

<b>Banks' Lending Rates for Transaction Contracts</b> (Minimum expected lending rates for PLS contracts)						<b>Notes</b>	
Year	Manufacturing and mining	Construction and housing	Agriculture	Trade and services	Exports		
1363	6-12	8-12	4-8	8-12	—	—	
1364	6-12	8-12	4-8	8-12	—	—	
1365	6-12	8-12	4-8	8-12	—	—	
1366	6-12	8-12	4-8	8-12	—	—	
1367	6-12	8-12	4-8	8-12	—	—	
1368	6-12	8-12	4-8	8-12	—	—	
1369	11-13	12-14	6-9	17-19	—	—	
1370	11-13	12-16	6-9	18 (minimum)	—	—	
1371	13	12-16	9	18 (minimum)	18 and over	—	
1372	16-18	12-16	12-16	18-24	18	—	
1373	16-18	15	12-16	18-24	18	—	
1374	17-19	15-16	13-16	22-25	18	—	
1375	17-19	15-16	13-16	22-25	18	—	
1376	17-19	15-16	13-16	22-25	18	—	
1377	17-19	15-19	13-16	22-25	18	(1)	
1378	17-19	15-19	13-16	22-25	18	(1)	
1379	17-19	15-19	13-16	22-25	18	(1)	
1380	16-18	15-19	14-15	23 (minimum)	18	(2)	
1381	15-17	14-18	13-14	22 (minimum)	17	(3)	
1382	16	15-21	13.5	21 (minimum)	16	(4)	
1383	15	15-21	13.5	21 (minimum)	14	(5)	
1384	16	15-16	16	16-18	16	(6)	
1385	14-17	14-17	14-17	14-17	14-17	(7)	
1386	12-13	12-13	12-13	12-13	12-13	(8)	
1387	12	12	12	12	12	(9)	
1388	12	12	12	12	12	(10)	
1389			12-14			(11)	
1390			11-15			(12)	
1391			14-15			(12)	
1392			14-15			(12)	
1393			21-22			(13)	
1394			20-21			(14)	
1395			18 (Agriculture sector: 15 percent)				(15)
1396			18			(15)	
1397			18			(15)	

**Note:** In policies and guidelines on lending rates for banks, there was no clear distinction between PLS and non-PLS (transaction) contracts up to 1385 and the guidelines on rates were provided based on priorities for various economic sectors. However, upon the ratification of the "Law on Rationalization of Banks' Lending Rates", the rate of return on banks' loans was based on relative profitability of different economic sectors and the related guidelines make a clear distinction between PLS and non-PLS contracts as it relates to lending rates. Meanwhile, as banks are obligated to extend loans and facilities to economic sectors in PLS and non-PLS (transaction) contracts as of 1363, under the Usury (Interest) Free Banking Law, the phrase "minimum expected lending rates in PLS contracts" which is used in this table is applicable to all years under review.

