

BHANIX FINANCE AND INVESTMENT LIMITED

CO-LENDING POLICY

Date of Approval by Board of Directors	Reviewed By	Approved By	Version No	Last Review Date
March 21, 2025	Chief Executive Officer (CEO)	Board Of Directors	2	February 28, 2024

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1. ABOUT THE COMPANY

Bhanix Finance and Investment Limited (hereafter referred to as 'BFIL' or 'the Company') is a public limited company registered under the Companies Act, 1956, licensed as a Non-Deposit Taking Non-Banking Financial Company Middle Layer (NBFC-ND-ML) by the Reserve Bank of India (RBI) as per Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions. BFIL is in the business of lending short-term unsecured personal loans.

2. INTRODUCTION TO CO-LENDING POLICY

The arrangement entails joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards. This "Co-Lending Model ("CLM"), is to bring together the co-lenders (referred to as institutions) in a collaborative effort.

This co-lending policy ("Policy") has been drafted keeping in mind the business environment. The Policy lays down the structure and process of entering into co-lending arrangements with other lenders (banks and NBFCs) for priority sector lending and non-priority sector lending.

3. APPLICABILITY/ ELIGIBILITY

Part A of the Policy sets out the eligibility and criteria of co-lending between NBFC and the Banks. In terms of the RBI circulars on this topic, banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement. The Company can enter into CLM arrangements with all Scheduled Commercial Banks, NBFCs except SFBs, RRBs, UCBs, and LABs. The CLM shall not apply to foreign banks (including WOS) with less than 20 branches.

Part B of the Policy sets out the details of co-lending between the NBFCs and compliance and criteria of such co-lending.

4. PART - A: CO-LENDING ARRANGEMENT WITH SCHEDULED COMMERCIAL BANKS, EXCEPT SFBS, RRBS, UCBS, LABS AND FOREIGN BANKS (INCLUDING WOS) WITH MORE THAN 20 BRANCHES ('BANKS')

4.1 Master Agreement

A Master Agreement is to be entered between the co-lenders, which shall inter-alia include, terms and conditions of the arrangement, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues. The Master Agreement may contain necessary clauses on representations and warranties which the co-lenders shall be liable for in respect of the share of the loans taken into its books by the respective co-lenders.

- Risk/ Revenue Share: The co-lending Banks will take their share of the individual loans on a back-to-back basis in their books. However, the Company may choose to retain a share (typically 20% but could vary from case to case) of the individual loans on their books.

Such agreement may provide either for the Bank to mandatorily take their share of the individual loans as originated by the Company in their books or retain the discretion to reject certain loans subject to its due diligence.

Model 1	Model 2
<p>If the 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 Company, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs" (RBI/2017-18/87-DNBR.PD.CC.No.090/03.10.001/2017-18) dated November 09, 2017 as amended and updated from time to time. In particular, the partner Bank and the Company shall have to put in place suitable mechanisms for ex-ante due diligence by the Bank as the credit sanction process cannot be outsourced under the extant guidelines on Outsourcing.</p>	<p>If the Bank exercises its discretion regarding taking into its books the loans originated by the Company per the CLM Master Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the taking over Bank shall ensure compliance with all the requirements in terms of Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (RBI/DOR/2021-22/86/DOR.STR.REC.51/21.04.048/2021-22) dated September 24, 2021 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.</p>
<p>The Bank shall also be required to comply with the Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 and updated from time to time, which already permit regulated entities, at their option, to rely on customer due diligence done by a third party, subject to specified conditions.</p>	<p>The MHP exemption shall be available only in cases where the prior agreement between the banks and NBFCs contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment</p>

- Geographical Scope:
The Company and the Bank can agree upon the geographical scope of the lending in the master agreement depending on the branch location and customer of the Company.
- Servicing of Loans:
The Company shall continue to service the loans on behalf of the Banks as agreed in the master agreement.

4.2 Due Diligence

The Company being the originator of the loans shall adhere to applicable KYC regulatory guidelines and any other regulation as stipulated by RBI from time to time.

