

The Pulse

Market Growth, Risks and Outlook

Shrawan 2082

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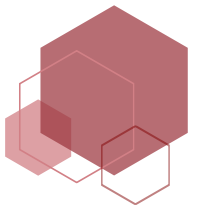
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हिमालयन क्यापिटल लि.



Himalayan Capital





A Subsidiary of Himalayan Bank Limited



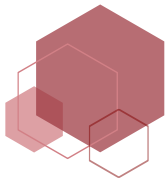
Global Markets Overview

| | | | |
|-----|------------------|---------------|--------------------|
| € | 1.16 \$ (-1.02%) | S&P 500 | 6,370.86 (3.74%) |
| £ | 1.34 \$ (-2.85%) | BSE SENSEX | 81,337.95 (-2.89%) |
| ₹ | 86.75* (1.23%) | NIKKEI 225 | 40,674.55 (2.75%) |
| ¥ | 148.48* (2.85%) | FTSE 100 | 9,140.00 (4.63%) |
| A\$ | 0.65 \$ (-0.47%) | DAX | 24,217.37 (2.40%) |
| C\$ | 0.73\$ (-0.76%) | CAC 40 | 7,587.36 (0.40%) |
| | | HANG SENG | 25,524.45 (4.93%) |
| | | SSE COMPOSITE | 3,612.43 (4.76%) |

*Values Per 1 \$

| | | | |
|-------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------|
|  | Gold(\$) Per Oz. 3,327.11 (-0.37%) |  | Bitcoin(\$) 117,938.70 (10.26%) |
|  | Brent Crude(\$) Per Barrell 69.61 (2.68%) |  | Ethereum(\$) 3,787.43 (56.75%) |

#All Changes are in MoM basis.



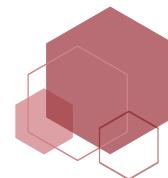
Currency Market Trends

In the currency market, notable depreciations were observed in major Western currencies against the base currency. The British Pound experienced the largest drop at -2.85%, followed by the Euro at -1.02%, and the Canadian Dollar at -0.76%. The Australian Dollar saw a modest decline of -0.47%. In contrast, Asian currencies displayed strength; the Indian Rupee appreciated by 1.23%, while the Japanese Yen showed the strongest gain at 2.85%. This divergence indicates potential capital inflows into Asian markets or a rebalancing of investor sentiment away from Western economies.

Equity markets exhibited mixed trends. U.S. (S&P 500), European (FTSE 100, DAX, CAC 40), and Asian indices (NIKKEI 225, HANG SENG, SSE COMPOSITE) posted gains, reflecting overall bullish sentiment in global markets. Particularly strong performances came from the HANG SENG (+4.93%) and SSE COMPOSITE (+4.76%). On the contrary, India's BSE SENSEX fell by 2.89%, possibly reflecting domestic concerns such as monetary tightening, political uncertainty, or profit booking after earlier gains. This contrast indicates that while global optimism remains, region-specific factors still drive certain markets.

The commodities market witnessed robust movements, especially in the cryptocurrency segment. Ethereum surged by an impressive 56.75%, and Bitcoin rose by 10.26%, pointing to renewed investor confidence or increased speculative interest in digital assets. Brent Crude also rose by 2.68%, hinting at rising global demand or supply constraints. In contrast, gold prices slightly dipped by -0.37%, indicating a shift away from traditional safe havens amid stronger equity performance and investor risk appetite.

Overall, global markets showed mixed trends. Asian currencies and equity indices strengthened, while Western currencies weakened. The equity market saw broad-based gains, with a few exceptions like India's Sensex. Commodities, especially cryptocurrencies, posted strong gains, signaling high investor risk tolerance. These trends reflect a pivot towards riskier assets and emerging markets, underscoring evolving global investment dynamics.



Macroeconomic Overview



Inflation

2.72% ▲



Deposit Growth

11.98% ▲



Credit Growth

8.19% ▲



Import Growth

13.14% ▲



Export Growth

77.77% ▲



Remittance Growth

15.47% ▲



FX Reserve Growth

30.61% ▲

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

* Credit refers to claim on private sector.

Monthly Trading Statistics



**Average
Turnover**

NPR 13.11 B
42.27% ▲



**Average
Shares Traded**

31.60 M
46.12% ▲



**Average
Transactions**

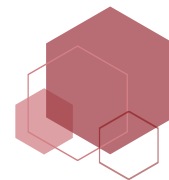
113.25 K
34.57% ▲



**Average
Scripts Traded**

317
0.15% ▲

* For the period (June 28, 2025) – (July 29, 2025)



Liquidity Overview

A. Major Rates

| Description | Value As On | | | | | Change | | |
|-----------------------------|-------------|------------|-----------|-----------|-----------|--------|-------|---------|
| | Jestha-81 | Baisakh-82 | Jestha-82 | Shrawan 1 | Shrawan 8 | YOY | MOM | WOW |
| Wt.Avg 28 Days TB rate (%) | 2.80 | 2.96 | 2.95 | 2.77 | 2.77 | 0.15 | -0.01 | 0.00 |
| Wt.Avg 91 Days TB rate (%) | 2.99 | 2.95 | 2.94 | 2.94 | 2.65 | -0.05 | -0.01 | -0.29 |
| Wt.Avg 364 Days TB rate (%) | 3.20 | 3.03 | 2.99 | 3.00 | 3.00 | -0.21 | -0.04 | 0.00 |
| Wt. Avg Interbank Rate (%) | 2.95 | 3.00 | 2.99 | 3.00 | 2.75 | 0.04 | -0.01 | -0.25 |
| CapEx (In Billion NPR) | 133.81 | 120.38 | 143.39 | 222.68 | 0.11 | 9.58 | 23.01 | -222.58 |

