



COMMERCIAL BANK OF ETHIOPIA

REQUEST FOR EXPRESSIONS OF INTEREST (CONSULTING SERVICES – FIRMS SELECTION)

ETHIOPIA

FINANCIAL SECTOR STRENGTHENING PROJECT (FSSP)

Credit No.: IDA-76730

Assignment Title: COMPREHENSIVE ASSET QUALITY REVIEW of COMMERCIAL BANK of ETHIOPIA (CBE)

Reference No.: ET-CBE-143/2024/25-CS-QCBS

The COMMERCIAL BANK OF ETHIOPIA has received financing from the World Bank towards the cost of Financial Sector Strengthening Project (FSSP) and intends to apply part of the proceeds for consulting services.

The consulting services (“the Services”) include comprehensive Asset Quality Review of CBE. The expected start date of the assignment will be February 2026 and a minimum of 9 staff-month is required.

Interested applicants may obtain the Term of Reference (TOR) from the CBE upon logging formal request to the address indicated below or from CBE official Website (Tender section).

The CBE now invites eligible consulting firms (“Consultants”) to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. The shortlisting criteria are: core business and years in business, relevant experience, and technical & managerial capability of the firm. The Qualifications and Experience of Key Experts shall not be included in the shortlisting criteria. Key experts will not be evaluated at the shortlisting stage.

The attention of interested Consultants is drawn to Section III paragraph, 3.14, 3.16 and 3.17 of the World Bank’s “Procurement Regulation for IPF Borrowers”, February 2025; ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated October 15, 2006 and revised in January, 2011 and as of July 1, 2016; and other provisions stipulated in the Financing Agreements.

Consultants may associate with other firms to enhance their qualifications, but should indicate clearly whether the association is in the form of a joint venture and/or or a sub-consultancy. In case of joint venture all the partners in the joint venture shall be jointly and severally liable for the entire contract, if selected.

A Consultant will be selected in accordance with the Quality and Cost Based selection method set out in the procurement Regulations.

Further information can be obtained at the address below during office hours 08:00 to 16:30.

Expressions of interest must be delivered in a written form to the address below (in person, or by mail, or by fax, or by e-mail) by **August 20, 2025**.

Attention: Director-Procurement

Building: Head Quarter

Floor/Room Number:36/3609

City: Addis Ababa

Post Code: 255

Country: Ethiopia

Telephone: +251-11-113-0592

E-mail address: FoanoFola@cbe.com.et; FereselamDeressa@cbe.com.et
and SurafelTsegayAlemayehu@cbe.com.et

Please refer the EOI reference number at the time of query.

Terms of Reference

1. Background

The Commercial Bank of Ethiopia (CBE) has envisioned *to become a World-Class commercial bank financially driving Ethiopian's future*. The government of Ethiopia has a strong desire that CBE shall play its commercial banking mandate with strong financial soundness, which mandatorily entailed reviewing of credit quality and risk profile of CBE's loan through comprehensive Asset Quality Review (AQR).

With a view to enhance the quality of information available on the financial condition of CBE, to identify problem of assets quality and to implement necessary corrective measures, CBE has decided to recruit a reputable international consultant who will undertake AQR as per international standards.

2. Objectives of the Assignment

The general purpose of procuring an internationally reputable consulting firm service is to conduct Asset Quality Review of CBE as per international standards and provide report of such review.

3. Scope of Services, Tasks (Components) and Expected Deliverable

REF	Descriptions
A.	General Works
A.1	<p>The international consulting firm is required to:</p> <ul style="list-style-type: none"> a) Undertake a comprehensive assessment of CBE's current Asset Quality as per international standard and as stated in this TOR hereinafter; and b) Prepare review report on the findings with recommendations.
A.2	<p>For the purposes of reviewing Asset Quality of CBE as per international standard and in accordance with the requirements stipulated in this TOR, the consultant shall:</p> <ul style="list-style-type: none"> 1. Perform competitive analysis and determine competitive position of CBE's key businesses. 2. Compare/benchmark CBE's practices in each area against: <ul style="list-style-type: none"> a) The local competitiveness landscape; b) International good practice for state-controlled banks; c) Other relevant experiences and global standards; d) Relevant National Bank of Ethiopia's (NBE's) – the Central Bank – directives governing the operations of licensed Commercial Banks in Ethiopia, including directives on assets classification and provisioning; related party, large exposure,

REF	Descriptions
	<p>and Basel II/III.</p> <p>e) Benchmarking experiences and other relevant frameworks used to evaluate the governance, operation and business models of state-controlled banks as agreed by CBE.</p> <p>The main source of information for assessments will be industry reports; NBE, MOF and other government organization periodic reports; regional and global benchmarking industry and CBE's reports; customer's opinion; CBE's staff and other internal and external reports. To this effect, the Firm will conduct opinion survey of CBE customers, conduct interviews of CBE's management and staff, analyses of CBE's financial statements, reports, other documents, and operating manuals of CBE, and examine the business processes of CBE.</p>
A.3	Detailed work should be carried out to assess and describe CBE's current and planned overall asset related issues considering expected developments in the Ethiopian Banking market and increasing role of the market and private sector in the economy.
B.	Specific Works
B.1	The Asset Quality Review covers CBE's financial condition and operation of CBE (both domestic and international Banking including Interest Free Banking) and other relevant key variables that defines the current state of CBE Asset quality as per the international standard.
B.2	The Consultant shall provide scenarios on the overall book provision for CBE to decide as explained in C.1
B.3	Assessment of Overall Financial Condition and Operation
B.3.1	<p>Detailed work should be carried out to assess CBE's asset quality performance across key business segments. The consultant shall conduct an assessment of CBE's overall financial condition and operation including both domestic and international Banking businesses. This assessment should inter alia focus on:</p> <ol style="list-style-type: none"> 1. Assessment of CBE's operations given current mandate, including. case studies on similar state-owned banks and provide recommendations accordingly; 2. Assessment and description of the overall condition of CBE and any material threats to CBE's solvency posed by risks to CBE's assets, capital, liquidity, operational risk; 3. Assess Capital adequacy, Asset quality, Management, Quality of Earnings and Liquidity position of CBE; 4. Identifying financial strengths and weaknesses of CBE by properly establishing

