SMFG India Credit
Pragati Ki Nayi Pehchaan

SMFG India Credit Company Limited

Policy on Interest rates, Processing fees & other charges

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1. Background

The Reserve Bank of India (RBI) had vide its Reserve Bank of India (Non-Banking Financial Companies–Asset Liability Management) Directions, 2025 dated 28 November 2025 advised that the Board of 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. Accordingly, the Policy on interest rate, processing fee & other charges have been outlined by SMFG India Credit Company Limited (hereinafter referred as "the Company").

2. Scope

The Policy would cover all the loan products offered by the Company.

3. Definition and Key terms glossary

Definition & Term used	Details
RBI	Reserve Bank of India
ALCO	Asset-Liability Committee
ALM	Asset-Liability Management
PLR	Prime Lending Rate
PLGC	Product Lifecycle Governance Committee
Personal Loan definition as per RBI	Personal loans refer to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets, and (d) loans given for investment in financial assets Consumer credit refers to the loans given to individuals, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumption purposes (e.g., social ceremonies, etc.).
Negative amortization	A scenario where EMI paid is insufficient to cover interest payable for the month, leading to increase in loan outstanding

4. Policy Renewal and Approval

The Policy shall be reviewed once every year by the management and modifications, if any, warranted due to internal or regulatory requirements, shall be taken up for the approval of the Board.

5. Role and responsibilities

Particulars	Roles and Responsibilities
Board of Directors	To approve the framework for determination of pricing of loans offered by the Company, which includes rate of interest, Benchmark rates and other rates, charges from time to time
Risk Oversight Committee (ROC)	Review the Minutes of the ALCO and PLGC and provide directions, as appropriate
Assets & Liability Committee (ALCO)	Review and approve Prime Lending rate
Product Lifecycle Governance Committee (PLGC)	Review and approve pricing related aspects for loan products offered by the Company.
Product	a. Reviewing, placing notes related to pricing for loans products offered by the Company (interest rates, charges etc.) to the PLGC b. Updation of Interest rate & charges on the Company's website c. Implementation of various aspects of the pricing related approvals through relevant processes & systems
Treasury	Reviewing, placing notes related to Prime lending rates to ALCO

6. Policy Principles

6.1 Interest Rate:

a. The company may offer loans at fixed rates or floating rates to the borrowers.

b. The interest rate range for each loan product and sub-product is approved by PLGC and the benchmark rate referred as Prime Lending Rate (PLR) is approved by the ALCO. The minutes of the meetings of ALCO and PLGC get placed to the Risk Oversight Committee of the Board.

c. The floating rate loans will be linked to the PLR of the Company

d. The PLR and rate of interest range shall be determined based on following factors but not limited by:
    a) Cost of funds
    b) Operating expenses
    c) Cost of Credit (Risk premium)
    d) Expected return on equity
    e) Liquidity Cost
    f) Matching tenor cost
    g) Market liquidity and prevailing macro-economic conditions
    h) Refinance/securitization avenues
    i) Offerings by competition

e. The rate of interest offered to the Borrowers shall be further determined/ defined based on but not limited by
    a) Inherent credit and default risk of the borrower per se arising from borrower segment, profile of the Borrowers, professional qualification, stability in earning and employment and repayment ability
    b) Overall borrower yield
    c) Risk premium associated to the segment of borrower
    d) Nature and value of primary and collateral securities
    e) Past repayment track record of the Borrowers
    f) Tenure of borrower relationship
    g) External / Internal rating/s of the Borrower/s
    h) Special Corporate Tie-Ups
    i) Industry trends etc.

    The Company has in place an interest rate model whereby the rate of interest for same product and tenor availed during same period might differ from borrower to borrower depending upon consideration of any or combination of a few or all factors listed out in point (6e) above.

f. Loans offered and classified as "MicroFinance" as defined by the RBI, shall also follow the above contours of determining interest rates. Loans to MicroFinance will have a maximum ceiling of 30% p.a.

g. The interest rate would be computed on daily outstanding balances basis and charged on monthly rest. Interest rates applicable on the loan shall be intimated to the Borrowers at the time of sanction/ availing of the loan and the equated installments / repayment schedule depicting interest and/ or principal dues shall be made available to the borrower.

h. The Company shall offer both fixed as well floating[1] interest rate loans. The description of whether the loans are fixed rate or floating rates shall be provided in the Product Pricing Policies.

