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**NATIONAL BANK OF ETHIOPIA**  
ADDIS ABABA

**Licensing and Supervision of the Business of Microfinance Institutions**

**Interest Rates Applicable to Microfinance Institutions**

**Directive No. MFI/29/2017**

**1. Issuing Authority**

This Directive is issued by National Bank of Ethiopia pursuant to the authority vested in it by Article 5 of the National Bank of Ethiopia Establishment Proclamation No. 591/2008 and Article 27(2) of the Micro-financing Business Proclamation No. 626/2009.

**2. Short Title**

This Directive may be cited as “Interest Rates Applicable to Microfinance Institutions Directive No.MFI/29/2017”.

**3. Application of Directive No. NBE/INT/12/2017**

3.1. Directive No. NBE/INT/12/2017 shall apply to all Microfinance Institutions.

3.2. In applying Directive No. NBE/INT/12/2017 the word “bank(s)” shall be replaced by “Microfinance Institutions”.



**4. Repeal**

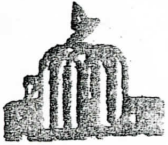
Directive No.MFI/20/2010 is hereby repealed and replaced by this Directive.

**5. Effective Date**

This Directive shall be effective as of the 11<sup>th</sup> day of October 2017.

  
**TEKLEWOLD ATNAFU**  
**GOVERNOR**





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**INTEREST RATE DIRECTIVES NO.**  
**NBE/INT/12/2017**

Pursuant to the provision of the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008 article 5(4) and article 27(2), the National Bank of Ethiopia has hereby issued these interest rate directives as follows:

- | <b><u>1. Deposit Interest Rates</u></b>   | <b><u>Percent Per Annum</u></b>      |
|---|--------------------------------------|
| 1.1 Demand Deposit  | To be freely determined by each bank |
| 1.2 Minimum Interest rates on Saving and Time Deposits  | 7.0                                  |
| 1.3 The Board of Directors of each bank shall set in writing demand deposit rates as provided under sub-article 1.1 of these directives; and savings and time deposit interest rates not less than the minimum rate stipulated in sub-article 1.2 of these directives.                                      |                                      |
| 1.4 The deposit rates set by the Board of Directors of each bank under sub-article 1.3 of these directives shall be non-discriminatory among the same category of depositors and shall be based upon explicit and clear criteria to be set in writing.  |                                      |
| 1.5 The deposit interest rate set by the Board of Directors of any bank under sub-article 1.3 and the criteria upon which they are based, as well as any subsequent changes and the criteria upon which the changes are based shall be submitted to the National Bank of Ethiopia within five working days. |                                      |
| 1.6 Deposit interest rates provided by sub-article 1.2 or set by the Board of Directors of any bank under sub-article 1.3 of these directives shall not be applicable to time deposits held by banks prior to the effective date of these directives.   |                                      |



2. **Lending Interest Rates**

**Percent Per Annum**

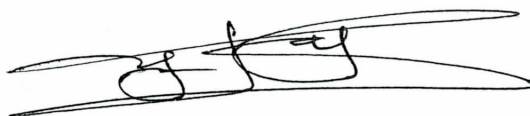
- 2.1 Lending rate on Loans and Advances To be freely determined by each banks
- 2.2 Lending rate on loans and re-discount facilities granted by the National Bank of Ethiopia to Commercial Banks and Other Financial Institutions To be determined by the National Bank of Ethiopia from time to time
- 2.3 Inter-bank lending rate Negotiable between the banks concerned
- 2.4 Unless there is sufficient cause to do so, banks are prohibited from using the form of ownership of a bank as lending criterion in inter-bank lending.
- 2.5 The Board of Directors of each bank shall set in writing lending rates as provided under sub-article 2.1 of these directives.
- 2.6 The lending rates set by the Board of Directors of each bank under sub-article 2.5 of these directives shall be based upon explicit and clear criteria to be set in writing.
- 2.7 The lending interest rates set by the Board of Directors of any bank under sub-article 2.5 and the criteria upon which they are based, as well as any subsequent changes and the criteria upon which the changes are based shall be submitted to the National Bank of Ethiopia within five working days.
- 2.8 Unless the loan contract provides to the contrary, lending interest rates provided by sub-article 2.1 shall not be applicable to loans and advances granted prior to the effective date of these directives.

3. **Repeal**

All interest rate directives hitherto issued by the National Bank of Ethiopia are hereby repealed and replaced by these directives.

4. **Effective Date**

These directives shall be effective as of the 11<sup>th</sup> day of October 2017.



**Yohannes Ayalew (PhD)**  
**V/Governor and Chief Economist**

