



**TERMS AND TARIFF GUIDELINES ON SPECIAL  
CREDIT AND MURABAHA FACILITIES FOR  
DIASPORA COMMUNITIES  
(REVISED)**

**RETAIL AND SME BANKING**

### **SPECIAL CREDIT FACILITATES FOR THE DIASPORA**

#### **1.1. Introduction**

The Diaspora community represents a force in the country's political economy that can't be overlooked. Diasporas play an important economic and social role through remittances which account for large proportion of gross domestic product and support foreign currency reserves, consumption and livelihoods. They have a big potential to influence the investment and business environment, including banks.

The diaspora of developing countries, like that of Ethiopia can be a potent force for development for their countries of origin, through remittances, but also, importantly, through promotion of trade, investments, research, innovation, and knowledge and technology transfers.

In order to leverage its efforts to generate foreign currency resources for sustainable growth and development, the Bank has been developing and providing tailor made special credit facilities to the Diaspora communities in consideration of the foreign currency as the repayment for the loans.

Due to the degree of the existing market competition for foreign currency resources and the dynamicity of the financial industry combined with rapid changes in needs and preference of the Diaspora customers, certain terms and conditions related to the products currently offered to the Diaspora are reviewed, updated and repealed by this term and tariff guidelines.

## Awash Bank

### 1.2. Terms and Tariff on Special Credit Facilities for the Diasporas

I Loan Type - Residential Home/ Commercial building Loan					
No	Purpose of the Loan	Equity Contribution	Tenure of the Loans	Equity Cont. and Repmnt. in Foreign Currency	Equity Cont. in FCY repmnt in LCY
1	<ul style="list-style-type: none"> <li>o Purchase, Construction, renovation or extension of a residential unit / apartment or commercial building</li> <li>o To simultaneously purchase and improve/finish a home/building.</li> <li>o Finish construction of residential house/commercial building</li> <li>o Refinancing of existing mortgage loan/ Buy-out of existing housing loan</li> </ul>	>20 - 30%	Up to 20years	Saving IR plus 1.75%	Saving IR Plus 6%
		>30 - 40%	Up to 20 years	Saving IR plus 1%	Saving IR Plus 5.5%
		>40 - 50%	Up to 20 years	Saving IR plus 0.5%	Saving IR Plus 4.5%
		>50%	Up to 25 years	Saving IR plus 0.25%	Saving IR Plus 2.5%

II Loan Type - Car/Auto loan					
No	Purpose of the Loan	Equity Contribution	Tenure of the Loans	Both Equity & Repayment in FCY Saving IR Plus 5%	Equity in FCY & Repayment in LCY Saving IR Plus 7%
1	<ul style="list-style-type: none"> <li>• Purchase of a brand new or used Personal Automobiles.</li> <li>• For buy-out of a Car Loan from another bank or financial institution (personal Auto)</li> </ul>	1. Brand New Car - $\geq 20\%$  2. Used Car - $\geq 30\%$	10 years	Saving IR Plus 5%	Saving IR Plus 7%
2	<ul style="list-style-type: none"> <li>• Purchase of Brand New Commercial - Vehicle (Code 03), like pick up, van etc.</li> </ul>	$\geq 50\%$	5 Years	Saving IR Plus 5%	IR Saving Plus 7%

➤ **Additional Notes (on Mortgage and Car Loans Applicable Terms and Rates)**

- o This product shall also be offered to local employees who earn their salary in foreign currency and willing to fulfill the requirement set in this document

---

## **Awash Bank**

---

- o Equity contributions in local currency shall be accepted only with an exceptional/special approval of the Chief, Retail and SME Banking Officer.
- o If equity contribution is approved to be in LCY and repayment in FCY; the equity contribution amount shall be at least 40% and the IR shall be Saving Plus 4.5%. However, if the customer fails to continue his/her commitment/repayment in FCY, then the IR will automatically be converted to commercial loan rate.
- o Grace period may be offered only on commercial building loans, while tenure of the loan remains same.
- o Retirement age shall be considered at age 68, for diasporas (evidence need to be attached) but for local employees who earn their salary in Fcy, the retirement age shall be as per the employer HR policy
- o If a diaspora client agrees to make equity contribution and the repayment of the loan in Fcy and can't meet the commitment in FCY, the interest rate on the loan shall automatically be converted to the conventional loan interest rate.
- o Fcy associated with diaspora loan benefits (Equity contribution and loan repayment) can't be associated with other dealings (thus, the borrower shall first sell the fcy meant for equity contribution or loan repayment to the Bank).
- o An updated list of diaspora borrowers shall be sent to the Trade Service Office in order to control and prevent the accessing double benefit for loan repayment and equity contributions from being used for other business transactions by the customer.

