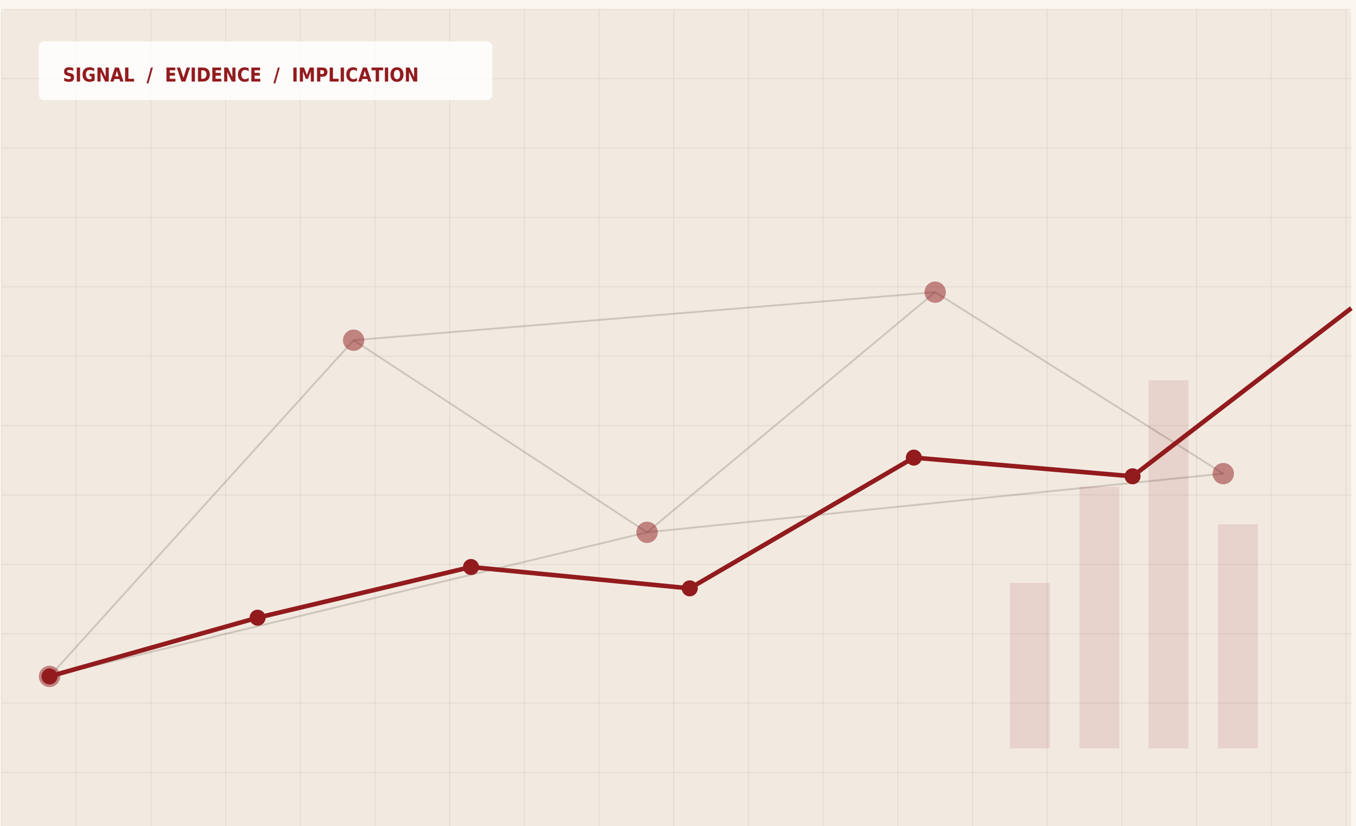
FINANCE / BANKING / INVESTMENT

BANKING BRIEF / SEPTEMBER 2026

Banking Liberalization, One Year On

Zero Foreign Licenses, Three Named Suitors, and a Signal That Isn't About Banking Law



