CO-LENDING POLICY

OF

NAVI FINSERV LIMITED

(Formerly Known as Navi Finserv Private Limited)

Version No	2.0
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Amended/Modified Date of Policy	March 30, 2023 August 11, 2023
Policy owner	Head of Lending
Approved by	Board of Directors
Signature	Sd/-

1. Background and Purpose

Navi Finserv Limited (the "**Company**") proposes to engage with banks and financial institutions ("**Co-Lenders**") to explore co-lending opportunities across its existing and new products / segments.

The Company is a registered non-deposit taking systemically important non-banking financial institution and currently has two products, namely, Housing Loans and Cash Loans. In order to enable the growth of the business, the Company may enter into Co-Lending arrangements with other banks and financial institutions.

Ref: Reserve Bank of India has also issued a circular dated November 05, 2020 on Co-Lending (RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04.09.01/2020-21) (as may be amended, from time to time).

2. Engagement Models with Banks and Financial Institutions

The Company may implement co-lending arrangements on the basis of any of the following models.

a. Concurrent disbursement (hereinafter referred to as "Model 1"):

The Company and each identified Co-Lender will formulate a common product, policy and guideline (PPG) and enter into a Co-Lending Master Agreement ("**Master Agreement**").

The Company will identify and refer potential customers to the identified Co-Lender on the basis of the PPG and Master Agreement.

Upon receipt of approval from the Co-Lender, the Co-Lender and Company will disburse loans to the customer. The Company and the Co-Lender will take the share of the loan on their respective books as mutually decided and as captured in the Master Agreement.

b. Assignment of Loans (hereinafter referred to as "Model 2"):

The Company and each Co-Lender will formulate a common product, policy and guideline

(PPG) and if so required, enter into a Co-Lending Master Agreement with such identified Co-Lender.

The Company will identify and refer such loans originated by it to the identified Co-Lender on the basis of the PPG and Master Agreement. The Company will assign such loans to the Co-Lender in accordance with the extant regulations on transfer of loan exposure and execute such documents as may be required.

The terms and conditions of each co-lending arrangement and the documents entered into with each Co-Lender, including any modifications or amendments, shall require the prior approval of the Finance Committee of the Company.

While the Company diversifies and expands its business, the models for co-lending may be modified on the basis of industry trends and evolving trends in the market, subject to the approval of the Finance Committee of the Company.

3. Products for Co-lending

This Policy shall apply to all existing and future products of the Company.

4. Commercials

- Risk Sharing - Share of loan exposure to be taken by the Company and each Co-Lender shall be as mutually agreed (eg - 80:20 or 90:10).
- Interest, Fees and Charges from borrower - The ultimate borrower may be charged an interest rate, fees and applicable charges, in the manner agreed between the Company and each Co-Lender.
- Allocation of interest, fee and charges with Co-lender - The sharing of the interest, fees, and charges under the Loans provided by the Company and the Co-lender to the Customers, inter-se the Company and the Co-lender shall be mutually agreed with each Co-Lender and be subject to adjustments, if any, as mutually agreed.
- Servicing Fees – shall be charged to Co-lender, per terms mutually agreed with each Co-lender
- Any other commercial terms – Shall be mutually agreed with each Co-Lender.

The commercials for each of the above, including any amendments to the same, shall be subject to approval from the Finance Committee

5. Default Loss Guarantee

- Default Loss Guarantee ("DLG") - The Company can provide default loss guarantee(s) to a Co-Lender meeting the Eligibility Criteria. The DLG can be provided to Co-Lender as per the terms of the RBI Circular dated 8th June, 2023 on Guidelines on Default Loss Guarantee in Digital Lending, as amended from time to time ("DLG Guidelines").
- Eligibility Criteria - The Company is eligible to enter into DLG arrangements with Lending Service Providers (LSP) or other REs with which it has entered into an outsourcing arrangement.
- Form of the DLG - The cover can be provided in the form of:
  a. Cash deposited with the Co-Lender;
  b. Fixed Deposit with Scheduled Commercial Banks with a lien marked in favor of the Co-Lender; and
  c. Bank Guarantee in the favor of Co-Lender.
- Cap on DLG cover - The DLG cover should not exceed 5% of the loan portfolio.
- Extent of DLG: The tenor of the DLG agreement shall not be less than the longest tenor of the loan in the underlying loan portfolio.
- Timeline for DLG invocation - The Co-Lender can invoke the DLG cover for the maximum overdue of 120 days or as mutually agreed.
- Monitoring of each DLG arrangement will be per the SOPs mutually agreed with the Co-lender.
- The company will place and maintain the DLG cover basis the internal SOP.
- The structure of the loss cover will be as mutually agreed with each Co-Lender in the form and manner specified under the DLG Guidelines.

6. Delegation of Power and Reporting

- The Finance Committee of the Company shall be responsible for implementation and compliance with this Policy.
- On a quarterly basis, a detailed review of the co-lending arrangements and activities along with the risk associated shall be presented to the Finance Committee.
- The key responsibilities of the Finance Committee shall be as follows -

(a) Approving each co-lending arrangement including the terms and conditions thereof;
(b) Reviewing amendments and modifications to the arrangements with Co-Lenders;
(c) Finalising commercials of arrangements with each Co-Lender
(d) Review of the co-lending arrangement.

- The management shall ensure the Annual review of the Policy and placing any proposed amendments to the relevant Sub-committees of the Board and the Board.

7. Customer related issues

- The Company shall be the single point of interface for the customers. The Company shall enter into a loan agreement with each borrower, which shall contain the features of the arrangement and the roles and responsibilities of the Company and the relevant Co-Lender, in the manner agreed with each Co-Lender.
- The Company and each Co-Lender shall be responsible to comply with the extant regulatory guidelines relating to customer service and fair practices code.
- The Company shall ensure that it is able to generate a single unified statement for each customer, through appropriate information sharing arrangements with each Co-Lender.
- In the manner set out in the Master Agreement and/or relevant PPG, suitable arrangements will be put in place by the Company and each Co-Lender to resolve any complaint registered by any borrower in the manner set out therein.

7. Other Operational Aspects

- The Master Agreement shall clearly specify the manner of appropriation between the Co-Lenders. Escrow accounts may be opened with the Co-Lender if required as per regulations or if mutually agreed.
- The Master Agreement will contain necessary representations, warranties and covenants, as mutually agreed with the Co-Lender.
- The Company and each Co-Lender shall establish a framework for monitoring and recovery of the loans, regulatory reporting, fraud identification and reporting, as mutually agreed.
- In case of secured assets, the Company and the relevant Co-Lender shall establish a framework for creation of security and charge, as mutually agreed.

- The Company and each Co-Lender shall adhere to the asset classification and provisioning requirements, per the respective regulatory guidelines applicable to each of them including reporting to Credit Information Companies, for its share of the loan account or as mutually agreed.
- The loans co-lent or assigned under this Policy may be included in the scope of internal/ statutory audit within each Co-Lender to ensure adherence with their respective internal guidelines and extant regulatory requirements.
- Assignment of a loan by a Co-Lender to a third party can be done only with the consent of the Company.
- The Company and each Co-Lenders shall implement a business continuity plan to ensure uninterrupted service to borrowers till repayment of the loans under the co-lending agreement, in the event of termination of any co-lending arrangement.