

Nepal Rastra Bank

Date: March 22, 2024

Request for Expression of Interest

Name of Project: Loan Portfolio Review (LPR) of Commercial Banks of Nepal

1. **Nepal Rastra Bank** now invites Expression of Interest (EOI) from eligible consulting firms (“consultant”) to provide the following consulting services: Loan Portfolio Review (LPR) of Commercial Banks of Nepal

Objectives of the assignment:

The major objective of the Consulting Services is to get an independent assessment of the quality of loan portfolio of top 10 commercial banks operating in Nepal. The broad objectives of the assignment are as follows:

- a. Issuance of a report by External Consultant on all elements of loan portfolio review of each participant bank.
- b. Issuance of overall combined report including overall assessment of impact on banking and financial system of Nepal, along with recommendations.

Scope of the assignment:

The scope of LPR is to make assessment of loan quality on the basis of NRB’s prudential regulations and NFRS/IFRS 9 (NFRS/IFRS if possible subject to data availability) in accordance with international auditing standards.

The consultant need to assess loan quality of top 10 commercial banks of Nepal. In conducting the LPR, Consultants will assess the effectiveness and reliability of each participant bank’s accounting and risk management practices. Specifically, the consultant shall analyze the policies, processes, models and controls for credit risk identification, valuation, monitoring and mitigation, as well as the compliance of the bank’s credit risk management system in line with international best practices.

Further, the Scope of LPR includes:

Qualitative assessment

- a. Assessment of Credit Policy framework: Credit Policy guidelines, Product papers, etc.
- b. Assessment of credit risk management policies, role and structure of Risk Management Department and implementation of risk management practices.
- c. Review of credit standards, credit controls, NPL management approach, assets valuation, haircuts and enforcement costs, strength of claim and completeness of documentation.
- d. Loan utilization and monitoring mechanism.

Quantitative assessment

- a. Loan Portfolio Review of Top 10 commercial banks (based on size of gross loans and advances) comprising of: An assessment of the existing classification of loans, risk weight and provisioning based on local regulatory mandates and norms including NRB directives regarding credit flow, classification and loan loss provisioning.

- b. Assessment of risks: inherent risks, intragroup relationships, interconnectedness, related parties, insider activities, etc.
2. Interested eligible consultants may obtain further information and EOI document free of cost at the address **Nepal Rastra Bank, Baluwatar, Kathmandu, Nepal** during office hours on or before **April 7, 2024; 12:00 PM (Nepal Standard Time)** or visit e-GP system www.bolpatra.gov.np/egp or visit the client's website www.nrb.org.np.
 3. Consultants may associate with other international consultants to enhance their qualifications.
 4. Expressions of interest shall be delivered online through e-GP system www.bolpatra.gov.np/egp on or before **April 7, 2024; 12:00 PM (Nepal Standard Time)**.
 5. In case the last date of obtaining and submission of the EOI documents happens to be a holiday, the next working day will be deemed as the due date but the time will be the same as stipulated.
 6. EOI will be assessed based on **Qualification [50%], Experience [40%], and Capacity [10%]** of consulting firm and key personnel. Based on evaluation of EOI, only shortlisted firms will be invited to submit technical and financial proposal through a request for proposal.
 7. Minimum score to pass the EOI is **70%**.