IDFC FIRST Bank Limited

Policy on Co – Lending Model	
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Approver	**RMC**
Owner	**Retail Policy, Risk and Strategic Alliance Product (Suvena Marar and Sangeeta Shetty)**
Review frequency	**Annual**

Revision Version			
Version	**Revision Date**	**Revised by**	**Revision Description**
1.0	30-01-2021	-	Adoption of Policy
1.1	29-01-2022	Retail Policy, Risk and Product	Annual Review
1.2	21-01-2023	Retail Policy, Risk and Product	Annual Review and changes with respect to bureau reporting and record maintenance
1.3	30-01-2024	Retail Policy, Risk and Product	Annual Review
1.4	27-04-2024	Retail Policy, Risk and Product	Clarification on MHP exemption in-line with the regulatory guideline
1.5	26-04-2025	Retail Policy, Risk and Product	Clarification on Escrow account for disbursal & Collection purpose

IDFC FIRST Bank

Co-lending policy for PSL & NPSL

1. Introduction

IDFC FIRST Bank (hereafter referred to as "**the Bank**"), in compliance with the RBI circular no. RBI/2020-21/63 FIDD.CO.Plan. BC.No.8/04.09.01/2020-21 dated November 05, 2020 (superseding the earlier circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018) is adopting the following policy on Co-lending of loans by entering in partnership with a registered NBFC entity including HFCs (hereafter referred to as "**the NBFC Co-lender**").

Co-Lending Model ("CLM") involves sharing of risks and rewards between the Bank and the NBFC Co-lender (for ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the Bank and the NBFC Co-lender.

This is an attractive opportunity for the Bank to originate retail and MSME portfolios consistent with its r risk appetite and will ensure a sustainable growth of the priority sector as well as the non-priority sector advances.

The policy is approved by the Board of Directors of the Bank and shall be reviewed by the Risk Committee of the Board of the Bank at least annually.

This policy is an extension to the overall Credit Policy of the Bank.

2. Eligibility

- Loans/ Advances to be made to the priority sector as well as the non-priority sector in compliance with the Bank's approved credit policy for the respective Co-lending program/NBFC Co-lender.
- The Bank can consider entering into a co-lending arrangement with any registered NBFC (including HFCs) based on a prior agreement except the ones belonging to the promoter group of the Bank.

3. Norms of Agreement

- A Master Agreement ("the Agreement") shall be entered into between the Bank and the respective BFC Co-lender which shall inter-alia include, terms and conditions of the respective business arrangement, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities between the Bank and the NBFC Co-lender as well as the customer interface and protection issues.
- The potential Co-Lending Partners - NBFCs are evaluated and selected by the Bank basis different criteria like their track record, credit & collections processes, geographical reach, system capabilities, manpower, book performance, etc.

- The Agreement may provide for the Bank to either mandatorily take its share of the individual loans, originated by the respective NBFC Co-Lender, in its books as per the agreed terms, or to retain its discretion to reject certain loans after their due diligence prior to taking in its books.

4. Loan Sharing

- The Bank will take its share of the individual loans on a back-to-back basis in its book.
- The NBFC Co-lender shall retain a minimum of 20 percent share of the individual loans on its books; the percentage of retention by the Co-lender in all cases shall be guided by the terms of the Agreement between the Bank and the NBFC Co-lender.
- The Bank can claim priority sector status in respect of their share of credit while engaging in such co-lending arrangement in accord to the PSL policy of the Bank.
- The Bank can exercise its discretion regarding taking into its books the loans originated by the NBFC Co-lender as per the Agreement. Such arrangement will be akin to a direct assignment transaction with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM.
- The said MHP exemption shall be available only in cases where the prior agreement between the Bank and the NBFC Co-lender contains a back-to-back basis clause, underlying loan is a PSL loan, and complies with all other conditions stipulated in the internal guidelines for the direct assignment and portfolio acquisition policy.

