AADHAR HOUSING FINANCE LIMITED

Interest Rate Policy

(Revision Effective January 2024)

(Version – RM/Pol/V4.0)

Contents

1. Background

This document is intended to present the interest rate policy of Aadhar Housing Finance Limited ("AHFL"/ "Company") for dealing with customers in respect of determining the pricing for loans/ credit facilities given by AHFL, in a transparent and open manner. It is necessary to adhere to a standard for pricing of loans to ensure that the pricing is fair and transparent.

2. Regulatory Framework

National Housing Bank ("NHB") vide its circular, NHB (ND)/DRS/Pol-No. 29/2009 dated Jun 2, 2009, had advised Housing Finance Companies (HFCs) to revisit their policies interest rate determination, fees and charges etc. including margin and risk premium charged to different categories of borrowers and get the same duly approved by their respective Boards.

The Reserve Bank of India (RBI) also reiterated the following points vide their latest master direction RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated 17th February, 2021, duly amended from time to time as may be applicable to the company.

a. The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal charges if any)

b. The Board of each the company shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.

c. The company are also advised to put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.

d. The rates of interest and the approach for gradation of risks, and penal interest (if any) shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.

e. The company shall transparently disclose to the borrower all information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed (if any) , pre-payment options and charges, if any, penal charges for delayed repayment

In compliance with recent RBI guidelines cited above and other related circulars of NHB, AHFL has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

3. Rate of Interest

3.1 Lending Rates

a. Interest rates offered could be on fixed rate basis or floating / variable rate basis or Dual rate basis (Semi Fixed)

b. All floating rate loans should be linked to an internal reference rate of AHFL to be termed as "Retail Prime Lending Rate (RPLR)"

c. All the Dual Rate loans (Semi Fixed) should also be linked to RPLR at the time of switching from fixed to floating.

d. The rate of interest for the same product, profile, geographic location and tenor with similar risk factor will be uniform.

e. The interest rate offered to the borrower will be arrived after adjusting the "spread" to RPLR. The spread is derived based on multiple risk factors, more particularly mentioned in Section 5 of this policy.

f. Loan amount, Annualized Rate of Interest/APR and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installments towards interest and principal dues shall be made available to the borrower.

g. The practices followed by competitors may also be taken into consideration while deciding on interest rates / charges.

h. At the time of sanction, the company shall clearly communicate to the borrowers about the possible impact of change in interest rate.

i. All applicable charges for switching of loans from floating to fixed rate or vice-versa and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the company from time to time

j. The company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization

k. The company shall make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. The company shall ensure that the statements are simple and easily understood by the borrower.

l. The company shall ensure that the above instructions are extended to the existing as well as new loans and all existing borrowers shall be sent a communication, through appropriate channels intimating option available to them. All such revised terms applicable to customers should be included in the MITC circulated and uploaded on the website of the company.

3.2 Penal Charges

a. Penal charges , if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges i.e., no further interest computed on such charges.
b. The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
c. The quantum of penal charges shall be reasonable and without being discriminatory within a particular loan / product category.
d. The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement/MITC, in addition to being displayed on the company's website under Interest rates and Service Charges.

3.3 Other Charges

a. Besides normal Interest, the Company may levy additional interest for adhoc facility, penal charges/ default interest for any delay or default in making payments of any dues. The details of Penal charges for late repayment will be mentioned in the loan agreement and communicated in the sanction letter/MITC to the customer.
b. Company may levy other financial charges like but not limited to processing charges, administrative charges, charges for legal & technical valuation, cheque bouncing charges, part disbursement charges, 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. wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.
c. Claims for refund or waiver of charges/ penal charges/ additional interest would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any
d. The quantum and reason for penal charges shall be clearly disclosed by the company s to the customers in the loan agreement and most important terms & conditions.
e. The company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
   i). Where the housing loan is on floating interest rate basis and pre-closed from any source.
   ii). Where the housing loan is on fixed interest rate basis and the loan is preclosed by the borrower out of their own sources.
f. The company should display of various key aspect such as service charges, interest rates, Penal charges (if any), services offered, product information in regional language on the website/ MITC provided to the customer.

3.4 Interest Rate Revision

a. The rate of interest applicable to each customer is subject to change depending on the change in the risk profile of the customer.
b. The interest rate for segment of customer may also undergo change based on change in risk profile for that particular customer segment.
c. The interest re-set period for floating / variable and Fixed rate lending would be decided by the Company from time to time, as per terms of sanction/MITC/agreement with/ intimated to the customer.
d. At the time of reset of interest rates, the company shall provide the option to the borrowers to switch over to a fixed or floating rate scheme available, subject to the maximum of 2 times switch-over during the entire loan tenure. (In case any such product is available at that point of time)
e. At the time of reset/change of interest rate the borrowers shall also be given the choice to opt for equivalent modification in EMI or tenor or combination of both option by sending a communication through a letter/sms/email. Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility, competition review and such other factors as may be.
f. Intimation of change of interest or other charges or new product/options available would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be communicated with prospective effect.
g. In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate applicable at the time of successive disbursements or as may be decided by the Company, with a clear intimation to the customer.

4. Determination of Retail Prime Lending Rate (“RPLR”)

4.1 Methodology

a. The RPLR is an estimation of a benchmark interest rate approved by the Asset Liability Committee (ALCO) of the Company from time to time.
b. Computation of RPLR to be calculated including but not limited to the following components:
    - Costs of Funds
    - Expected return on equity
    - Cost of operation
    - Credit Cost
    - Cost of Carrying Liquidity
    - Risk Premium
    - Tenor Premium
c. RPLR will be reviewed quarterly by the ALCO

d. The estimation and the methodology for calculating the RPLR may be changed at any time with the approval of the ALCO.

5. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based factors including but not limited to following:

1. Profile and market reputation of the Borrower/Co-Borrower
2. Inherent type / nature of the facility
3. Type of asset being financed
4. End use of the loan represented by the underlying asset
5. Past repayment track record and historical performance of customer
6. Borrower's repayment capacity based on cash flows and other financial commitments
7. Geographic location of the customer / collateral
8. Nature and value of primary and secondary collateral / security
9. Tenure of relationship with the Borrower/Co-Borrower
10. Operational cost specific to segment of customer, profile & product
11. Any other factors like market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted for loan sanctioning, further business opportunities, external credit score, industry trends etc.

6. Governance Structure

- The Board of Directors shall have oversight for the Interest Rate Policy of AHFL. In order to ensure effective implementation of the Interest Rate Policy, the Board may delegate certain operational aspects to ALCO, as deemed fit. Any proposed change in the RPLR would be decided by ALCO and the Board
- Lending rates for new disbursement are derived from Internal Pricing Framework under the overall framework of board approved interest rate policy for company for deciding the spreads to arrive at lending rate for various products to different profiles of customer.
- Any changes to Internal pricing would need to be approved by majority of the following committee members.

Sr No.	Designation
1	Managing Director and CEO
2	Chief Business Officer
3	Chief Financial Officer
4	Chief Risk Officer
5	Chief Treasury Officer

7. Policy Review

The Policy should be subjected to an annual review by the management and any warranted modifications should be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the policy should be staged for Board's approval in the immediately ensuing Board Meeting, after the amendments are notified by the regulator.