

Terms of Reference (TOR)
For
The Chief Executive Officer (CEO) of Nepal Bank Limited

Duties and Responsibilities of the CEO

The CEO is required to;

1. Establish control and oversight of Nepal Bank Limited (NBL), for the sound banking practices based on the standard banking law, rules, regulations and directions of the Nepal Rastra Bank (NRB) and other related laws of the nation.
2. Review the financial and operational conditions of the NBL, maintain profitable operation and recommend viable alternatives for cost effective operations.
3. Prepare a Management Plan that establishes goals and objectives for the management of the NBL and also prepare Key Performance Indicators (KPIs) based on the plan.
4. Ensure that the NBL is operated in a safe and sound manner as guided by Nepal Rastra Bank Act, 2002 and Bank and Financial Institutions Act (BAFIA), 2006. The banking operation is expected to yield operating profit, limit high cost deposit growth, eliminate fraudulent activities and avoid unnecessary influences.

Duration of Assignment and Expected Expertise

1. The Chief Executive Officer (CEO) will be appointed initially for 12 (Twelve) months, with an option to further extension as per the requirement. The CEO will take over the NBL day-to-day operations.
2. The management team will comprise up to three other management experts from different fields. The CEO will procure the other team members independently under the approval of the NRB. These management experts will be required to look after the Credit, Treasury, Operations, Information Technology and Accounts/Audit areas as the head of the respective departments as assigned by the CEO.
3. The CEO is required to submit the details of remunerations and other allowances as per Annex-2.
4. The CEO shall recommend a maximum of other three management team members within 3 months of his appointment. He shall furnish the basis and justifications of the selection of other management team members, their curriculum vitae along with the proposed remuneration package to the NRB. The other management team members will be appointed by the NRB on the recommendation of the CEO.

Qualifications

1. The CEO and the other management members must have at least post-graduate (Master's) degree; preferably in Economics, Management, Statistics, Law or Accountancy.

2. The management team shall be led by the Chief Executive Officer (CEO) who should have:
 - 2.1 A minimum of 5 years working experience in any Commercial Bank and out of that s/he should have at least 2 years of experience in the position of the Head of the Commercial Bank such as the CEO /Executive Chairman/Executive Director/Managing Director. Or,
 - 2.2 A minimum of 6 years working experience in any Commercial Bank and out of that s/he should have at least 3 years of experience in the position of the Deputy Head of the Commercial Bank. Or,
 - 2.3 A minimum of 8 years working experience in any Commercial Bank and out of that s/he should have at least 6 years of experience in the position of the Head of the Credit, and/or Finance and Treasury and/or Human Resources Departments of any Commercial Bank. Or,
 - 2.4 A minimum of 7 years working experience in any Bank and Financial Institution licensed by the NRB out of that s/he should have at least 2 years of experience in the position of the Head of the Bank and Financial Institutions such as CEO /Executive Chairman/Executive Director/Managing Director. Or,
 - 2.5 A minimum of 7 years working experience in any Bank and Financial Institution licensed by the NRB out of that s/he should have at least 4 years of experience in the position of Deputy Head of the Bank and Financial Institutions.
3. Any individual, holding directorship or person or related firm continuing auditing roles or any other service contract in any other bank or financial institution should discontinue these practices after they are selected.
4. Any individual having regular credit transactions for industrial or commercial purposes with any bank or financial institution should clear all outstanding loans before signing the contract.
5. Any individual black listed by Credit Information Centre Ltd. or punished by the court or prevailing laws, rules and regulations shall not be eligible for EOI.
6. Any individual, meeting the above criteria shall be eligible for the EOI.

Deliverables and Reporting Requirements

The CEO will report directly to the NRB. Apart from standard monetary, financial, and bank supervisory reporting to the NRB, the CEO will prepare a revised Management Plan for review and approval of the NRB within 30 days of taking up the management of NBL. The CEO must submit the following reports:

1. Key Performance Indicators (KPIs) taking into account the comments of the Government of Nepal (GON) and IDA– within 60 days of commencement of the assignment with a supporting operating budget and underlying assumptions (see model KPIs in the annex-1).
2. Single Borrower Limit Strategy and Action Plan to bring the credit of all the customers crossing single obligor limit. The report should also prepare Exit Policy for the same customers group. Such documents having strategy, time and exit policy should be submitted to the NRB within 60 days of signing up the contract; / taking over the NBL management;
3. Loan Recovery Strategy for the credit crossing the limit of Rs.50 million and credit therein that is converted into NPL should be submitted to the NRB within 30 days of the signing up the contract/taking over the NBL management. The recovery strategy for the credit crossing the limit of Rs.10 million and credit turned to NPL out of that limit should be prepared and

