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NATIONAL BANK OF ETHIOPIA

LICENSING AND SUPERVISION OF BANKING BUSINESS

Equity Investment by Foreign Nationals and Foreign Owned Ethiopian
Organizations Directive No. SBB/XXX/2025
(Zero Draft)

PREAMBLE

WHEREAS, promoting strong and viable banking sector in Ethiopia is crucial for macro-economic stability and growth;

WHEREAS, foreign equity investors are believed to bring strategic value to individual target banks and the banking system at large through strengthening capital, improving efficiency and technology, transferring knowledge and improving governance;

WHEREAS, putting in place proper legal framework for regulating the equity investment of foreign nationals in banks is important to ensure safety and soundness of the banking sector;

NOW, THEREFORE; in accordance with, Article 10 (1) (n), Article 10 (2) (a), Article 11, Article 13 (3), and Article 91 (2) of Banking Business Proclamation No. 1360/2025, the National Bank has issued this Directive.

1. Short Title

This Directive may be cited as "Equity Investment by Foreign Nationals and Foreign Owned Ethiopian Organizations in Banks Directive No. SBB/XXX/2025".

2. Definitions

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

- 2.1 **"Acceptable Foreign Currency"** means any currency other than Ethiopian legal tender, which is a legal tender in any country outside Ethiopia and shall be limited to United States Dollar, Euro and Pound Sterling.

- 2.2 **"Bank"** means an existing private or state owned bank, a foreign bank subsidiary, other than branch of a foreign bank, licensed by the National Bank to undertake banking business.
- 2.3 **"Direct Shareholding"** means shareholding in a bank, by a person directly on his own name, or jointly with his spouse or with a person who has not attained the age of legal majority related to him by consanguinity to the first degree or through any other conditions as may be determined by the National Bank.
- 2.4 **"Domestic Bank"** means a bank incorporated in Ethiopia and is conducting banking business in Ethiopia;
- 2.5 **"Foreign Bank"** means a bank or a bank group incorporated under the laws of a country other than Ethiopia with a banking license issued from its home country regulator and conducts its banking business in its country of incorporation or other jurisdictions as the case may be;
- 2.6 **"Foreign National"** means a person who is not an Ethiopian national and includes foreign banks;
- 2.7 **"Foreign National of Ethiopian Origin"** means a person with a valid identification card obtained pursuant to Proclamation No.270/2002 and other relevant laws issued in line with this Proclamation, attesting that he is a Foreign National of Ethiopian Origin.
- 2.8 **"Foreign Owned Ethiopian Organization"** means an entity that is fully owned by foreign nationals or jointly owned with Ethiopians, and registered under the laws of, and having its head office in Ethiopia;
- 2.9 **"Home Supervisor"** means the supervisory authority of a foreign bank that wishes to acquire equity shares in a bank operating in Ethiopia;
- 2.10 **"Indirect Shareholding"** means shareholding in a bank through an entity owned by a direct shareholder with ten percent or more ownership in the entity or through his children who attained the age of legal majority or through any other conditions as may be determined by the National Bank.
- 2.11 **"Significant Ownership"** means direct shareholding of two percent or more of the total subscribed capital of a bank by a person or indirect shareholding who exercise control over a bank through having:
- a) the power, directly or indirectly, to exercise, or control the exercise of, 2% or more of the voting rights in a bank;
 - b) the power to appoint or remove one or more directors of a bank;

- c) the right to exercise a dominant influence and control over the bank through a provision in the Memorandum of Association of the bank, through a contractual provision or otherwise; or
- d) the power to exercise, or actually exercises, dominant influence or control over the bank.

2.12 **“Strategic Investor”** means a foreign bank or a bank group with in-built good reputation in its country of incorporation or owned by the government of the country where it was incorporated, or international development finance institution, private equity fund or other similar entities to be determined by the National Bank.

2.13 **“National Bank”** means the National Bank of Ethiopia;

2.14 **“Person”** means any natural or juridical person;

2.15 In this Directive, any expression in the masculine gender includes feminine.

3. Scope of Application

This Directive shall be applicable on banks that desire to attract equity investments from foreign nationals and foreign owned Ethiopian organizations.

4. General Principles

4.1 A bank can attract equity investment from foreign nationals, including foreign nationals of Ethiopian origin and Foreign owned Ethiopian organization in line with the provisions of the relevant laws and this Directive.

4.2 The investment limit and related requirements set for foreign nationals shall equally apply on equity investment to be made by foreign owned Ethiopian organization in a bank.