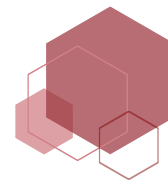
B. BFI Statistics

| Description | Value As On | | | | | Change | | |
|----------------------------------------|-------------|------------|-----------|-----------|-----------|--------|-------|-------|
| | Jestha-81 | Baisakh-82 | Jestha-82 | Shrawan 1 | Shrawan 8 | YOY | MOM | WOW |
| Wt. Avg Deposit Rate (%) | 6.17 | 4.37 | 4.29 | 4.29 | 4.29 | -1.88 | -0.08 | 0.00 |
| Wt. Avg Lending Rate (%) | 10.15 | 8.11 | 7.99 | 7.99 | 7.99 | -2.16 | -0.12 | 0.00 |
| Base Rate (%) | 8.17 | 6.17 | 6.09 | 6.09 | 6.09 | -2.08 | -0.08 | 0.00 |
| CD Ratio (%) | 79.90 | 79.13 | 78.39 | 75.91 | 75.76 | -1.51 | -0.74 | -0.15 |
| Fixed Deposits/Total Deposits (%) | 58.23 | 50.59 | 49.98 | 49.98 | 49.98 | -8.25 | -0.61 | 0.00 |
| Total Liquid Assets/Total Deposits (%) | 26.58 | 24.85 | 24.74 | 24.74 | 24.74 | -1.84 | -0.11 | 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 | Shrawan 13 | 500.00 | 0.00 | 27 | 54 | 7.47 | 500.00 | 2.45 | 2.48 | 2.59 |
| 91 Days | Shrawan 6 | 525.00 | - | 24 | 66 | 7.91 | 525.00 | 2.61 | 2.65 | 2.70 |
| 182 Days | Shrawan 13 | 500.00 | 0.00 | 22 | 44 | 6.74 | 500.00 | 2.55 | 2.58 | 2.65 |
| 364 Days | Ashad 17 | 500.00 | 0.00 | 17 | 34 | 5.04 | 500.00 | 2.98 | 3.00 | 2.99 |

*Figures are in Millions NPR

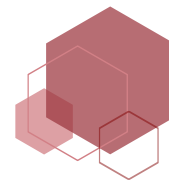


Sectoral Movement

| Index | Ashad 12 | Shrawan 13 | Change |
|----------------------------|-----------|------------|--------|
| NEPSE | 2,595.74 | 3,002.07 | 15.65% |
| Development Bank | 5,296.82 | 6,533.55 | 23.35% |
| Microfinance | 4,623.90 | 5,688.96 | 23.03% |
| Others | 2,253.37 | 2,751.57 | 22.11% |
| Finance Company | 2,317.64 | 2,714.27 | 17.11% |
| Manufacturing & Processing | 6,996.35 | 8,190.94 | 17.07% |
| Commercial Bank | 1,332.69 | 1,557.47 | 16.87% |
| Life Insurance | 12,461.55 | 14,223.74 | 14.14% |
| Non Life Insurance | 11,881.64 | 13,504.64 | 13.66% |
| Investment | 108.30 | 121.45 | 12.14% |
| Hydropower | 3,552.22 | 3,906.40 | 9.97% |
| Hotels & Tourism | 6,688.52 | 7,317.77 | 9.41% |
| Mutual Fund | 19.13 | 20.77 | 8.57% |
| Trading | 4,131.92 | 4,477.93 | 8.37% |

Major Movers

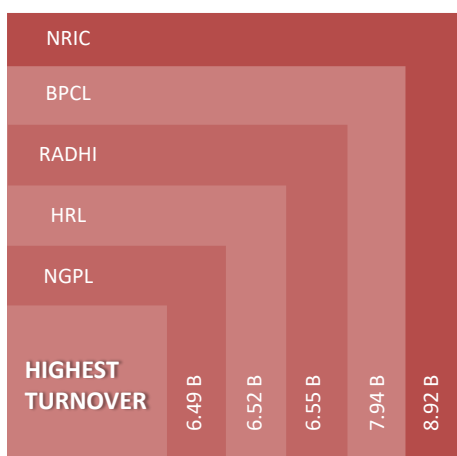
| | | | |
|-------|--------|-------|--------|
| LBBL | 50.30% | RHPL | -8.69% |
| SMATA | 48.20% | PMHPL | -7.25% |
| ILBS | 43.71% | PURE | -6.04% |
| GVL | 43.26% | JOSHI | -5.70% |
| TSHL | 41.65% | PPCL | -5.14% |



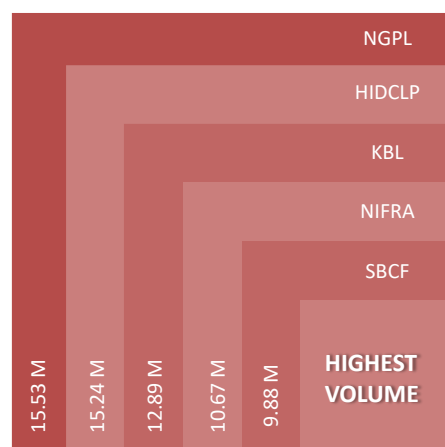
Sectoral Divergence-Turnover

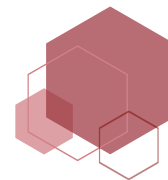
| Index | 90 Days Avg | Weekly Avg | Divergence |
|------------------------------|-------------|------------|------------|
| NEPSE | 9.22 B | 13.11 B | 42.27% |
| Microfinance | 0.48 B | 1.06 B | 121.44% |
| Commercial Banks | 0.75 B | 1.55 B | 107.03% |
| Mutual Fund | 0.01 B | 0.02 B | 104.91% |
| Manufacturing And Processing | 0.34 B | 0.64 B | 86.03% |
| Development Banks | 0.68 B | 1.22 B | 78.40% |
| Finance | 0.23 B | 0.40 B | 73.19% |
| Non Life Insurance | 0.21 B | 0.35 B | 63.23% |
| Others | 0.56 B | 0.80 B | 41.59% |
| Life Insurance | 0.39 B | 0.54 B | 38.99% |
| Hotels And Tourism | 0.21 B | 0.27 B | 27.41% |
| Hydro Power | 4.32 B | 5.09 B | 17.81% |
| Tradings | 0.02 B | 0.02 B | 7.73% |
| Investment | 0.78 B | 0.84 B | 7.68% |

