

**POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND
OTHER CHARGES**

NUVAMA WEALTH FINANCE LIMITED

Document Control

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Policy for determining Interest Rates and Processing and other charges

The Reserve Bank of India (RBI) vide its direction(s), as amended from time to time (“RBI Regulations”), has directed all NBFCs inter alia to adopt interest rate model to determine the rate of interest to be charged for loans and advance.

This Policy shall be applicable to the Loans and Advances (excluding Inter Corporate Deposits) made by the Company.

I. INTEREST RATE MODEL

The business model of the Nuvama Wealth Finance Limited (“NWFL” or “the Company”) focuses on providing credit to customers meeting the credit standards of the Company. At present, the Company offers the following loan products-

- i. ESOP
- ii. Loan Against Securities
- iii. Unsecured

The Company shall use external or internal benchmark rates for determining the floating rate for its products. The internal benchmark rate shall be PLR (Prime Lending Rate) which shall be calculated basis the parameters as stated under ‘**Annex A**’. The PLR would be served as an indicative base for charging interest rate. However, the final risk pricing depends on the following factors and shall be determined by the relevant Sanctioning Authority under Delegation of Authority.

a) **Internal and External Costs of Funds** - the rate at which the funds are sourced to provide loan facilities to customers, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.

b) **Tenor of the Loan & Payment Terms** - term of the loan, terms of payment of interest (viz monthly, quarterly, yearly and maturity); terms of repayment of principal; moratorium period, if any, bullet payment, etc.

c) **Credit Risk** - as a matter of prudence, credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.

d) **Operating / Overhead cost:** It includes employee expenses, operational cost, etc

e) **Margin:** A markup to reflect other costs / overheads to be charged to the loan and our designed margin.

f) **Other Factors** –Tenor cost, market liquidity, offerings by competition, stability in earnings and employment, further business opportunities, external ratings, industry trends, are few broad relevant factors in determining interest rate to be charged.

II. APPROACH FOR GRADATION OF RISK

The rate of interest on loans for various business segments and various products is arrived after adjusting the risk premium associated with a customer inter-alia based on the following factors:

- a) Interest rate risk
- b) Credit and default risk in the/ related business segment
- c) Historical performance of similar homogeneous clients
- d) Profile and market reputation of the borrower
- e) Further business opportunities
- f) Credit Bureau Score
- g) Rate offered by the competitors in the market
- h) Regulatory stipulations, if applicable, and
- i) any other factors that may be relevant in a particular case and as deemed fit by the Company

III. RATE OF INTEREST

- a) Interest rates offered could be on fixed rate basis or floating / variable rate basis depending upon product / facility structure.
- b) The interest rate will be determined by the sanctioning authority as per Delegation of Power matrix after taking into account the interest rate model and approach for gradation of risk as defined above under point I and II, including the nature of loan, nature of security, its liquidity, credit worthiness and track record of the borrower, risk perception and negotiations with the borrower etc.
- c) All the loans where the rate of interest is linked to NWFL Prime Lending Rate ‘NWFLPLR’, the sanctioning authority shall decide the periodicity of interest reset. The reset shall be linked to the prevailing NWFLPLR at the time of reset.
- d) The rate of interest for the same product and tenor availed during the same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this policy.
- e) The annualized rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter/KFS.
- f) Loan amount, Annualised Rate of Interest, tenure of loan, penal charges, key terms etc will be communicated to the borrower in the sanction letter/KFS.

IV. PENAL CHARGES AND OTHER CHARGES

A. Non-compliance for material terms and conditions of loan

- a) The Company may levy penal charges for any delay or default in making payments of any dues. The details of such charges for late repayment will be mentioned in bold in the loan agreement/KFS/sanction letter, as applicable.
- b) Penalty, 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 capitalisation of penal charges, i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account. Therefore, the Company may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of

remediation, and not at the penal rate of interest.

- c) Default in repayment by the borrower will be considered as non-compliance of material terms and conditions of loan repayment contract by the borrower and penalty, if charged, for such default shall only be levied in the form of penal charges and not penal interest. Such penal charges will be levied by the Company only on the amount under default. Further, there will be no capitalization of the penal charges i.e no further interest computed on such charges.
- d) Additional / fresh penal charges will not be levied on the earlier outstanding amount of penal charges.
- e) The Company will not introduce any additional component to the rate of interest.
- f) The penal charges can be different within the same product category depending upon the amount of loan. The structure of penal charges within a particular loan / product category will be uniform irrespective of the constitution of the borrower.
- g) The quantum and reason for penal charges will be clearly disclosed by the Company to the customers upfront in the loan agreement and Most Important Terms & Conditions/ Key Fact Statement as applicable, in addition to being displayed on the Company's website under Interest rates and Service Charges.
- h) Whenever reminders for non-compliance of material terms and conditions of loan will be sent to the borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason thereof shall also be communicated.

B. Pre-payment charges on floating rate loans:

The prepayment charges applicable to floating rate loans will be in accordance with the RBI regulations.

C. Processing fees:

- i) The processing fee will be determined by the sanctioning authority on the basis of the quantum of work involved in credit appraisal, volume of documentation involved, other expenses involved in the transaction and negotiation with client.

D. Other notes:

- a) Claims for refund, increase, reduction, or waiver of such charges/ penal interest / additional interest shall be at the sole and absolute discretion of the Company on a case-to-case basis.
- b) Intimation of change in interest or other charges would be communicated to customers. Any revision in interest or other charges would be with prospective effect.
- c) Further, unpaid interest for any period may be compounded monthly or at such interval as may be decided by the Company from time to time.
- d) The rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company or as per the agreed terms and conditions.

The annualized rate of interest to be charged to the customers at the time of sanctioning shall be in the range as mentioned below:

Product	Interest Rate range
ESOP	5% - 15%
LAS	6% - 19%
UNSECURED	8% - 15%

In exceptional circumstances, based on the risk assessment and financial structure, this may fall outside the indicated range.

This Policy will be made available on the website of the Company.

The Policy shall be reviewed by the Board and/or designated Committee as and when there are any regulatory changes or as and when it is found necessary to change the Policy due to business needs.

ANNEX A

Calculation of NWFLPLR (For Base Amount of INR 100)				
				Fig in INR
A	Fund Requirement for Loan Amount of INR 100			
a.1	Loan Amount			
a.2	RBI Capital Adequacy Requirement (CRAR) Current: 15%;			
B	Funding Composition			
b.1	Own Capital (15%)			
b.2	Borrowed Funds (85%)			
C	Funding Cost			
c.1	Cost of Own Capital (Assumed risk free rate (G Sec rate*))			
c.2	Borrowing Cost			
D	Provisioning for Standard Assets			
E	Liquidity Cushion Cost			
F	Operation expenses including employee benefit expenses			
G	Effective estimated Cost of the NWFL (C+D+E+F)			
H	Risk Margin (Taken at 400 Basis point due to Business Risk, High Leverage, Concentration of Collateral & ability to liquidate collateral)			
	NWFL Prime Lending Rate (NWFLPLR) (G+H)			

*G Sec rate will be the latest 10-year benchmark rate and reset on quarterly closing rate as per the NDS-OM at <https://www.ccilindia.com>.