

Terms of Reference

For

The Chief Executive Officer (CEO) of Nepal Bank Limited

Duties and Responsibilities of the CEO

The CEO, along with other management team members, is expected to;

1. 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.
2. Review the institution's financial and operational condition, maintain profitable operation, and recommend, viable alternatives for cost effective operation;
3. 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.
4. 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 Expertise

1. The Chief Executive Officer (CEO) will be appointed for 18 (Eighteen) months, with an option of a single extension of a further 12 (twelve) months. The CEO will take over its day-to-day operations.
2. The management team will comprise of three other qualified individual management experts from different fields, who will be recommended by the CEO, subject to the approval of the NRB. These management experts will be required to look after Credit, Treasury, Operations, Information Technology and Accounts/Audit heading respective departments as assigned by the CEO.
3. The CEO is required to submit the details as per annex-2. After the appointment of CEO, the other team members shall be recommended for the appointment to the NRB within 30 days. It shall include the basis and justification for recommendation as well as curriculum vitae and other information.

Qualification

1. The CEO and the other management experts must have at least post-graduate (Master's) degree; preferably in economics, management, statistics, law or accountancy.
2. The management team should be led by the Chief Executive Officer (CEO) who should have minimum 10 years of working experience in any bank or financial institution and out of that 10 years s/he should have at least 2 years of experience in the position of CEO of any commercial bank.
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 Nepal Rastra Bank (NRB). Apart from standard monetary, financial, and bank supervisory reporting to the Central Bank, the CEO will prepare a revised Management Plan for review and approval of the NRB within 30 days of taking up the management contract. 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 the contract;
3. Loan Recovery Strategy for the credit crossing the limit of 50 million and credit therein that is 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;
4. 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.
5. 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, 2009. 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;
6. Computerization Plan with the target date for bringing 90 percent of the total deposit and credit transactions should be submitted within 45 days of the contract. The 50 percent branches should be brought under online computer operation system within one year of the contract.
7. Quarterly reports should include, at a minimum, the following (after each of the main reports have been completed):
 - a) Financial conditions of the bank, including quarterly balance sheet and profit and loss information;
 - b) Updated loan portfolio and recoveries made;
 - c) Progress made in the implementation of the staff rationalization plan;
 - d) Progress made in the implementation of other aspects of the HR Master Plan;
 - e) Progress made in the implementation of the MIS Plan;
 - f) 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

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';
9. HR plans including the required position standard and plan of action for downsizing the employees at required level;
10. Review and revising the employees service manual focusing on career growth of employees including retirement plans;
11. Computerization plan of 40 other bank branches;
12. Modernization plan of bank branches and improving the quality of service; and
13. Management (including alternative use) and disposal of Non Banking Assets to maximize benefit to the bank.

Remuneration and Facilities:

1. The CEO should submit the proposed remuneration and other allowances of all the members of management team in a format prescribed herewith (annex-2). No additional facilities other than the stated ones in the contract shall be provided.
2. The CEO should submit the performance based remuneration details as prescribed in the annex-3.
3. Every member including the CEO and the other members 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.
4. Every member including the CEO and the other members 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.
5. Everybody under this contract is not allowed to work outside for their personal benefit.
6. All the members including the CEO and the other members of the Management Team should give 30 days prior notice to the NRB for seeking permission from NRB to discontinue the contract. Discontinuation of CEO will automatically dissolve the Management Team. Vacancy of other team members shall be fulfilled with recommendation of the CEO and due approval from the NRB.
7. In case the NRB finds that any member of the Management Team 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, they 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.

Key Performance Indicators

Rs in Million

S.N.	Particulars	Actual		Projection				
		Mid July 2007	Mid April 2008	Mid July 2008	Mid Jan 2009	Mid July 2009	Mid Jan 2010	Mid July 2010
1	Capital Fund	-6082	-5900	-5500	-4982	50	500	950
2	Credit	13756	15603	16000	16800	17640	18522	19448.1
	Credit Growth	10.57%	13.43%	2.54%	5.00%	5.00%	5.00%	5.00%
3	Deposit	39014	39767	39900	40897.5	41920	42968	44042
	Deposit Growth	8.89%	1.93%	0.33%	2.50%	2.50%	2.50%	2.50%
	CD Ratio	35.26%	39.24%	40.10%	41.08%	42.08%	43.11%	44.16%
4	NPL and Write Off loan - Cash Recovery (Principal) For Each period	1129	408	208	300	300	200	200
	NPL	2091	1719	1619	869	919	953	998
	NPL Level	15.20%	11.02%	10.12%	5.17%	5.21%	5.15%	5.13%
5	Net Profit for the period	452	600	900	900	900	900	900
NPL Reduction Break Up								
	Write off				700			
	Cash Recovery		408	208	300	300	200	200
	Other (NBA etc.)		35	35	25	25	20	20
	Additional NPL increase		0.5	0.5	0.6	0.6	0.7	0.7
	Out of cash recovery 50 % will be write off loan recovery							
	Rs. 700 million loan shall be written of before Mid Jan 2008							
	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-April 2008 and will be revised as per the actual figure of Mid July 2008.

Clarification:

- 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 updating the agency and inter-branch accounts by Mid Jan, 2008.
 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 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.

Remuneration and Other Allowances of Proposed Management Team

Position	Proposed Area	Monthly Remuneration & Allowances	Annual Remuneration & Allowances	Remarks
CEO				
Management Expert 1				
Management Expert 2				
Management Expert 3				
Total				

Note: The bidder will have to specify the methodology of calculating the remuneration package by relating it with the Key Performance Indicators (KPIs).

Performance (KPI annex-1) Based Remuneration and Other Allowances of Proposed Management Team

Position	Expected Remuneration in case of performance below up to 10% of the targeted level	Expected Remuneration in case of performance below more than 10% of the targeted level	Expected Remuneration in case of performance above up to 10% of the targeted level	Expected Remuneration in case of performance above more than 10% of the targeted level
CEO				
Management Expert 1				
Management Expert 2				
Management Expert 3				
Total				

Note: The bidder will have to specify the methodology of calculating the remuneration package by relating it with the Key Performance Indicators (KPIs).