REF	Descriptions
	<p>relationship between the items of the balance sheet and the profit and loss account;</p> <p>5. Evaluation of efficiency of CBE's operational activities (cost versus income); and</p> <p>6. Presentation of a consolidated balance sheet and income statement for CBE, incorporating pro forma adjustments reflecting the results of the AQR.</p>
B.3.2	<p>Detailed work should be carried out to evaluate Fund Management and Liquidity of CBE:</p> <ul style="list-style-type: none"> a. Effectiveness and appropriateness of fund management strategy and practice of CBE, b. Appropriateness and effectiveness of LCY asset and liability mismatch of CBE and its associated risk, c. Appropriateness and acceptability of FCY Asset and Liability open position of CBE, d. Acceptability of the level of liquidity risk of CBE, e. Level of match or mismatch between the deposit portfolio and loan portfolio of CBE, f. Assessing the accuracy, clarity, relevance and timeliness of financial reports of CBE and appropriateness of the reporting policies of CBE. Quantifying the financial sustainability and viability of each main business line of CBE, including: (i) preparing a five-year projection of CBE's consolidated balance sheet and income statement. This projection should identify CBE's consolidated liquidity needs and provide a liquidity plan identifying sources of funding to meet liquidity needs; and, (ii) for each main business line a three-year projection of the line's consolidated balance sheet and income statement using the post-AQR pro-forma balance sheet, as conducted in Section C1-C4 below. <p>Note these consolidated balance sheet and income statement would only be used for internal strategic discussions and can be shared with the Government, IMF and World Bank as required; (i.e., they should not be treated as audited/unaudited financials released to the public).</p>
C	Asset Quality Review (AQR)
C.1	<p>This AQR Framework should be applied by the selected firm (hereinafter: The Consultant), which should be a reputable international Consultant to be selected by the International Management Consulting Firm. An audit firm that performed the regular annual audit of a CBE's financial statements for FY 2023-2024 is prohibited from being selected as the Consultant to perform the work described in this AQR framework. The methodology should be 1) forward looking, 2) focused on clients</p>

REF	Descriptions
	<p>with exposures 1%+ for private sector and 0.10%+ for related party of CBE's Capital (the referred capital amount was taken as of November 30, 2024), 3) include remedial actions recommendations 4) dependent on CBE to make decisions and take action. CBE will provide granular sector PD, client level PD (if readily available) and ECL models for the Consultant to adjust inputs and provide overall book provisioning under different coverage ratio scenarios for reference purpose. CBE will decide what level of provisions to take which can be used to adjust the financial statements, according to IFRS 9. Please note these financial statements would only be used for internal strategic discussions and can be shared with the Government, and World Bank as required; however, they should not be treated as audited/unaudited financials and should not be released to the public. This approach applies throughout Section C of this TOR, specifying that decisions on provision changes reflected will be based on CBE's decisions, not the Consultant's.</p>
C.2	<p>Every two weeks following the date on which the Consultant begins the performance of the AQR work, the Consultant shall prepare and submit to CBE and the World Bank a short progress report. At CBE and World Bank's request, the Consultant shall make its AQR team available to discuss the progress and interim findings of the AQR.</p>
C.3	<p>The Consultant shall submit its final draft AQR report to CBE and World Bank for review and comment 8-10 weeks after project start/contract signing date. CBE will provide the Consultant with its written recommendations for finalizing the AQR report. In its final AQR report the Consultant shall comply with all recommendations made by CBE.</p>
C.4	<p>In its sole discretion, CBE may reject the Consultant's AQR report for failure to comply with all the requirements given in this Detailed AQR Framework. CBE will allow a reasonable period of time for the Consultant to correct any deficiencies in the AQR report and/or to provide a satisfactory justification for the Consultant's failure to comply with all the requirements given in this Detailed AQR Framework.</p>
C.5	Relevant accounting Standards
C.5.1	<p>The review and diagnostic studies performed by the Consultant and Consultant's opinion and reports should be in line with International Financial Reporting Standards (IFRS) and complemented by best practice methodology applied by banks globally, unless otherwise specified in this AQR Framework.</p>

REF	Descriptions
	In consultation with CBE, the Consultant may conduct additional analyses, which may not be completely in line with these standards.
C.5.2	In case of inconsistency between International Accounting Standards (hereinafter: IFRS) and the NBE's regulations, the latter shall be applied. As Specified in Annex 1, the Consultants shall provide reports highlighting the differences and effects of applying the NBE's regulations instead of IFRS.
C.5.3	The Consultant should plan and perform its task with sufficient scope to be able to provide reports with the evaluations and comments as specified in this AQR Framework. Before being contracted by CBE, the Consultant should submit a list of its personnel assigned to perform the AQR identifying: (a) the tasks to be performed in the AQR by each person; (b) the qualifications and experience of each person; and, (c) the planned allocation of time of each person.
C.5.4	Before being contracted by CBE, the Consultant should submit a quality management plan (hereinafter: QMP) for the AQR. This plan should include the following: (a) names, qualifications, relevant experience, and firm by which they are employed of persons designated to perform quality assurance; and, (b) description of the quality assurance procedures to be performed, including time allocated to each listed individual for the performance of quality assurance functions for the AQR. CBE may request the Consultant to amend the QMP.
C.6	Data to be Submitted to the Consultant
C.6.1	<p>The following business year reports prepared by CBE shall be reviewed:</p> <ol style="list-style-type: none"> 1. Audited financial statements and accompanying Notes to the Financial Statements of CBE for the Financial Years (FY) ending 30 June 2022, 30 June 2023, and 30 June 2024; <ol style="list-style-type: none"> a. Statement of Changes in Capital; b. Cash Flow Statement; c. Report on loans, overdue loans, nonperforming Loans (NPLs), refinanced loans, rescheduled Credits and Advances; as requested; d. Report on provisions and impairments for losses under IAS/IFRS and regulatory requirements (per the NBE's regulations), write-offs and collected written-off claims; as requested; e. Report on contracted and contingent liabilities (held off-balance sheet); f. Any other reports and additional data considered by the Consultant to be necessary to