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PRIMARY-SOURCE INTELLIGENCE

0 Foreign banks holding a full Ethiopian banking license *Source: Businessfront, Aug 2026*	**ETB 5B** New minimum paid-up capital threshold, due Jun 30, 2026 *Source: NBE Directive SBB/78/2021*	**49%** Cap on foreign ownership without an NBE exception *Source: Banking Proclamation, Dec 2024*	**+44.5%** Growth in bank sector assets, to ETB 4.7T *Source: NBE Financial Stability Report*
ETB 93.4B Sector net profit after tax, highest on record *Source: NBE, year to Jun 2025*	**49% vs 90%** Ethiopia vs. Kenya financial account ownership *Source: Global Findex 2025*	**Nov 2025** Standard Bank's rep office re-licensed, a first *Source: NBE statement via Addis Standard*	**5 of 6** ESX-listed firms that are banks raising capital *Source: ESX; Businessfront, Aug 2026*

01 A YEAR WITHOUT A LICENSE, BUT NOT WITHOUT PROGRESS

In December 2024, Ethiopia's Parliament approved the Banking Business Proclamation, ending more than fifty years in which foreign banks were barred from the country's financial sector. The National Bank of Ethiopia's implementing directive followed in June 2025, opening the door to foreign subsidiaries, branches, and minority equity stakes in domestic banks.

More than a year later, no foreign institution holds a full Ethiopian banking license. That finding needs one qualification. On November 28, 2025, Standard Bank Group's long-standing Addis Ababa representative office became the first foreign institution re-licensed under the new framework. The National Bank of Ethiopia itself called it "the beginning of a new regulatory era." It is not a banking license, a branch, or a subsidiary, but it is not nothing either.

> **ZERO, WITH AN ASTERISK**
> Standard Bank's re-licensing shows the regulatory pipeline moving. It does not show a foreign bank actually operating inside Ethiopia's banking system yet, and the two should not be confused.

02 THREE SUITORS, NO DEALS

Three named foreign banks have shown concrete interest, and none has closed a deal. Kenya Commercial Bank Group has kept a representative office in Addis Ababa since 2015. It formally opened talks with the NBE on June 6, 2025, and by March 2026 had narrowed its search to a single Ethiopian acquisition target it judged the right "cultural and strategic fit." Finance Director Lawrence Kimathi told Kenyan press the group was "really looking to at least make an announcement in the course of this year." By August 2026, no announcement had come.

Equity Group Holdings, Kenya's most profitable lender, held talks with Ethiopia's Investment Commission in September 2025, with CEO James Mwangi meeting commission head Zeleke Temesgen directly. South Africa's Absa Group said in February 2026 it would consider Ethiopian entry, but only if authorities loosen ownership restrictions further, calling the reforms so far "encouraging" but insufficient for a long-term commercial commitment.

The Three Named Suitors

KCB Group: representative office since 2015; talks opened June 2025; single acquisition target identified by March 2026; weighing an exemption to the 49 percent ownership cap.

- **Equity Group Holdings:** CEO-level talks with Ethiopia's Investment Commission, September 2025; no publicly confirmed target.
- **Absa Group:** expressed conditional interest, February 2026; explicitly called current reforms insufficient for a long-term commitment.

> **THE 49 PERCENT PROBLEM**
>
> The Proclamation caps aggregate foreign ownership of a domestic bank at 49 percent of subscribed shares, unless the NBE grants an exception "for purposes of attracting strategic investments... or resolving a distressed bank." KCB's reported interest in exactly this exemption suggests the real negotiation is happening inside that exception clause, not over whether the banking law exists.

03 THE CONSOLIDATION PLAY

Rather than fast-tracking foreign entry, the NBE spent its first liberalization year enforcing a different reform: a minimum paid-up capital requirement of ETB 5 billion for every commercial bank, first set in 2021 and due by June 30, 2026. Banks that miss the threshold face forced mergers or, in the directive's own language, "any measure [the NBE] considers fit," up to dissolution and receivership.

Results are mixed. Bunna Bank reached the ETB 5 billion threshold ahead of schedule. Amhara Bank, founded only in 2022, already holds more than ETB 7.4 billion in paid-up capital. Others are still short, and as of the most recent public reporting, no major merger between existing banks had yet been completed, though discussions among smaller lenders have intensified.

