

**No. 16/65/2011-BO.I**  
**Government of India**  
**Ministry of Finance**  
**Department of Financial Services**

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3<sup>rd</sup> Floor, Jeevan Deep Building,  
Parliament Street, New Delhi  
Dated, the 21<sup>st</sup> February 2012

The Chief Executives of all Public Sector Banks

**Subject: Performance Linked Incentives to Whole Time Directors of Public Sector Banks – reg.**

Sir / Madam,

I am to say that the Performance Linked Incentives to the Whole Time Directors (viz. Chairman and Managing Directors and Executive Directors) on the Board of Public Sector Banks have undergone certain changes. It has been decided to incorporate some additional parameters in the Statement of Intent targets from the year 2011-12. The basis of evaluation of the quantitative and qualitative parameters would be Banks' audited financial data as on 31<sup>st</sup> March of the relevant year. The broad parameters have been detailed in annexure. However the items included in the matrix are as under:

**Performance Evaluation Matrices**

**A. Quantitative Parameters**

<b><u>SOI PARAMETERS</u></b>	<b><u>MAXIMUM MARKS</u></b>
(i) Growth in CASA Deposits	10
(ii) Growth in Advances	5
(iii) Growth in Direct Agricultural Advances	5 (10)*
(iv) Growth in MSE Advances	5
(v) Advances to Weaker Sections	5
(vi) Level of Gross NPAs (Amount)	5
(vii) ROA	5
(viii) Net Profit (Profit After Tax)	10
(ix) Staff Cost Income Ratio	5

(x)	Other Costs towards P.L. (%)	5
(xi)	Financial Inclusion	5
(xii)	Performance of RRBs	5*
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	<b>Total</b>	<b>70</b>

\* Banks which have not sponsored any RRB will be assigned 10 marks for Direct Agricultural Advances.

**B. Qualitative Parameters for CMDs & EDs**

(i)	Strategic plan covering business strategies, operational milestone to be achieved	05
(ii)	Human Resource Development plan	05
(iii)	E Governance and e-payment	05
(iv)	RRB – Functional integration with Sponsor Banks	05
(v)	Business Process Re-engineering (BPR)	05
(vi)	Innovation	05
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	<b>Total</b>	<b>30</b>
	<b>Grand Total</b>	<b>100</b>

For qualitative parameters the Bank would require a Board approved plan covering period upto March, 2017 with quantitative milestones for each year. Marks would be awarded as per the following criteria the achievements against annual milestone. Parameters to judge the qualitative performance is indicated below:

S. No.	Performance Parameter	Incentive
1	Below 80%	Nil
2	80 – 90%	70%
3	90 – 100%	90%
4	105 – 115%	110%
5	> 125%	125%

The evaluation of performance would be done by a Sub-Committee of the Board of Directors called 'Remuneration Committee' consisting of (i) Government Nominee Director (ii) RBI Nominee Director and (iii) two other Directors. The incentive will cover the period starting from the financial year 2011-2012. In respect of Whole Time Directors retiring during the financial year itself, the eligible amount will be shared proportionately between the two incumbents.

2. The performance linked incentive will be admissible to CMDs / EDs of Public Sector Banks on the basis of scores obtained as per enclosed performance evaluation matrices:

For scores out of 100 marks	Incentive per annum ( ₹ in lakhs)	
	For CMD	For ED
100	8.0	6.5
81-99	7.0	5.5
61-80	6.0	4.0
60 and less	Nil	Nil

3. The Chief Executive Officers of Public Sector Banks are requested to constitute the Remuneration Committee of their respective Banks with the approval of Board of Directors of the Bank. On completion of the evaluation by the Committee, the eligible incentive amount would be paid to the Whole Time Director(s) and a copy of the evaluation report would be put to the Board for information. A copy of the same will also be sent to the Department of Financial Services, Ministry of Finance, for information.

This supersedes this Department's letter of even number dated 20<sup>th</sup> September 2011 on the subject.

Yours faithfully



(Umesh Kumar)

Joint Secretary to the Government of India

Encl.: Performance Evaluation Matrix.

Copy for information also forwarded to :

1. The Dy. Governor, RBI, C.O. Mumbai
2. All Government Nominee Directors on the Board of Public Sector Banks
3. Chief Executive, Indian Banks' Association, H.O., Mumbai.