i. The Company shall clearly communicate to the borrowers about the possible impact of change in PLR on the floating rate loans leading to changes in EMI and/or tenor or both. Subsequently, the specifics on account of the change in PLR viz. any increase/ decrease in the EMI/ tenor or both on

account of the above shall be communicated to the borrower immediately through appropriate channels.

j. To the borrowers who have availed EMI based floating rate personal loans, the Company will once provide an option to switch their loan from floating to fixed rate of interest and vice versa.

k. The Company can levy charges for switching of loans from floating to fixed rate or vice versa and the same shall be disclosed in the sanction letter or Key Fact Statement (KFS). The approved switching charges shall be disclosed on the Company's website.

l. Any change in Interest rates would be prospective in effect and intimation of change of interest, if any, or other charges would be communicated to the borrowers.

m. In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper *(all inclusive)* pricing, in accordance with the norms prescribed by the RBI.

n. In case of staggered disbursements, the rate of interest would be subjected to review and the same may vary according to the rate of interest prevailing at the time of disbursement or as may be decided by the Company.

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[1] As on the date of this policy, the company offers Urban LAP and Urban LAS as floating rate interest loans

o. The PLR, interest rates and other charges applicable would be hosted on the Company's website and updated, from time to time.

p. The company, at the time of disbursement, and/or re-amortizing of loan arising out of PLR, will ensure that the account doesn't lead to negative amortization.

q. The company may in exceptional scenarios, at its discretion offer interest rate appropriate to customers considering their relationship.

r. The company shall not introduce any additional component to the rate of interest.

6.2 Charges & Fees

6.2.1 Penal Charges/Late payment charges

a. The quantum of penal charges shall be reasonable and proportionate with the non-compliance of material terms and conditions without any discrimination within a particular loan / product category.

b. The Company shall collect penal charges/ late payment charges for any delay or default in making payments of any dues or non-compliance towards clauses of material terms and conditions. These charges will be decided by the company from time to time and approved by the PLGC, save and except for where regulations prescribes that such charges should not be levied. Such penal charges would be levied in form of a 'charge' and not in the form of 'penal interest'. These penal charges will not be capitalised.

c. No claims for refund or waiver of such charges would normally be entertained by the Company. Any such requests shall be entertained at the sole discretion of the Company.

d. The penal charges 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.

e. The quantum of charges will be disclosed to the customers in the loan agreement and Terms & Conditions / Key Fact Statement (KFS) and the Company's website under Interest rates and Service Charges.

f. The Company will communicate to the customers applicable penal charges along with reminders for non-compliance. Further, instance of levy of penal charges and the reason therefor will also be communicated.

6.2.2 Pre-payment charges

a. The Company shall not impose pre-payment charges on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-borrower(s), irrespective of source of funds used for prepayment of loan, either in part or full and without minimum lock-in period.

a. The Company shall not charge pre-payment charges on Floating rate term loan sanctioned to Individual, Micro and Small Enterprises (MSE) borrowers for business purpose with or without coobligant(s) upto INR 50 Lakhs, irrespective of source of funds used for prepayment of loan, either in part or full and without minimum lock-in period. *This change shall be effective from January 1, 2026, in line with RBI Circular dated July 2, 2025.*

b. Prepayment charges shall be based on the amount being prepaid.

c. The Company shall not levy any charges where pre-payment is effected at the instance of the Company RE.

g. No pre-payment charges on Micro-Finance Loans irrespective of floating or fixed rates offered.

h. The Company shall not levy any charges where pre-payment is effected at the instance of the Company.

i. Prepayment charges, where applicable, on closure of the facility before the due date may be levied on an amount not exceeding the sanctioned amount.

j. No pre-payment charges shall be applicable if the borrower intimates the intention not to renew the facility before the period as stipulated in the loan agreement, provided that the facility gets closed on the due date

k. In case there is no disclosure about prepayment charges in the loan agreement, sanction letter and KFS, the same shall not be charged.

l. The company shall not levy any other charges / fees retrospectively at the time of pre-payment, including and not limited to any charge which were waived off earlier.

s. In case of switching of interest rate from floating to fixed or dual rate (if any), applicability or otherwise of pre-payment charges will depend on the floating rate loan status at the time of prepayment.