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview



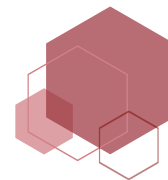
On 24 July 2025, the NEPSE index closed at 2,982.64 points, with a weekly turnover of NPR 95.94 billion. Compared to the previous week's final close price and average weekly turnover, the index increased by 112.01 points (i.e. 3.90%) and a 60.88% increase in average weekly turnover.

The total turnover volume was 214.71 million, with an average weekly turnover volume of 42.94 million, an increase of 32.58% from last week.

The total number of transactions this week was 819,065 with an average of 163,813, an increase of 66.13% from the previous week.

The Relative Strength Index (RSI) stands at 84.22 points, indicating the market is in the overbought zone while the Moving Average Convergence Divergence (MACD) indicator suggests a bullish trend.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,900, (S2) 2,830, and (S3) 2,770 while immediate resistance levels are recognized at (R1) 3,080, (R2) 3,250, and (R3) 3,500. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.



B. Long Term Overview

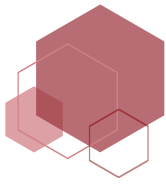


NEPSE has recently broken out of a prolonged consolidation range between 2,680 and 2,950, backed by strong volume and a bullish technical setup. The index is approaching the 0.5 Fibonacci level around 2,997, and a sustained move above it could lead to a retest of the previous all-time high of ~3,220.

The broader pattern also hints at a cup and handle formation, suggesting a long-term bullish trend with upside targets between 3,540 and 4,200.

This breakout is well-supported by the Monetary Policy for FY 2082/83, which has taken a market-friendly stance. Nepal Rastra Bank not only reduced the policy rate—improving liquidity and lowering interest rates—but also raised the margin lending limit from NPR 15 crore to 25 crore per client, significantly enhancing credit flow into the capital market. This move is expected to fuel buying power, especially from high-net-worth individuals and institutions.

Coupled with other measures encouraging institutional participation and boosting investor confidence, NEPSE is now well-positioned to break past its all-time high and enter a strong upward trajectory in the coming months.



SCRIP ANALYSIS

Nepal Investment Mega Bank Limited (NIMB)

A. About the Company

Nepal Investment Bank Limited (NIBL) was established in 1986 as a joint venture between Nepalese and French partners under the name Nepal Indosuez Bank Ltd. At the time, the French partner, Crédit Agricole Indosuez—a subsidiary of one of the world's largest banking groups—held a 50% stake in the institution. In 2002, this stake was acquired by a consortium of prominent Nepalese entities, including bankers, professionals, industrialists, and businesspersons. Following this acquisition, the bank was renamed Nepal Investment Bank Ltd. (NIBL).

Over the next 36 years, NIBL emerged as a leading commercial bank in Nepal, known for its strong performance and innovative services. In line with Nepal Rastra Bank's (NRB) policy aimed at reducing the number of commercial banks and promoting consolidation, NIBL entered into a merger agreement with Mega Bank Nepal Ltd., signing a Memorandum of Understanding (MoU) on June 10, 2022.

Mega Bank Nepal Ltd., which commenced operations on July 23, 2010, had established itself as a significant player in the banking sector, with a total paid-up capital of NPR 16.12 billion at the time of the merger. The unified entity began joint operations under the name Nepal Investment Mega Bank Ltd. (NIMB) on January 11, 2023.

Major promoters of NIMB include Rastriya Beema Company Limited, which holds the largest stake of 6.73%, along with other insurance companies, retirement funds, and private investment companies. The bank's shares are listed on the Nepal Stock Exchange, and its registered office is located at Durbarmarg, Kathmandu.

As of mid-January 2025, NIMB operated a wide-reaching network of 283 branches and 266 ATMs, providing the bank with a robust presence across Nepal. The bank held a market share of 7.43% in total deposits and 7.38% in total advances within the commercial banking industry, reflecting its significant role in the country's financial sector.

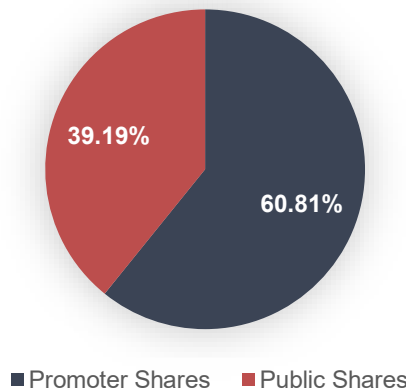
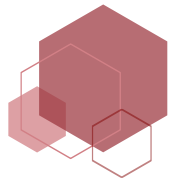


Figure: Shareholding Pattern of NIMB

B. SWOT Analysis

A SWOT analysis provides a comprehensive view of NIMB 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

a) Strong Track Record & Experienced Management

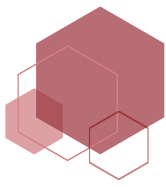
- ✓ Operating since 1986 with a solid reputation in Nepal's banking sector.
- ✓ Experienced ownership, including major institutional promoters like Rastriya Beema Company.

b) Robust Branch Network & Market Share

- ✓ 283 branches and 266 ATMs across Nepal.
- ✓ Market share of ~7.4% in deposits and credit among commercial banks (as of mid-Jan 2025).

c) Healthy Capital Adequacy

- ✓ CRAR of 12.95% and Tier-I capital at 10.05% (above regulatory minimums of 11% and 8.5%).



d) Strong Liquidity Position

- ✓ Liquid assets/total liabilities ratio of ~31%.
- ✓ Regulatory credit-to-deposit ratio of ~79%.

e) Competitive Cost of Funds

- ✓ Cost of deposits improved to 5.00% (vs industry avg. 5.13%).
- ✓ CASA ratio improved to 35% (though still below industry avg. of 40%).

f) Operational Efficiency

- ✓ Low operating expenses relative to average total assets, supporting profitability.