REF	Descriptions
	<p>perform its tasks produce any report specified in this AQR framework;</p> <p>g. All other reports containing relevant financial and other information and data as of 30 June 2024;</p> <p>h. Unaudited financial statements and reports as of 31 December 2024 or latest quarter financial statements and report after project start date along with other relevant financial information and data;</p> <p>i. Granular sector PD, client-level PD and ECL models used at CBE;</p> <p>j. Data on inter-related parties, inter-related persons and affiliates, related credit exposures, including exposures to state owned enterprises, common ownership or corporate structure;</p> <p>k. List and details on guarantees;</p> <p>l. Randomly selected loan files for thorough investigation shall be provided as requested; and,</p> <p>m. Collaterals provided by client, in a digital and easily analyzable format, including situations when the same collateral is pledged to secure separate credits to different legal or physical persons.</p>
C.6.2	The Consultant should not rely on the audited financial statements or Notes to the Financial Statements of CBE while performing the AQR.
C.6.3	The Consultant shall notify CBE immediately if any individual employed by CBE at any time fails to provide data requested.
C.7	Reports the Consultant Should Produce
C.7.1	The reports to be submitted by the Consultant to CBE are specified in Annex 1 to this detailed Asset Quality Review framework and shall be submitted in the format and order specified in Annex 1.
C.8	Asset Quality Review
	CBE wish to fully identify and quantify the quality of CBE's assets, earnings, and capital, and to achieve that end:
C.8.1	Detailed work should be carried out to review CBE's policies, procedures, and practices and assess their harmonization with IFRS standards and regulatory requirements, particularly those which have major influence on business results and a material impact on CBE's operations (e.g. policies and procedures related to defining status of outstanding obligations, acceptability of outstanding obligations status triggers, policies and procedures related to correction of value

REF	Descriptions
	calculation, policies and practices related to eligible collateral definition and collateral value assessment, credit restructuring and reprogramming policies and practices, etc.). The consultant shall identify the deviations from the standards, but will not be expected to quantify the impact of those deviations.
C.8.2	<p>Detailed work should be carried out to assess the quality and risk profile of assets. This assessment should include not only credits, but also any other approved credit exposure (on and off-balance sheet), as well as CBE's investment portfolio. During the assessment, the following should be considered:</p> <ul style="list-style-type: none"> a. Scope, dispersion, prudence and adequacy of classified assets evaluation. b. Level and structure of non-due, due, problematic/NPLs, reprogrammed, refinanced and collected assets items. c. Adequacy of correction of value of credits and provisions under on and off-balance sheet exposure and adequacy of regulatory provisions for credit losses. d. Existing credit exposure concentration.
C.8.3	<p>Detailed work should be carried out to accurately classify CBE's assets. All risk assets items should be classified as performing or nonperforming if payment is overdue based on IFRS standards. The effect of changes to asset classification as a result of work on CBE's financial reports after 30 June 2024 should be clearly identified in the Consultant's reports. All credits to individual borrowers or groups of related persons should be classified in the same risk classification or in case of different classification, should be separately indicated and explained/justified. For multiple loans outstanding to a single borrower as calculated in accordance with the Single Borrower Loan Limit, and one loan or advance, which accounts for at least 20% of the borrower's total loans with the bank, meets the criteria for non-performing loan, then all other loans or advances to the borrower shall automatically be placed on nonperforming status, regardless of any requirements laid out in the NBE Directive.</p> <p>The Consultant shall initially classify assets as performing or nonperforming based on formulas agreed to by CBE and the Consultant, and depending on IFRS standards. Judgment on classification of assets and decisions on NPLs, and any changes to the financial statements thereof, shall be made by CBE, not the Consultant. The consultant shall provide scenario-based analysis to CBE and CBE management shall make the decisions and exercise its judgment in order to adjust the financial statements.</p>
C.8.4	Detailed work should be carried out to produce an overview of client with equal of 1%+ for

REF	Descriptions
	private sector and 0.10%+ for related party of CBE's Capital based on common ownership or corporate structure (e.g. credits to and private enterprises; and within private enterprises, groups of inter-related persons). CBE will provide information on related credit exposures and common ownership etc. and the Consultant will do this on a best-effort basis depending on the availability of data from CBE.
C.8.5	Detailed work should be carried out to clearly identify incurred and expected credit losses (ECLs), emphasizing their impact on Profit and Loss, the Balance Sheet, and Capital, reducing revenues based on credits which were not repaid or where it is unlikely that they would be repaid by the borrower.
C.8.6	Detailed work should be carried out to identify credit exposure concentration, concentration towards inter-related persons and persons related to CBE should be identified and quantified, as defined by the NBE's regulations or IFRS, in terms of concentrations representing 1%+ for private sector and 0.10%+ for related party of core capital, or industry (sectoral) concentrations representing 25% or more of core capital, and this should be presented in detail. The status of each individual concentration exceeding exposures level of 1%+ for private sector and 0.10%+ for related party of CBE's Capital must be analyzed on an individual basis. The quality of the borrower, as well as its repayment capacity under current credit terms should be commented on. CBE will provide information on inter-related persons and persons related to CBE.
C.8.7	Comments should be provided on current and planned CBE policies, practices and procedures in order to identify borrower's joint ownership, control and reliance on mutual cash flow.
C.8.8	Detailed work should be carried out to: (a) identify and list credits approved to current and former client with exposure equal to 1%+ for private sector and 0.10%+ for related party of CBE's capital, where such credits took place while the beneficiary was a person related to CBE, and which credit has remained outstanding (fully or partly) as of 30 June 2024; and (b) provide comment on status of receivables from persons related to CBE and capacity to repay the credit under the existing credit terms. Persons related to CBE should be defined in such a way to include current and former: directors, management members, and Board members. CBE will provide information on related parties.
C.8.9	The credit exposures (excluding exposure classified as loss, and other completely written-off items and including advances and any other credits risks, including guarantees and opened Letters of Credit, and similar off-balance sheet items of credit risk) described in this Section C.8.9 should be individually assessed in the credit portfolio including the effect of application of the collateral valuation methodology stated in Section C.8.10. The Consultant shall

