

Barclays Investments and Loans (India) Private Limited (BILIPL) Credit Pricing Policy

Extract of the BILIPL Credit Policy

Commercial Terms, Credit pricing and Interest Rates

In order to calculate a fair Credit price for a particular lending arrangement, one needs to bear in mind the following:

- the credit risk (probability of default, loss given default, exposure at default)
- the operating costs (fixed and marginal)
- the client relationship
- competitor/ market pricing
- our credit appetite/ headroom
- our strategic positioning

The spread shall factor the cost of capital adequacy based on Return on Risk Weighted Assets RoRWA of the total exposure amount.

It will be the prerogative of the Private Clients Business, i.e. Credit Solutions to decide upon the commercial terms, and interest rates and communicate on every case to operations after due consideration of the following factors:

- **'What if' pricing** - The ability to provide multiple scenario prices, before the final structure is agreed.
- **Break even pricing** - The ability to provide a break-even price for a particular risk
- **Bespoke (Risk adjusted) pricing** - The ability to use the prevailing risk models to provide pricing for bespoke (unique) transactions.
- **Client segmentation** - The ability to recognise different client segments so that pricing could be adjusted accordingly.
- **Asset class pricing** - The ability to recognise different (and in some cases multiple) asset classes so that pricing can be adjusted accordingly.
- **Spread & Fee** - The ability to be flexible
- **Regulatory & economic capital** consumption/ return for each trade
- **Other factors** – The ability to factor in other costs i.e. operational and other financial costs

Interest shall be payable by the borrower, in arrears at the frequency and rate, agreed with the lender and communicated in the disbursement / interest reset confirmation letter.

Credit Risk 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. For all such loans, Credit Risk will stipulate the repayment date. The interest rate and frequency either at monthly or quarterly rests shall be agreed with the client before disbursement of such loans.

FOCUS ON RISK-REWARD:

The Company's objective is to optimize its risk/reward return, which implies:

- an accurate internal client grading and counterparty assessment process, based on a balanced and rigorous credit analysis of the strengths and weakness of all transactions;
- a remuneration commensurate with the risk (as reflected by the assigned counterparty assessment), the final decision with respect to pricing belonging to the business;

GRADATION OF RISK APPROACH FOR CUSTOMER INTERNAL RATE OF INTEREST

1. **Cost of Funds** varies based on market conditions and levels at which the Company borrows funds from time to time. The same is factored in the Funds Transfer Pricing (FTP) curve across tenure buckets. This is after taking into account interest cost and associated costs of raising funds
2. **Operating costs:** This is the actual cost of running the operations and will include costs like employee, technology, rentals etc.
3. **Credit risk premium** factors in the hurdles taking expected loss into account.

4. **Strategic positioning premium/ discount** includes other subjective qualitative factors such as client segmentation, client conduct and relationship, competitor/ market pricing, our credit appetite/headroom available for various limits, security structure, etc.

Therefore,

Client Rate = Cost of funds + Operating costs + Credit risk premium + Strategic positioning premium/ discount

PENAL INTEREST / LATE PAYMENT CHARGES

As a deterrent against intentional delinquency and to encourage prompt and timely payment of interest and principal amount, the Lending Terms and Conditions provides for penal interest which is recovered @ 2% per month for the delayed period on a simple interest basis. In deserving cases, such interest can be settled at much lower rates or waived by the Business Head or delegate.