5. Credit Norms

In accordance with the pre-defined credit norms agreed by the Bank as well as the NBFC Co-, the customer's credit evaluation is done independently by both lenders based on various parameters.

6. Approval Norms

The NBFC Co-lender shall not outsource the credit decisioning process. Further, it shall ensure to seek approval from the Bank via ex-ante due diligence by the Bank in all cases where the master agreement entails a prior, irrevocable commitment on the part of the Bank to take into its books its share of the individual loans as originated by the NBFC Co-lender. The Bank shall be the final sanctioning authority under this CLM arrangement.

7. Charging Interest rates

- The Bank and the NBFC Co-lender shall have the flexibility of pricing their respective part of loan exposure. However, the Bank's Rate of Interest on its share of loan will be in line with the Bank's board approved pricing policy of the respective product. The ultimate borrower shall be charged an all-inclusive interest rate as may be agreed upon by both the lenders.
- Upon loan repayment, the collected amount shall be shared between the Bank & the NBFC Co-lender as per the pre-agreed commercial arrangement.

- The NBFC Co-lender will generate a single unified statement of the customer, through appropriate information sharing arrangements with the Bank.

8. Fund Management

The Bank and the NBFC Co-lender shall maintain each individual borrower's loan account for their respective exposures. An escrow account will be maintained with the Bank for the Disbursal and Collections transactions, in order to avoid inter-mingling of funds. The Agreement shall clearly specify the manner of appropriation of such disbursed or collected amount between the Bank and the NBFC Co-lender.

9. Handling customer issues

- The NBFC Co-lender shall be the single point of interface for the borrowers and shall enter into a loan agreement with the borrower, which shall clearly contain the features of the CLM arrangement and the segregated roles and responsibilities of the NBFC Co-lender and the Bank.
- All the details of the CLM arrangement shall be disclosed upfront to the borrowers and their explicit consent shall be taken.
- The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Bank and the NBFC Co-lender therein shall be applicable mutatis mutandis in respect of loans given under the CLM arrangement.
- With regard to grievance redressal, a suitable arrangement must be put in place by the NBFC Co-lender to resolve any complaint registered by a borrower with the NBFC Co-lender within 30 days, failing which the borrower would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

10. Provisioning and Bureau Reporting

- In the event of default, provisions shall be provided in books for the mentioned loan (the Bank's share) as per the Bank's board approved policy. Any additional provisions shall be made on a case-to-case basis.
- Both lenders shall adhere to the asset classification, provisioning requirement and reporting to Credit Information Companies for their respective share of the loan exposure. However, the NBFC Co-lender will be reporting the status of 100% of the loan exposure to the Credit Information Companies wherever the CLM via direct assignment route is undertaken.

11. Operational Aspects

- Record Keeping will be done as agreed with the respective NBFC Co-lender and documented in the Agreement. The custodian lender shall maintain such records, which are required to comply with applicable laws in connection with the Agreement. The custodian lender shall retain records for a period as specified under the relevant regulatory guidelines even after the termination of the Agreement. The custodian lender shall furnish such records, as may be requested by the other lender within the specified number of days as agreed.

- The board approved policy to be hosted on the website of the Bank and the NBFC Co-lender.
- The framework for monitoring and recovery of the loan, shall be guided as per the mutually agreed terms between the Bank and the NBFC Co-lender.
- The Bank and the NBFC Co-lender shall arrange for creation of security and charge, wherever applicable, as per the mutually agreeable terms.

- The loans under the CLM shall be included in the scope of internal/statutory audit of the Bank to ensure adherence to our internal guidelines, terms of the Agreement and extant regulatory requirements.
- Any assignment of a loan by either lender to a third party can be done only with the consent of the other lender.
- Both the Bank and the NBFC Co-lender shall implement respective business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans booked under the CLM arrangement, in the event of termination of the co-lending arrangement between the Bank and the NBFC Co-lender.
- The Agreement may contain necessary clauses on representations and warranties which the originating NBFC Co-lender shall be liable for in respect of the share of the loans taken by the Bank into its books.