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NATIONAL BANK OF ETHIOPIA
አዲስ አበባ / ADDIS ABABA

Ref: FIS/BSO/782/2021
Date: August 31, 2021

All Banks
Addis Ababa

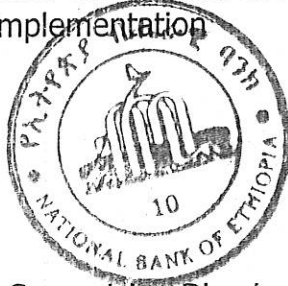
Subject: Directive No. SBB/81/2021

Please find attached Investment on DBE Bonds Directive No. SBB/81/2021 for your information and implementation

Sincerely yours,

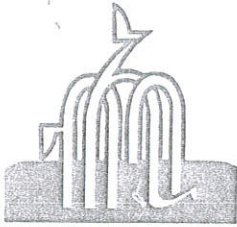

Frezer Ayalew

Director, Banking Supervision Directorate



Cc:

- H.E. The Governor
 - Vice Governors
 - Senior Advisor
 - Advisors
 - All Directors
- National Bank of Ethiopia



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NATIONAL BANK OF ETHIOPIA
አዲስ አበባ / ADDIS ABABA

LICENSING AND SUPERVISION OF BANKING BUSINESS

Investment on DBE Bonds Directive No.SBB/81/2021

Whereas, there is a need to secure stable and long-term funding so as to sustainably finance development oriented projects.

Whereas, it is found important to secure funding from the domestic market other than government intervened financing modality.

Whereas, it is decided to raise funds from commercial banks through sale of federal government guaranteed Development Bank of Ethiopia Bonds.

Now, therefore, in accordance with sub-articles 5.4, 5.8 and 27.2 of the Banking Business Proclamation No.591/2008, the National Bank of Ethiopia has issued this Directive.

1) Short Title

This Directive may be cited as “**Investment on DBE Bonds Directive No.SBB/81/2021**”

2) Definitions

For the purpose of this Directive, unless the context requires otherwise, the term:

- 2.1) “Commercial Bank”** means to a company licensed by the National Bank to undertake commercial banking business or a commercial bank owned by the regional or federal Government;
- 2.2) “DBE Bond”** means a bond issued by Development Bank of Ethiopia with full and unconditional guarantee of the Federal Government of Ethiopia;



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2.3) “Loans and advances” means any financial assets of a bank arising from a direct or indirect advance (i.e. unplanned overdraft, participation in loan syndication, the purchase of loans from another lender, etc.) or commitment to advance funds by a bank to a person that are conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand, usually with interest. The term includes a contractual obligation of a bank to advance funds to or on behalf of a person, claim evidenced by lease financing transaction in which the bank is the lessor, and an overdraft facility to be funded by the bank on behalf of a person. The term does not include accrued but uncollected interest or discounted interest.

2.4) “National Bank” means the National Bank of Ethiopia;

3) Scope of the Directive

This Directive shall be applicable on all **commercial banks** operating in Ethiopia.

4) Investment in DBE Bonds and Related procedures

- 4.1) A commercial bank shall annually invest a minimum of **1% (one percent)** of its outstanding loan and advance in DBE Bond until the aggregated bond holding equals **10% (Ten Percent)** of its total outstanding loans and advances.
- 4.2) The audited total outstanding loans and advance position of a bank **as of June 30** of each year shall be used as a basis to determine the required level of investment in the following year.
- 4.3) DBE bond shall have a maturity period of **3 (three) years** starting from the issue date, and shall pay a bond rate at least **2 percentage points** higher than the minimum interest rate paid on saving deposit at the time of issuance.
- 4.4) Notwithstanding article 4.3 hereinabove, interest on DBE bonds shall be paid annually.



5) Guarantee

The DBE bonds shall explicitly be guaranteed by the Federal Government of Ethiopia, fully and unconditionally.

6) Reporting

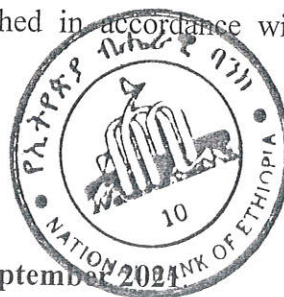
- 6.1 A commercial bank shall **annually** submit investment in DBE Bond report showing the amount of total outstanding loans and advances and amount of annual investment in DBE bonds as per sub-article 2.3 and 4.1 of this directive, to the National Bank, within **three days** from its investment, as per **Annex I** of this Directive.
- 6.2 The National Bank shall debit Payment and Settlement Account of a bank based on the bank's report as per **sub-article 6.1** of this article, and, at the same time credit Payment and Settlement Account of Development Bank of Ethiopia for the same amount.
- 6.3 The Development Bank of Ethiopia shall **annually** submit **interest** on each bank's investment in DBE Bond report prepared as per sub-article 2.3 and 4.1 of this Directive, to the National Bank, within **three days** from June 30 of each year, as per **Annex II** of this Directive.
- 6.4 The National Bank shall debit Payment and Settlement Account of Development Bank of Ethiopia based on the its report as per **sub-article 6.3** of this article, and, at the same time credit Payment and Settlement Account each commercial bank for the respective amount.

7) Penalty

Any commercial bank or Development Bank of Ethiopia failed to report as per the deadline or fraudulent figure against this Directive shall be punished in accordance with article 26 of Proclamation No.591/2008.

8) Effective Date

This Directive shall enter into force as of the 1st day of September 2021.



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Annex I

Name of the Bank.....

For the Year Ended.....

Investment in DBE Bond Report

(Amount in Millions of Birr)

No.	Descriptions	Current year	Cumulative to date
1	Outstanding Loans and Advances		
2	Investment in DBE Bonds		

Annex II

Name of the Bank.....

For the Year Ended.....

Interest on Each Bank's Investment in DBE Bond Report

(Amount in Millions of Birr)

No.	Name of the Commercial Bank	Outstanding DBE Bond	Annual Interest on DBE Bonds
1			
2			
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4			
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