- submitted to the NRB within 60 days of signing up the contract /taking over the NBL management. Quarterly recovery status of all such credit should be submitted within a month of the expiry of the given deadline.
4. Submission of the plan for the management (including alternative use) and disposal of Non Banking Assets to maximize the benefit to the bank.
 5. Strategic Business Plan for the improvement of financial position of the NBL should be submitted to the NRB within 60 days of signing up the contract / taking over the NBL management and the business expansion, continuity of transactions with existing customers and improvement in service level should also be progressed as per the plan. Submission of the plan for the modernization of NBL branches and improving the quality of services.
 6. Submission of the Recapitalization Plan by reviewing the present capital structure will be mandatory within 60 days of signing up the contract/taking over the NBL management. The plan for capital enhancement should be framed matching with the target set in the Annex-1. The report should also include the strategic plan for the period covering mid-July 2009 to mid-July 2013 for the compliance of regulatory capital requirement;
 7. Computerization and MIS Plan with the target date for bringing 90 percent of the total deposit and credit transactions should be submitted within 45 days of signing up the contract / taking over the NBL management. The 47 branches should be brought under online computer operation system within one year of signing up the contract / taking over the NBL management.
 8. HR plans including the required position standard and plan of action for downsizing the employees at required level and review and revising the employees' service manual focusing on career growth of employees including retirement plans.
 7. Quarterly reports should include, at a minimum, the following (after each of the main reports have been completed):
 - a. Progress made in reaching agreed KPIs with a detailed write-up; which should cover reasons for any variance from targets, change in operating environment, staff and management change, and board oversight;
 - b. Financial conditions of the bank, including quarterly balance sheet and profit and loss information;
 - c. Updated loan portfolio and recoveries made;
 - d. Progress made in the Strategic Business Plan;
 - e. Progress made in the Recapitalization Plan;
 - f. Progress made in the implementation of the Computerization and MIS Plan;
 - g. Progress made in the implementation of the staff rationalization plan and implementation of other aspects of the HR Master Plan;
 8. Monthly compliance report to the NRB based on the NRB Act, 2002, Bank and Financial Institutions Act, 2006; NRB Directives and prevailing laws including 'good banking norms and practices';

Remuneration and Facilities:

1. The CEO should submit the proposed remuneration and other allowances in a format prescribed herewith (Annex-2). No additional facilities other than the stated ones in the contract shall be provided.
2. The CEO will enjoy paid leave not more than 22 days, in a year work done, except public holidays. Deductions will be made for the days absent beyond the agreed limit.

3. The CEO should attend the required number of committee meetings designed for the management of the NBL. No additional payment shall be made for such meetings.
4. The CEO is not allowed to work outside for his personal benefit.
5. The CEO should give 30 days prior notice to the NRB for seeking permission from NRB to discontinue the contract.
6. In case the NRB finds the CEO has acted in contravention to the terms and conditions of the contract, or against the prevailing laws, rules and regulations or against the interest of the depositors, s/he will be relieved from the duty and prohibited to work in the financial institutions for five years.

Note: In case the situation arises that the provision of section 86b to 86n of the NRB Act, 2002 is not be applicable to the Bank, the contract will be amended and made compatible with the NRB Act.

Annex-1

Key Performance Indicators

S.N.	Particulars	Actual	Projection					
		Mid July 2008	Mid Jan. 2009	Mid July 2009	Mid Jan 2010	Mid July 2010	Mid Jan 2011	Mid July 2011
1	Total Capital Fund	-5312	-4822		-4480		-4240	
2	Credit	15771	16560	17388	18257	19170	20129	21135
3	Credit Growth	14.64%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
4	Deposit	41788	43460	45198	47006	48886	50841	52875
5	Deposit Growth	7.11%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
6	CD Ratio	37.74%	38.10%	38.47%	38.84%	39.21%	39.59%	39.97%
7	Recovery of NPL Principle	439	216	216	151	151	106	106
8	Recovery of NPL Interest	295	118	118	83	83	58	58
9	Recovery of write-off loan (principle and Interest)	291	116	116	81	81	57	57
10	Recovery of principle and interest from return of NBA	135	54	54	38	38	27	27
11	NPL	1269	1092	919	822	729	691	657
12	NPL Level	8.05%	6.59%	5.29%	4.50%	3.80%	3.43%	3.11%
13	Net Profit after Tax	529	490		342		240	
	NPL Reduction Break Up							
	Cash Recovery		216	216	151	151	106	106
	Return of NBA (50% of SN 10)		27	27	19	19	13.5	13.5
	Cumulative NPL increase		66	70	73	77	81	85
	Credit and deposit growth is estimated at 5% half yearly.							
	Additional cumulative NPL shall remain below than 0.5% of total loan portfolio							
	Extraordinary and uncontrollable expenses are not projected.							

Note:

The above projections have been made on the basis of the actual figure of Mid July 2008.

Clarification:

1.
 - a. "Capital Fund" means the total capital prescribed by the NRB in its Directives of capital fund.
 - b. "Profit" means net profit.
 - c. Quarterly monitoring will be based on the indicators prescribed for half yearly period on the ground of the monitoring period.
 - d. "Cost of fund" means weighted average cost of fund.
 - e. Meaning or clarification to other words shall be as determined by the Follow up Committee of the NRB.
2. All the unsettled accounts prior to six months must be adjusted within six months by up dating the agency and inter-branch accounts.
3. There should be an appropriate human resource strategy and the remaining personnel must be effectively and productively deployed to extract maximum output from them.
4. The Management Team must submit its report to the NRB and IDA within seven days of the each month end, the details of the activities, achievements and financial position should be carried out in accordance with the TOR.
5. The regular reports should be submitted to the concerned department of the NRB and the details stated in the TOR should be regularly submitted to the Follow up Committee and Bank Supervision Department of the NRB and IDA, by the Management Team.

Annex-2

Remuneration and Other Allowances of the Proposed CEO

Monthly Remuneration & Allowances	Annual Remuneration & Allowances	Remarks