



IIFL Finance Limited

Interest Rate and Charges Policy

Version 14.0

Document Review and Approval

Revision History

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Interest Rate & Charges Policy

A. Introduction

IIFL Finance Limited (the 'Company'), in compliance with – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various circulars issued from time to time, has adopted this Interest Rate & Charges Policy ('Policy') to lay out appropriate internal principles and procedures to arrive at benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers for its lending business.

B. Methodology

The Company has implemented a Risk-Based Pricing (RBP) framework.

Risk-based pricing refers to the concept of offering differential interest rates to different customer-classes based on the inherent riskiness in their profiles and overall creditworthiness. This is done to ensure that lending institutions are fairly compensated to the extent of the risks that they will undertake owing to onboarding a particular kind of customer.

The average yields and the rate of interest under each product shall be decided from time to time, giving due consideration to the following factors:

- a) The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc. Under the Risk Based Pricing approach, the Company computes the Weighted Average Cost of Capital (WACC)
- b) Operating cost in our business and maintaining the stakeholder's expectations for a reasonable, market competitive rate of return
- c) Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio
- d) Nature of lending, for example unsecured/secured, and the associated tenure
- e) Nature and value of securities and collateral offered by customers
- f) Subventions and subsidies available, if any
- g) For loans with tenure greater than 3 years, the Company will also add a tenor premium under the Risk Based Pricing approach.
- h) Risk profile of customer i.e. professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.
- i) Industry trends i.e. offerings by competition

C. Organization Structure

1. **Board of Directors**

The Board of Directors shall have oversight for the *Interest Rate & Charges Policy*. To ensure effective implementation of the Policy, the Board may delegate the implementation of the Policy and its operational aspects to the respective Business Head and/or ALCO as may be deemed fit.

2. **Asset Liability Management Committee (ALCO)**

ALCO shall be responsible for evaluating and approving the Interest Rate range i.e. the minimum and maximum rate the Company can charge within which loans shall be granted to the customers. Any changes in the Interest Rate range shall be approved by the ALCO and would be put up to the Board in subsequent meeting.

Respective Product Manuals, with the approval of the Business Head, may have their internal pricing policies under the overall framework of Board approved Policy to arrive at the final rate to be charged to the borrower depending on various factors. Changes to product level internal pricing policies, if any, shall be approved by the respective Business Head and any changes beyond the range shall be approved by ALCO.

D. Interest Rate Model

The model for the type of interest rate on respective products shall be defined in the respective product manuals. The Company shall adopt a discrete Policy which shall mean that the rate of interest for same product and tenure availed during the same period by separate customers may not be standardized but shall vary within a range, depending, amongst other things, the factors mentioned below.

The company adopts a Risk Based Pricing interest rate model which takes into consideration the current pricing structure, funding sources, cost components, historical data on income, expenses, and returns which are then analyzed to identify key pricing parameters. WACC and operational costs are used to determine the minimum lending rate. Product- and borrower-specific risk premiums are then added to arrive at the final lending rate. (Refer *Annexure 2 for latest interest rate range*)

E. Approach for Gradation of Risks

Risk grading enables the Company to differentiate customers across different risk spectrum and helps in applying risk premium to that customer. The Company shall assign a rating score to all its loans, which shall take into account various factors like the past track record, the financial robustness of the project, security offered, various risks associated with the project like market risk, operating risk and regulatory risk among others and mitigation thereof.

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

1. profile and market reputation of the borrower
2. tenure of relationship with the borrower group, 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, mode of payment, group strength for corporate loans
3. nature and value of primary and secondary collateral / security
4. type of asset being financed, end use of the loan represented by the underlying asset
5. interest, default risk in related business segment i.e. market volatility and competitor review
6. Bureau score of an individual which determines the credit payment history across loan types and credit institutions over a period of time
7. regulatory stipulations, if applicable
8. Under the Risk Based Pricing approach, the Company has identified certain parameters for borrowers within each product such as LTV for Gold Loan, Industry type for Business Loans which will be used to add borrower specific premiums
9. and any other factors that may be relevant in a particular case

Business practices will be conducted in a manner to ensure the maximum interest rate charged does not exceed the range calculated as per the Risk Based Pricing framework, however in case the maximum rate charged for any product is above the range described in accordance with the Risk Based Pricing framework, the same will be submitted to the ALCO committee and will be presented in the subsequent RMC with proper justification.

