



CO-LENDING POLICY

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Review Period	Annual
Approved by Board of Directors	05.05.2026
Version	Version 5
Formation	24.08.2022

Version History:

Sr. No.	Version	Revision Summary	Approving Authority	Effective Date
1	Version 1	Created	Board of Directors	24.08.2022
2	Version 2	Annual review with no changes	Board of Directors	28.10.2023
3	Version 3	Annual review with changes as per regulatory requirement	Board of Directors	18.10.2024
4	Version 4	Annual review with changes	Board of Directors	03.11.2025
5	Version 5	Revision pertains to Regulation reference	Board of Directors	05.05.2026

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1. INTRODUCTION AND BACKGROUND

Protium Finance Limited (hereinafter referred to as ‘the Company’ or ‘Protium’ or ‘PFL’), is a Non-Banking Financial Company Investment and Credit Company categorized as Middle Layer (“NBFC ICC ML”). The Company provides both secured and unsecured loans to consumers and educational institutions, and extends secured and unsecured loans to Micro, Small, and Medium Enterprises (MSMEs) across India.

The Reserve Bank of India (‘RBI’) has issued the Master Direction - Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025 to provide clear regulatory guidance on co-lending partnerships between Regulated Entities (‘REs’), covering both prudential and customer conduct aspects. In line with these Directions, the Board of Directors of the Company has approved this Co-Lending Policy, which sets out the guiding principles and governance framework for undertaking co-lending activities in accordance with the RBI requirements.

This Policy defines the Company’s approach to partnering with other REs, emphasizing sound collaboration practices, robust monitoring and oversight mechanisms, and strict compliance with customer protection and fair conduct standards.

The Company shall ensure that all co-lending arrangements are fully compliant with the Master Direction - Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025 and shall refrain from entering into any arrangement that does not adhere to these regulatory provisions.

2. OBJECTIVE

The objectives of this Policy are as follows:

- a. To establish structured and compliant co-lending relationships with eligible REs, combining the respective capabilities, resources, and market knowledge of the co-lenders, and leveraging the partner REs’ cost-effective funding to expand credit access efficiently.
- b. To enable balanced risk-sharing and prudent capital utilization by leveraging the complementary strengths, expertise, and resources of the co-lenders in areas such as credit assessment, underwriting, and loan servicing.
- c. To establish clear processes for joint underwriting, documentation, disbursement, escrow-based fund management, collections, monitoring, and reporting. The Policy emphasizes maintaining high asset quality, consistent asset classification, early stress identification, clear borrower communication, transparent loan terms, and adherence to fair practices, customer protection, and KYC standards.
- d. To reinforce strong governance through Board-approved portfolio limits, rigorous partner selection and due diligence processes, disclosure of active co-lending arrangements, and periodic reviews by Compliance, Risk, and Internal Audit teams.
- e. To ensure that all co-lending activities are conducted in full compliance with RBI regulations and internal risk management standards, thereby supporting sustainable business growth and responsible lending practices.

Through this Policy, the Company aims to foster a well-regulated, transparent, and effective co-lending

framework that enhances financial inclusion, facilitates greater credit flow to target segments, and upholds the integrity of the lending ecosystem.

3. KEY DEFINITIONS

- a. Co-lending Arrangements (CLA): CLA refers to 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.
- b. Lending Service: Lending service shall refer to the set of activities related to lending such as customer acquisition, underwriting, pricing, servicing, monitoring, and recovery of specific loan or loan portfolio, etc. performed by the REs or their agents (in conformity with extant outsourcing guidelines issued by the Reserve Bank).
- c. Credit enhancement means a contractual arrangement in which an entity may provide some degree of added protection to other parties to a transaction to mitigate the credit risk of their acquired exposures as agreed between parties as per the regulations.