REF	Descriptions
	<p>individually assess credit exposures identified in Sections C.8.9.a through C.8.9.g equal to not less than 75% (seventy-five percent), of gross credit exposure including:</p> <ul style="list-style-type: none"> a. All exposures to enterprises greater than 1% of core capital; plus, b. All exposures greater than 1% of equity capital not individually assessed under Section C.8.10.a in default more than 90 days; plus, c. All exposures greater than 1% of equity capital not individually assessed under Sections C.8.10.a and b. which have been restructured or rescheduled; plus, d. All exposures greater than 1% of equity capital not individually assessed under Sections C.8.10.a, b. and c. which are past due more than 60 days but less than 90 days; plus, e. All exposures greater than 0.1% of equity capital to private legal or physical persons related to CBE and their related interests; plus, f. All other exposures not individually assessed under Sections C.8.9.a, b., c and d. which exceed 1% of CBE's equity capital; plus, g. Exposures which exceed 2.5% of CBE's equity capital in the form of investments, equity or quasi-equity shares, interbank credits and receivables from the money market, acquired collateral, taken and contingent liabilities and guarantees, as well as other assets; plus, h. For the portion of CBE's credit portfolio not individually assessed under Sections C.8.10a. through C.8.10.g. The Bank and the Consultant shall agree on the sampling methodologies for review all credit exposures of CBE.
C.8.10	<p>Detailed work should be carried out to the adequacy of impairment allowances and other provisions and reserves carried out under Section C.8.9 and this work must apply the principles and methodology for the calculation of impairments stated in this Section C.8.10 even where the application of this Section C.8.10 overrides or contradicts IFRS 9 or the NBE's regulations:</p> <ul style="list-style-type: none"> a. Assessment of impairment should be based upon the borrower's capacity to repay its debts and service interest and principal repayment from its future operating cash flow. Collateral and other security instruments should be of secondary importance only and must be valued in accordance with the methodology given in Section C.8.10 c. and d.; b. Comments should be provided on: <ul style="list-style-type: none"> i. The adequacy and documentary support of borrower's future cash flow plan to

REF	Descriptions
	<p>enable total debt service; and,</p> <ul style="list-style-type: none"> ii. The appropriateness of assumptions made in such plan, as well as process based on which CBE assesses borrowers plan and runs rigorous sensitivity analysis; <p>c. The value of cash, securities, and guarantees provided as collateral shall be discounted by the following minimum amounts:</p> <ul style="list-style-type: none"> i. Cash or marketable securities pledged to and held by CBE: [0%] ii. Cash or marketable securities pledged to CBE but not held by CBE: [20%] iii. Shares in publicly traded companies: [5%] iv. Ownership stakes in private limited companies: [50%] v. Bank guarantees where the guarantor has a credit rating provided by any of Fitch Ratings, Moody's, or Standard & Poor's of A or higher: [0%] vi. Bank guarantees where the guarantor has a credit rating provided by any of Fitch Ratings, Moody's, or Standard & Poor's of BBB or lower: [10%] vii. Bank guarantees where the guarantor does not have a credit rating provided by any of Fitch Ratings, Moody's, or Standard & Poor's: minimum of [50%] or higher discount subject to the Consultant's assessment of the risk of the guarantor; and, <p>d. The value of physical assets (movable and immovable) pledged as collateral shall be valued by the Consultant using the sum up to 100% of the discounts multiplied by the value of collateral recorded in CBE's books, calculated using the following minimum discounts:</p> <ul style="list-style-type: none"> i. No valuation documented in the credit or asset file: [100%] ii. No valid security instrument in the credit or asset file or the security instrument has not been perfected: [100%] <ul style="list-style-type: none"> a. Collateral is moveable: [25%] b. Same collateral pledged to secure separate credits to different legal or physical persons: [25%] c. Basis of valuation performed by the valuator: <ul style="list-style-type: none"> 1. Prices of comparable collateral sold in the same market less than 1 year before the date of valuation: [5%] 2. Prices of comparable collateral sold in the same market more than 1