### **Remarks**

- i. *For new commercial cars (code 03), both equity contribution and loan repayment shall be in FCY. If the customer fails to pay in foreign currency for whatsoever reason, it shall be treated in the way as the Mortgage loan mentioned above under similar circumstances.*
- ii. *Loans for used commercial cars would not be entertained.*
- iii. *For used personal car, the year of make should not be more than 10 years at the time of financing*
- iv. *For used car, if the customer offers a fixed asset acceptable to the Bank, the tenure of the loan shall go up to ten years.*

## Awash Bank

Loan Type - Personal Consumer Loans						
III	No.	Purpose of the Loan	Equity Contribution	Tenure of the Loans	Partial/Full Repayment in LCY	Full Repayment in FCY
1		<ul style="list-style-type: none"> <li>• Can be for own and/or relatives living in Ethiopia</li> <li>• For immediate medical, tuition fee, or livelihood needs; domestic or foreign travel, home improvements including the purchase of furniture and appliances; and other "big" ticket personal expenditure needs</li> </ul>	10 - 15%*	5 years	Saving IR Plus 7%	Saving IR Plus 5%

N.B. For personal loan, the Bank may require 10 -15% equity contribution depending on the purpose for which the proceed of loan is to be used, such as home improvements including the purchase of furniture and appliances, and other similar purposes.

### IV Loan Type – Investment Financing

No	Purpose of the Loan	Nature of the Loan	Equity Contribution	Tenure of the Loans	Both Equity & Loan Repayment in FCY	Equity Contribution in FCY and Repayment in LCY
1	<ul style="list-style-type: none"> <li>• For expansion of existing business or new investments/projects in various sectors (Manufacturing, Hotel, Real-Estates, etc.)</li> </ul>	Project Finance	Starting from 30%	Up to 15 years depending the project cash flow	Saving IR Plus 3%	Saving IR Plus 6.5%
2	Transport, Construction machineries, Agricultural Equipment		50% and above	Up to 5 years	Saving + 5%	Saving IR + 6.5%

N.B

- Grace period shall be considered depending on the nature of the project.
- If equity contribution is in local currency, project loans shall be treated in the same way as the mortgage loan

**SECTION II**

**SPECIAL MURABAHA FACILITATES FOR THE DIASPORA**

**2.1. Terms and Tariff On IFB Special Murabaha Financing Scheme for Diasporas**

		Both Equity & repayment in FCY	Equity in FX & Loan repayment in Local currency	Loan (Financing) repayment tenure (period)
2.1.1	For purchase, construction, renovation or extension of residential unit/apartment or commercial building. To simultaneously purchase and improve/finish home/building. Finish construction of residential house/commercial building. Refinancing of existing mortgage finance/buy-out of existing housing finance.	Equity contribution (20-30%) up to 20 years (all monthly installment)	21%	Up to 3 Yrs
			36.5%	Up to 5 Yrs
			53%	Up to 7 Yrs
			79%	Up to 10 Yrs
			98%	Up to 12 Yrs
			127.5%	Up to 15 Yrs
			148.5%	Up to 17 Yrs
			181%	Up to 20 Yrs
		Equity contribution (31-40%) up to 20 years (all monthly installment)	20.5%	Up to 3 Yrs
			35%	Up to 5 Yrs
			50.5%	Up to 7 Yrs
			75.5%	Up to 10 Yrs
			93.5%	Up to 12 Yrs
			122%	Up to 15 Yrs
			141.5%	Up to 17 Yrs
			172.5%	Up to 20 Yrs
Equity contribution (41-50%) up to 20 years (all monthly installment)	18.5%	Up to 3 Yrs		
	20%	Up to 5 Yrs		
	29%	Up to 7 Yrs		
	42.5%	Up to 10 Yrs		
	52%	Up to 12 Yrs		
	67%	Up to 15 Yrs		
Equity contribution >50% up to 25 years (all monthly installment)	77%	Up to 17 Yrs		
	93%	Up to 20 Yrs		
	11.5%	Up to 3 Yrs		
	19.5%	Up to 5 Yrs		
	28%	Up to 7 Yrs		
	41%	Up to 10 Yrs		
	50%	Up to 12 Yrs		



