INTEREST RATE POLICY

The Reserve Bank of India (RBI) vide the Master Directions DNBR.PD.007/03.10.119/2016-17 dated September 1, 2016 for Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking company has advised Non-Banking Financial Companies (NBFCs) to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. Further, the RBI vide circular DOR.CRE.REC.66/21.07.001/2022-23 dated September 2, 2022 has issued guidelines for providing loans through its DLAs and LSPs (both terms have been defined hereinafter).

"**LSPs**" shall mean "*an agent of a Regulated Entity who carries out one or more of lender's functions or part thereof in customer acquisition, underwriting support, pricing support, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of REs in conformity with extant outsourcing guidelines issued by the Reserve Bank*".

"**DLAs**" shall mean "*Mobile and web-based applications with user interface that facilitate digital lending services. DLAs will include apps of the Regulated Entities (REs) as well as those operated by LSPs engaged by REs for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank*."

Keeping in view the RBI's guidelines and Master Directions as cited above, as amended from time to time, and the good governance practices, Wortgage Finance Private Limited ("**Company**") had adopted the following internal guidelines, policies, procedures and interest rate model for its lending business.

The RBI has advised all NBFCs, inter alia, that the rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practices. Therefore, RBI directed that the Boards shall approve an Interest Rate model for the company, taking into consideration relevant factors such as cost of funds, margin, and risk premium etc. and determine the rate of interest to be charged for loans and advances.

The average yields and the rate of interest under each product offered by the Company are decided from time to time, giving due consideration to the following factors:

1. The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc;
2. Operating cost in Company's business and maintaining the stakeholders expectations for a reasonable, market-competitive rate of return;
3. Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio;
4. Nature of lending, for example unsecured/secured, and the associated tenure;
5. Nature and value of securities and collateral offered by customers.
6. Subventions and subsidies available, if any

7. Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.

8. Industry trends - offerings by competition.

The Company considers the aforementioned factors while arriving at a rate of interest. Additionally, under this Interest Rate Policy:

A. The Company shall adopt a discrete interest rate policy which means that the rate of interest for the same product and tenor availed during same period by different customers may not to be standardized and may vary for different customers depending upon consideration of any or combination of above factors.

B. The interest rates offered could be on fixed basis or floating / variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.

C. The interest rates could be offered by the Company on fixed or variable basis.

D. In the present interest rate model, the interest rate charged to the borrowers, at the time of sanctioning of loan ranges from 21% to 36% at reducing rate basis, depending on the borrower's risk profile and credit history.

E. The interest re-set period would be decided by the Company from time to time as per this Policy.

F. The interest could be charged on monthly or quarterly rests for different products/ segments.

G. Interest rates and EMI apportionment towards interest and principal dues would be intimated to the customers at the time of sanction / onboarding of the customer.

H. The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

I. Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and the manner deemed fit. Interest Rate Policy would be uploaded on the website of the Company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company or published on the website of the LSPs. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.

J. Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided upon by respective business / product heads in consultation with operations, finance and legal heads.

K. Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap &

exchange charges etc. would be levied by the Company wherever considered necessary. Besides the base charges, the GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.

L. While deciding the charges, the practices followed by the competitors in the market may also be taken into consideration.

M. Claims for refund or waiver of charges / penal interest / additional interest would normally not be entertained by the Company, and it is at the sole discretion of the Company to deal with such requests provided that any such waiver of penal charges is not during the cooling off/look up period as stated under sub-clause P below.

N. Further, in compliance to the Digital Lending Guidelines issued by RBI dated September 2, 2022 where loans are outsourced by the Company in the digital lending platforms through LSPs or DLAs, the Company shall ensure that a Key Fact Statement ("**KFS**") is issued to the customers before the execution of the loan agreement in a standardized format for all digital lending products.

O. The KFS shall, apart from other necessary information, contain the details of Annualised Percentage Rate ("**APR**") and all other charges levied on the borrower for the loan. Any fees, charges, etc., which are not mentioned in the KFS shall not be charged to the borrower at any stage during the term of the loan. APR is the effective annualised rate charged to the borrower of a loan. APR shall be based on an all-inclusive cost and margin including cost of funds, credit cost and operating cost, processing fee, verification charges, maintenance charges, etc., and exclude contingent charges like penal charges, late payment charges, etc. APR shall be disclosed to the borrowers upfront by the Company during the onboarding of the borrower.

P. Besides normal interest, the Company may levy additional / penal interest for delay or default in making payments of any dues. These additional or penal interests for different products or facilities would be decided by the respective business / product heads. The penal interest/charges levied, if any, on the borrowers shall be based on the outstanding amount of the loan. Further, rate of such penal charges shall be disclosed upfront on an annualized basis to the borrower in the KFS and shall be included in bold in the loan agreement.

Q. Company shall provide a cooling off/look up period to the borrowers in case borrower decides not to continue with the loans. A borrower shall be given an explicit option to exit loan by paying the principal and the proportionate APR without any penalty during this period. The cooling off period shall be determined by the Board of the Company. The cooling off/look up period shall be disclosed to the borrowers in the KFS.

R. Interest rate models, the approach for gradation of risks, base lending rate and other charges, and their periodic revisions are made available to the prospective and existing customers through Company's website.

S. The Board of the Company shall be responsible for the administration, interpretation application and review of this Policy. The Board shall also be empowered to bring about necessary changes to this Policy, if so required at any stage at its own discretion or with concurrence of the management of the Company.