Weaknesses

a) Asset Quality Concerns

- ✓ High Gross NPLs at 5.86% (vs industry avg. 4.73%).
- ✓ Delinquency (0+ DPD) at ~37%, with ~25% in sub-30 days overdue.
- ✓ Low provision coverage weakens solvency (Net NPLs to Net Worth at 9.39%).

b) Weak Return Metrics

- ✓ RoA at 0.88% and RoE at 7.10% in FY2024.
- ✓ Though H1FY2025 saw improvement (RoA 1.11%, RoE 9.19%), sustainability is uncertain.

c) High Portfolio Concentration

- ✓ Top 20 borrowers account for ~23% of total loans (~177% of Tier-I capital).
- ✓ Increased reliance on corporate loans raises credit concentration risk.

Opportunities

a) Merger Synergies

- ✓ Merger with Mega Bank has increased customer base and reach — potential for operational and cross-selling synergies.

b) Retail & SME Expansion

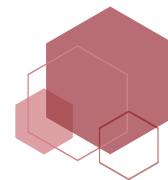
- ✓ Post-merger, opportunity to shift focus to more granular retail/SME lending to diversify portfolio and reduce concentration risk.

c) Digital Banking & CASA Growth

- ✓ Potential to improve CASA ratio through tech-driven savings products and digital services.

d) Economic Recovery & Credit Expansion

- ✓ Gradual easing of post-COVID regulations may stimulate credit demand if macro conditions improve.



Threats

a) Deteriorating Asset Quality

- ✓ If slippages and NPAs continue rising, it could hurt profitability and capital adequacy further.

b) Economic & Regulatory Headwinds

- ✓ Regulatory pressure from new working capital guidelines and slow deleveraging in borrower segments.
- ✓ Overall credit stress across the banking sector could escalate.

c) High Credit/Deposit Concentration

- ✓ A few large borrowers or depositors dominate balance sheet – increasing systemic risk in adverse scenarios.

d) Competitive Landscape

- ✓ Intense competition among Class A banks in Nepal could pressure interest margins and deposit mobilization.

C. Comparative Annual Performance Visualizations Combined with Merger Effect of Mega Bank

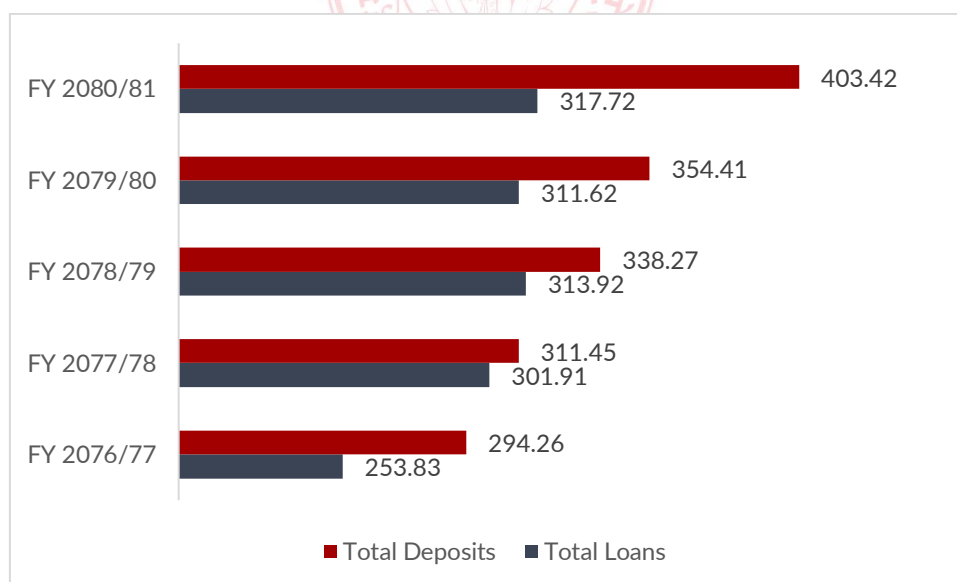


Figure: Total deposits and loans in billions (NPR)

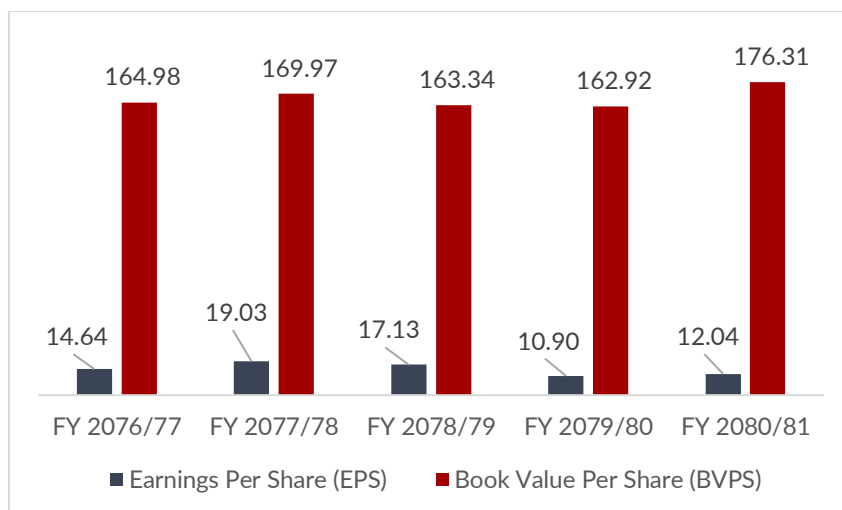
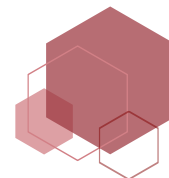


