RATNAAFIN CAPITAL
(An RBI Registered NBFC)

POLICY ON C0-LENDING

1. Background

The Co-Lending Policy (hereinafter referred to as "Policy") has been drafted in line with the notification bearing reference no. RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04. 09.01 /2020- 21 dated November 05, 2020 issued by the Reserve Bank of India to improve the flow of creditto the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks andgreater reach of the non-banking financial companies ("NBFCs").

This Policy covers general principles and practices followed by Ratnaafin Capital Pvt. (herein after referred to as "RCPL/Company") to enter into co-lending arrangement with partner institution(s)/Participating Bank (herein after referred to as "Participating Bank").

The Policy will be applicable to all the categories of products and services offered by the Company under the co-lending model and apply to related operations such as customer sourcing, loan processing, loan servicing and collection activities.

2. Eligibility

This Policy is applicable only in case of following segments:

- Co-origination/Co-Lending of loan with Scheduled Commercial Banks, as may be specified by RBI from time to time.
- Co-Lending can be made w.r.t. priority sector lending as defined by RBI.

Before entering into the Co-Lending Master Agreement ("CLM Agreement") with ParticipatingBanks, RCPL shall mutually agree with Participating Bank on loan products and its parameters, which are eligible under the respective Co-Lending Master Agreement (CLM Agreement).

3. Modes of Arrangement

RCPL shall enter into Co-Lending Arrangement as per the below mentioned modes or options:

<u>Option 1</u>: The arrangement would entail joint contribution of credit at the facility level, by bothRCPL and the Participating Bank ("Lender(s)") basis before the event due diligence by the Bank.

<u>Option 2</u>: Under this option the Participating Bank shall take over its share in the exposure after disbursement of the loan on back-to-back basis subject to due diligence.

Both the arrangements would involve sharing of risks and rewards between the Lenders for ensuring appropriate alignment of respective business objectives, as per the mutually decidedagreement between the Lenders. A minimum 20% of the credit risk by way of direct exposure shall be on the RCPL books till maturity of the loan and the balance will be on the Participating Bank's books.

4. Execution of Master Agreement

A CLM Agreement shall be entered into between Participating Bank and RCPL outlining the terms and conditions of Co-Lending arrangement including but not limited to specific details of product, areas of operations, provisions related to segregation of responsibilities as well as customer interface and protection issues, criteria for origination of Loans, pricing for assignment of pool under direct assignment, frequency/ size of pool assignment, as the case may be.

The Master Agreement may provide for the Participating Banks to either mandatorily take theirshare of the individual loans originated by RCPL in their books as per the terms of the agreement or to retain the discretion to reject certain loans after their due diligence prior to taking in their books Loan amount.

If the Participating Bank can exercise its discretion regarding taking into its books the loans originated by RCPL as per the Agreement (As per Option 2), the arrangement will be akin to a direct assignment transaction. Accordingly, the Participating Bank shall ensure compliance with all the requirements in terms of Master Direction for Securitization of Standard Assets issued vide RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22 and Master Direction for Transfer of Loan Exposure issued vide RBI/DOR/2021-22/86. DOR.STR.REC.51/21.04.048/2021-22 dated 24 September, 2021, respectively, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM.

The Board of RCPL is authorized to approve entering co-lending partnership with banks/financial institutions within the policy framework as it may deem fit.

5. Loan Sanction

<u>Option 1</u>: RCPL shall recommend to the Participating Bank the proposals as eligible for joint lending. The Participating Bank, under its irrevocable commitment to take into its books its share of the individual loans as originated by the RCPL, shall subject to ex ante/before the ent due diligence mechanism as agreed between banks and RCPL, agree to sanction the facility to the applicant. The loan agreement would be executed between the parties wherein the Bank and RCPL shall be parties as lenders to the loan agreement.

Option 2: RCPL shall upon assessment agree to grant the facility to the applicant. In such case, RCPL shall execute loan agreement with the borrower and disburse the loan. Post disbursement RCPL shall refer these loans to the Participating Bank who shall then have the right to take over its share on back-to-back basis.

6. **Opening of Escrow Account**

Option 1: The Participating Bank and RCPL shall open an Escrow Account for pooling respective loan contributions for disbursal as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float.

Option 2: The disbursement shall be done by RCPL and if taken over by the Participating Bank the collection shall be deposited into an Escrow Account. In relation to loanbalances, RCPL / Participating Bank shall maintain individual borrower's accounts andshould also be able to generate and share a single unified statement to the customer, throughappropriate sharing of required information with the Participating Bank/ RCPL.

7. **Monitoring and Recovery**

Both RCPL and Participating Bank shall create the framework for day-to-day monitoring and recovery of the loan, as mutually agreed upon.

8. **Creation of Security**

The creation of security and charge to be as per mutually agreeable terms between RCPL and Participating Bank.

9. **Provisioning and Reporting Requirement**

Each of the Co-Lenders i.e. RCPL and Participating Bank shall follow its independent provisioning requirements including declaration of account as NPA, as per the regulatory guidelines respectively applicable to each of them. Each of the Lenders shall carry out their respective reporting requirements including reporting to Credit Information Companies (CICs),under their respective applicable law and regulations for their share of lending. RCPL shall adhere to its broader Provisioning/Reporting standards even in the case of a co-lent loan.

10. Assignment or Change in loan limits

Any assignment of loans by any of the Co-Lenders and any change in loan limit of the co-lent facility can be done only with the mutual consent of both the Lenders in accordance with the applicable law.

11. Recourse to the Company

In the event, the Participating Bank intends to claim priority sector status in respect of its shareof credit while engaging in the co- lending arrangement, RCPL shall ensure that priority sector assets on the Participating Bank's books will at all times be without recourse to RCPL. Further, the loans extended by foreign banks under the co- lending framework shall be restricted only to loans qualifying as priority sector assets.

12. Grievance Redressal

In relation to grievance redressal, suitable arrangement must be put in place by the co-lendersto resolve any complaint registered by a borrower with RCPL within 30 days.

13. Outsourcing of Services

RCPL will adhere to extant guidelines on outsourcing of financial services and the outsourcing policy approved by the Board.

14. Policy Review

The Policy shall be subjected to an annual review by the management and any warranted modifications should be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the policy should be placed for Board's approval in the Board Meeting, after the amendments are notified by the regulator.