Interest Rate Model and Approach for Gradation of Risks

ABHFL serves diverse customer base, tailoring its offerings to various income profiles, collateral types, geographic locations.

The “Policy for determination of interest rates, processing fees and other charges” (“**Policy**”) outlines the framework and key factors considered for determination of interest rates by Aditya Birla Housing Finance Ltd. (ABHFL).

The Aditya Birla Housing Reference Rate (ARR) serves as the benchmark lending rate and is derived from the following projected components:

- **Cost of Borrowings:** Weighted average cost of funds across all sources, including term loans, NCDs, subordinated debt, NHB refinance, and other long-term instruments.

- **Operating Expenses:** Administrative and functional costs related to loan origination and servicing.

- **Credit Costs:** Risk premium based on Expected Credit Loss (ECL) models, portfolio performance, product characteristics and borrower risk profiles.

- **Minimum Profit Margin:** The spread required to maintain capital adequacy and long -term sustainability.

- **Other components**: Credit risk arising from the borrower or pool of borrowers, loan tenor, prevailing liquidity conditions in the market.

The ALCO quarterly reviews and deliberates on ARR basis the above referred parameters.

Determination of rate of interest:

The rate of interest for the customers is composed of two elements: the ARR, which is determined by the factors mentioned above, and the Spread. The Spread is established based on a structured evaluation of several variables (illustrative but not exhaustive), including customer profile, product type, property type ticket size, collateral category, credit assessment methodology, and competitive market intensity, thereby ensuring that loan pricing remains risk-appropriate, competitive, and strictly aligned with internal policy standards.

The rate of interest for the same product and tenor availed during same period by different borrowers could vary from borrower to borrower depending upon consideration of any of the above factors.

For further details, please refer the “Policy for determination of interest, processing and other charges” displayed on the Company’s website https://homefinance.adityabirlacapital.com/PDF/Policies/interest-rates-policy.pdf