REF	Descriptions
	<p>year but less than 2 years before the date of valuation: [10%]</p> <ol style="list-style-type: none"> 3. Prices of comparable collateral sold in the same market more than 2 years but less than 3 years before the date of valuation: [30%] 4. Prices of comparable collateral sold in the same market more than 3 years before the date of valuation: [50%] 5. Calculation of value made by using the discounted present value of rental income from current leases or contracts of the collateral: [10%] 6. Calculation of value using the discounted present value of rental income of collateral comparable to the collateral: [30%] 7. Construction or purchase cost of the collateral net of depreciation less than 1 year before the date of valuation: [20%] 8. Construction or purchase cost of the collateral net of depreciation more than 1 year but less than 2 years before the date of valuation: [40%] 9. Construction or purchase cost of the collateral net of depreciation more than 2 years but less than 3 years before the date of valuation: [60%] 10. Construction or purchase cost of the collateral net of depreciation more than 3 years before the date of valuation: [80%] <p>d. Date of valuation in the credit or asset file:</p> <ol style="list-style-type: none"> i. Before 31 December 2020: [50%] ii. Before 31 December 2019: [75%] iii. Before 31 December 2018: [100%] <p>e. At its own discretion the Consultant may apply higher but not lower discounts to collateral value than those given in Section C.8.10 c. and d.</p>
C.8.12	The Consultant should review the adequacy of CBE's credit policies, procedures, and controls, and its capacity to identify weaknesses, assess, manage, supervise, control and make enforced collection of credits and collection of written-off credits, advances, guarantees and other credit investments.
C.8.13	CBE will decide what level of provisions to take based on the coverage ratios. In case the capital is not sufficient to support current and future operating risks based on the provisions CBE takes, amount of additional capital which would be adequate should be recommended, taking into account the NBE's relevant regulations.
C.8.14	There is a need to provide detailed list of all adjustments needed in order to ensure that financial

REF	Descriptions
	reports provide accurate and objective presentation of CBE's financial position and business. Adjustment can include additional provisions for credit losses and other amounts of provisions, suspension or cancellation of interest accrued on credits and advances which are considered non-performing/problematic, assets to be written-off, losses based on exchange rate differences, revenue which is re-established, or any other adjustment and reclassification which have material impact on financial reports. Material impact is defined as a minimum level of 5% of the net value of on and off-balance sheet assets, and a minimum level of 5% of total revenue for revenues and non-interest expenditures for expenditures.
C.8.15	The Consultant should provide a detailed list of the riskiest items of on and off-balance balance sheet assets that, after adjustments in the financial reports by CBE informed by the Consultant's scenario analysis, remain at risk of further significant changes of value in the future.
C.8.16	<p>The Consultant should provide a detailed list of the most important revenue and expenditure items, that in the Consultant's opinion may be significantly over or under-stated even after the adjustments made to CBE's financial statements as a result of this AQR.</p> <p>The Consultant should provide relevant scenario-based analysis of the most important revenue and expenditure items; however, CBE will make the decisions on adjustments needed.</p>
C.9	Modification of Requirements of the Asset Quality Review
C.9.1	The Consultant may make to CBE a bid, accompanied by appropriate justification, to modify the reports or other requirements defined in this Asset Quality Review, with the aim to perform the Asset Quality Review task in such a way to achieve its main objectives, but at the same time reduce costs and make more efficient use of the Consultant's resources.
C.9.2	The Consultant is requested to keep in mind that special importance and weight would be given to the assessment of bid for modification.
C.10	Independence, Impartiality and Confidentiality
C.10.1	At the time of submission of Detailed Asset Quality Review bid and work plan in accordance with Sections 'A to C' of this Asset Quality Review Framework, the Consultant must be independent of any member of CBE's Board of Directors or Executive Management Committee.
C.10.2	Any matter related to the Consultant's work including this Asset Quality Review Framework, or any or all the data and documentation made available by CBE to the Consultant, CBE's clients shall be treated as confidential. All the persons related to the Consultant or subcontracted by the Consultant, who shall have access to such data and documentation must be informed on the

REF	Descriptions
	importance of maintaining full confidentiality. CBE has the right to share information regarding the Consultant's work and the Consultant's reports prepared in accordance with this Asset Quality Review Framework with such persons or institutions as CBE may decide, subject to such persons or institutions being signatories of a confidentiality agreement satisfactory to CBE.
C.10.3	The Consultant is not required to make conclusions that are in line with CBE managements or CBE's external (statutory) Consultant's conclusions. However, the Consultant may be required to take part in the discussions between CBE, or parties designated by CBE regarding the content of the Asset Quality Review report.
C.11	Archive and Working Papers
C.11.1	The Consultant shall be required to follow highest standards of commitment related to taking complete notes on its activities and to take necessary measures for all the working papers and other documentation to be filed and indexed within a secure archive and records management system.
C.11.2	One copy of each document related to the Detailed Asset Quality Review (together with index system) shall be submitted to CBE within 14 days after delivery of the final Asset Quality Review report to CBE. This archive may be submitted in an electronic form acceptable to CBE.
C.11.3	The Consultant shall appoint person in charge of maintaining archive and records management system.
C.12	Asset Quality Review Reporting Contents Provisions
C.12.1	The Consultant shall submit the Report on the Detailed Asset Quality Review prepared in accordance with Annex 1 of this Terms of Reference to CBE and to the World Bank.
D	Strategy Articulation/ Revalidation
D.1	<p>Based on the assessment and diagnosis conducted as per the criteria stipulated in the TOR and international standard of AQR assessment, the consultant shall:</p> <ol style="list-style-type: none"> 1. Present key findings from the external and internal assessments; 2. Facilitate discussions on key issues and causative factors to distil validated business model hypotheses on: <ul style="list-style-type: none"> ○ Priority target markets/ segments ○ Winning value proposition to its target markets/ segments; and ○ Basis for competitive advantage within the market.
E.	Consulting Standards
E.1	This Asset Quality Review should be applied by the selected Management

REF	Descriptions
	Consulting/Professional Services firms (hereinafter: consultant), which should be a reputable international consulting firm as described in this TOR.
E.2	The consultant should plan and perform its task as specified in this TOR.
E.3	<p>A complete electronic copy of the following documents related to the areas of the Asset Quality Review such as relevant laws, regulation and directives relating to the Banking sector will be provided by CBE to the consulting firm, immediately upon mobilization of the consultant, for the purpose, and for the duration of the assessment, as listed below but not limited to:</p> <ul style="list-style-type: none"> a. The recent 3 years audited financial reports; b. Credit policy and procedure manual; c. Accounting, cash, domestic and international Banking manuals; d. Sample branch returns; e. Sample audit reports; and f. Sample credit report.
E.4	The consultant shall submit its draft report to CBE for review and comment. CBE will provide the consultant with its written recommendations for finalizing the report.

