

**Terms and Reference**  
**For**  
**Management Team of Ratriya Banijya Bank Limited**

**Duties and Responsibilities of Management Team**

The Management Team is expected to;

- Establish control and oversight of the institution, for their sound banking practices based on the standard banking law, rules, regulations and directions of the Nepal Rastra Bank and other related laws of the nation.
- Review the institution's financial and operational condition, maintain profitable operation, and recommend, viable alternatives for cost effective operation;
- Prepare a Management Plan that establishes goals and objectives for the management of the institution and also prepare Key Performance Indicators (KPIs) based on the plan.
- Ensure that the institution is operated in a safe and sound manner as guided by Nepal Rastra Bank Act, 2002 and BAFIA 2006. The operation is expected to yield operating profit, limit high cost deposit growth, eliminate fraudulent activities, and avoid influence.

**Duration of Assignment and Expected Types of Expertise**

1. The Management Team will be appointed for twenty-four months, with an option of a single extension of a further twelve months. The Management Team will be led by a Chief Executive Officer (CEO) who will take over its day-to-day operations. This team will comprise of three other qualified individuals who would include (a) Chief Credit Officer (CCO), (b) Treasury Manager (TM) and (c) Chief Operating Officer (COO) heading respective departments and assignment made by the CEO.
2. The management team should be led by the Chief Executive Officer (CEO) who should have 15 years of banking experience and of which the CEO should have at least 3 years experience in the position of CEO of any Commercial Bank.
3. The individual appointed to the CCO position should be a senior banker preferably with international experience and have at least seven years experience, preferably as a head of the credit department of the commercial bank.
4. Other members of the team should have at least 7 years of banking experience in any "Grade-A" commercial bank or comparable financial institutions and possess post-graduate (Master's) degree. Fluent written and spoken English is mandatory. The experts will have executive authority and will be accountable for their performance. Preferably the experts would come from a similar banking background with a shared banking philosophy and have demonstrated strong capacity to work as a team.
5. Any individual, holding directorship or person or firm continuing auditing roles in any other bank or financial institution should discontinue these practices after they are selected.
6. Any individual having regular credit transactions for industrial or commercial purposes with any bank or financial institution or black listed by Credit Information Centre shall not be qualified for signing the contract.

7. Any individual, meeting the above criteria shall be eligible for the bid.
8. The selection procedure of the technical proposal and Terms of Reference (TOR) of the Management Team can be accessed through NRB Website: [www.nrb.org.np](http://www.nrb.org.np)

### **Deliverables and Reporting Requirements**

The Management Team will report directly to the Governor of the Nepal Rastra Bank (NRB). Apart from standard monetary, financial, and bank supervisory reporting to the Central Bank, the management team will prepare a revised Management Plan for review and approval of the NRB within 30 days of taking up the management contract. The Team should also submit quarterly reports to the NRB. These reports will be required on the following basis:

- 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);
- 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 the contract;
- Loan Recovery Strategy for the credit crossing the limit of 50 million and credit therein, that are converted into NPL should be submitted to the NRB within 30 days of the contract. The recovery strategy for the credit crossing the limit of 10 million and credit turned to NPL out of that limit should be prepared and submitted to the NRB within 60 days of the contract. Quarterly recovery status of all such credit should be submitted within a month of the expiry of the given deadline;
- Strategic Business Plan for the improvement of financial position of the Bank should be submitted to the NRB within 60 days of the contract and the business expansion, continuity of transactions with existing customers and improvement in service level should also be progressed as per the plan.
- Recapitalization Plan by reviewing the present capital structure will be mandatory within 60 days of contract. The plan for capital enhancement should be framed matching with the target so as the capital of the Bank shall not be negative by the end of Mid July, 2010. The report should also include proportionate growth plan of regulatory capital of the Bank by the end of Mid July 2013;
- Computerization Plan with the target date for bringing 90 percent of the total deposit and credit transactions should be submitted by mid-January 2009. The 50 percent branches should be brought under online computer operation system by mid-January 2009.
- Quarterly reports should include, at a minimum, the following (after each of the main reports have been completed):
  1. Financial conditions of the bank, including quarterly balance sheet and profit and loss information;
  2. Updated loan portfolio and recoveries made;
  3. Progress made in the implementation of the staff rationalization plan;
  4. Progress made in the implementation of other aspects of the HR Master Plan;
  5. Progress made in the implementation of the MIS Plan;