PERFORMANCE EVALUATION MATRIX FOR CMDs & EDs

22  
13

A. QUANTITATIVE Performance Parameters

S. No.	Performance Parameters	Marks out of	Commitments under SOI-FY 2010-11	Evaluation Matrix	Marks Awarded
1	CASA Deposits as percentage of Total Deposits	10		upto 0.30 basis points below target	10
				Upto 0.35% below target	9
				Upto 0.40% below target	8
				Upto 0.45% below target	7
				Upto 0.50% below target	6
				More than 0.50 of basic points below target	0
2	Growth in Advances %	5		Achieved 95% and above	5
				Achieved 0.90%	4
				Achieved 0.85%	3
				Achieved 0.80%	2
				Achieved 0.75%	1
				Achieved < 75%	0
3	Growth in Direct Agricultural Advances (%)	5(10)*		Achieved 95% & above	5
				Achieved 90%	4
				Achieved 85%	3
				Achieved 80%	2
				Achieved 75%	1
				Achieved < 75%	0
4	Growth in MSE Advances (%)	5		Achieved 95% & above	5
				Achieved 90 %	4
				Achieved 85%	3
				Achieved 80%	2
				Achieved above 75%	1
				Achieved < 75%	0
5	Advances to Weaker Sections (%)	5		Achieved 95% & above	5
				Achieved 90%	4
				Achieved 85%	3
				Achieved 80%	2
				Achieved 75%	1
				Achieved < 75%	0

2011 (12)

6	Level of Gross NPAs (Amount)	5		Gross NPA Level in Excess of SOI level	
				a) by upto 2%	5
				b) by upto 4%	4
				c) by upto 6%	3
				d) by upto 8%	2
				e) by upto 10%	1
				f) by more than 10%	0
7	Return on Average Assets (ROA) (%)	5		Short upto 2 bps	5
				Short upto 4 bps	4
				Short upto 6 bps	3
				Short upto 8 bps	2
				Short upto 10 bps	1
				Short over 10 bps	0
8	Net Profit (After Tax)	10		Achieved 95% & above	5
				achieved 90%	4
				achieved 85%	3
				achieved 80%	2
				achieved 75%	1
				achieved < 75%	0
9	Staff Cost - Income Ratio (%)	5		Exceeds up to 20 bps	5
				Exceeds up to 40 bps	4
				Exceeds up to 60 bps	3
				Exceeds up to 80 bps	2
				Exceeds up to 100 bps	1
				Exceeds over 100 bps	0
	Other Costs towards P.L.(%)	5		Exceeds upto 10 bps	5
				Exceeds upto 20 bps	4
				Exceeds upto 30 bps	3
				Exceeds upto 40 bps	2
				Exceeds upto 50 bps	1
				Exceeds over 50 bps	0

10	Financial Inclusion	5		Coverage of unbanked villages of population 2000 and above	
				i) Target achievement for the year (50% Weightage)	
				a) 90% & above	5
				b) 75% & upto 90%	4
				c) 50% & above upto 75%	3
				d) Below 50%	0
				ii) New accounts opened in the unbanked villages mentioned at (i) above (50% weightage)	
				a) 250 average accounts & above/Branch	5
				b) 200 to 250accounts/Branch	4
				c)150 to 200 accounts/branch	3
				e) < 150 accounts/Branch	0
11	Performance of RRBs	5*		For 100% Achievement:	
				a) Growth in Deposits	1
				b) Growth in advances	1
				c) Progress in CBS	1
				d) Net Profit	1
				e) Profit /Employee	1
	TOTAL QUANTITATIVE	70		for achievements below 100%, marks assigned for respective parameter will be '0' instead of (1.00)	

\* Banks who have not sponsored any RRB will be assigned 10 marks for direct Agricultural Advances