4. Profile of the Firm, Team Composition, Required Personnel, Qualification and Experience

4.1 Qualified Firms

The Firm to be selected will be an internationally reputable professional services firm with offices or member firms in not less than 5 countries. The consortium led by the Firm may include firms or individuals sub-contracted by the Firm to provide specific technical expertise required to provide services.

4.2 Structure of Responsibilities

Technical bids should reflect the following structure of responsibilities and duties:

- i. In case of Joint Venture, a single member firm (the “Lead Firm”) will conduct all businesses for and on behalf of any and all members of the Joint Venture and the members are jointly and severally liable to the Bank for the performance of the contract. However, the lead firm will be the legal counterpart for contractual purposes and will be solely responsible for the delivery of the services described in this Terms of Reference;
- ii. If acting in consortium, the Lead Firm will be responsible for quality control over the activities of all of its consortium members; and
- iii. The Lead Firm will provide not less than 50 percent of the required inputs with respect to the reports and assessments.

4.3 Qualifications and Experience

To be considered qualified to perform the services, the firm’s personnel, including a majority of senior staff proposed for the project, must be able to demonstrate the ability to collectively deliver all of the deliverables specified in this TOR. The firm should clearly demonstrate in its bid:

- i. Full knowledge and experience in the use and application of GAAP, IFRS, IAS, Basel Committee for Banking Supervision Standards, and applicable regulations of the NBE. Such knowledge should have been gained in the performance of AQRs internationally, with experience of performing AQRs in less developed countries considered specifically desirable;
- ii. Extensive experience in the provision of consulting services to banks, including specific experience and capacity to conduct the Asset Quality Review described in TOR above, and

other international institution recommendations for the governance and business of state-controlled banks; and

iii. Good communication and interpersonal skills.

4.4 Required Personal

- i. Technical proposals should specify: the names, qualifications & experience of all personnel assigned to perform the services; the specific services that each person will perform; and, the time (in workdays) allocated for the performance of the specific service.
- ii. Substitutions of personnel will only be permitted with the written consent of CBE. Consent will only be granted in cases where:
 - A. The reason for substitution is fully justified; and,
 - B. Where the proposed replacement person has fully equivalent or higher seniority, qualifications and experience and is acceptable to CBE.

4.5 Key personnel to be Deployed by the Consultant

The consultant shall provide competent personnel for the performance of the Asset Quality Review of CBE. The minimum requirement of key personnel shall include but not limited to:

Key Experts Required	Minimum Man-Months required	Minimum Required Number	Minimum Educational Qualification*	General Experience**	Relevant Experience***
Project Manager	3 months onsite	1	First Degree in Management or related business fields and relevant certifications	10 Years	5 Years in similar project management as a project manager
Asset Quality Review specialist	3 months onsite	1	First Degree in Accounting or related business fields and certification in the area of expertise	8 Years	5 Years in distressed assets management, turnaround strategy formulation and related consulting assignment

Accounting, Financial Management and Reporting Specialist	3months onsite	1	First Degree in accounting and Finance or related business fields and certification in the area of	8 Years	5 Years in financial report preparation, auditing, financial management, and related consulting assignments
---	----------------	---	--	---------	---

Note:

(i) General qualifications (general education, training, and experience): [20%] is decomposed into:

**Education and training/certification [12%]-*

- 1. Educational Status weights 8% whereas, PHD (8%), MA/MBA/MSc (6%), BA/BSc (4%),*
- 2. Certification: relevant certification weights (4%).*

*** General Experience weights [8%] whereas,*

an experience equal to or above 15 years (8%), 10 to 14 years (6%), 5 to 9 years (4%) less than 5 years (2%)

(ii) Adequacy for the Assignment (experience in the sector/similar assignments): [70%] is decomposed in to:

**** Experience in the sector/similar assignments -*

- 1. Relevant Experience for the pillars (20%): 2 points for every related experience with maximum of 20%;*
- 2. International Bank/Financial Institution projects (25%): 5 points for every international bank /financial organization with maximum of 25%; and*
- 3. Number of man-months in relevant projects (25%): provided that experts with the higher man-months in relevant projects will score the maximum weight.*

(iii) Knowledge of the Ethiopian Economy (10%)

- 1. Consulting exposure in Ethiopia (2%)*
- 2. Consulting exposure in developing economies similar to Ethiopia (3%)*
- 3. Participation by nationals among proposed key experts (5%)*

5. Project Management, Reporting Requirements, External Reporting and Time Schedule for Deliverables

5.1 Project Management Structure

The Firm or consortium of firms (both referred to as the “Firm”) selected to carry out the project shall report to a designated project supervisor (the “PS”) appointed by CBE and reporting to CBE’s President. The PS shall be responsible for coordinating the activities of the Firm at CBE. All reports and other deliverables are to be submitted for comment and factual correction to the top management of CBE through the designated PS in draft prior to finalization. The Firm should first seek resolution of any issues or roadblocks encountered at the PS level. In the event an acceptable solution cannot be achieved at the PS level, then the PS shall refer the issue to CBE for resolution.

5.2 Project Implementation Plan (PIP)

Not later than 1 weeks following **the date of contract signature**, the Firm shall submit to the PS a Project Implementation Plan (PIP) containing a detailed implementation timetable for performance of each of the services and deliverables described in the TOR. The PS shall inform the Firm of any changes needed to the PIP within seven days of submission of the draft PIP, and the final PIP shall be submitted to CBE and the PS within 3 weeks of the contract signature.

The PIP may also be amended from time to time in accordance with circumstances with the agreement of the CBE and the Firm.

5.3 External Reporting

The draft and final reports, prepared by the Firm will be provided to CBE under conditions of confidentiality. All data, financial or other information provided to the Firm by CBE shall remain the sole property of CBE and the reports prepared by the Firm shall not be shared with any other party except:

- (a) As provided for in these TOR; and
- (b) As determined by authorized persons or corporate bodies of CBE.

