

Interest Rates on Advances

As prescribed under RBI Circular on Interest Rate on Advances, the spread charged for loans will have the following broad components:

i) a Credit Risk Premium spread; and ii) a Business Strategy spread.

The spread for Credit Risk Premium is linked to the rating of the borrower as per ranges defined.

The spread for Business Strategy will be levied on case to case basis depending on

(i) the nature / segment of the proposed loan (e.g. loans to small and medium enterprise, loans to priority sector, loans

to financial sector, etc.),

(ii) the inherent riskiness of the sector e.g. real estate v/s manufacturing companies

(iii) market competition

(iv) embedded options in the loan product

(v) market liquidity of the loan, etc.

The spread could be an “add on” spread or a “rebate” on the Credit Risk Premium depending on the factors described above.

The linkage between the rating scale and pricing & related terms and conditions as required under para 2.4.3 of the RBI’s Guidance note on Credit Risk Management (enclosure to RBI Circular DBOD. No. BP. 520 /21 04.103 / 002-03 dated October 12, 2002) are provided below for INR loans.

Internal Rating of Counterparty	Range of applicable Interest Rates	Related terms and conditions
BBB range or better/up to CR08	MCLR + up to 300 bps	Tenor max. 10 years
BB range/up to CR12	MCLR + up to 600 bps	Tenor max. 5 years
B range/up to CR16	MCLR + up to 800 bps	Tenor max. 5 years

The above are for a secured credit facility.

In case of an unsecured credit facility, additional spread of up to 300 bps on the above is applicable.

The linkage between the rating scale and pricing & related terms and conditions for loans in foreign currencies.

Rating of Counterparty	Range of applicable Interest Rates	Related terms and conditions
BBB range or better	1M SOFR + up to 200 bps	Tenor max. 10 years
BB range	1M SOFR + up to 400 bps	Tenor max. 5 years
B range	1M SOFR + up to 700 bps	Tenor max. 5 years

Some loans may be extended to Clients with a specific Put/Call date. On Put/Call dates the original interest could change

depending on the MCLR applicable on the Put/Call date.

External Benchmark

(a) All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans extended by banks to Micro

and Small Enterprises from October 01, 2019 and floating rate loans to Medium Enterprises from April 01, 2020 shall be

benchmarked to one of the following:

- Reserve Bank of India policy repo rate
- Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)
- Government of India 6-Months Treasury Bill yield published by the FBIL
- Any other benchmark market interest rate published by the FBIL.

(b) Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

(c) In order to ensure transparency, standardization, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

Illustration of a Credit Facility linked to 1M CD (as external benchmark)

The linkage between the rating scale and pricing & related terms and conditions for loans linked to external benchmark (1 month Certificate of Deposit (“CD”))

Internal Rating of Counterparty	Range of applicable Interest Rates	Related terms and conditions
BBB range or better/up to CR08	1 month CD + up to 500 bps	Tenor max. 10 years
BB range/up to CR12	1 month CD + up to 600 bps	Tenor max. 5 years
B range/up to CR16	1 month CD + up to 800 bps	Tenor max. 5 years

UBS AG Mumbai branch may choose any of the external benchmark as specified in the aforesaid points and/or as permitted by the RBI

from time to time. Spread/Margin on the Credit facility may accordingly vary and shall be dependent on the actual benchmark used.

The bank is empowered to restrict prepayment of loans. This will be clearly communicated in the Sanction letter and Facility Agreement.