PERFORMANCE EVALUATION MATRIX FOR CMDs & EDs					
B.		Qualitative Performance Parameters			
S.No	Performance parameter Quantitative	Weightage marks (2010-11)	Target (2010-11)	Weightage marks (2011-12)	Targets (2011-12)
	Performance parameter Quantitative	15	—	30	—
1	Strategic plan covering business strategies, operational milestone to be achieved	5	—	5	—
2	Human Resource development plan	5	—	5	—
3	E Governance and e-payment	5 (IT & other initiative)		5	—
4	RRB - Functional integration with Sponsor Banks	—	—	5	—
5	Business Process Re-engineering (BPR)	—	—	5	—
6	Innovation	—	—	5	—
<p>For qualitative parameters the Bank would require a Board approved plan covering period upto March, 2017 with quantifiable milestones for each year. Marks would be awarded as per the following criteria the achievements against annual milestone.</p>					
Parameters to judge the qualitative performance is indicated below.					
S.No	Performance parameter	Incentive			
1	Below 80%	Nil			
2	80 - 90 %	70%			
3	90 - 100%	90%			
4	105 - 115 %	110%			
5	> 115 %	125%			

(A)

## STATEMENT OF INTENT ON ANNUAL GOALS (2011-12)

SL	Parameter	31st Mar'10 (Actual)	31st Mar'11 (SOI)	31st Mar'11 (Actual)	31st Mar'12 (SOI Projection)
<b>1</b>	<b>Business (Global)</b>				
1.1	Deposits Growth(%)				
1.2	CASA Deposits as % of Deposits				
1.3	Advances Growth(%)				
1.4	Fresh Takeout financing availed as %age of Term Loans to Infrastructure Sector as on March 31, of the previous year				
<b>2</b>	<b>Priority Sector Lending</b>				
2.1	Total P.S.Advances(Rs.Cr)				
2.2	P.S.Advances (%) **				
2.3	Direct Agri Credit (Rs.Cr)				
2.4	Direct Agri Credit (%) **				
2.5	Adv.to Weaker Sections (Rs.Cr)				
2.6	Adv.to Weaker Sections (%) **				
<b>3</b>	<b>Advances to Micro &amp; Small Enterprises</b>				
<b>4</b>	<b>Non-Performing Assets</b>				
4.2	Gross NPA (Absolute Rs.Cr)				
4.1	Gross NPA (%)				
4.3	Net NPA (Absolute Rs Cr)				
4.4	Net NPA (%)				
<b>5</b>	<b>Source of Reduction in Gross NPAs</b>				
5.1	Cash Recoveries (Rs.Cr)				
5.2	Upgradation (Rs.Cr)				
5.3	Prudential Write-off (Rs.Cr)				
<b>6</b>	<b>Amount under Corporate Debt Restructuring</b>				
6.1	Standard Assets				
6.2	NPAs (Absolute)				
<b>7</b>	<b>Recoveries in Written off Accounts (Rs.Cr)</b>				
<b>8</b>	<b>Profit After Tax (Rs. Crore)</b>				
<b>9</b>	<b>CRAR(%)</b>				
<b>10</b>	<b>Return on Average Assets(%)</b>				
<b>11</b>	<b>Net Interest Margin (%)</b>				
<b>12</b>	<b>Cost To Income Ratio (%)</b>				
12.1	Staff Cost to Income Ratio				
12.2	Overheads to Income Ratio				
<b>13</b>	<b>Performance of RRBs</b>				
13.1	Deposits Growth in %				
13.2	Advances Growth in %				
13.3	Profit After Tax				
13.4	Branches under CBS				
13.5	Profit Per Employee (Rs. lacs)				
<b>14</b>	<b>Financial Inclusion</b>				
14.1	Unbanked Villages covered during the year				
14.2	New Accounts opened in Centres in 14.1				
<b>15</b>	<b>Productivity Paramters</b>				
15.1	Profit per employee (Rs. lacs)				
15.2	Deposits per employee				
15.3	Advances per employee				
15.4	Percentage of transactions in e-terms				
<b>16</b>	<b>Ratio of Staff in Branches to Total Staff</b>				
<b>17</b>	<b>Rating (RBI)</b>				
17.1	Composite				
17.2	Financial				
17.3	Non-Fiancial				
<b>18</b>	<b>Market Share *</b>				
18.1	Deposits (%)				
18.2	Advances (%)				
	* As a percentage of deposits and advances of all Scheduled Commercial Banks				
	** As % of Adjusted Net Bank Credit as on March 31, of the previous year				

Note: Progress on various parameters shall be intimated to this Department (BOA Section) at the end of every quarter