The Firm will be required to present and discuss the findings of reports with CBE and such other institutions or individuals CBE may decide from time to time and may be required to undertake further work and/or revision of draft reports in order to meet acceptable standards of quality.

5.4 Project Life Span and Reporting Requirements

a. Project Life

Unless the situation demands, the overall project life is expected to be three months. The consultant shall prepare the following documents at various points in the progress of the Project which should be submitted in English language.

b. Inception Report

One month after completion of mobilization and within five weeks after **the date of contract signing**, the consultant shall submit and present the inception report for the “Asset Quality Review”. The report shall contain the consultant’s initial findings in all areas indicated in this TOR and confirm the suitability of the methodology and detailed work program proposed for the task in light of the initial findings. The report shall also include executive summary.

c. Draft Final Report

In 10 weeks after **the date of contract signing**, the Consultant shall submit and present the draft final report for the “Asset Quality Review”. The report shall as far as possible, be written to stand alone, shall include executive summary, which shall concisely present the key findings and recommendations in all project areas as indicated in the TOR, thereof together with summaries of all sections.

d. Final Report

Within 12 weeks after **the date of contract signing**, the Consultant shall submit the final report which shall merely update the draft final report to incorporate the formal comments received. The report shall include the comments and the Consultants’ responses to them in annexes.

6. Duties and responsibilities of the Consultant/Firm

The Consultant shall carryout the following duties and responsibilities apart from others:

- i) The Consultant shall respect and abide the terms and conditions stated in the RFP;
- ii) The Consultant shall act in good faith towards CBE and acknowledges that the terms and conditions in discharge of its duties;
- iii) At all times the Consultant shall recognize with the ingenuity, capability and knowledge to render the service required;
- iv) The Consultant shall at all times remain duly bound not to disclose CBE’s and its customer’s information it has come to know in its relation with CBE;

- v) The Consultant is directly responsible to communicates with the assigned Project Supervisor; and
- vi) The Consultant shall submit performance and other reports when CBE requests.

7. Responsibilities of CBE

CBE shall carryout the following responsibilities apart from others:

- i. CBE shall avail counterpart team;
- ii. CBE will avail office, and other office facilities;
- iii. CBE will provide all financial data and other information for the execution of the Project; and
- iv. CBE's staff will be available to answer any inquiry as needed.

8. Assessment of the Consultant's Performance and Deliverables

The assigned Project Supervisor in consultation with other divisions of the bank shall assess the quality of the service provided as per the above-mentioned reports delivered by the Consultant.

9. Meeting Minutes and Formal Documents

i. Formal Minutes of Meeting

Throughout the project, the Consultant shall arrange a bi-weekly formal meeting with CBE and shall take formal minutes of such meetings which shall be dully signed by both counterparties and submitted to CBE for documentation.

ii. Submission of Documents

The Consultant shall submit the inception report, the draft final report, the final report, and the minutes of meeting as original plus required copies to CBE.

ANNEX 1: ASSET QUALITY REVIEW REPORT FORMAT

The Consultant shall prepare and submit its Asset Quality Review Report in the format given in Annex 1 & 2 at a minimum requirement but not limited to this specific format.

Section	Subject	Content	Comprehensive Framework Section ¹
1	Report Cover		
2	Table of Contents	<ul style="list-style-type: none"> Listing of sections and sub-sections of the Asset Quality Review Report with page numbers 	
3	Table of Abbreviations and Acronyms Used	<ul style="list-style-type: none"> Full wording of all abbreviations and acronyms used in the report. Where technical terms are used, a short explanation should also be provided. 	
4	Executive Summary		
4.1	Key Findings and Recommendations	<ul style="list-style-type: none"> Listing of major qualitative findings from the Asset Quality Review and the Consultant's recommendations for corrective actions to be taken by the CBE 	<ul style="list-style-type: none"> C.8 (All)
4.2	Impact of Asset Quality Review on CBE's business performance and strategy formulation	<ul style="list-style-type: none"> Listing of major outcomes of the Asset Quality Review adjustments on the overall business performance and strategy formulation of CBE. This shall be stated both financially and non-financially by: <ul style="list-style-type: none"> ➤ Table showing impact of AQR (as part of the comprehensive assessment) adjustments on the capital adequacy of CBE calculated under regulations and its capital as reported under IFRS. ➤ Table of major balance sheet adjustments as a result of the Comprehensive assessment of AQR ➤ Short description of each material balance sheet adjustment 	<ul style="list-style-type: none"> C.8.5 C.8.9 C.8.10 C.8.13

¹ References to Detailed AQR Framework Sections are provided for convenience only. It is the Consultant's exclusive responsibility to ensure that all relevant Sections of the Detailed Asset Quality Review Framework are included in the relevant AQR Report Section.

