

**CHARTERED FINANCE & LEASING
LTD. (CFL)**

(“NBFC/ B-13.02480”)

INTEREST RATE POLICY

SUMMARY OF POLICY

Particular	Details
Policy Name	Interest Rate Policy
Version	V3
Latest Approval/Review Date	07th April, 2026
Review Cycle	Annually
Approver	Board of Directors of Chartered Finance & Leasing Ltd

VERSION HISTORY

Version	Approval	VERSION DESCRIPTION	REGULATORY REFERENCE	Remarks
I	Board Meeting dated 07 th April, 2022	2022	RBI Regulation	Policy adopted by the Board
II	Board Meeting dated 20 th May, 2025	2025	RBI Regulation	Review by the Board
III	Board Meeting dated 07 th April, 2026	2026	RBI Regulation	Review by the Board

Interest Rate Policy

The Reserve Bank of India (RBI) as per the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (RBI/DOR/2025-26/362) (the Directions) as amended from time to time (RBI Regulations) has directed all NBFCs to Communicate the rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers and make available the rates of interest and the approach for gradation of risks on their website. In compliance with these regulatory requirements and the Fair Practices Code adopted by the Company, the Company 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. This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions.

I. Objective

To arrive at the benchmark rates to be used for different category of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers

II. Approach for gradation of risk:

The interest rate charged to the borrower shall be based on the following broad parameters:

1. Risk profile of the borrower
2. Cost of borrowing funds – Internal as well as external
3. A mark-up to reflect other costs / overheads to be charged
4. Prevailing Interest rate trends
5. Internal Cost of doing business
6. Interest rate offered by other NBFC's in the industry
7. Other factors include:
 - Profile and market reputation of the borrower including usage of internal credit scoring models leveraging traditional approaches like Bureau Score as well as alternative data sources.
 - Essential nature of the product, type / nature of facility, refinance avenues, loan to value of asset financed.
 - Tenure of relationship with the borrower, past repayment track record and historical performance of our similar clients,
 - Overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower,
 - Nature and value of primary and secondary collateral / security,

- Type of asset being financed
- End use of the loan represented by the underlying asset,
- Interest, default risk in related business segment,
- Regulatory stipulations, if applicable,
- Any other factors that may be relevant in a particular case.

III. Interest Rate Calculation

The pricing for each of these products is arrived at by taking into consideration the following factors to arrive at the interest rate to be charged from the customers:

Sr. No	Factor	Description
1.	Average Cost of Funds/ Capital:	The Company borrows fund through Bank Term loans, Non-Convertible Debentures, Commercial paper and subordinate debt, etc. from the investors. Additional to the borrowing, the Company also has equity portion and the cost of such equity is considered to arrive at the weighted average cost of capital. The weighted average cost of borrowed funds as well as costs incidental to those borrowings, is arrived at after taking into consideration the average tenure, market liquidity and refinancing avenues. The cost of raising such funds and servicing the equity capital is also included in the cost of funds.
2.	Operating Cost	It includes employee expenses, fixed and variable costs, operations costs, technology expenses, expenses related to documentation, sourcing and recovery, etc.
3.	Margins	Margin is the return expected by the company on its assets. The Company expects a ROA of 3-4% in normal course of business which may vary from this range depending upon the exceptional business scenarios.
4.	Risk Premium	Based on risk gradation of the customer, credit/ default risk premium is computed on a case to case basis. This will also cover the risk pertaining to nature and value of collaterals, overall risk profile of the customer, industry trends etc.
5.	Negative Carry on Investment	The Company keeps liquidity buffer in the form of investments into liquid funds in compliance with RBI guidelines and to manage liquidity risk and has to bear negative carry on those investments too.

IV. APPROVED INTEREST RATE BAND

The annualised rate of interest charged by the Company shall generally be within the band of 7% p.a. to 24% p.a.. The applicable rate for an individual borrower / facility shall be determined within this band based on the risk-gradation methodology and pricing factors set out in this Policy. The Company shall not charge a rate outside this approved band unless the Board of Directors approves

a specific revision to this Policy before such rate is offered or charged.

The 7% to 24% band is an internal Board-approved pricing range of the Company and is not a rate prescribed by RBI. RBI requires the Company to maintain a transparent, Board-approved interest-rate model and risk-gradation approach and to disclose the applicable rates and rationale to borrowers.

Interest shall be calculated on the agreed basis specified in the sanction letter / loan agreement and relevant product documentation. The rate shall be annualised so that the borrower is aware of the rate applicable to the loan.

RESET OF INTEREST RATE ON FLOATING / VARIABLE RATE LOANS

This section applies to equated monthly instalment (EMI) based loans, and mutatis mutandis to all equated instalment-based loans of other periodicities, sanctioned on a floating interest rate, whether linked to an external or an internal benchmark. At the time of sanction, the Company shall clearly communicate to the borrower the possible impact of a change in the benchmark interest rate on the loan leading to changes in EMI and/or tenor or both, and any subsequent increase in EMI/tenor or both on account thereof shall be communicated to the borrower immediately through appropriate channels.

At the time of reset of interest rates, the Company may, at its option, provide borrowers a choice to switch over to a fixed rate, subject to such number of switches during the tenor of the loan as may be specified by the Company. Borrowers shall also be given the choice to opt for enhancement in EMI or elongation of tenor or a combination of both, and to prepay, either in part or in full, at any point during the tenor of the loan; levy of foreclosure charges/pre-payment penalty shall be subject to extant RBI instructions. The Company shall ensure that elongation of tenor does not result in negative amortisation.