F. Secured Business Loan - Floating Reference Rate (FRR)

The FRR serves as the internal benchmark rate for determining interest rates on floating-rate loans sanctioned under the loan against property product. It is calculated based on several key variables, as outlined below:

1. **Cost of Funds:**
The average cost of funds across all financial instruments is a critical input for calculating the FRR. Adjustments to the FRR are made in response to changes in borrowing costs, such as shifts in MCLR spreads or rate changes by lenders and banks.
2. **Operating Expenses (Opex):**
The expected operating expenses incurred by the Company, including personnel costs, administrative costs, and depreciation, are factored into the FRR calculation.
3. **Credit Costs:**
Anticipated credit losses and provisions are added to the FRR. These credit losses may vary depending on the product type.
4. **Return on Capital:**
The desired return on capital or profitability for the business is incorporated into the FRR to ensure financial sustainability.

Type of Interest Rate: Floating Rate

Floating Rate Loans

Floating rate loans are offered to customers at a rate determined by the FRR, adjusted by a discount or premium, as decided during loan sanctioning.

The Company reviews the FRR on quarterly basis to reflect changes in market conditions. This ensures that the business remains competitive during favourable market conditions and sustains profitability during adverse conditions. Adjustments to the FRR will be made based on changes in the underlying variables, such as cost of funds, operating expenses, credit costs, and desired returns.

Regular monitoring and recalibration of the FRR enable the Company to safeguard its business growth and align with evolving market dynamics.

Introduction of FRR w.e.f 12th Dec 2024

December-24	Secured Business Loan	Methodology
Cost of Funds	10.50%	Variable
Operating cost of Business	4.50%	Variable
Expected Return on Capital	4.00%	
Credit Losses	1.50%	
Calculated FRR	20.50%	

Principles and procedures for charging spreads to calculate final rate

The final rate of interest for loans offered will be arrived after reducing / adding spread by the credit and the business team. Some of the key factors (illustrative but not exhaustive) considered by businesses for calculating spreads are given below:

1. Credit and default risk in the related business segment
2. Profile of the customer
3. Nature and value of collateral security
4. Ticket size of loan
5. Bureau Score
6. Tenure of Loan

G. Communication to Customers

- The Company shall intimate the borrower the annualized rate of interest at the time of sanction of the loan along with the tenure and amount of EMI apportionments towards interest and principal. Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.
- The customer shall also be informed about the Policy is available on the Company website and any change in the benchmark rates (Floating Reference Rate) and charges for existing customers would be uploaded on the website of the Company.
- The Company shall ensure that all changes to interest rates and charges are implemented only on a prospective basis.
- Any changes in the rates and charges for existing customers would also be communicated to them through either e-mail or letter or SMS. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- In case of staggered disbursements, 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.
- The Company shall ensure compliance with the RBI Fair Practices Code guidelines as updated from time to time and as adopted by the Company through its Fair Practices Code. Statement of account will be made accessible to the borrowers, through any acceptable mode of communication, as and when requested by the borrower.
- Penalties for non-compliance with material loan terms by the borrower shall be classified as 'penal charges' and not as 'penal interest' added to the loan's interest rate. Penal charges will not be capitalized, meaning no further interest will be calculated on them. This does not affect the normal compounding of interest in the loan account.
- The Company is committed to ensuring transparency and compliance by not including any additional components in the interest rate and adhering strictly to the prescribed guidelines in both letter and spirit.
- At the time of loan sanction, borrowers will be clearly informed about how changes in the benchmark interest rate (FRR) could affect their EMI and loan tenure, ensuring they are fully aware and prepared for any potential adjustments.
- At the time of reset of interest rates, the borrowers shall be given the choice to opt for enhancement in EMI or elongation of tenor or for a combination of both options; to prepay, either in part or in full, at any point during the tenor of the loan with applicable charges as per schedule of charges.
- Claims for refund or waiver of such charges/penal charges/additional charges would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests.
- The Company will ensure that any extension of the tenure for a floating rate loan does not lead to negative amortization.

H. Other Charges

Besides interest, other financial charges like processing fees, cheque bouncing charges, prepayment/ foreclosure charges, part disbursement charges, cheque swaps, 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. would be levied by the Company wherever considered necessary. The levy or waiver of these charges for different products or facilities would be decided within the limits prescribed under the policy (Refer *Annexure I*). Any changes in the charges shall be approved by the ALCO and would be put up to the Board in subsequent meeting. Besides the base charges, the Goods and Service Tax (GST) and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. Any fees, charges, etc. which are not mentioned in the KFS, shall not be charged to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

I. Review of Policy

The Policy shall be reviewed by the Board of Directors annually or more frequently as may be required.