4.3	Exceptions to the Asset Quality Review Framework	<ul style="list-style-type: none"> Table showing exceptions to the procedures and methodologies given in the Detailed ASQ Comprehensive assessment framework and explanation of reasons for exceptions 	C5.2
4.4	Sampling	<ul style="list-style-type: none"> Table showing: <ul style="list-style-type: none"> Listing of strategy documents reviewed, Assessment report on the overall financial condition and operation: <ul style="list-style-type: none"> ➤ Number of loans subject to individual assessment of impairment; ➤ Percentage of credit portfolio subject to individual assessment of impairment; ➤ Number and percentage of borrowers subject to individual assessment of impairment; ➤ Number and percentage of legal person exposures subject to individual assessment of impairment; and, ➤ Number and percentage of physical person exposures subject to individual assessment of impairment 	<ul style="list-style-type: none"> C8.9
5	Detailed Information Regarding Results of the Comprehensive assessment		
5.1	Overview	<ul style="list-style-type: none"> Description of implementation of the AQR comprehensive assessment framework and key findings 	<ul style="list-style-type: none"> A to C
5.2	Explanation of Adjustments	<ul style="list-style-type: none"> Tables and detailed discussion of all adjustments made to the balance sheet and income statement 	<ul style="list-style-type: none"> C.8.5
5.3	Comparative Impact of Adjustments	<ul style="list-style-type: none"> Tables and explanatory text regarding results of impairment assessments under IFRS, NBE regulations, and the Asset Quality Review Framework 	<ul style="list-style-type: none"> C.8.5 C.8.9 C.8.10
5.4	Calculation of Collective Assessment and IBNR	<ul style="list-style-type: none"> Table and explanatory text 	<ul style="list-style-type: none"> C.8.9 C.8.10
5.5	Related Party Lending	<ul style="list-style-type: none"> Tables and explanatory text 	<ul style="list-style-type: none"> C.8.4 C.8.8
5.6	Credit Concentrations & Groups	<ul style="list-style-type: none"> Tables and explanatory text 	<ul style="list-style-type: none"> C.8.6 C.8.7

5.7	Capital Adequacy	<ul style="list-style-type: none"> Detailed table and explanation for all adjustments to capital adequacy as a result of the comprehensive assessment 	<ul style="list-style-type: none"> C.8.13
6	Qualitative Assessments		
6.1	IFRS/IAS Compliance	<ul style="list-style-type: none"> Tables and explanatory text 	<ul style="list-style-type: none"> C.8.1 C.8.3
6.2	Quality of Risk Management	<ul style="list-style-type: none"> Text description identifying weaknesses in credit processes and credit risk management processes. A detailed description of CBE's credit process is not required. 	<ul style="list-style-type: none"> C.8.2
6.3	Regulatory Violations	<ul style="list-style-type: none"> Itemization and description of regulatory violations detected by the Consultant in the course of the comprehensive assessment 	<ul style="list-style-type: none"> C.8 (All)
Annex 1	Asset Quality Review and Quality Management		The Consultant will provide scenarios on the overall book provision for CBE to decide as explained in C.1
A.1.1	Report on implementation of Asset Quality Review implementation plan	<ul style="list-style-type: none"> Table showing planned use of Consultant's staff as itemized in the AQR Implementation Plan 	C.5.3
A.1.2	Report on implementation of QMP	<ul style="list-style-type: none"> Table showing planned responsible for implementing the QMP as itemized in the QMP 	C.5.4
Annex 2	Impairment Assessments – Loans and Off-Balance Sheet Credit Exposures		
A.2.1	Summary	<ul style="list-style-type: none"> Summary table of all adjustments made to impairments, including: <ul style="list-style-type: none"> Individual Assessments Collective impairments 	<ul style="list-style-type: none"> C.8.9 C.8.10
A.2.2	Individual Impairment Assessments	<ul style="list-style-type: none"> Description and justification for each individually-reviewed credit 	<ul style="list-style-type: none"> C.8.9 C.8.10
A.2.3	Collective Impairment Assessments	<ul style="list-style-type: none"> Description of how the Asset Quality Review Framework methodology has been applied by the Consultant for calculation of collective impairment Description of collective impairment assessments and IBNR 	<ul style="list-style-type: none"> C.8.9 C.8.10

/			
Annex 3	Additional Information & Schedules	The Consultant should provide any additional relevant information or findings in this Annex.	<ul style="list-style-type: none"> • All
	Etc.		<ul style="list-style-type: none"> •

ANNEX 2: STRUCTURE OF CBE LOAN PORTFOLIO

Total Loan outstanding by sector as at 31 December 2024 or latest quarter financial statements and reports after project start date (excluding consumer loans)				
S.No	Sector	Granular Sub sectors (New Segmentation)	No. Loans	Total outstanding without suspended interest (P+I) – Birr
1	Manufacturing	Manufacturing of Food & Beverage		
		Manufacturing of Textile, Chemicals		
		Manufacturing of Plastic, Metal and Machineries Equipment		
		Manufacturing of Cements, Wood and Printings		
		Other Manufacturing		
		Mining and quarrying		
2	Agriculture	Temporary Crops		
		Permanent Crops		
		Animal husbandry		
		Other Agriculture		
3	Financial Institutions	Financial Institutions		
4	Domestic Trade Service	Electricity, gas, steam and hot water supply		
		Health and Education		
		Hotel and Tourism		
		Transportation and Communication		
		Wholesale and Retail		
		Other DTS		
5	Construction	Construction of buildings & Infrastructural Dev.		
		Real estate activities		
		Other Construction		
6	International Trade	Export		
		Import		
Grand Total				

Total Loan outstanding by sector as at 31 December 2024 or latest quarter financial statements and report after project start date (Excluding Consumer Loans)				
S. No	Loan size	Sector	No. Loans	Total outstanding without suspended interest(P+I)
1	Less Than or equal to 10,000,000 birr	Manufacturing		
		Agriculture		
		Financial Institution		
		Domestic Trade Service		
		Construction		
		International Trade		
	Total			
2	10,000,001 up to 30,000,000 birr	Manufacturing		
		Agriculture		
		Financial Institution		
		Domestic Trade Service		
		Construction		
		International Trade		
	Total			
3	30,000,001 up to 100,000,000 birr	Manufacturing		
		Agriculture		
		Financial Institution		
		Domestic Trade Service		
		Construction		
		International Trade		
	Total			
4	Above 100,000,000 birr	Manufacturing		

Total Loan outstanding by sector as at 31 December 2024 or latest quarter financial statements and report after project start date (Excluding Consumer Loans)				
S. No	Loan size	Sector	No. Loans	Total outstanding without suspended interest(P+I)
		Agriculture		
		Financial Institution		
		Domestic Trade Service		
		Construction		
		International Trade		
	Total			
GRAND TOTAL				