6. 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
- 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';
  - HR plans including the required position standard and plan of action for downsizing the employees at required level;
  - Review and revising the employees service manual focusing on career growth of employees including retirement plans;
  - Computerization plan of 40 (33+7) new bank branches;
  - Modernization plan of bank branches and improving the quality of service; and
  - Management (including alternative use) and disposal of Non Banking Assets (NBA) to maximize benefit to the bank.

**Remuneration and Facilities:**

The remunerations and facilities to all the members including CEO and COO of the Management Team shall be as mentioned in the contract after the approval of the tender bid. No additional facilities other than the stated ones in the contract shall be provided.

Every member including the CEO and COO of the Management Team can enjoy leave not more than 22 days, in a year, except public holidays. Deductions will be made for the days absent beyond the agreed limit.

Every member including the CEO and COO of the Management Team should attend the required number of committee meetings designed for the management of the Bank. No additional payment shall be made for such meetings.

Everybody under such contract is not allowed to work outside for his or her personal benefit.

All the members including the CEO and COO of the Management Team should give 30 days prior notice to the NRB for seeking permission from NRB to discontinue the contract. The Management Team shall replace the vacancy so created.

In case the NRB finds that any member of the Management Team has worked in contravention to the terms and conditions of the contract, against the interest of the depositors and financial norms of the country. They will be relieved from the duty and restricted to work in the financial institutions for five years.

## 1. Key Performance Indicators

Rs in Million

S.N.	Particulars	Actual	Projection					
		Mid July 2007	Mid Jan. 2008	Mid July 2008	Mid Jan 2009	Mid July 2009	Mid Jan 2010	Mid July 2010
1	Core Capital	-17281	-16500	-16000	-15500	-15000	-14500	1000
2	Credit	25394	27935	30730	33800	36840	39790	42575
	Credit Growth	9.24%	10.00%	10.00%	10.00%	9.00%	8.00%	7.00%
3	Deposit	50346	52865	54980	56630	57760	58915	60100
	Deposit Growth	8.99%	5.00%	4.00%	3.00%	2.00%	2.00%	2.00%
	CD Ratio	50.44%	52.84%	55.89%	59.69%	63.78%	67.54%	70.84%
4	NPL and Write Off loan - Cash Recovery (Principal) For Each period	1679	500	505	500	500	500	500
	NPL	7405	6905	6400	5900	5400	4900	4400
	NPL Level	29.16%	24.72%	20.83%	17.46%	14.66%	12.31%	10.33%
5	Net Profit for the period	1681	1500		1750		2000	

### NPL Reduction Break Up

Write off								
Cash Recovery		500	505	500	500	500	500	500
Other (NBA etc.)		50	50	50	50	50	50	50
Additional NPL increase		1	1	1	1	1	1	1
Out of cash recovery 50 % will be write off loan recovery								
Additional NPL shall increase by less than 0.7% of total loan portfolio								

### Note:

The above projections have been made on the basis of actual figure of mid-July 2007 and will be revised as per the actual figure of mid-July 2008.

### Clarification:

- a. "Core capital" means the primary 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 updating the agency and inter-branch accounts by Mid Jan. 2009.
  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 carried out in accordance with the TOR.
  5. The regular reports should be submitted to the concerned department of the NRB and the Management Team should regularly submit the details in the TOR to the Follow up Committee and Bank Supervision Department of the NRB and IDA.