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NATIONAL BANK OF ETHIOPIA

LICENSING AND SUPERVISION OF BANKING BUSINESS

Transfer of Significant Ownership in a Bank Directive No. SBB/XXX/2025

(Zero Draft)

PREAMBLE

WHEREAS, undertaking prudential assessment on the transfer of significant ownership in a bank is essential in ensuring effective supervision of the banking system;

WHEREAS, assessing and ensuring suitability of the proposed shareholder and the financial soundness of the proposed shareholding in accordance with set criteria is important to the sound and prudent management of a bank thereby enhancing public confidence;

WHEREAS, it is important to ensure transfer of significant shareholding in a bank is regulated in line with international practices;

NOW, THEREFORE; in accordance with, Article 34 (5) 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 **"Transfer of Significant Ownership in a Bank Directive No. SBB/XXX/2025".**

2. Definitions

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

2.1 **"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.

2.2 **"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.

2.3 "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;

2.4 "Foreign National" means a person who is not an Ethiopian national and includes foreign banks;

2.5 "Home Supervisor" means the supervisory authority of a foreign bank that wishes to acquire equity shares in a bank operating in Ethiopia;

2.6 "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.

2.7 "Significant Ownership" means direct or indirect shareholding of two percent or more of the total subscribed capital of a bank by a person and/or 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.

2.8 "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.

2.9 "National Bank" means the National Bank of Ethiopia;

2.10 "Person" means any natural or juridical person;

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

3. Scope of Application

This Directive shall be applicable on banks that undertake transfer of significant ownership.

4. General Principles

4.1 A bank that intends to undertake transfer of significant ownership shall apply to the National Bank along with submission of the necessary documents and seek approval prior to actual conduct of the transaction in line with the provisions of this Directive.

4.2 A bank shall assume responsibility in undertaking necessary due diligence on persons that assume significant ownership in the bank.

4.3 A bank intending to attract equity investment from foreign strategic investors having an effect of holding significant ownership in the bank, shall sufficiently demonstrate to the National Bank the strategic value the investor brings to the bank.

4.4 The National Bank, based on its own assessment and determination, shall have the power to approve, reject and impose prudential conditions including on the exercise of voting rights on any proposals for transfer of significant ownership in a bank.

4.5 Notwithstanding the provision stated under Sub-Article 4.4 of this Article, if the National Bank determines that the change in significant ownership was based on false information, the National Bank shall have the power to reject, modify or reverse the change in significant ownership.

4.6 The National Bank, based on nature of transaction and the proposed shareholder, objective of the proposed shareholding, degree of influence the proposed shareholder may have and in consideration of other similar factors, may apply proportionality in both the information needed to be submitted by the bank and the substantive assessment it undertakes regarding the proposed transaction.

4.7 A bank shall notify to the National Bank as soon as it become aware of any material information which may negatively affect the suitability of a shareholder having significant ownership in the bank.

5. Application Submission and Information Requirement

5.1 A bank shall file an application to the National Bank for approval of a transfer or purchase of shares that will result in significant ownership in a bank accompanied with information prescribed in this Directive.

5.2 An application for approval shall contain the following information and documents:

5.2.1 On the potential shareholder acquiring significant ownership:

i) Identity of the potential shareholder;

ii) In case of legal person potential shareholder, memorandum of association or other related company by laws, shareholding structure, composition of the governance structure including detailed structure of the group to which it belong (if any).

iii) The source of the financial resources used for the acquisition, the entities through which they will be channeled, and the rules governing their availability.

