

**LICENSING AND SUPERVISION OF  
BANKING BUSINESS**

**Directive No. SBB/29/2002**

**Amendment of Single Borrower Loan Limit**

**1. Issuing Authority**

This Directive is issued by the National Bank of Ethiopia pursuant to the authority vested

in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Articles 36 of the Licensing and Supervision of Banking Business Proclamation No.

84/1994.

**2. Definition**

2.1 “Affiliated Financial Institution” means a Company:

2.1.1 In which a bank, directly, owns or controls 10% or more of the voting shares

or controls in any manner the election of a majority of its directors or other persons exercising similar function;

2.1.2 Which owns or controls in any manner, directly or indirectly, 10% or more of the voting shares of a bank or controls in any manner the election of a majority of the directors, or persons exercising similar function of a bank;

2.1.3 In which 50% or more of the voting shares is held, or control is held directly or indirectly, through stock ownership or in any other manner, by the shareholders of a bank who own or control 50% or more of the voting shares of a bank; or

2.1.4 In which a majority of its directors, or other persons exercising similar functions, are directors of a bank.

The term “company” as used in this definition means a bank or insurance company

and “indirect ownership or control” refers to ownership or control exercised through

ownership or control of entities that are shareholders in the same financial institution

or through similar arrangements.

2.2 “Cash collateral” means credit balances on accounts in the books of the lending

bank over which the customers have given the lending bank a formal letter of cession and which the bank at its discretion has transferred from the customer’s account(s) to a specific or general cash collateral account(s) or blocked.

2.3 “Cash-substitutes” shall mean:

2.3.1 A security issued by the Federal Government of Ethiopia;

2.3.2 An unconditional obligation or guaranty issued in writing by the Federal Government of Ethiopia or a non-affiliated domestic financial institution, where the beneficiary bank maintains a current written and wee-documented  
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evaluation evidencing that the non-affiliated financial institution is financially sound and capable of honoring the guaranty on demand with respect to repayment of the both principal and interest, or a specific amount, and the lending bank has not been advised of any determination by the guarantor to deny payment under the terms of the obligation or guarantee; and

2.3.3 An unconditional obligation or guaranty issued in writing by a foreign bank with an A or above rating by Standards and Poor’s Corporation and/or by Moody’s Investor Services in their latest rating.

2.4 “Loan” or “Advances” means any financial assets of a bank arising from a direct

or indirect advance (i.e. unplanned overdrafts, 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 a lease financing transactions in which the bank is the lessor, overdraft facility to be funded by the bank on behalf

of a person, revocable or irrevocable documentary letters of credit, standby letters

of credit, and guarantees or sureties issued on behalf of a borrower.

The term “person” as used in this definition and elsewhere referred in this Directive, includes individuals, groups of individuals, partnerships, common enterprises, share companies, joint ventures, private limited companies, public enterprises, corporate entities or other similar business groups and companies.

2.5 “Majority-owned Subsidiaries” means a subsidiary controlled by a business entity holding over 50% of its capital.

2.6 “Total capital” shall mean the paid up capital, legal reserve and any other unencumbered reserve acceptable to the National Bank of Ethiopia held by a bank.

### **3. Combination of Loans**

For the purpose of this Directive, a loan or extension of credit to one or more borrowers in each of the companion categories listed below shall be combined and

shall be subject to the credit limit to one borrower:

i) A corporation, a share company, a public enterprise or any business entity and its majority-owned subsidiaries;

ii) One or more private limited companies and

A) individuals who fully own such companies and/or spouses or relations in the first degree of consanguinity or affinity of such individuals,

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B) individuals who are majority-owners of such companies and/or spouses or relation in the first degree of consanguinity or affinity of such individuals, and

C) businesses which have a majority ownership in such companies;

iii) A partnership or joint venture and its individual general partners or venturers;

iv) A partnership or joint venture and its limited liability partners or venturers;

v) A common enterprise and the participants therein who borrow for that

enterprise.

#### 4. Single Borrower loan limit

The aggregate loan or extension of credit by a bank to any one borrower, whether a natural person or business organization, shall at no time exceed 25% of the total capital of the bank

#### 5. Exclusion

For the purpose of this Directive, the following types of loans or extensions of credit

shall not be subject to the credit limit prescribed under article 4 hereinabove:

- i) Loans fully secured by cash collateral; and
- ii) Loans fully secured by cash substitutes.

#### 6. Reporting Requirement

Reports showing month-end exposures to every single borrower that exceed 10% of total capital of a bank shall be submitted to the Supervision Department of the National Bank of Ethiopia within twenty days after the end of the period for which the data are reported. The report shall be submitted in accordance with the table attached herewith which shall be a part thereof.

#### 7. Repeal

Directive No. SBB/16/1996 is hereby repealed and replaced by this directive

#### 8. Effective Date

This Directive shall enter into force as of 13<sup>th</sup> day of May 2002

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### **Monthly Return on Loans to Related Parties**

#### ***List of All Related Borrowers***

***(in millions of Birr)***

***Name of Bank:*** \_\_\_\_\_

***Reporting month*** \_\_\_\_\_

**Approved Loan Limit Collateral**

**Borrower**

**Type of  
Loan/facility<sup>2</sup> Amount Percent of  
Capital  
Type<sup>3</sup> Estimated/Face  
Value  
Outstanding  
Balance  
Status  
(classification)<sup>4</sup>**

1) Include all facilities extended to the borrower, be it on or off balance-sheet (i.e. overdrafts, term loans, mercandize loans, L/C facilities, guarantees, etc.) and whether secured or clean.

2) In case the collateral is financial guarantee bond, indicate whether it is issued by affiliated or non affiliated financial institution as defined in this directive.

3) Classified in line with provisions of article 6 of NBE Directive No. SBB/28/2002.

Prepared by: \_\_\_\_\_ Approved by: \_\_\_\_\_

(name and signature) (name and signature)

Telephone: \_\_\_\_\_ Telephone: \_\_\_\_\_