

Internal Benchmark Lending Rate (IBLR) Policy

DSP Finance Private Limited

(Formerly known as DSP Investment Managers Private Limited)

Version	Description	Prepared by	Approved by
1.0	Policy formation	Priya Ranjit	Board of Directors on September 28, 2024
1.1	Annual review	Sachin Agarwal	Board of Directors on August 19, 2025

1. Introduction

This Internal Benchmark Lending Rate (“**IBLR**”) Policy is established to define the methodology for determining the IBLR for loans extended by DSP Finance Private Limited (“**Company or DSP Finance**”). The IBLR will serve as the reference rate for loan pricing, ensuring a transparent and structured approach to interest rate determination.

2. Objective

The primary objective of this policy is to create a robust and transparent framework for calculating and updating the IBLR based on key financial and economic parameters. The policy aims to ensure

- Fair pricing of loans
- Adequate risk-adjusted returns
- Compliance with regulatory guidelines

3. Scope

This policy applies to all loan products offered by the Company. It will serve as the basis for internal pricing models and interest rate adjustments on customer loans.

4. IBLR Calculation Methodology

The IBLR will be derived from a combination of the following factors:

- **Cost of Funds:** The cost of funds will be calculated as a **weighted average** of the following components:
- **Weighted Average Cost of Debt (WACC):** The WACC of the current debt will be calculated based on existing borrowings and their respective interest rates. In case there is nil borrowing the cost debt will be determined using proxy indicators. Further, the total cost of funds will also include the other treasury costs (like rating fees, trustee fees, brokerage, stamp duty etc.), costs of maintaining liquidity/negative drag, which is the cost of keeping a minimum level of liquidity (as per internal policy) and is to be treated as a drag on the cost of borrowing.
- **Explanation of the Negative Return on Cost of Funds:** To ensure liquidity for operational needs, the Company on guidance from the ALCO may choose to maintain a buffer of liquid assets, such as cash or easily tradable investments. These investments should be in line with the Borrowing and Investment Policy. However, maintaining this liquidity incurs a negative return, as the returns earned from liquid assets are typically lower than the cost of borrowing.
- **Macroeconomic Adjustments:** The Company's Treasury team may incorporate any macroeconomic forecasts or potential shocks (such as inflation, interest rate changes, or geopolitical risks) as part of the IBLR calculation. This adjustment will be discretionary and based on prevailing market conditions and forecasts.
- **Operating Expenses:** Operating expenses, like employee cost, administrative expenses, marketing expenses (if any), sourcing cost, etc., including but not limited to treasury costs (such as rating agency fees, trustee fees, and IPA charges), may be considered
- Any other material expenses which have a direct bearing on the cost of doing business

5. Frequency of IBLR Updates & Publication on website

The IBLR will be reviewed regular intervals or as may be deemed necessary. Any changes in the cost of funds, or other key components will be reflected in the updated IBLR. The updated IBLR will be published on the Company's official website at regular intervals or as may be deemed necessary. This will allow stakeholders, including customers and investors, to access the most up-to-date reference rate applicable for floating-rate loans.

6. Review and Approval

The IBLR calculation methodology, including assumptions and key components, will be recommended by the ALCO and reviewed by the Board of Directors annually. Any amendments to the methodology will be approved by the ALCO prior to implementation.

7. Governance and Oversight

The ALM Support team comprising of members from Finance, Treasury and Operations teams will be responsible for the calculation, review, and publication of the IBLR.

8. Compliance and Transparency

This policy adheres to regulatory requirements and ensures transparency in loan pricing. The methodology will align with industry's best practices and evolving RBI guidelines.