



# Branch International Financial Services Private Limited

Interest Rate Policy and Methodology

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## 1. Introduction

The Reserve Bank of India ('RBI') vide its Master Direction - Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, updated from time to time, has advised that the Board of applicable NBFCs shall lay out appropriate internal principles and procedures in determining interest rates, processing and other charges.

Keeping in view the RBI's guidelines as stated above, Branch International Financial Services Private Limited (hereinafter referred to as "Branch" or "the Company" or "we" or "us") has formulated the policy on interest rate taking into account relevant factors such as cost of funds, margin and risk premium, etc. The policy has been duly approved by its Board of Directors.

## 2. Interest Rate Methodology and Gradation of Risk

In compliance with the RBI directives, the interest rate policy of the Company is outlined below:

- Branch has its own machine-learning model for calculating interest rates taking into consideration Branch's cost of funds, overhead and administrative costs, etc.
- The interest rate for various loans is calculated on the basis of loan tenor and risk calculations.
- Other factors that are taken into consideration include a customer's credit history with Branch and other lenders, the customer's profile, the performance of other similar customers, and rates charged by similar companies. This information will be collected from the customer, the Company's records and credit reports.
- The rate of interest charged to one customer for the same loan amount and tenor could differ from that of another customer. Branch may employ different combinations of credit tiering systems to inform risk-based pricing decisions. In general, Branch aims to unlock preferential rates for repeat borrowers who have displayed positive credit behaviour over a given time period. However, Branch reserves the right to tighten credit terms for new originations at any time, in response to deteriorating portfolio performance, changes in the macro environment, or a resetting of loan ladder and/or credit tiering frameworks.
- Pricing across available loan terms may vary in line with a borrower's individual credit profile. Branch will maintain updated loan term and rate schedules that may be altered any time due to changes in macro, political, consumer credit or regulatory environments.
- Branch may elect to offer fixed or variable rates to borrowers, of varying terms and repayment structures, commensurate with the default risk of individual borrowers and the broader Branch loan portfolio.
- Branch may elect to offer payment schedules of different frequencies based on the company's internal risk ratings and/or a borrower's repayment history. Loan schedules may require payments to be made on a daily, weekly or monthly basis. Payment frequency will be part of the terms displayed to the borrower before a loan is funded, and may not be altered at any point during the life of an individual loan. Interest payments are included in the overall payment schedule and cannot be altered.

- In addition to the interest charged on the loan, Branch may levy additional late fees/ penal interest to customers who do not repay their loans on time. These fees shall be communicated to the customers prior to submission of the loan application.
- Branch shall also levy other charges such as processing or origination fees, etc. wherever considered necessary.
- Any changes to the interest rate or other charges would be communicated to the customers in a manner as deemed fit by the Asset Liability Committee (ALCO) of the Company and in accordance with industry best practices.
- The interest rate would be communicated to the customers prior to submission of the loan application.
- Any changes to the interest rates shall be reviewed by the ALCO.
- Branch shall not entertain claims regarding refund or waiver of charges/ penal interest and it shall be at the sole discretion of the Company to deal with such requests.

### 3. Key responsibilities of the company

The following are the responsibilities of Branch towards its customers with respect to the interest rate / other charges:

- In addition to the amount of loan sanctioned, the Company shall convey to the borrower, in the vernacular language as understood by the borrower, the annualised rate of interest. This shall be communicated via the Branch app or otherwise and shall be kept on record.
- Loan agreements shall capture key conditions such as notice of change in the interest rate of the borrower in a language as understood by the customer, prospective effect of change, etc.
- The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period.
- In accordance with the RBI Directions, the Asset Liability Committee (ALCO) of the NBFC shall determine the interest rates.
- Branch shall publish the interest rate and the policy on interest rate on its web site.

### 4. Review of policy

The Policy shall be reviewed by ALCO of Branch on an annual basis and changes if any shall be approved by the Company's Board of Directors.