J. Annexure 1 – Fees and Charges

GOLD LOAN										
Processing Charges	Penal / Default Charges #	Mark to Market (MTM) Charges	Stamp Duty & Other Statutory Charges ***	Auction Charges\$	Overdue Notice Charges \$ (Once in 90 days)	SMS Charges	Part-Payment charges	Fore-Closure Charges	Gold Maintenance Charges	Credit Appraisal Charges
Upto 2% (exclusive of GST)	0.5% p.m. (6% p.a.) (GST not applicable)	₹ 500 (inclusive of GST)	As per Applicable laws of the State	₹ 1500 (inclusive of GST)	₹ 200 per Notice (inclusive of GST)	₹ 5 per Quarter (exclusive of GST)	NIL	NIL (Minimum 7 days of interest is charged if loan is closed within 7 days)	₹5 per day or ₹10 per day as per the applicable scheme. (Exclusive of GST)	₹70 (Exclusive of GST) Applicable to all i) New Loans, ii) Top-up Loans and iii) Renewed Loans and disbursed on or after 1 April 2026, wherever credit appraisal is mandated under the applicable policy.

BUSINESS LOAN									
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges (per instance)	Documentation Charges	Bank Swapping Charges	NeSL Reporting **	Stamp Duty & Other Statutory Charges ***	Foreclosure charges*	Cooling off period ****	
Upto 5%	2% p.m. (24% p.a.)	Upto ₹ 2500	Upto ₹ 4500	₹ 500	As Applicable	As per applicable laws of the State	<ul style="list-style-type: none"> • 0-6 Months – 7% • 7-24 Months – 5% • >24 Months – 4% 	7 Days	

PERSONAL LOAN							
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges (per instance)	NeSL Reporting **	Stamp Duty & Other Statutory Charges ***	Foreclosure charges*	Cooling off period****	
Upto 5%	2% p.m. (24% p.a.)	₹ 500	As Applicable	As per applicable laws of the State	Maximum – 7%	7 Days	

Note: Personal Loan has been discontinued w.e.f. Feb 16, 2024. However, Employee Loan sourcing under the Personal Loan category is still allowed.

DIGITAL FINANCE								
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges (per instance)	Documentation Charges	Bank Swapping Charges	NeSL Reporting **	Stamp Duty & Other Statutory Charges ***	Foreclosure charges*	Cooling off period****
Upto 5%	2% p.m. (24% p.a.)	₹ 500	Nil	₹ 500	As Applicable	As per applicable laws of the State	Nil	7 Days

Note: Digital Finance arrangement has been discontinued w.e.f. Sep 30, 2024. Currently, the arrangement with Xtracap continues to remain active as per existing terms.

SUPPLY CHAIN FINANCE				
Processing Charges	Stamp Duty & Other Statutory Charges ***	Penal / Default Charges #	Cooling off period****	NeSL Reporting **
Upto 2%	As per applicable laws of the State	2% p.m. (24% p.a.)	7 Days	As Applicable

COMMERCIAL REAL ESTATE			
Processing Charges	Penal / Default Charges #	Collateral Evaluation Charges	Pre-Payment/ Foreclosure charges*
Upto 2% of the loan amount approved	0.5% p.m. (6% p.a.)	As Actuals	Upto 4%

LOAN AGAINST SECURITIES					
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges	Stamp Duty & Other Statutory Charges ***	NeSL Reporting*	Prepayment / Foreclosure Charges
Upto 2%	Upto 2% p.m. (24% p.a.)	As per actuals	As per applicable laws of the State	As Applicable	Upto 4% can be levied in the case of term loans in case of pre-payment/foreclosure

