



BANK Of ZAMBIA

PRESS RELEASE

Further to the recent measures taken on commercial banks, the Bank of Zambia wishes to advise that the Bank has also decided to introduce a cap on the effective annual lending interest rates that non-bank financial institutions licensed by the Bank of Zambia can charge their customers. This measure has been necessitated on account of the exorbitant interest rates that some non-bank financial institutions have continued to charge their customers. The capping of interest rates therefore is aimed at making borrowing from non-bank financial institutions more affordable and equitable especially to the vulnerable micro-borrowers served by this sector.

As a consequence, the following measures have been taken:

1. The maximum effective annual lending interest rate for non-bank financial institutions designated as microfinance service providers by the Bank of Zambia shall not exceed 42%. Consequently, the Bank will designate non-bank financial institutions qualifying under this measure.
2. The maximum effective annual lending rate that will be charged by all other non-bank financial institutions will not exceed 30%.

The interest caps of 42% and 30% indicated above have been arrived at by multiplying the commercial bank maximum effective annual lending interest rate, which currently stands at 18.25%, by factors of 2.302 and 1.644, respectively.

The Bank of Zambia will periodically revise the factors applicable to the non-bank financial institutions interest caps, in response to changes in economic fundamentals and the commercial bank rate.

This measure is with immediate effect and the conditions will apply to new loans written. Existing loans will, however, be allowed to run their course on the current terms unless refinanced.

For any further information, please contact:

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3rd January, 2013