6.2.3 Processing Fee /documentation and other charges

a. All applicable processing fee, documentation, pre-payment charges, penal / Late payment charges and other charges to be decided as approved by the PLGC of the Company. The Company's loan documents shall mention the above charges.

b. The other charges could include, and not limited to, repayment bounce charges, part disbursement charges, switching charges from floating to fixed rate or *vice versa*, swap charges for payment instruments, charges on various other services like issuing no due certificate, No Objection Certificate (NOC), letters ceding charge on assets/ security, security swap & exchange charges etc. These charges may vary based on loan product, exposure limit, borrower segment,

geographical locations and cost incurred in rendering services to the Borrowers. Such charges shall be part of the loan agreement and also to be displayed on the website of the Company.

6.3 Provisions relating to co-lending arrangements (CLA) between the 2 Regulated Entities (REs):

1. The interest rate and any other fees / charges on the underlying loans charged to the borrower shall be based on the contractual agreement, subject to the regulatory norms applicable to the REs. The Company and the Partner RE shall have the flexibility to independently price their share of the exposure based on their respective risk assessments, borrower profiles, and underwriting guidelines, basis their respective internal Policies

2. The final interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rates charged by respective REs, as per their internal policies and risk profile[2] of the same or similar borrower, weighted by the proportionate funding share of concerned REs under CLA *(Refer illustration 1 below)*

3. Any change in rates by respective REs under CLA, including and not limited to reset of Benchmark rate / PLR and / or for retention reasons, will be made as per their pricing policy and extant regulatory norms, and the same shall be reflected in the updated blended rate and communicated to the borrower.

4. Any fees / charges payable by the borrower in addition to the blended interest rate shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS

5. As prescribed by the Master Directions, the Company shall suitably incorporate in its product level pricing policy, the objective criteria for fees/ charges payable for lending services, depending upon relevant factors such as the nature of service provided, quantum of loan, etc. Such fees/ charges shall not involve, directly or indirectly, any element of credit enhancement[3] / default loss guarantee[4] unless permitted otherwise

6. Under the extant guidelines amended from time to time, the originating RE may provide default loss guarantee (DLG) up to five per cent of loans outstanding/ loan portfolio in respect of loans under CLA. Provision of such DLG shall be governed *mutatis mutandis* in terms of the regulatory guidelines on Digital Lending as amended from time to time. The charges, other than interest, applicable under the CLA shall be mutually agreed upon by the Company and the originating RE. The agreed charges, along with their computation methodology, will be documented and formalized as part of the Master Agreement/SOP.

   The allocation of fees and charges collected from borrowers will be determined through mutual agreement and documented in the Master Agreement. Depending on the nature of the charges, they will either be shared between the partners based on the agreed risk-sharing ratio, retained

by the partner responsible for operational efforts, or assigned to the party that incurs the related expense.

7. The Company shall also make appropriate disclosures in their financial statements, under 'Notes to Accounts', relating to necessary details of CLAs on an aggregate basis. The details may, interalia include quantum of CLAs, weighted average rate of interest, Broken-period interest, fees charged / paid, broad sectors in which CLA was made, performance of loans under CLA, details related to default loss guarantee, if any, etc. The disclosure shall be done on quarterly/annual basis, as applicable to the concerned REs

8. The company shall suitably amend its Credit Risk Polices and customer documents to incorporate compliance with respect to CLA as prescribed by the Master Directions

Illustration 1:
Interest rate range and other schedule of charges will be as per respective product level pricing policies approved by PLGC and tabled to ROC

Particulars	Company	CLA RE	Blended
Loan amount	80,00,000	20,00,000	1,00,00,000
Share	80%	20%	100%
RoI	13.50%	15.00%	13.80% **

** [(80,00,000 X 13.50%) + (20,00,000 X 15.00%)] ÷ 1,00,00,000 = 13.80%

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[2] Risk profile is integrated part of product level pricing policies.

[3] Credit enhancement means a contractual arrangement in which an entity provides some degree of added protection to other parties to a transaction to mitigate the credit risk of their acquired exposures.

[4] Default loss guarantee is a contractual arrangement, called by whatever name, between the originating RE and partner RE, under which the former guarantees to compensate the latter, for loss due to default up to a certain percentage of the loan portfolio of the RE, specified upfront. Any other implicit guarantee of similar nature linked to the performance of the loan portfolio of the RE and specified upfront, shall also be covered under the definition of DLG

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