Figure: EPS and BVPS in NPR

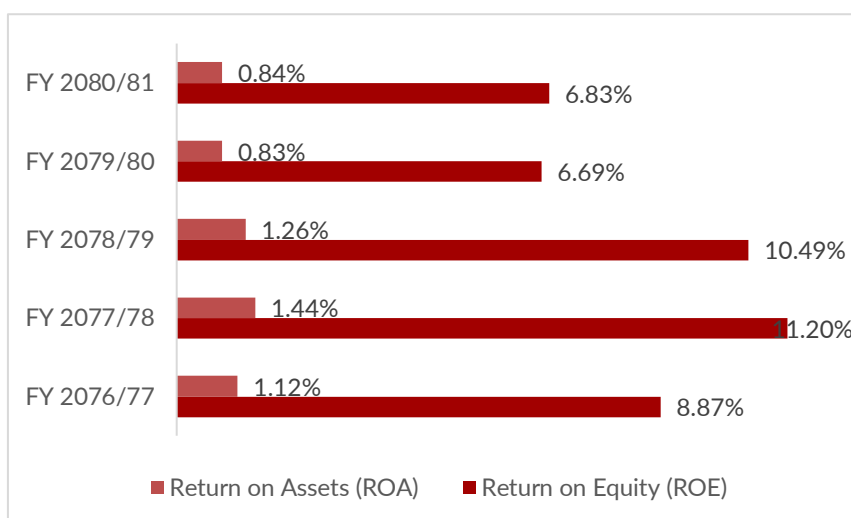


Figure: Comparison of Return on Asset (ROA) and Return on Equity (ROE)

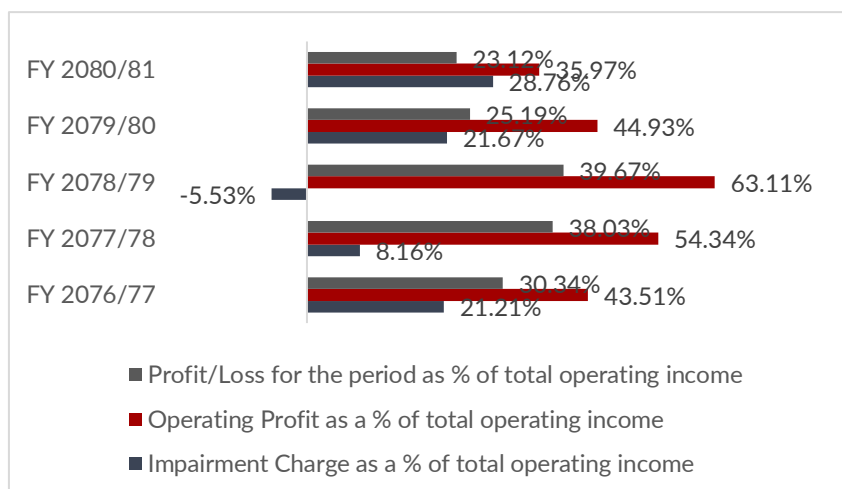
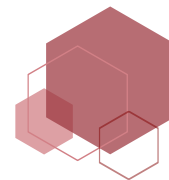


Figure: Annual Comparison of Net profit, Operating Income and Impairment charge (reversal) as a %total operating income



