **Distributable Profit per Share:** Slightly below average, reflecting profit retention challenges or pressure from higher provisions.
- **PE Ratio (11.73):** Significantly lower than the industry average (37.79), suggesting that the stock may be undervalued.
- **PB Ratio (1.54):** Slightly below the industry (1.76), supporting a relatively attractive valuation.

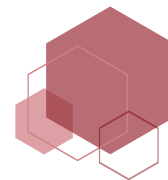
C. 5 Year Stock Performance Adjusted for Dividends and Financial Performance



Note – BANKING is represented in red, while NMB is highlighted in blue.

The chart illustrates the performance of NMB Bank's stock (blue line) relative to the broader Banking Index (red line) over a 5-year period, highlighting NMB Bank's modest growth of +1.88%, significantly trailing the +36.62% rise in the index. While both exhibit periods of volatility, the Banking Index demonstrates a stronger and more consistent upward trajectory, particularly from mid-2024, whereas NMB Bank's stock shows signs of plateauing and subsequent decline.

A notable spike in trading volume during mid-2024 suggests heightened market activity, likely driven by specific events or shifts in investor sentiment. This divergence



indicates greater confidence in the broader banking sector compared to NMB Bank, potentially reflecting company-specific challenges.

Additionally, NMB Bank's earnings per share (EPS) grew at a compounded annual growth rate (CAGR) of just 0.89% from FY 2076/77 to FY 2080/81, underscoring slower earnings growth. However, recent improvements in financial performance signal a positive shift, which could support better stock performance moving forward.

Key Variables used for Valuation:

1. Sustainable Growth Rate for longer period projection to calculate terminal value= 4%
2. Other specifics are as follows:

Specifics	Value	Remarks
Adjusted Beta (β)	0.92	Assumption - The raw daily beta of 0.88 since its listing date will move towards the market beta of 1 over time.
Market Return (R_m)	11.04%	CAGR of closing prices of NEPSE from FY 2001/02 to FY 2023/24
Risk-Free Rate (R_f)	5.48%	The latest Development Bond Rate adjusted for a tax rate of 6.00%
Cost of Equity (K_e)	10.57%	As per the CAPM Model

Other assumptions:

- ✓ **Loan Growth Projections:** The base case assumes loan growth rates of 12.5%, 13%, 13.5%, 13.5%, and 15% for the respective years. In the worst-case scenario, loan growth is projected at 7.5%, 8.5%, 10%, 12%, and 12%. Meanwhile, the best-case scenario anticipates higher growth rates of 12.5%, 13%, 14%, 15%, and 16%.
- ✓ **Expenses:** Expense projections are based on historical averages, reflecting the company's ongoing operational efficiency.
- ✓ **Impairment Charges:** Impairment charges have been estimated for each case scenario, with the worst-case projecting a higher percentage of operating income allocated to impairment, while the best-case assumes a lower percentage.
- ✓ **Dividends:** Dividend projections follow historical trends, with future payouts expected to align with the company's past dividend practices.



D. Stock Valuation

We have valued NMB using the Residual Income Model method. The Residual Income Model (RIM) is a valuation method that calculates the intrinsic value of a company by adding the company's current book value to the present value of expected future residual income. Residual income is the net income after subtracting the cost of equity capital. It reflects the value a company generates over and above the required return on its equity.

The Residual Income Model is preferred for banks as it focuses on profitability above the cost of equity and uses book value, which is more relevant for capital-intensive firms. Unlike DCF, RIM avoids complexities related to cash flow estimation for banks.

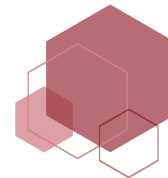
The final average valuation of NMB based on this approach has been computed below.

RIM Valuation	Valuation Price (NPR)
Worst Case	143.90
Base Case	201.86
Best Case	284.03
Average Valuation	209.93

E. Technical Analysis



This chart provides a technical overview of NMB Bank's stock, highlighting key price levels, momentum indicators, and trends. The stock shows strong support at 225.55 and 236.02, as indicated by the green zones, which have historically acted as price floors. The downward-sloping trendline currently serves as a resistance near 246.00–250.00, and the stock is trading around 246.00, suggesting a potential retest



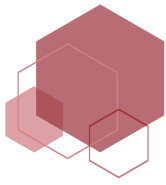
of this resistance. The Relative Strength Index (RSI) is at 46.69, reflecting neutral momentum with bearish pressure but not oversold conditions (<30), leaving room for further downward or sideways movement before a reversal. The Moving Average Convergence Divergence (MACD) line is below the signal line, with values of -3.48 (signal) and 0.82 (MACD), indicating a bearish trend, though a crossover or histogram reversal could signal bullish momentum soon. Volume analysis shows moderate trading activity with no significant spikes, suggesting the absence of strong bullish or bearish conviction, while lower volume near support may indicate weakening selling pressure. The overall trend remains bearish, as indicated by the downward-sloping trendline, and breaking this with strong volume could signal a reversal. If the stock fails to sustain above 246 and breaks below 236, it may test the next support at 225. Alternatively, a breakout above 250 with strong volume could indicate a bullish reversal and upward momentum.