The Ethiopian Securities Exchange has become one channel for meeting the threshold, and this is the same event last week's brief covered from the capital-markets side. Five of the six companies currently listed on ESX, Wegagen, Gadaa, Awash, Abay, and Bank of Abyssinia, are banks. Seen from the banking side, it is the identical story: lenders raising equity specifically to clear a regulatory bar before foreign competitors arrive.

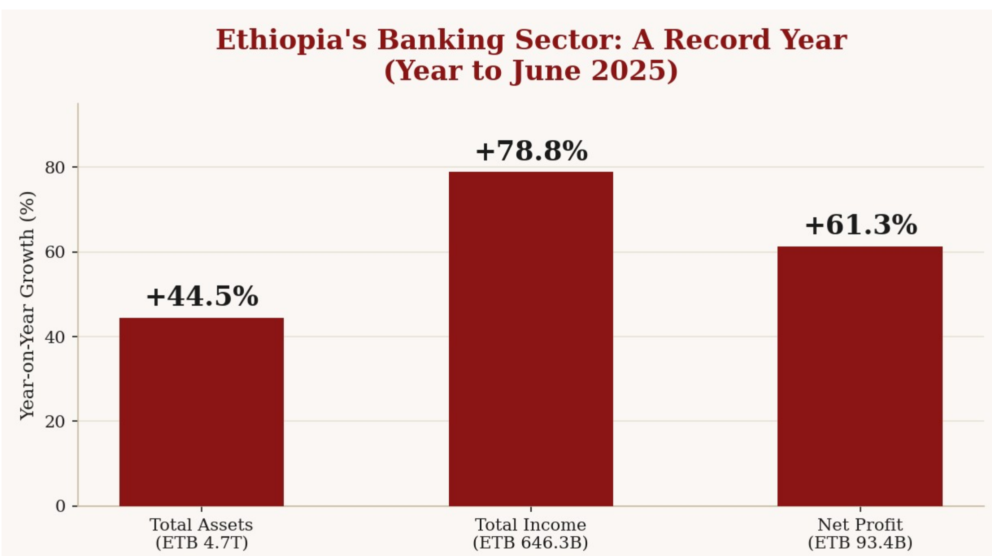

Figure 1: Year-on-year growth in Ethiopia's banking sector, year to June 2025. Source: National Bank of Ethiopia, Financial Stability Report.

> **NOT A SECTOR IN DISTRESS**
>
> The consolidation pressure is happening alongside record sector performance, not because of weakness. That combination, forced consolidation during a boom, is

> unusual, and worth watching rather than assuming it resolves itself.

04 THE REAL SIGNAL ISN'T THE BANKING LAW

One year in, a more persuasive explanation for the pause has less to do with banking regulation than with sovereign credit. Ethiopia secured a $3.5 billion debt-relief package from official bilateral creditors, signed a restructuring agreement with France in February 2026, and reached a debt resolution with China in April 2026. Negotiations with Eurobond holders remain unresolved.

For a foreign bank deciding whether to commit capital to a new market, sovereign debt credibility is arguably a more decisive signal than the text of a banking proclamation. A liberalized banking law only matters once a lender is confident it can get profits back out, and that confidence rests on the same reserve and repatriation questions this series has covered in its macroeconomic editions. This is an analytical judgment made in trade press, not a settled fact, and should be weighed as informed interpretation rather than certainty.

05 EDITOR'S OUTLOOK: WHAT COMPETITION WOULD ACTUALLY DELIVER

The stakes behind this liberalization are bigger than any single bank's entry decision. Ethiopia's financial account ownership rose from 22 percent in 2014 to 49 percent in 2024. Kenya, where mobile money and bank competition arrived years earlier, stood at 90 percent in the same year. That gap, more than any single foreign bank's balance sheet, is what deeper competition and capital-market development are ultimately supposed to close.

