**Hewlett-Packard Financial Services (India) Private Limited – Policies with respect to the calculation of interest rates on loans**

Pursuant to Notification Number DNBS. 204/CGM(ASR)-2009 dated 2 January 2009 the Reserve Bank of India requires all Non Bank Financial Companies to comply with certain procedures with respect to the setting of interest rates for loans.

This document is intended to present our policies with respect to this Notification and to promote our philosophy of dealing with customers in a transparent and open manner.

**Transparency**

Our policy is to be transparent with respect to interest rate at all times.

We achieve this by:

- Disclosing the annual interest rate applicable to each loan in the document that creates the loan. The loan is not binding on a customer until the customer signs the loan and the customer is not compelled to sign a loan unless the interest rate is acceptable to the customer.

- Only entering into fixed interest / fixed term loans. When a loan is drawn down the interest rate disclosed in the loan document will apply for the entire term of the loan. We do not vary the interest rate during the tenor of the loan. However, as per customary financial practice, default interest is charged in the event that a customer does not meet its payment obligations in a timely manner.

The process described above applies to each discrete loan. For example, if a customer requires additional funds after making an initial drawdown, we will provide the customer with a separate loan agreement for the new drawdown. The interest rate applicable to the new loan will be disclosed in that document.

We do not provide overdraft, on-demand or call loans.

We do not enter into variable interest loans.

**Establishing an interest rate**

The interest rate applicable to a particular loan is determined by reference to a number of factors, including:

- <u>Tenor of the Loan</u>
  The interest rate charge will depend on the term of the loan. The interest rate applicable to longer tenors will typically be slightly higher than the interest rate applicable for shorter tenors. This reflects the greater credit risk associated with longer term loan transactions.

- Internal and External Costs of Funds
  The rate of interest we charge is also affected by the rate at which we source the funds necessary to provide loan facilities to customers. We refer to this as our internal cost of funds.

  The rates we charge are also affected by the rates available in the general market. We take external cost of funds into account to ensure that our pricing is competitive and appropriate to the market place.

- Internal cost loading
  The interest rate we charge also takes into account our costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a particular transaction are therefore taken into account before arriving at the final interest rate quoted to a customer.

- Credit Risk
  Credit risk is a key factor in determining the interest rate applicable to a particular deal. As a matter of prudence, we factor a bad debt provision cost into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a particular transaction depends on the credit strength of the customer.

**Interest Rate Information**
As each transaction we entered into is individually assessed, we do not publish interest rates. The interest rate for each transaction is separately calculated. However, as noted above, the interest rate applicable to any loan transaction a customer wishes to enter into with us will be transparently disclosed in the loan documentation we submit to the customer.

If you have any questions please contact the Financial Account Manager we have assigned to you.