All applicable charges for switching of loans from floating to fixed rate and any other service charges/administrative costs incidental to the exercise of the above options shall be as approved by the Board, shall be transparently disclosed in the sanction letter and at the time of any revision of such charges/costs, and shall be displayed on the Company's website.

The Company shall share/make accessible to borrowers, through appropriate channels, a statement at the end of each quarter enumerating, at the minimum, the principal and interest recovered till date, EMI amount, number of EMIs left and the annualised rate of interest/APR for the entire tenor of the loan.

In case of loans linked to an external benchmark, the Company shall put in place adequate information systems to monitor transmission of changes in the benchmark rate to the lending rate.

V. General Terms

1. The rate of interest for the same loan product and same tenor availed during the same period by different customers need not to be standardized as it can vary for different customers based on perceived risk associated, CIBIL Score, security vintage/ Age, LTV, geographical location and other underwriting parameters.
2. The interest will be charged reducing balance method. The interest rate could be up to Thirty Six percent.
3. All transactions, including charging of interest on advances, shall be rounded off to the nearest rupee, i.e., fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise shall be ignored.
4. The interest could be charged on Monthly /quarterly/ Half yearly or any other rests for different products/segments as the ALCO decides in accordance with applicable rules and regulations, provided that in the case of demand / call loans, interest shall be payable either at monthly or

quarterly rests. Specific terms in this regard would be specified through the relevant product manuals and/or loan agreement.

5. The rate of interest shall be annualized rate.
6. The rate of interest and the approach for gradation of risk and rationale for charging different rates of interest shall be disclosed in the application form and communicated explicitly in the sanction letter, together with the annualised rate of interest and method of application thereof. EMI apportionment towards interest and principal dues would be made available to the customer.
7. Penalty, if charged, for non-compliance of material terms and conditions of the loan contract, including delay or default in repayment, shall be levied only as penal charges and not as penal interest; there shall be no capitalisation of penal charges, and no additional component shall be introduced to the rate of interest.
8. The changes in the interest rates and related charges would be prospective in effect and notice of any change in interest rates and charges shall be given to the borrower in the vernacular language or a language as understood by the borrower.
9. Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges/penal charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account, customer care, credit assessment/ Valuation Charges, Legal Charges, cash handling, PDC/ACH mandate registration/ lodgment/ handling or for any other service provided by the NBFC or cost incurred by the NBFC for the provision of services related to the loan granted to the customers will be charged separately. Besides these charges, stamp duty, Insurance premium, GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be prospective in effect. Penal charges shall be levied in accordance with the principles set out in this Policy, and processing and other charges shall be determined in accordance with the principles set out below. Pre-payment / foreclosure charges shall be levied only where permitted under the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025.
10. These fees and charges may vary based on asset financed, exposure limit, expenses incurred at the point of sale, customer segment and generally represent the costs incurred in rendering the services to the customer. Penal charges shall be reasonable, commensurate with the non-compliance and non-discriminatory within a loan / product category, and penal charges on loans to individual borrowers for purposes other than business shall not be higher than those applicable to non-individual borrowers for similar non-compliance.
11. Processing and other charges shall be determined on the following principles: (a) they shall be reasonable, shall bear a nexus to the cost or effort involved in providing the service, and shall not be used as a revenue-enhancement tool; (b) they shall be uniform for all borrowers within the same product / category of loans and shall not be applied in a discriminatory manner; (c) charges recovered on behalf of third-party service providers, such as insurance, legal or valuation charges, shall be recovered at actuals, and receipts and related documents shall be furnished to the borrower for each payment within a reasonable time; and (d) the schedule of such charges for each product shall be documented in the relevant product manual and shall be subject to the disclosure and prospective-revision requirements of this Policy.
12. All fees and charges shall be disclosed in the sanction letter, loan agreement and, where applicable, the Key Facts Statement; the quantum and reason for penal charges shall be disclosed upfront in the loan agreement and KFS / MITC, and a reference to the schedule displayed on the website shall not suffice.
13. The Company shall disclose in the Key Facts Statement the Annual Percentage Rate, which shall include all charges levied by the Company and charges recovered on behalf of third-party service providers, and no fees or charges not mentioned in the KFS shall be charged without the explicit consent of the borrower; for digital loans, any one-time processing fee retained on exit during the cooling-off period shall be disclosed upfront in the KFS.

14. The rates of interest, the approach for gradation of risk, and the penal charges and service charges shall be displayed on the Company's website under 'Interest rates and Service Charges' and updated whenever there is a change.
15. CFL may, at its discretion, provide relief measures such as waiver / reduction of various fees and charges in respect of customers in the areas where a calamity has been declared, for a period not exceeding one year. Such relief may be extended to borrowers whose residence or place of business is in the area notified as calamity-affected, and shall cover processing / documentation charges for any restructuring or rescheduling, penal charges, cheque / NACH bounce charges and foreclosure / part-prepayment charges. The relief shall be approved by the MD & CEO up to ₹5 lakh per borrower and by the Credit Committee above that amount, and a quarterly report of the relief granted shall be placed before the Board.

VI. Review of Policy

The Company would review and refine the Policy annually, based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.

If at any point a conflict of interpretation / information between this policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, this policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.