iv) Audited financial information of the potential shareholder for a period of at least 3 years prior to the application;

v) existence of links or relationships, financial or otherwise, between the potential shareholder and the bank including any direct and indirect shareholdings;

vi) In the case of a foreign bank potential shareholder, the following additional information and documents shall be submitted:

a. copy of the Memorandum and Articles of Association, certificate of incorporation or establishment, authenticated by a legally recognized body in the home country, including commercial registration number;
b. signed and authenticated meeting minutes of the foreign bank competent body approving the investment to be made in a bank;
c. details of ownership structure including information on who owns and controls the foreign bank, the beneficial owners and their percentage shareholding;
d. a statement from its home supervisor, in the form of a written no objection letter regarding the proposed equity investment of the foreign bank and certifying that the foreign bank:
   - is incorporated or established in accordance with the laws of home country;
   - is licensed as a bank or bank group by an appropriate organ, is operational and the details of the license;
   - is in good financial standing;

5.2.2 Regarding the proposed purchase or transfer of significant ownership:

i) In case of foreign bank shareholder, signed minutes of meeting by the competent governing organ of the bank, signifying its resolution for engagement with the foreign bank;

ii) share purchase or transfer agreement which is conditional upon the National Bank's approval;

iii) The purpose of the share purchase or transfer;

iv) The amount of the share purchase or transfer, as well as the form and term in which it will be carried out;

v) The effects that the share purchase or transfer will have on capital and voting rights, before and after the proposed acquisition;

vi) The existence of any agreements planned with other existing shareholders of the bank;

vii) Information shall be provided on the potential shareholder policy in relation to the acquisition and its intentions with regard to the bank, in particular, its participation in the governance of the bank.

6. Eligibility Criteria and Conduct of Assessment

6.1 In assessing the application and information submitted in line with this Directive, the National Bank, in order to ensure the sound and prudent management of the applying bank, shall assess the suitability of the proposed shareholder and the financial soundness of the proposed shareholding in accordance with the following criteria:

6.1.1 The reputation of the proposed shareholder; the integrity of the proposed acquirer and their professional competence.

6.1.2 the financial soundness of the proposed shareholder, in particular in relation to the type of business pursued and envisaged in the credit institution in which the acquisition is proposed

6.1.3 whether the bank will be able to comply and continue to comply with all relevant prudential requirements of the National Bank;

6.1.4 whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof;

6.1.5 In the case of foreign national shareholder, requirement stipulated under Equity investment by National Bank Directive on Foreign Nationals in a Bank Directive No. SBB/„„/ has been met and fulfilled.

6.1.6 Notwithstanding the provisions stated under this Article, integrity and financial soundness requirements stipulated under Article 4.4 and 4.5 of National Bank Directive on Requirements for Persons with Significant Influence in a Bank shall be applied.

7. Decision on the Application

7.1 The National Bank may approve the application unconditionally or subject to such conditions as it may deem necessary, or decline the application.

7.2 The National Bank, excluding any time spent waiting for fulfillment of any queries due on the applicant, shall decide on the application within forty five (45) calendar days from the last date

of receipt of all information and documentation as stipulated under Article 5 of this Directive.

7.3 Notwithstanding the provisions stated under Sub-Articles 7.1 and 7.2 hereinabove. If the applicant does not contain all the required information, the applicant shall be required to remedy the deficiency or provide the mandatory information.

8. Reporting Requirement

A bank shall report summary of equity investments made by shareholders having significant ownership in a bank on quarterly basis in accordance with the template provided under Annex I of this Directive.

9. Fees

A bank applying for approval of significant ownership in a bank shall pay processing fee of Birr 10,000 per each shareholder acquiring significant Ownership in a bank.

10. Transitional Provision

The provisions of this Directive shall be applicable on new significant shareholdings in a bank which have not been previously approved by the National Bank.

11. Effective Date

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

Annex I

National Bank of Ethiopia

Summary of Shareholders Having Significant Ownership in a Bank

Name of Bank .....

For the Quarter Ended.....

No	Name of person having Significant Ownership	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)	Manner of ownership 1
Total						xx			

Prepared By:…….
Position:…….
Signature: …….
Date ……

Approved By …….....
Position:……..
Signature …….
Date ……

[1] Please mention if ownership is through direct shareholding, indirect shareholding or exercise of control as defined in this Directive.