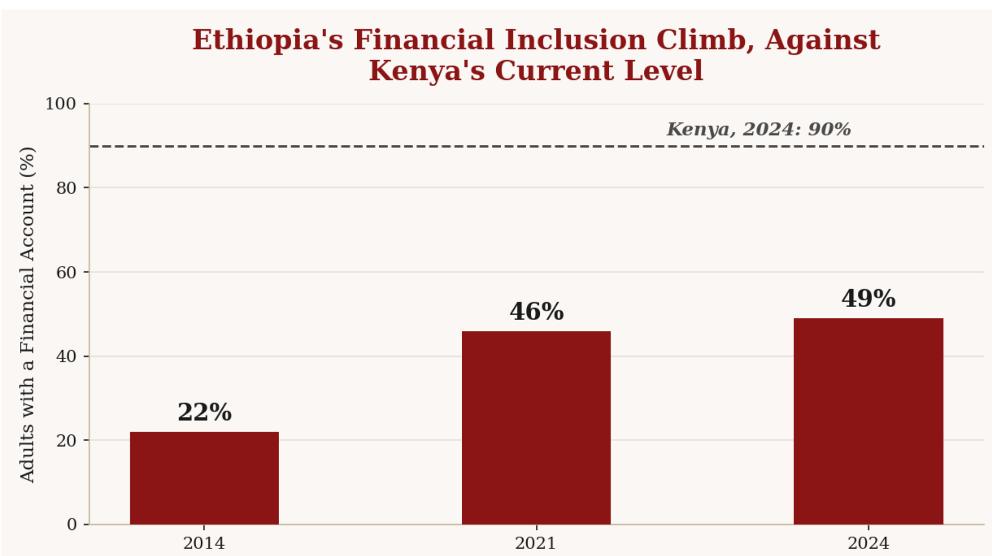

Figure 2: Ethiopia's financial account ownership since 2014, against Kenya's current level. Source: World Bank Global Findex Database 2025.

Three things are worth watching. First, whether KCB actually makes the announcement it has now promised for the better part of a year. Second, whether any Ethiopian bank completes a merger around the June 30 capital deadline, or whether the NBE extends it. Third, whether progress on the Eurobond negotiation changes the calculus for the foreign lenders currently waiting on the sidelines.

THE BOTTOM LINE

Liberalization created the legal pathway for foreign banks to enter Ethiopia. A year and more in, that pathway remains theoretical for every foreign entrant, while domestic banks quietly get bigger, better capitalized, and more profitable on their own. Whether that is a failure of the reform's pace or the reform working exactly as designed, build resilience first, invite competition second, is a genuinely open question, and this brief does not think the evidence yet points clearly to either answer.

DATA INTEGRITY NOTE

The Banking Business Proclamation is cited by different sources as both No. 1360/2024 (matching its December 2024 parliamentary approval) and No. 1360/2025 (matching the year of its implementing directive); this brief uses the December 2024 approval date as the primary anchor and flags the numbering discrepancy rather than resolving it definitively. The finding that no foreign bank holds a full license is current as of the most recent available reporting (August 2026) and should be re-verified at publication, given that KCB Group has repeatedly signaled a near-term announcement. The analytical claim in Section 04, that sovereign debt credibility matters more than the banking law itself, is attributed interpretation from trade analysis, not a verified causal finding.

SOURCES

Businessfront, "Why Ethiopia's banking sector reform hasn't landed a single foreign bank," Aug 5, 2026. Businessday NG, "One year after opening banking sector, Ethiopia boosts local banks before foreign entry," Jul 7, 2026. Addis Standard, KCB re-licensing and NBE statement coverage, Mar 2026. Nation Media Group / Daily Nation / The East African, KCB Group Finance Director interviews, Mar-Jun 2026. Ecofin Agency, KCB-NBE talks coverage, Jun 2025. The Reporter Ethiopia, "Private Banks In Uproar Over NBE's Forced Merger Scheme," Jul 26, 2025; capital adequacy directive coverage, Nov 2025. Ethiopian Business Review, "Five Billion or Merge!" Haymanot & Advocates, banking directive legal analysis, Nov 7, 2025. Bunna Bank S.C., official capital-compliance announcement. National Bank of Ethiopia, Financial Stability Report and directive texts. World Bank, Global Findex Database 2025; Birr Metrics and Shega/DFS Ethiopia Hub, Findex 2025 Ethiopia coverage, 2025-2026.