

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

Directive No. SBB/4/95

LEGAL RESERVE

1. Issuing Authority

These directives are 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 article 13(4) of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Requirement

2.1 Every bank shall transfer annually 25% of its annual net profit to its
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Legal Reserve Account until such account equals its capital.

2.2 When the legal reserve account equals the capital of the bank, the amount to be transferred to the legal reserve account shall be 10% (ten percent) of the annual net profit.

These Directives shall enter into force as of 21st day of August 1995.