D. Comparative Annual Performance Visualizations Post-Merger Mega Bank

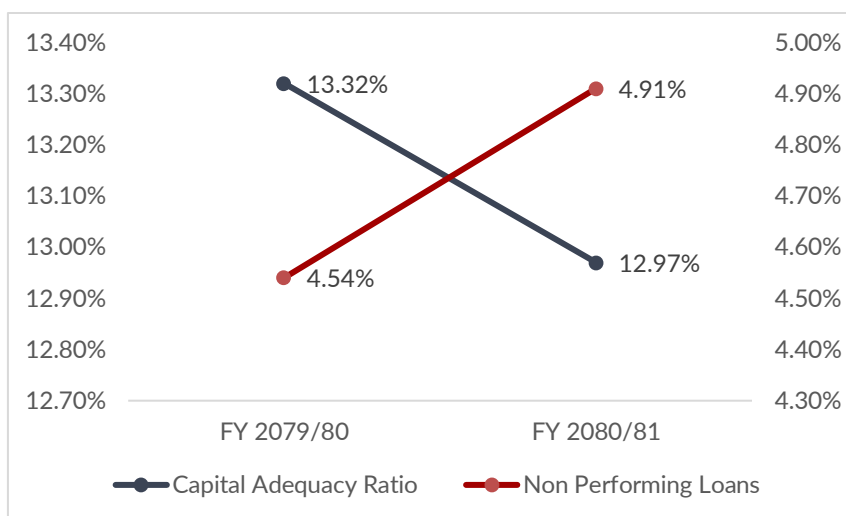


Figure: Capital Adequacy Ratio and Non-Performing Loans post-Merger

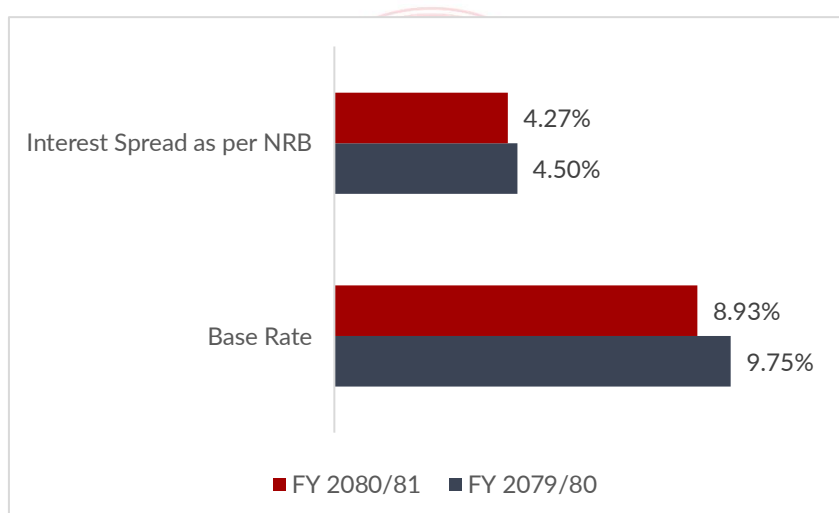
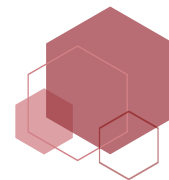


Figure: Base Rate and Interest Spread Rate post-merger with MEGA

Operating Income Composition Analysis – Pre & Post-Merger View

| Particulars | FY 76-77 | FY 77-78 | FY 78-79 | FY 79-80 | FY 80-81 |
|-----------------------------|----------|----------|----------|----------|----------|
| Net Interest Income | 75.32% | 73.58% | 78.21% | 83.33% | 85.06% |
| Net Fee & Commission Income | 12.62% | 11.08% | 11.70% | 10.84% | 10.00% |
| Net trading Income | 9.08% | 6.75% | 5.93% | 3.44% | 2.64% |
| Other Operating Income | 2.97% | 8.58% | 4.17% | 2.39% | 2.30% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |



The income structure over the five-year period (FY 2076/77 – FY 2080/81), which combines pre-merger (Mega + NIBL) and post-merger (NIMB) data, highlights a consistent dependence on net interest income (NII):

- ✓ In the pre-merger period, NII accounted for 75.32%, 78.80%, and 78.42% of total operating income, reflecting both banks' strong lending focus.
- ✓ Post-merger, this share increased to 80.98% in FY 2079/80 and 85.06% in FY 2080/81, showing the merged entity's greater reliance on traditional banking operations.

Meanwhile, net fee and commission income gradually declined from 12.62% (FY 2076/77) to 10.00% (FY 2080/81), suggesting limited innovation in fee-based services despite consolidation.

Net trading income fell sharply—from 9.08% to 2.64%—likely due to reduced treasury gains or a more conservative trading approach post-merger.

Other operating income, which peaked at 8.58% in FY 2077/78 (possibly due to one-off gains), dropped significantly to 2.30% in FY 2080/81.

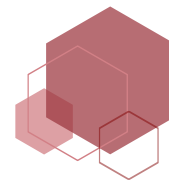
Insightful Implications:

- ✓ The merger has led to greater focus on interest-based earnings, potentially boosting stability but also increasing sensitivity to interest rate movements.
- ✓ Non-interest income streams (fees, trading gains) have not grown proportionately post-merger—signaling room for diversification and strategic development.
- ✓ A less diversified income base could pose long-term risks in a competitive and evolving banking environment.

Comparable Company Analysis as of FY 2081/82 Q3

| Ticker | Capital (NPR Billions) | EPS (NPR) | PE | PBV | ROE | ROA | BVPS (NPR) | Net Profit (NPR Billions) | NPL | CAR |
|--------|------------------------|-----------|--------|------|--------|-------|------------|---------------------------|-------|--------|
| NIMB | 34.13 | 17.74 | 13.28 | 1.24 | 9.45% | 1.12% | 190.39 | 4.54 | 6.60% | 13.33% |
| GBIME | 38.12 | 15.86 | 16.52 | 1.51 | 9.25% | 0.94% | 173.47 | 4.53 | 4.98% | 12.36% |
| NABIL | 27.06 | 24.89 | 22.15 | 2.44 | 11.18% | 1.13% | 225.64 | 5.05 | 4.96% | 11.72% |
| KBL | 26.23 | 1.45 | 157.72 | 1.70 | 1.08% | 0.09% | 134.33 | 0.0003 | 6.98% | 11.82% |

Among commercial banks with paid-up capital exceeding NPR 25 billion, NIMB holds a competitive position in terms of earnings and valuation. With an EPS of NPR 17.74



and net profit of NPR 4.54 billion, it outperforms GBIME and KBL, though it trails behind NABIL, which leads in profitability with an EPS of NPR 24.89.

NIMB's valuation remains attractive, trading at a PE of 13.28 and PBV of 1.24—both lower than peers—indicating potential upside. Return ratios are stable, with ROE at 9.45% and ROA at 1.12%, closely aligned with GBIME and only slightly behind NABIL.

However, NIMB's gross NPL stands at 6.60%, above the regulatory threshold of 5%, restricting its ability to distribute dividends. Despite this, its net NPL remains below 3%, allowing it to continue accepting institutional deposits under revised NRB guidelines. With the highest CAR among peers (13.33%), NIMB remains well-capitalized.

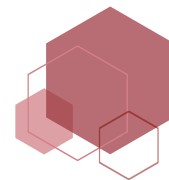
Overall, while asset quality remains a concern, NIMB's strong fundamentals and discounted valuation make it a credible peer among large-cap banks, contingent on improvement in NPL levels.