4. MASTER AGREEMENT BETWEEN PFL AND PARTNER RE

The Company shall ensure that any agreement entered into with Co-Lending Arrangement (CLA) partners:

- a. Clearly defines the terms and conditions of the CLA, including respective rights, obligations, and risk-sharing arrangements of each partner.
- b. Specifies the criteria for selection of borrowers, including creditworthiness, eligibility, and priority sector classification where applicable.
- c. Identifies the product lines, loan types, and geographic areas of operation covered under the CLA.
- d. Details fees, charges, revenue-sharing arrangements, or any other consideration payable for lending services, if applicable.
- e. Establishes a framework for clear segregation of responsibilities, including sourcing, underwriting, servicing, monitoring, and collections.
- f. Sets timelines and mechanisms for exchange of critical information, reporting, and reconciliation of accounts between partners.
- g. Defines the customer interface, ensuring that borrowers have a single point of contact and clarity on the partner responsible for servicing.
- h. Incorporates provisions for customer protection, grievance redressal, dispute resolution, and compliance with all applicable regulatory requirements.
- i. Ensures maintenance of records and documentation to facilitate audits, regulatory reporting, and operational transparency.
- j. Outlines confidentiality, data privacy, and information security requirements for sharing borrower and transaction data.
- k. Specifies conditions for amendment, termination, or exit from the CLA, including settlement of pending obligations and risk allocation.
- l. Mandates periodic review of the arrangement to ensure compliance, operational efficiency, and alignment with regulatory guidelines.

Any legal document including Master Agreement, Facility Agreement and any document having legal implication under this arrangement would be finalized in consultation with PFL and would be vetted by the Company's Legal Department or Solicitor/ Advocate as may be mutually agreed.

5. KEY FEATURES AND STRUCTURE OF CO-LENDING

a. Retention Threshold

For every loan extended under co-lending arrangements, the Company shall ensure to retain a minimum of 10% of the credit exposure in its portfolio.

b. Interest Rate and other fees/charges

- The interest rate applicable to the borrower under the co-lending arrangement shall be governed by the contractual agreement between the parties, subject to applicable regulatory requirements.
- The borrower shall be charged a blended interest rate, calculated as the weighted average of rates charged by participating REs, based on their funding share and internal credit policies, in line with regulatory norms.
- The interest rate applied by the Company for its share shall be in accordance with its approved credit policy, pricing framework, and risk-based assessment of the borrower segment.
- Any change in rates by REs will follow their credit policies and applicable regulations and shall be reflected in the updated blended rate communicated to the borrower.
- All fees, charges, and expenses payable by the borrower in addition to the blended interest rate (including processing fees, documentation charges, etc.) shall be:
 - objectively determined and approved as per the Company's policy.
 - incorporated into the computation of the Annual Percentage Rate (APR); and
 - disclosed in the Key Facts Statement (KFS) provided to the borrower prior to execution of the loan agreement.
- No hidden or undisclosed charges shall be levied under any circumstances.

c. Customer Related matters

- The Company shall incorporate in every loan agreement a clear and transparent disclosure of the respective roles and responsibilities of all participating Regulated Entities (REs), such as those relating to loan origination, servicing, and other key functions. The agreement shall distinctly specify the entity that will serve as the primary point of contact for the borrower. Any change in this customer interface shall be made only after informing the borrower in advance.
- In addition, the agreement shall include well-defined provisions on customer protection standards and the process for grievance redressal to ensure fair treatment and transparency.
- The Company shall also provide the borrower with complete and accurate information on the Co-Lending Arrangement and that all necessary disclosures are duly provided to the borrower through the Key Facts Statement (KFS).

