

Standard Chartered Capital Limited ('SC Capital')

Policy for Interest Rate and other charges

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1. Background & Purpose

The Reserve bank of India (RBI) vide Master Direction no. RBI/DoR/2023-24/105 DoR.FIN.REC. No.45/03.10.119/2023-24 dated October 19, 2023 – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions 2023, and circular no. RBI/2023-24/102 DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023 - Fair Lending Practice, Penal Charges in Loan Accounts: Extension of Timeline for Implementation of Instructions has mandated that

The Board of applicable NBFC shall adopt an interest rate model considering relevant factors such as cost of funds, margin, risk premium and determine the interest rate to be charged for loans and advances.

The interest rate and the approach for gradations of risk and rationale for charging different interest rate to different category of borrower shall be disclosed to the borrower explicitly in the Business Facility Letter (BFL) / Sanction Letter (SL) / Facility Agreement (FA).

The interest rate and the approach for gradation of risk shall be made available on the website of the SC Capital or published and shall be updated whenever there is a change.

The interest rate must be an annualized rate so that the borrower is aware of the exact rate that would be charged to the account.

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges'. There shall be no capitalization of penal charges i.e., no further interest computed on such charges. Such penal charges should be reasonable, and transparency maintained in disclosure.

To ensure compliance with the requirement of RBI and Fair Practices Code adopted by SC Capital, Interest Rate Policy, approach for gradation of risk with respect to Lending Business, and levy of penal charges in loan account has been outlined below.

2. Products Offered

1. Secured Loan (Loan Against Securities, Loan Against Property, Term Loans to Corporate etc.).
2. Unsecured Loan (Business Loan, Personal Loan etc.).
3. Or such other loan products as may be offered by SC Capital from time to time.

3. Computation of Interest Rate for Lending

SC Capital acquires its business through direct sourcing, referrer partners and other intermediaries through offline as well as through digital mode.

- Interest rate applicable to each loan, within the applicable range is assessed on a case specific basis. While arriving at the interest rate and other charges applicable for a particular



loan SC Capital will take into account various component including but not limited to the Tenor of the loan, Cost of Funds, Liquidity Coverage Ratio (LCR) costs, Asset Liability Mismatch costs, Fund Raising costs, Operating costs, and spread.

- Cost of funds is subject to the credit rating of SC Capital, tenor of borrowing, principal repayment terms, etc.
- The Operating costs includes employee expenses, branch related fixed and variable costs, other operational costs, sales and marketing expenses, technology costs, etc.
- The interest rate can be offered on floating basis or fixed basis. The proposed annualized interest rate would be clearly communicated to the borrower in the BFL / SL / FA. Further any changes in interest rate will be reviewed / reset as per applicable / required periodicity. In case of interest rate reset on the facility, the same will be intimated / communicated to the borrower appropriately.
- Borrower Pricing and Spread for the specific product will be approved by the relevant authority authorized by Board of SC Capital.

4. Component of Spread

The Spread will be determined considering: A) Term Spread B) Credit Spread C) Business Strategy.

Term Spread: The Term Spread will be determined by structure of the SC Capital's borrowing along with the tenor of the facility availed by the borrower. The spread will vary depending on the loan product offered by SC Capital.

Credit Spread: The Credit Spread will depend on the following factors:

- Borrower and Borrower Group Credentials which include nature of business, financial profile including net-worth, profitability, liquidity, debt repayment capability etc.
- Track record of honoring commitments related to interest/principal and security/margin top-ups
- External Credit Rating
- Security / Collateral type to be pledge / lien
- Security / Collateral cover including value and liquidity
- End-use of Funds
- Credit and default risk
- Bureau Score
- Any other criteria specific to the transaction accepted by SC Capital.

Business Strategy: Business strategy will evaluate factors such as market competition, operating costs, market liquidity, embedded options in the loan products, etc. to determine appropriate pricing and spread. Market competition in the loan product will majorly determine borrower level pricing.

5. Processing Fees / Commitment fees / Other Charges

SC Capital may levy processing fees / commitment fees / prepayment charges / other charges on its borrower for loans sanction on a case-to-case basis. Generally, this will be up to 4% of the sanction limit or disbursement amount. Quantum of processing fee would depend upon the type of collateral, nature and volume of documentation involve; services required from external agencies etc. Post Date Cheques / ECS / Standing Instructions (SI) will be presented for clearing on or after due date.

Changes / waiver of such fees / charges will be approved by the relevant authority in certain cases based on the justification provided by the borrower.

6. Penal Charges

- a) SC Capital may levy 'penal charges' for non-compliance of material terms and conditions of loan contract by the borrower. Penal Charges shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. SC Capital shall not capitalize penal charges i.e., no further interest computed on such charges. However normal procedure of compounding of interest in the loan account will continue.
- b) SC Capital will ensure that the quantum of penal charges are reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- c) The penal charges levied by SC Capital in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non- individual borrowers for similar non-compliance of material terms and conditions.
- d) Changes / waiver of such penal charge will be approved by the relevant authority in certain cases based on the justification provided by the borrower.
- e) Penal charges can be in the form of default charges, late payment, cheque bounce, NACH bounce, delay in security creation, breaching the covenant and any other charges.

7. Change in Lending Rate

The borrower interest rate will be reviewed / reset as per applicable / required periodicity. Relevant impact will be assigned to the loan taken by the borrower bases the pricing policy component and its computation. In case of an interest rate reset on the facility, the same will be intimated / communicated to the borrower appropriately. Changes / waiver of such lending interest rate will be approved by the relevant authority in certain cases based on the justification provided by the borrower.

8. Pricing Delegation of Authority

The Spread / Penal Charges / Processing Fees / any other charges will be approved as per the relevant authority authorized by Board of SC Capital.

9. Review of Policy

The policy shall be reviewed once in a two year or anytime within 2 years if required by the Asset Liability Management Committee due to changes if any in the model, for example any addition / deletion of a particular component forming part of the policy. Any revision in this Policy shall be

decided by the Asset Liability Management Committee and shall be subsequently presented to the Board of Directors for their approval.

10. Disclosure

This policy will be made available on the SC Capital website in accordance with the SC Capital Fair Practice Code and RBI Guidelines.

The annualized rate of interest range as may be offered by SCCapital from time to time is as follows (for reference only):

Secured (Loan Against Securities / Loan Against Property / Term Loan to Corporate etc.)	7% to 18%
Unsecured (Business Loans / Personal Loans etc.)	12% to 24%
Other loan products as may be offered from time to time	7% to 24%