5 Year Stock Performance Adjusted for Cash Dividends and Financial Performance



Note – BANKING is represented in orange, while NIMB is highlighted in blue.

Over the last five years, NIMB has underperformed sharply compared to the broader banking sector, delivering a total return of -28.83% while the banking sub-index gained 24.73%. Both the sector and NIMB rallied until mid-2021, but NIMB lagged behind as investors grew concerned about its fundamentals. Despite increases in paid-up capital, NIMB's profit growth did not keep pace, highlighting challenges in efficiently utilizing its capital.



Additionally, rising non-performing loan (NPL) levels pressured earnings and raised questions about asset quality. Although there were short-lived price and volume spikes in mid-2023, these failed to generate sustained momentum, unlike the steady uptrend seen across the banking sector through 2024 and 2025.

Moving forward, meaningful recovery will depend on NIMB demonstrating improved profitability relative to capital, stabilizing NPLs, and breaking above key resistance levels with sustained volume support.

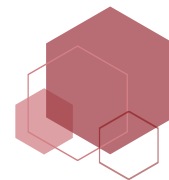
Key Variables used for Valuation:

1. Sustainable Growth Rate for longer period projection to calculate terminal value = 3.50%
2. Other specifics are as follows:

| Specifics | Value | Remarks |
|---------------------------|--------|-------------------------------------------------------------------------------------------------------------------|
| Adjusted Beta (β) | 0.71 | Assumption - The raw daily beta of 0.56 since its listing date, will move towards the market beta of 1 over time. |
| Market Return (R_m) | 11.61% | CAGR of closing prices of NEPSE from FY 2001/02 to FY 2024/25. |
| Risk Free Rate (R_f) | 5.48% | The latest Development Bond Rate (5.48%) adjusted for a tax rate of 6.00% |
| Cost of Equity (K_e) | 9.71% | As per the CAPM Model |

Other Assumptions:

- **Loan Growth Projections:** The base case assumes loan growth rates of 6.00%, 9.00%, 10.00%, 10.50%, and 11.00% for the respective years. In the worst-case scenario, loan growth is projected at 6.00%, 6.50%, 7.00%, 7.00%, and 7.50%. Meanwhile, the best-case scenario anticipates higher growth rates of 6.00%, 10.50%, 11.00%, 11.50%, and 11.50%. This is in line with the historical growth rates
- **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.



E. Stock Valuation

We have valued NIMB 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.

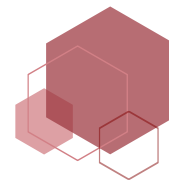
The final valuation of NIMB based on this approach has been computed below:

| RI Valuation | Valuation Price (NPR) |
|-------------------|-----------------------|
| Worst Case | 139.54 |
| Base Case | 201.49 |
| Best Case | 270.94 |
| Average Valuation | 203.99 |

F. Technical Analysis of NIMB:



Nepal Investment Mega Bank Ltd. (NIMB) has recently shown signs of a potential trend reversal based on its technical chart. After being confined within a prolonged descending channel since mid-2024, characterized by lower highs and lower lows, the



stock has successfully broken out above the upper boundary of this channel. This breakout, now placing the stock at NPR 233.10, indicates the end of its downtrend and the possible beginning of a new bullish phase. The breakout was supported by a noticeable surge in volume at the time, adding credibility to the move, although recent volumes have tapered off slightly.

Technically, this breakout level around NPR 223 now serves as immediate support, followed by stronger support zones at NPR 204.58 and NPR 189.57. On the upside, NIMB faces resistance at NPR 264.63, NPR 275.00, and NPR 285.11. If the price sustains above the breakout level and gains volume-backed momentum, it has the potential to test these resistance levels in the near term.

Momentum indicators support the bullish view. The Relative Strength Index (RSI) stands at 62.19, suggesting bullish momentum without entering overbought territory. Additionally, the MACD indicator has shown a positive crossover, with the MACD line moving above the signal line and the histogram turning positive—both typical signs of strengthening upward momentum.

In summary, NIMB's technical setup has turned moderately bullish. A sustained move above NPR 223 could fuel further gains, but failure to hold above this level could result in a pullback. Investors and traders should watch for confirmation through volume and broader banking sector sentiment.

G. Conclusion and Recommendation

Nepal Investment Mega Bank Ltd. (NIMB) stands at a pivotal point in its growth trajectory following its merger with Mega Bank. While it boasts a strong branch network, solid capital adequacy, and improving operational efficiency, lingering concerns around asset quality and credit concentration remain key challenges. Despite underperforming the banking sector in recent years, recent technical signals indicate potential for a price recovery, especially if supported by improved fundamentals and volume strength.

From a valuation standpoint, NIMB appears attractively priced relative to peers, with room for upside as it trades below average P/E and P/B multiples. The base case valuation of NPR 201.49 and best-case of NPR 270.94 highlights this potential.

Recommendation: Moderate Buy — Suitable for medium- to long-term investors willing to accept near-term volatility. A positive re-rating depends on sustained improvement in profitability, better asset quality, and strong post-merger execution.



ISSUE OF THE MONTH

How Self Enhancement/Attribution Affects Investment Decisions?

A. What is Self-Enhancement/ Attribution?

Human behavior is shaped by conscious and unconscious decisions which can be swayed by behavioral biases. Many people either tend to make decisions based on a set way of thinking or even more problematically based on feelings alone ignoring many relevant facts. This is a dangerous way to think and invest.

Self-enhancement is one such emotional bias in psychology. Also known as the self-enhancing bias, it is the propensity of people to only credit themselves for their achievements while discounting the role of other individuals or external circumstances in it.