## Notes

- <sup>1</sup> Banks' lending rates for construction and housing sector during 1377-1379 were as follows:
- Lending rate for community housing program was 18 percent and for housing construction outside community housing program, 19 percent.
  - Lending rate for housing loans to judiciary and university faculty members up to Rls. 40 million, under the community housing program, was 15 percent and for those outside the community housing program was 16 percent.
- <sup>2</sup> Banks' lending rates to the housing sector in 1380 were as follows:
- Housing loans within the framework (provisions and regulations) of community housing program, 17 percent.
  - Housing loans outside the community housing program and in construction sector, 19 percent.
  - Bank Maskan's Housing Savings Fund: within the framework of community housing program, 15 percent.
  - Bank Maskan's Housing Savings Fund: outside community housing program, 16 percent.
- <sup>3</sup> Effective 15.06.1381. Banks' lending rates on housing loans and facilities were 16 percent within the framework of community housing program, 18 percent for construction and housing outside community housing program, 14 percent for Housing Savings Fund within the framework of community housing program, and 15 percent for Housing Savings Fund outside community housing program.
- <sup>4</sup> Effective 29.03.1382. Banks' lending rates on housing loans and facilities were 16 percent within the framework of community housing program, 18 percent for construction and housing outside community housing program, 14 percent for Housing Savings Fund within the framework of community housing program, and 15 percent for Housing Savings Fund outside community housing program. Moreover, as of 14.08.1382, lending rates on loans and facilities extended to the exports sector were reduced to 15 percent (Circular No. MB/1496 dated 20.08.1382).
- <sup>5</sup> Effective 09.03.1383. In 1383, banks' lending rates for housing loans and facilities without depositing were 18 percent; for Housing Savings Fund, 15 percent; and for construction, 21 percent.
- <sup>6</sup> In 1384, banks' lending rates for the manufacturing sector were 15 percent from the customer and one percent out of government subsidy; for the agriculture sector, 13.5 percent from the customer and 2.5 percent from government subsidy; and for the exports sector, 14 percent from the customer and 2 percent from government subsidy. For the trade sector, banks were authorized to determine lending rates up to 2 percent higher (18 percent). Moreover, as of 27.06.1384, lending rates for the housing sector were 15 percent within the framework of community housing program, and 16 percent outside community housing program.
- <sup>7</sup> Effective 06.01.1385. Lending rates for public banks were 14 percent and for private banks and non-bank credit institutions, 17 percent.
- <sup>8</sup> Subject of Circular No. MB/1189 dated 02.04.1386. Lending rates for public banks were 12 percent and for private banks and non-bank credit institutions, 13 percent.
- <sup>9</sup> Based on Article 6 of the Supervisory Policy Package of the Banking System for 1387, lending rates on banking facilities for prioritized projects of Small and Medium-sized Enterprises (SMEs) and the agriculture sector were 10 percent and the remaining 2 percent were paid through government subsidy. If project targets are not fulfilled, the mentioned subsidy would not be paid and the principal and profit of facilities had to be paid by the customer.
- <sup>10</sup> Effective 01.02.1388. Based on Note 1 of Article 2, Supervisory Policy Package of the Banking System for 1388, extending of banking facilities at a lower lending rate is conditioned on subsidy payment by the government and realization of project objectives according to government priorities.
- <sup>11</sup> Based on Article 5 of the Supervisory Policy Package of the Banking System in 1389, lending rates for transaction contracts with a maturity of less than 2 years were set at 12 percent, and for more than 2 years, at 14 percent. Lending rates for facilities extended through installment sale contracts in the housing sector were set at 12 percent. Based on Note 1, debt purchase contracts with any productive unit is restricted to a maximum of 35 percent of the unit's total sales for the year before the contract, based on the unit's approved financial statements, with a maximum profit rate of 16 percent. Based on Note 2, extension of banking facilities at a lower lending rate is conditioned on the payment of subsidies by the government and realization of project objectives according to government priorities.
- <sup>12</sup> According to Article 6 of the Monetary, Credit, and Supervisory Policies of the Banking System approved in 1390, transaction (non-PLS) contracts' profit rates for banks' lending operations were set at 11 percent for credits up to 2 years maturity and 14 percent for credits of more than 2 years maturity. Based on Paragraphs 1 and 2 of Article 20, Law for Usury (Interest) Free Banking, the expected profit rate of PLS contracts concluded between credit institutions and their clients was set within a range of 14 to 17 percent (however, the final lending rate for PLS contracts is usually derived after completion of project, while installment sale of final project with PLS contracts is not allowed). Based on Note 1, Article 6, the lending rate for housing sector under Mehr Housing Program was set at 11 percent under Islamic contracts for the construction period of the new projects and 12 percent for installment sale after the completion of projects. As of 08.11.1390 and based on Article 9, non-PLS contracts' profit rates for banks' lending operations were set at 14 percent for credits up to two years maturity and 15 percent for credits of more than two years maturity. Likewise, the expected rate of return for inclusion in the PLS contracts between credit institutions and applicants was proposed at 18-21 percent. Again, it was emphasized that the final returns on PLS contracts after project completion and operation termination are the basis for finalization of rate of return on PLS contracts. Meanwhile, the lending rate for installment sale of PLS contracts was prohibited. Based on Note 2, Article 9, the lending rate for installment sale of housing projects remained at 13 percent as before.

<sup>13</sup> According to Article 2 of the "Monetary and Credit Policy in 1393" approved by the Money and Credit Council (MCC) on Tir 3, 1393, the maximum lending rate on loans and facilities extended by banks and non-bank credit institutions under non-PLS contracts was set at 22.0 percent. The expected minimum profit rate of PLS contracts between banks and non-bank credit institutions and their clients was set at 21.0 percent. The lending rate on housing loans extended by Bank Maskan under the Housing Savings Fund program is set at 14.0 percent. Furthermore, the lending rate on loans and facilities extended to the housing sector under Bank Maskan's priority rights bonds (installment sale contracts) is determined at 16.0 percent.

<sup>14</sup> Based on MCC Approval at its 1198<sup>th</sup> Meeting on monetary and credit policies dated Ordibehesht 8, 1394, the maximum lending rate on loans and facilities extended by banks and credit institutions under non-PLS contracts was set at 21.0 percent and the expected maximum profit rate of PLS contracts concluded between banks and credit institutions and their clients was set at 24.0 percent. Moreover, the lending rate on loans and facilities extended to the housing sector under Bank Maskan's priority rights bonds (installment sale contracts) was determined at 16.0 percent and the lending rate on housing loans extended by Bank Maskan under the Housing Savings Fund program was set at 14.0 percent. The lending rate on the facilities extended for Islamic contracts under Mehr Housing Program in housing sector was set at 11.0 percent for the construction period of new projects and 12.0 percent for installment sale after the completion of projects. However, as of Bahman 27, 1394, based on MCC Approval at its 1215<sup>th</sup> Meeting, the maximum lending rate on loans and facilities extended by banks and non-bank credit institutions under non-PLS contracts was set at 20.0 percent and the expected maximum profit rate of PLS contracts concluded between banks and non-bank credit institutions and their clients was set at 22.0 percent. Meanwhile, it was decided that banks' and credit institutions' lending of facilities, at higher rates (higher than the approved ceilings) for PLS contracts, should be subject to provision of feasibility studies by banks and credit institutions to the CBI and the CBI approval thereof.

<sup>15</sup> Based on the MCC Approval at its 1220<sup>th</sup> Meeting on Tir 8, 1395, maximum lending rates on both PLS and non-PLS contracts were set at 18 percent. Lending rates on investment facilities extended by Bank Keshavarzi Iran (Agriculture Bank) were determined at 15 percent and on other facilities, at 18 percent.