F. Conclusion

The bank demonstrated strong financial performance in the first quarter of FY 2081/82, showing significant improvements in key financial indicators. The bank's solid growth in deposits and loans highlights its strong market position and ability to attract new business. Additionally, a notable decrease in impairment charges has contributed to a substantial increase in net profit, showcasing improved risk management and operational efficiency.

The improvement in key financial ratios, such as capital adequacy and return on assets, further reflects the bank's financial strength and stable performance. With these positive trends in profitability, asset growth, and efficient risk management, we believe NMB Bank is well-positioned for continued success.

In conclusion, NMB Bank Ltd. has shown solid growth and a strong market position, with a significant increase in deposits and loans. However, challenges such as rising NPLs, declining capital ratios, and profitability pressures need to be addressed for sustained success. The bank's focus on sustainability, particularly through its partnership with FMO, provides long-term growth potential, especially in renewable energy and agribusiness sectors. While NMB's stock has underperformed relative to the NEPSE Index, addressing asset quality and improving cost management could enhance its future performance and investor confidence.



ISSUE OF THE MONTH

Understanding Stock Splits

In a modern economy, the evaluation of the performance of a company is closely tied to its stock price. Hence, there is a lot of pressure on management to maintain a good stock price for their common stock. The management of a company thus has various tools to increase the per unit value of its common stock. A stock-split is one of the tools/methods through which a company can improve the per unit value of its share.

A. What is a Stock Split?

A stock split occurs when the management (Board of Directors) of a company decides to increase the number of its outstanding shares by issuing more shares to its current shareholders. This will be done by reducing the par value per share and increasing the number of outstanding shares in a proportionate manner.

For example: In the case of a 2-for-1 stock split, the company basically increases the number of shares held by a shareholder by a factor of 2 while the par value of the share is also reduced by a factor of two. Hence, if a stockholder were holding 50 units of a company's common stock with a par value of 100 per unit of stock, a 2-for-1 stock split would increase their holdings to 100 units of stock at a par value of 50 per unit of stock.

Similarly, if the company performing the split had 100 million shares outstanding before the split, it would have 200 million shares outstanding after a 2-for-1 split.

B. Does a Stock Split directly affect Market Capitalization?

A stock split will not affect the Market Capitalization of company as a direct consequence of a split i.e., a 2-for-1 stock split will not double a company's capitalization overnight. This is because the split will also be reflected in the Traded Price of the Company which will also be reduced by a factor of 2 keeping the overall Market Capitalization same.

C. Why do companies perform Stock Split?

The price of any asset is determined by two factors, the supply available in the market and the demand for that asset. Given a stable supply and normal conditions, the demand becomes the driving factor in the price of an asset. Since the performance of



a company is directly correlated to the increase in stock price of a company by the stakeholders, management will always be looking for different tools to maintain/improve the stock price of the company's common stock.

However, the company can go about doing so in one of two ways, either by reducing the available supply at the given price or to increase aggregate demand. In order to increase demand a company may launch a buyback scheme for its common stock which will help reduce the number of publicly traded outstanding shares consequently driving the stock price higher.

Alternatively, a company may also perform a stock-split to increase demand for its common stock in the market. This is different from an approach of issuing bonus or right shares which increase a company's overall capital as the capitalization of the company remains the same with only the par value of existing stocks decreasing with a proportional increase in shares outstanding.

Although, it may seem counterintuitive to increase supply, as it would likely affect aggregate demand, it must be noted that the supply created will be at a much lower cost which can enable more individuals to buy the stock. This is especially true for companies which command hefty premiums in the stock exchange. In this case, even though an investor may be willing to buy the stock, the high cost associated with the purchase of a minimum number of units will deter them from investing. This will in turn limit the demand for the stock in the market, reducing its potential for growth as the demand for an asset is driven by both the willingness and the ability to pay for an asset by a consumer/client. In this regard, as a unit of the stock becomes cheaper, it becomes accessible to a larger pool of investors as the per unit cost decreases which in turn helps increase the willingness of investors to invest in the stock.

The split will also increase the liquidity of the stock and with more investors it will also increase the goodwill of the company. A stock split is a good buying indicator which signals that the prices of shares of a company are increasing. This is why a split occurs; to decrease the price of a unit making it more accessible to everyone.

**This article was previously published in the Magh, 2077 edition of The Pulse.*



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
BHL	RIGHT	18,279,700 (O)	2024/12/12 AD	2025/01/01 BS	NIMB Ace Capital
			2081/08/27 BS	2081/09/17 BS	
NLG	RIGHT	9,631,220 (O)	2024/11/26 AD	2024/12/31 AD	Laxmi Sunrise Capital
			2081/08/11 BS	2081/09/16 BS	
KBLPO	AUCTION	2,243,007 (P)	2024/12/19 AD	2025/01/02 AD	Muktinath Capital
			2081/09/04 BS	2081/09/18 BS	
UAILPO	AUCTION	92,320 (P)	2024/12/12 AD	2025/01/15 AD	NIMB Ace Capital
			2081/08/27 BS	2081/10/02 BS	

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