CO - LENDING POLICY

SMFG India Credit Company Limited

Policy Title	Credit Risk Management Policy
Policy Owner	Chief Risk Officer
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CONTENTS

1. Background

Reserve Bank of India (RBI) has issued a circular on Co-Lending Arrangements providing a comprehensive framework for Co-lending arrangement (CLA) to all the regulated entities (REs).
This policy lay down the co-lending framework for the company to build strategic partnerships with banks/NBFCs/FIs to leverage their lower cost of funds, access complementary technology platforms, robust systems, and expanded customer reach—creating synergistic models that are capital accretive for SMICC while ensuring compliance with relevant guidelines. A separate Co-lending framework and Co-lending Partnership specific Underwriting Guidelines will be designed with each co-lending partner.

In this document henceforth all such banks/NBFCs/FIs will be termed as "co-lending partners".

2. Policy Scope

The scope of this document extends to all the Co-lending arrangements that SMICC would enter with other REs either as Originating RE or as Partner RE. All products approved in the Credit Risk Management Policy (CRMP) of SMICC will be eligible to be offered in Co-lending arrangements by SMICC.
For Co-lending in Digital lending arrangements, adherence to the Master Directions- Digital Lending Directions (MD- DLD) should also be maintained.

3. Definitions

Term used	Definition
Co-Lending Arrangement (CLA)	An arrangement, formalized through an ex-ante agreement, between a RE which is originating the loans ('Originating RE') and another RE which is co-lending ('Partner RE'), to jointly fund a portfolio of loans, comprising of either secured or unsecured loans, in a pre-agreed proportion, involving revenue and risk sharing.
Company/ SMICC	SMFG India Credit Company Limited

4. Eligibility criteria for partner institutions

SMICC, whilst opting for co-lending, shall engage and /or partner either as an Originating RE or Partner RE only with those co-lending partners which fulfill the below mentioned criteria.

a) Holding a valid registration certificate issued and regulated by the RBI
b) To have a minimum of three years' experience in lending business and combined total experience of all Promoters, Founders, and KMPs should be at least 15 years
c) Confirm having in place a Board approved policy for tie-up with NBFCs for Co-lending arrangement.
d) Maintaining at least minimum regulatory capital.
e) Reputation/ market standing of the Banks shall be assessed.
f) To align the product offerings, customer segment and processes with SMICC's Board approved CRMP & other policies.

In addition to the above, wherever SMICC is acting as a partner RE, the Originating RE shall be subject to Partner Assessment at the time of on-boarding and to be reviewed at least annually.

5. Execution of Co-lending Agreement (CLA)

SMICC shall enter into a CLA with each co-lending partner. The terms of CLA shall have the following:

a) Irrevocable commitment on the part of partner RE to take into its books, on back-to-back basis, its agreed share of each individual loan post due diligence with no right to rejection of loans post disbursement
b) Mode of disbursement and repayment along with the manner of appropriation
c) Terms and conditions of the arrangement, criteria for selection of borrowers, product lines and scope of work

d) Approach for determining rate of interest, fees and charges to be charged to the borrower along with the sharing rationale
e) Clear provisions for segregation of responsibilities on areas such as customer identification, due diligence including enhanced due diligence, timeframe for exchanging critical information, customer protection issues, KYC, risk assessment, underwriting, ongoing monitoring, loan recovery, customer interface, customer grievance and redressal mechanism etc. shall be included/ documented.
f) Compliance with relevant regulatory guidelines such as KYC, outsourcing, Fair Practice code including customer grievance & redressal mechanism as updated from time to time
g) Fees and charges to the originating RE for services such as lending, collection based on the nature of services quantum of loan. Such fees/ charges shall not involve, directly or indirectly, any element of credit enhancement/ default loss guarantee.
h) Default loss guarantee if any provided by the originating RE for the loans disbursed under CLA
i) The CLA to contain necessary clauses on representations and warranties which originating RE shall be liable for in respect of the share of the loans taken into its books by the partner RE

6. General requirements

6.1 Sharing of risks and rewards

Co-lending partners shall take the share of the individual loans on a back-to-back basis in the books. Each party under the CLA shall be required to retain a minimum share of at least 10% of the individual loans on their books.

6.2 Loan Activation

The respective shares of the co-lending partners (Originating & Partner RE) are to be reflected in their books without delay after disbursement by the originating RE to the borrower, in any case not later than 15 calendar days from the date of disbursement.

6.3 ESCROW Account

SMICC and the Co-lending partner shall each maintain an individual borrower's account, for their respective exposures. However, all transactions between the co-lending partners (Disbursement/Repayments) relating to CLA shall be routed via an escrow account maintained with the partner RE, to avoid intermingling of funds

7. Customer onboarding and Interface

7.1 Know Your Customer (KYC) Compliance

SMICC shall comply with regulatory guidelines and board approved policy on KYC/AML. Partner RE will either rely on the due diligence done by Originating RE or will do its own due diligence as per the mutually agreed terms in the CLA.

7.2 Credit Underwriting

The credit underwriting will be as laid out in the Co-lending framework and partnership specific underwriting guidelines agreed between the co-lending partners. Final authority to approve the loan will be as per the terms and condition agreed in the CLA.

7.3 Interest rate and other charges

The approach for determining rate of interest, fees and charges to be charged to the borrower will be mutually agreed upon and documented in the CLA along with the sharing rationale between partners. Borrower shall be charged a blended interest rate as may be agreed upon between Co- lending partners. Any change in the rate to be communicated to the borrower.

7.4 Loan agreement and customer interface

Customer interface shall be managed as per the terms agreed in the CLA between Co-lending partners. The loan agreement with the borrower shall make an upfront disclosure regarding segregation of roles and responsibilities of Co-lending partners including customer interface. Any subsequent change in point of customer interface shall only be done after prior intimation to the borrower

8. IT Systems for Capture, Storage and Management of Data

IT Systems for Capture, Storage and Management of Data SMICC will maintain a robust IT system for data capture, storage, and management. Clear protocols must be established to govern sharing of customer data personal details, financial history, and credit scores—using standardized formats and secure channels.

9. Other operational aspects

a) The asset classification (Standard/SMA/NPA) should be same for loans disbursed under the CLA arrangement for both originating as well as partner RE. Co-lenders should share relevant information promptly, and no later than the end of the next working day

b) Provisions shall be provided in books for the mentioned loan for SMICC's share

c) SMICC shall adhere to the extant requirements of reporting to credit information companies ("CICs") for their share of the loan

d) Any subsequent transfer of loan exposures originated under CLA to third parties, can be done only with the mutual consent of co-lending partners and in compliance with the provisions of MD-TLE.

e) SMICC should be able to generate a single unified statement of the customer account through appropriate information sharing arrangements with the co-lending partners.

f) SMICC should make appropriate disclosures in its financial statements on quarterly or annual basis as applicable, under 'Notes to Accounts', relating to necessary details of CLAs

g) SMICC shall clearly list all active CLA partners on their website

h) Co-lending partners can claim the priority sector status in respect of their share of credit for loans disbursed under the CLA arrangement

i) SMICC & co-lending partner shall implement Business Continuity Plan (BCP) to ensure uninterrupted services to their borrower(s).

10. Approval and monitoring frequency of Co-Lending partner

Co-lending performance & partnerships update shall be monitored on a periodic basis. All Co-lending partnerships shall be approved by the MD & CEO upon review and recommendation of the Chief Risk Officer (CRO), Chief Business Officer (CBO) and Chief Financial Officer.