## **Awash Bank**

---

### **2.2. Penalty & Hibah (Gift) - Murabaha**

- No penalty for early settlement. But, there shall be 8.5% p.a penalty on late payment & this charge shall be given to charity. The CEO, based on recommendation of IFB Deputy Chief, may decide to refund (in the form of gift) the excess profit portion earned in case of the early settlement.
- All terms and conditions, Except Interest rate, applicable for conventional Banking shall also hold true for IFB;
- If a diaspora client agrees to make the finance repayment in FCY but if he/she eventually can't meet the commitment in FCY, the profit rate on the finance shall automatically be converted to the general Murabaha home financing profit rate for failure on the outstanding finance.

### **2.3. Applicability**

- This revised Terms and Tariff on Special Credit/Murabaha Facilities for the Diaspora Communities will also apply to all outstanding similar loans provided to the Diasporas

### **2.4. Property Estimation**

- The Bank may consider the sales price indicated by the sales contract of the real estate as value of the building to finance.

### **2.5. Age of A vehicle**

- The Bank finances cars whose year of make is 10 years or less at the time of financing.

### **2.6. Approval Process**

- Due to the stiff competition for foreign currency earnings among banks, periodic changes to the terms and tariff of the Diaspora loans, and the immediate implementation of the changes are often required. Under such circumstances getting approval of the changes through the formal process may take time. Consequently, the Bank may lose the opportunity in the market.
- Recognizing the foregoing facts, the existing Term and Tariff Guidelines Document on Special Credit and Murabaha Facilities for Diaspora Communities, approved by the BODs on June 28, 2019 ("article 2.3 - Approval Process"), authorizes/delegates the CEO to approve revisions



## **Awash Bank**

---

and exceptions made to Terms and Tariff guidelines on Special Credit and Murabaha Facilities for Diaspora Communities in order to avoid the time-consuming formal approval process, and the loss of market opportunities that it causes.

- Thus, this revised Special Credit/Murabaha Facilities Document and any changes thereof in the future will be approved by the CEO based on recommendations from the Retail and SME Banking Strategic Business Unit of the Bank.

# Awash Bank

## Annex Existing Term and Tariff of Peer and Competitor Banks

Type of Loan	Equity contribution in ranges and %	Interest Rate for both Equity contribution & Loan repayment in FCY	Interest rate for Equity Contribution in LCY & Loan repayment in FCY	Interest Rate for Equity Contribution in FCY and Loan repayment in LCY	Tenure	Remark
Awash Bank						
* Housing	*15-30%, *31-40%, * >40%	*10%, *9.25%, *8.25%	*11%, *10.5%, *9%	*12%, *11%, *9.5%	* 20 Years	
* Car/Auto (New) * Car Auto (Used)	* >=20% * >=30%	* 12% * 12%	* 13% * 15%	* 15% * 15%	* 10Years * 8 Years	
* Personal	* N/A	* Full in FCY 12%	* Partial/Full repayment in LCY, 14%		* 5 Years	
* Working Capital;	* Working capital, N/A;	* Full in FCY, 10%	* N/A for working capital	* Full/Partial in LCY 13% for working Capital,	* Up to 5 years for working capital,	
* Investment Financing	* Project Financing >20%	10%	11%	Full/Partial 12% for project financing	up to 20 years for project financing	
CBE	* 20-50%	8.5-11.5%			20 years	*If equity contribution is 20%, the interest rate will be 11.5%, and if the equity contribution is 50%