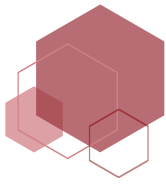
B. Effects of Self-Enhancement/Attribution

Self-Enhancement tends to lead to overconfidence, and we all know that overconfidence in any form always puts investors at a disadvantage in the market. This is because investors that self-attribute tend to credit prior success to their own talents and dismiss the role of timing or other factors in those results. This makes them vulnerable to mistakes.

Investors with this bias are never able to enhance their grasp of how the market truly works as they credit all of their losses to the volatile market and all of their profits to their abilities. While they start by discounting information that questions their abilities, they move on to discounting any sort of market data that contradicts their investing philosophy. This creates many information blind spots for these investors while also making them context deaf w.r.t macro and micro economic factors ultimately setting them up for long term failure.

C. Dealing with Self-Enhancement/Attribution

Self-Enhancement biases can drive investors to make poor judgments and tend to impede them from continuously learning and improving their abilities and tactics. In this context, Recognizing and overcoming ones self-serving and self-enhancement bias will help an investor in improving their investment abilities and approach. However, in order to do so, an honest and objective examination of our previous decisions, performance, and external circumstances is required.



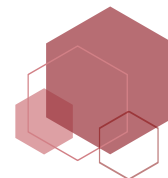
When we are mindful of our surroundings, we are better able to recognize our vulnerability to self-attribution bias. When a person becomes aware of typical cognitive biases, they may begin to recognize them in their daily life and rectify them.

Another approach to help reduce this prejudice is to develop self-compassion. When someone is self-compassionate, they are able to lower their defensiveness and take criticism more easily when trying to develop themselves. The capacity to notice and commit to reducing one's own pain is known as self-compassion. Self-compassion involves the following:

- ✓ An individual's ability to show self-kindness, particularly when confronted with a personal shortcoming.
- ✓ The ability of an individual to comprehend their shared humanity, or rather, the fact that they are human and that other individuals have similar experiences and failings, and
- ✓ An individual's awareness, or the ability to recognize unpleasant ideas without judging them.

Overall, the key to managing this bias is to understand that we are human after all and that the consequences of our decisions are driven by our own ability as well as external circumstances beyond our control. Understanding this can help us continue to learn and make more informed decisions.

**This article was previously published in the Ashwin 2078 edition of The Pulse.*



HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR

TICKER

CAGR



| | |
|-------|---------|
| CORBL | 429.83% |
| RADHI | 322.72% |
| NRN | 310.92% |
| GRDBL | 310.79% |
| BPCL | 293.50% |

PAST 3 YEARS

TICKER

CAGR



| | |
|-------|---------|
| BNL | 106.64% |
| CORBL | 85.70% |
| GRDBL | 75.65% |
| NRN | 64.23% |
| CHDC | 61.44% |

PAST 5 YEARS

TICKER

CAGR



| | |
|-------|--------|
| CORBL | 83.17% |
| GRDBL | 68.80% |
| KPCL | 57.89% |
| BNL | 56.41% |
| NABBC | 55.11% |

PAST 10 YEARS

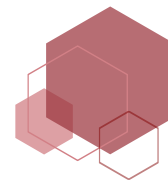
TICKER

CAGR



| | |
|-------|--------|
| STC | 62.19% |
| HDL | 34.83% |
| CORBL | 34.79% |
| MDB | 25.63% |
| SLBBL | 25.50% |

*Returns are dividend-adjusted on a year-over-year (YoY) basis. Past performance should not be interpreted as indicative of future results. * CAGR means annual growth rate of an investment over specified time period.



Key Dates

| Scrip | Issue Type | Quantity | From | To | Issue Manager |
|-------------------|------------|-----------------|--------------------------------|--------------------------------|-------------------------------|
| JHEL (Local) | IPO | 3,80,190 (O) | 2025/07/30 AD 2082/04/14 BS | 2025/08/13 AD 2082/04/28 BS | Himalayan Capital |
| JHEL (Foreign) | IPO | 57,029 (O) | 2025/07/30 AD 2082/04/14 BS | 2025/08/03 AD 2082/04/18 BS | Himalayan Capital |
| BCTL (Local) | IPO | 5,66,000 (O) | 2025/07/22 AD 2082/04/06 BS | 2025/08/05 AD 2082/04/20 BS | Nepal SBI Merchant Banking |
| BUNGAL (Local) | IPO | 8,30,000 (O) | 2025/07/13 AD 2082/03/29 BS | 2025/08/11 AD 2082/04/26 BS | Himalayan Capital |
| NICL | RIGHT | 65,76,967 (O) | 2025/07/22 AD 2082/04/06 BS | 2025/08/11 AD 2082/04/26 BS | NIC Asia Capital |
| BARUN | RIGHT | 53,58,150 (O) | 2025/07/15 AD 2082/03/31 BS | 2025/08/04 AD 2082/04/19 BS | RBB Merchant Banking |
| ALICL | RIGHT | 1,42,79,312 (O) | 2025/07/09 AD 2082/03/25 BS | 2025/08/05 AD 2082/04/20 BS | Muktinath Capital |
| PPL | RIGHT | 31,63,000 (O) | 2025/07/06 AD 2082/03/22 BS | 2025/08/11 AD 2082/04/26 BS | Prabhu Capital |
| CHL | AUCTION | 2,98,832 (O) | 2025/07/30 AD 2082/04/14 BS | 2025/08/06 AD 2082/04/21 BS | Global IME Capital |
| RHGCL | AUCTION | 7,04,111 (O) | 2025/07/29 AD 2082/04/13 BS | 2025/08/05 AD 2082/04/20 BS | Muktinath Capital |
| NICAP | AUCTION | 7,05,950 (P) | 2025/07/25 AD 2082/04/09 BS | 2025/08/08 AD 2082/04/23 BS | NMB Capital |

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