LOAN AGAINST SECURITIES (DIGITAL)	
Fees / Charges	Fees / Charges (% / ₹)
Processing Fees	Upto 2%
Bounce Charges	Up to ₹ 2000/- (Per instance)
Foreclosure charges*	5% of the amount paid by the customer towards foreclosure / part Payment
Part-Payment charges	Nil
Annual Maintenance Charge	₹ 999/- or 0.50% of the Limit whichever is higher
Pledge Creation Charges	₹ 500/-
Pledge Revocation Charges	Up to ₹ 500/-
Pledge Revocation charges (without availing loan)	As per Actuals
Pledge Invocation Charges	Up to ₹ 2000/-
Legal Charges	As per Actuals
Collection Charges	Up to ₹ 5000/-
Penal / Default Charges	2% p.m. (24% p.a.)
Cooling off Period****	7 days - No prepayment penalties apply during this period. If the loan is closed within the cooling-off window, the processing fee remains non-refundable.
NeSL Reporting**	As Applicable
Stamp Duty & other Statutory Charges***	As per applicable laws of the state

SECURED BUSINESS LOAN	
Fees /Charges	Fees /Charges (% / ₹)
Processing Fees	up to 5% of the loan amount
IMD Charges ¹ (Initial Money Deposit)	Upto ₹ 3,000 (non-refundable)
NACH / e-mandate bounce Charges (Header updated)	₹ 2,500
Penal / Default Charges ^{2#}	2% p.m. (24% p.a)
Cancellation charges	₹ 5,000
Legal Charges	As per Actual
Stamp Duty	As per Actual
Foreclosure Charges* ⁴	<p>A. For floating rate loans and advances sanctioned upto December 31, 2025 –</p> <ol style="list-style-type: none"> 1. Purpose other than business (individuals) : Nil 2. Business purpose (individuals and MSEs) <ol style="list-style-type: none"> a) Upto 1st 6 EMI: Foreclosure not allowed b) After 1st 6 EMI: 5% of the principal amount <p>B. For floating rate loans and advances sanctioned from January 01, 2026-</p> <ol style="list-style-type: none"> 1. Purpose other than business (individuals) : Nil³ 2. Business purpose (individuals and MSEs) <ol style="list-style-type: none"> a) Loans up to ₹ 50 Lakhs - Nil³ b) Loans above ₹ 50 Lakhs (After cooling-off period) – <ol style="list-style-type: none"> i. Upto 1st 6 EMI: Foreclosure not allowed ii. After 1st 6 EMI: 5% of the principal amount
Part Payment Charges	Nil
Switch over facility (from Floating to Fixed and Fixed to Floating)	Switch over not allowed (w.e.f October 01, 2025) ⁵
NeSL Reporting**	As Applicable
Cooling off period****	7 days

1. In case of disbursement, this charge will be adjusted towards Processing Fees
2. Levied on principal outstanding. Penal charges will not be levied on the outstanding penal due amount.
3. Provisions apply irrespective of the source of pre-payment/foreclosure and without any minimum lock-in period.
4. Where pre-payment is effected at the instance of the Company, pre-payment charges shall not be levied.
5. In accordance with para 2 (ii) of RBI Circular on 'Reset of Floating Interest Rate on EMI based Personal Loans' dated August 18, 2023 amended on September 29, 2025.

levied on outstanding due amount. Outstanding due amount for this purpose includes the principal outstanding and Interest accrued. Penal charges will not be levied on the outstanding penal due amount

\$ The combined levy of overdue notice charges and Auction charges will be capped at ₹ 1500 per customer loan account

*Subject to cooling Period. Charged on outstanding principal

** These charges shall be levied annually in accordance with the fee schedule provided by NESL and are subject to change by NESL.

*** Stamp Duty as per applicable laws of the state

****The borrower shall have the explicit option to exit the digital loan during the initial "cooling-off period" by repaying the principal along with the proportionate APR, without any penalty. In case the customer exits the loan during the cooling-off period, the Company may retain a reasonable one-time processing fee.

Note:-GST and other government taxes, levies, etc. applicable as per the prevailing rates will be charged in addition to these charges, unless specified as inclusive (if applicable)

K. Annexure 2 – Interest Rate Range (p.a.)

Product	Interest Rate Range (Min – Max%)
Gold Loan	9.72% - 27% (Fixed)
Business Loan	12% - 28% (Fixed)
Personal Loan	12% - 28% (Fixed)
Digital Finance	12% - 28% (Fixed)
Supply chain Finance	10% - 21% (Fixed)
Commercial Real Estate	12% - 24% (Fixed)
Loan Against Securities	10%-18% (Fixed)
Loan Against Securities (Digital)	10% - 20% (Fixed)
Secured Business Loan	11% - 26% (Floating)

Note - The maximum ROI, capped at $\leq 28\%$, is applicable with effect from July 1, 2025 for Business Loan, Personal Loan and Digital Finance