# Awash Bank

									the interest rate will be 8.5%.
Zemen Bank	* Housing * Car/Auto (New) * Car/Auto (Used) * Personal	* 30% * 30% * 30% * 30%	* 13% * 14% * 14% * 15%	* 14% * 16% * 16% * 16%	* 20 Years * 10 Years * 7 Years * 5 Years				
NIB Bank	* Housing	* FCY>65% * FCY 50-65% * 30-50% * 20-35%	* 8%, 8.15%, 8.3%, 8.80% * 8.2%, 8.35%, 8.5%, 9% * 8.5%, 8.70%, 8.90%, 9.4% * 9%, 9.20%, 9.40%, 9.90%	* 10.7%, 10.85%, 11%, 12% * 11.20%, 11.35%, 11.50%, 12.50% * 13%, 13.20%, 13.40%, 14.40% * 13.80%, 16%, 16.25%, 17.40%	* up to 10years * for loan>10 but <=15 years * for loan>15 but <=20 years * for loan >20 but<=25 years				
BOA	Housing	* 20%* 30%* 40%* 50% and above Below are percentages but repayment in birr* 40%* 50%* 60% * 70% and above	* Saving Rtae + 1.5%* Saving Rate + 1%* Saving Rate + 0.50%* Saving rate + .025%	* Saving rate +4%* Saving rate +3%* Saving rate +1%* Saving rate +0.50%	* 20 Years for those who do both in FCY* 15 Years for those who do the repayment in LCY				
COOP	* Mortgage  * Car loan (new) * Commercial Car (new) * Car loan (used,year of make 10 and less) * Personal	* 20%, *30%, *40%, *65%  20% 35%  30%	* 10.5% * 10.5% * 10.5% * 10.5%	* 12.5% * 12.5% * 12.5% * 12.5%	20 years for mortgage loan				

## Awash Bank

<b>Hibret Bank</b>	<p>* Housing</p> <p>* Car code 02 (new &amp; used)</p> <p>* Car code 03 (new &amp; used)</p> <p>* Personal</p> <p>* Diaspora Direct Investment (DDI)</p> <p>- Diaspora build to sale</p> <p>- Diaspora/Expat build to let</p>	<p>* 20-30%, *31-55%, *56-65%, * &gt;65%</p> <p>* &gt;=50% car code 02 (new &amp; used)</p> <p>* &gt;=60% car code 3 (new), &gt;=50% (used)</p> <p>* At least 40%</p> <p>* &gt;=10% &amp; &gt;=20%</p>	<p>* 10%, *9.25%, *9%, *8.5%</p> <p>* 10.5% &amp; 11% (code 02 new &amp; used)</p> <p>* 12% &amp; 13% (code 03 new &amp; used)</p> <p>* 14%</p> <p>* 10% &amp; 12.5%</p>	<p>* 12.5%, *11.75%, *11.5%, *10.5%</p> <p>* 15% &amp; 14.5% (code 02 new &amp; used)</p> <p>* 15.5% &amp; 16% (code 03 new &amp; used)</p> <p>* 14%</p> <p>* 12% &amp; 14%</p>	<p>* 20-30%, 15 years, 31-55%, 20 years, &gt;65%, 25 years</p> <p>* 8 &amp; 10 Years (code 02 new &amp; used)</p> <p>* 8 &amp; 10 years (code 03 new &amp; used)</p> <p>* 5 Years</p> <p>* 10 years for both scheme</p>	
<b>Dashen Bank</b>	<p>* Housing* Car Loan* Personal* Investment</p>	<p>* 30%* 40%* &gt;=50% &amp; &lt;70%* &gt;=70%*30%*40%* &gt;=50 &amp; &lt;70%* &gt;=70*30%*40%* &gt;=50 &amp; &lt;70%* &gt;=70 *Equity &amp; loan repayment in FCY 30% and above.</p>	<p>*9.5%, *8.5%, *7.5%, *7%*10%, *9.5%*8.5%, *7% *9.5%, 8.5%, 7.5%, 7%* 8%</p>		<p>* 20 Years* 5 Years for used car 8 Years for new* 5 Years5 years</p>	<p>*Tenure for an investment isnot mentioned in the source document</p>

The Recent Data obtained from the BOA indicates the following

Equity Contribution in FCY	Interest Rate	Maximum Tenure
20%	Saving Rate+ 1.5%	15
30%	Saving Rate +1%	20
40%	Saving Rate+0.5%	20
50% and above	Saving Rate+0.25%	20