4.3 Customer-Related Issues

- The Company shall be the single point of interface for the customers and shall enter into a loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of the Company and Banks.
- All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.
- The Company should be able to generate a single unified statement of the customer, through appropriate information-sharing arrangements with the Bank.

4.4 Interest Rates

The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.

4.5 Redressal of Grievance

With regard to grievance redressal, suitable arrangements must be put in place by the co-lenders to resolve any complaint registered by a borrower with the Company 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.

4.6 Escrow Account

The Bank and the Company shall maintain each borrower's account for their respective exposures. However, all transactions (disbursements/repayments) between the Bank and the Company relating to CLM shall be routed through an escrow account maintained with the escrow bank, to avoid intermingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the co-lenders.

4.7 Liability of the Company

The Master Agreement may contain necessary clauses on representations and warranties which the originating Company shall be liable for in respect of the share of the loans taken into its books by the Bank.

4.8 Security & Charge Creation

The Company along with co-lending Bank shall arrange for creation of security and charge as per mutually agreed terms in case of secured loan if any.

4.9 Monitoring and Recovery

There shall be a system and framework for monitoring all the processes, i.e., Loan Origination, Loan Management, Disbursements, Collection and Recovery, as mutually agreed upon with the respective Co-Lending Bank.

4.10 Asset Classification, Provisioning And Reporting Requirements

Each lender shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of them including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.

4.11 Audit

The loans under the CLM shall be included in the scope of internal/statutory audit to ensure adherence to our internal guidelines, terms of the agreement and extant regulatory requirements.

4.12 Assignment

Any assignment of a loan by a co-lender to a third party can be done as per the Master Agreement between the co-lenders.

4.13 Business Continuity Plan

The Banks and the Company shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans under the co-lending agreement, in the event of termination of the co-lending arrangement between the co-lenders.

5. PART B: CO-LENDING ARRANGEMENT WITH OTHER NBFC'S/ NON-PRIORITY SECTORS LENDING

In the event the Company proposes to enter into co-lending arrangements with other NBFCs or in the event the Company proposes to engage in non-priority sector lending, the Company shall continue to comply with all requirements as specified in the RBI Circulars.

A. Master Agreement

A master agreement is to be entered between the co-lenders, which shall inter-alia include, terms and conditions of the arrangement, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues. The Master Agreement may contain necessary clauses on representations and warranties which the co-lenders shall be liable for in respect of the share of the loans taken into its books by the respective co-lenders.

B. Due Diligence

The originating co-lender shall adhere to applicable KYC regulatory guidelines and any other regulation as stipulated by RBI from time to time.

C. Servicing

The co-lenders shall determine the servicing of the loans as per the terms of the master agreement.

D. Risk/ Revenue Share

The co-lenders to the master agreement shall set out the risk/revenue share as per terms agreed therein.

E. Escrow Account

The co-lenders shall maintain each individual borrower's account for their respective exposures. All transactions (disbursements/repayments) between the co-lenders shall be routed through an escrow account maintained with the escrow bank, in order to avoid intermingling of funds. The master agreement shall clearly specify the manner of appropriation between the co-lenders.

F. Other Terms

All other terms as set out in Part A applicable to Banks and as specified in Circular shall continue to apply to co-lenders as set out in this Part B.

6. INFORMATION TECHNOLOGY INTEGRATION

The following processes be enabled through IT integration:

- Rule based application for automation of appraisal and sanction.
- Escrow type common account for pooling respective loan contributions for disbursal as well as to appropriate loan repayments from borrowers.
- Generation of a single unified statement to the customer.
- MIS for disbursement, repayment due and recoveries made.

7. REVIEW OF THE POLICY

This Policy shall be reviewed by the Committee/Board as and when any changes are to be made in the Policy or at such intervals as may be considered necessary to ensure compliance with any regulatory or statutory requirement from time to time. Any changes in or modifications to the Policy as recommended by the Committee shall be presented to the Board for approval.

Version Control

Version	Description of change	Author	Effective Date
V1	Approval of Policy	CFO	February 28, 2024
V2	Review of Policy- No change	CFO	March 21, 2025