4.3 Any equity investment to be made by foreign nationals and foreign owned Ethiopian organization having an effect of holding significant ownership in the bank shall be approved by the National Bank in line with the provisions of this Directive and **Transfer of Significant**

Ownership in a Bank Directive No. SBB/XXX/2025.

- 4.4 Notwithstanding the provision stipulated under Sub-Article 4.3 herein above, where a share acquisition does not result in holding of significant ownership in a bank as defined in this Directive, such transactions shall be notified to the National Bank on quarterly basis as per the reporting template stipulated in this Directive.

5. Investment Limit

The investment to be made in a bank by a foreign national shall be subject to the following shareholding limits:

- 5.1. A foreign national who is natural person shall not directly hold more than **seven percent (7%)** of a bank's total subscribed shares;
- 5.2. A foreign national juridical person shall not directly hold more than **ten percent (10%)** of a bank's total subscribed shares;
- 5.3. A strategic investor, as defined in this Directive, shall not directly hold in a bank more than **forty percent (40%)** of a bank's total subscribed shares;
- 5.4. Aggregate shareholding by foreign nationals and foreign-owned Ethiopian organizations in a bank, other than foreign bank subsidiary, shall be limited to **forty nine (49%)** of the total subscribed shares of a bank;
- 5.5. Maximum limit on aggregate direct and indirect shareholding by a foreign national natural person and juridical person, excluding strategic investor, shall be **fifteen (15%)** and **twenty percent (20%)** of a bank's total subscribed shares, respectively; and
- 5.6. Maximum limit on aggregate direct and indirect shareholding by a foreign national natural and juridical person together in a bank shall

be **twenty percent (20%)** of the bank's total subscribed shares.

5.7. In the event that an enterprise jointly owned by foreign nationals and Ethiopians or foreign nationals of Ethiopian origin preferred to be treated as domestic investor acquire share in a bank, the amount of foreign investment made in the bank shall be determined in accordance with the respective ownership share the foreign nationals held in the enterprise that acquires share in a bank.

5.8. Notwithstanding the provision stipulated under Article 5 herein above, the limit shall not be applicable on investments made by Foreign Nationals of Ethiopian Origin preferred to be treated as domestic investor and who have invested in Ethiopian Birr.

6. Manner of Payment for Undertaking Share Purchase

6.1 Purchase of share from a bank including payment for share premiums (if any) by foreign nationals shall be made in acceptable foreign currency.

6.2 The foreign currency to be paid by foreign nationals for the purpose of purchasing shares shall be transferred to the foreign currency account maintained by a bank and shall only be made through the banking system.

6.3 In the event that an enterprise jointly owned by foreign nationals and Ethiopians or foreign nationals of Ethiopian origin preferred to be treated as domestic investor acquire share in a bank, the amount of foreign currency to be paid for the purpose of undertaking share purchase shall be determined in accordance with the respective ownership share the foreign nationals held in the enterprise that acquire share in a bank while the remaining balance can be paid in Ethiopian Birr.

6.4 Notwithstanding the provision stipulated under Sub-Article 7.2 hereinabove, foreign nationals having legitimate foreign currency account(s) in Ethiopia opened in line with relevant Foreign Exchange Directives of the National Bank may use their foreign currency for the purpose of undertaking share purchase from a bank.

6.5 Transfer of foreign currency by foreign nationals made for the purpose of undertaking share purchase through foreign payment cards, cash whether declared or not and international money transfer organizations that cannot generate credit advice at individual level showing the identity, amount and purpose of the transfer, shall not be allowed.

6.6 An Ethiopian national, who after acquiring shares in a bank changes his/her/its nationality and preferred to be treated as foreign national after the effective date of this directive, may continue holding the existing shares and can also pay existing subscribed share in Ethiopian Birr, however, subscription of new shares shall be made in acceptable foreign currency;

6.7 Foreign nationals may use dividends earned at the end of every financial year for the purpose of reinvesting and undertaking share purchase in a bank in Ethiopian Birr; given foreign ownership is within the aggregate and individual shareholding limit as stipulated in this Directives.

6.8 Notwithstanding the provision stipulated under Article 6 hereinabove, the requirement for payment in foreign currency shall not apply on equity investments made by foreign nationals of Ethiopian origin preferred to be treated as domestic investor.

7. Share Transfer in a Bank

7.1. Shares possessed by Ethiopian nationals or foreign nationals of Ethiopian origin or enterprises fully owned and established by these individuals preferred to be treated as domestic investor may be transferred to foreign nationals through sell. However, the sale transaction shall be in acceptable foreign currency and shall be transferred to the bank at a share price not less than the par value.

7.2. Shares shall not be acquired by foreign nationals through donation.

7.3. Shares can be transferred from Ethiopian national(s) or foreign nationals of Ethiopian origin or enterprises fully owned and established by these individuals preferred to be treated as domestic investor to a foreign national through succession.

8. Investment by Foreign Nationals of Ethiopian Origin Preferred to be Treated as Domestic Investor

8.1. A person considered as foreign national of Ethiopian origin as per the relevant law or an enterprise fully owned and established by these individuals and preferred to be treated as domestic investor, while undertaking share purchase in a bank, shall pay in Ethiopian Birr.

8.2. Notwithstanding the provision stipulated under Sub-Article 8.1 herein above, any proceed generated from such investment shall not be transferred abroad in foreign currency.

9. Manner of Dividend Distribution

9.1 Dividends earned from equity investment by foreign nationals in a bank and proceeds from sales of shares or liquidation of a bank may be repatriated as per the pertinent laws of the country.

9.2 Notwithstanding the provision stipulated under Sub-Article 9.1 of this Article, an enterprise jointly owned by foreign nationals and Ethiopians or foreign nationals of Ethiopian origin preferred to be treated as domestic investor may repatriate any proceeds in accordance with percentage shareholding initially paid in foreign currency.

9.3 Dividends earned as a result of investment in a bank by foreign national of Ethiopian origin as per the relevant law or an enterprise fully owned and established by these individuals and preferred to be treated as domestic investor, and who paid the investment in Ethiopian Birr shall not be repatriated.

10. Know Your Customer (KYC) Requirement

A bank shall properly establish identity and undertake Know Your Customer assessment of foreign nationals including beneficial owners that intend to make equity investment in the bank.

11. Reporting Requirement

A bank shall report summary of share subscription/equity investments made by foreign nationals, including foreign nationals of Ethiopian origin to the National Bank on quarterly basis in accordance with the template stipulated under Annex I and Annex II of this Directive.

12. Repeal

Manner of Equity Investment by Foreign National of Ethiopian Origin in Banks Directive No. SBB/73/2020 is hereby repealed and replaced with this Directive.

13. Effective Date

This Directive shall be effective as of the day of 2025.

Annex I

National Bank of Ethiopia Summary of Share Subscription by Foreign Nationals¹

Name of Bank

For the quarter ended.....

No	Name of Foreign National	Nationality	Passport No. / Company Registration No.	Number of Shares Subscribed (A)	Par Value of Each Share (In Birr) (B)	Subscription Amount (In Birr) (C)	% of Subscribed capital to total Subscribed capital of the Bank	Paid up Amount (In Birr) (D)	FCY Collected from the Shareholder	Manner of Share Collection ²	Remitted and deposited through/ SWIFT/NR FCA/M3
Total						XX					
Total Subscribed Capital of the Bank (A):											
Total Subscribed Capital By Foreign Nationals (B):											
Percentage of Aggregate Foreign Ownership: (A/B)*100											

Prepared By:.....

Approved By

Position:.....

Position:.....

Signature:

Signature

Date

Date

¹ This excludes FNEO treated as domestic investors and hence invested in Ethiopian Birr.

² Please specify the manner of FCY collection, i.e., state **NN**-if collection is from issuance of new share to new shareholder, **NE**- if collection is from subscription of additional share to existing shareholder, **PSU**- if collection is from payment of subscribed but unpaid share, and **SS**-if collection is from sell of share.

³ Non-Resident Foreign Currency Account/Money Transfer Organizations

Annex II

National Bank of Ethiopia

Summary of Share Subscription by Foreign Nationals of Ethiopian Origin Preferred to be Treated as Domestic Investor

Name of Bank

For the quarter ended.....

No	Name of Foreign National	Nationality	Passport No. / Company Registration No.	Number of Shares Subscribed (A)	Par Value of Each Share (In Birr) (B)	Subscription Amount (In Birr) (C)	% of Subscribed capital to total Subscribed capital of the Bank	Paid up Amount (In Birr) (D)
Total								
Total Subscribed Capital of the Bank (A):								
Total Subscribed Capital By FNEO Treated as Domestic Investor (B):								
Percentage of Ownership by FNEO Treated as Domestic Investor: (A/B)*100								

Prepared By:.....

Position:.....

Signature:

Date

Approved By

Position:.....

Signature

Date