d. Operational Aspects

- The Company shall ensure that the Co-Lending Agreement shall embody a binding and irrevocable commitment from the partner RE to assume, on a back-to-back basis, its agreed share of each individual loan originated under the co-lending arrangement.
- The respective shares of both REs shall be promptly recorded and is maintained in their individual books following loan disbursement by the originating RE. Such reflection shall, in all cases, be completed within fifteen (15) calendar days from the date of disbursement. The originating RE shall transfer only such portion of the exposure as pre-agreed with the partner RE and disclosed in the KFS shared with the borrower at the time of sanction.
- Where the originating RE is unable to complete the transfer of exposure to the partner RE within the prescribed period, the loan shall continue to remain in the books of the originating RE. Any subsequent transfer to another lender shall be undertaken strictly in accordance with the Master Direction - Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025 (as amended from time to time).
- The Company shall ensure that any subsequent transfer of loan exposures under CLA is in line with RBI's Master Direction - Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025, and is undertaken only with mutual consent of the co-lenders.
- All fund movements, whether disbursements or repayments, shall be routed through an escrow account maintained with a scheduled commercial bank, which may also be one of the participating REs. The agreement shall clearly outline the process for appropriation of amounts received or disbursed between the originating and partner REs.
- The Company shall ensure that all co-lending transactions fall within the purview of both internal and statutory audits. The audit shall verify compliance with internal policies, the terms of the CLA, and the applicable regulatory requirements issued by the RBI.
- The Company shall establish and periodically test a business continuity framework to ensure that borrower servicing, collections, and related operations remain unaffected in the event of termination or non-renewal of the CLA. The arrangement shall safeguard the borrower's interests until full repayment of the loan.
- The Company shall adhere to the requirements of the RBI's Master Direction –Know Your Customer Directions, 2025 and subsequent amendments. The partner RE may rely on the originating RE for completion of the Customer Identification Process (CIP), subject to obtaining necessary confirmations and records as permitted under the said Directions.
- The Company shall ensure that it always adheres to the fair practices code and the grievance redressal mechanism.
- The Company shall comply with applicable accounting standards while recognizing any unrealised profit under CLAs. Such unrealised profit shall be excluded from CET 1 capital or Net Owned Funds for regulatory capital adequacy purposes until loan maturity.
- The Company shall ensure that for loans eligible under the Master Directions – Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025, as amended from time to time, its share of credit under the CLA may be classified and claimed as priority sector lending.
- The Company has in place the Board approved Credit Policy containing details with respect to target customer segment under CLA, internal exposure limits, due diligence of partner entities and objective criteria for fees and charges under CLA.

6. CO-LENDING PRODUCT

Detailed credit products, processes, programs etc. will be finalized and documented in the Master Agreement with the Partner RE, on case-to-case basis, keeping in view the target segment, area of operations, other operational issues, recovering mechanism etc.

7. CREDIT NORMS

PFL and Partner RE shall mutually agree upon the various parameters and norms for assessment of credit applications based on the extant applicable RBI guidelines and respective internal policies.

8. ASSET CLASSIFICATION REQUIREMENT

The Company shall ensure compliance with asset classification norms by applying borrower-level classification (SMA/NPA) consistently across all REs under the CLA. The Company shall put in place a robust mechanism for sharing relevant information among REs on a near real-time basis, and, in any case, no later than the end of the next working day.

9. GRIEVANCE REDRESSAL

Suitable framework shall be put in place upon mutual consideration, to share and resolve any complaint registered by a borrower with the PFL/ Partner RE 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. REGULATORY REPORTING AND DISCLOSURES

- a. The Company shall ensure that its share of loans is duly reported to all four Credit Information Companies (CICs) in compliance with the applicable rules and regulations governing CICs. All credit information reporting in respect of a borrower under co-lending arrangements shall be undertaken by the Company in a manner consistent and aligned with the reporting made by the partner co-lender, so as to ensure accuracy, completeness, and uniformity of data furnished to Credit Information Companies (CICs).
- b. The Company shall disclose on its website a list of active co-lending partners and the same shall be kept up to date at all times.
- c. The Company shall make appropriate disclosures in its financial statements under Notes to Accounts relating to CLAs on an aggregate basis, including portfolio quantum, weighted average interest rate, sectors in which CLA was made, fees charged/paid, and performance of loans under CLA on an annual basis.

11. DISPUTE RESOLUTION

Dispute Resolution framework shall be part of the Master Agreement between PFL and Co-lender. PFL shall ensure inclusion of clauses relating to manner of dispute resolution as agreed with the Co-Lender.

12. REVIEW OF THE POLICY

The Board of Directors shall review this Policy annually or on a need-basis i.e., in the event of change in regulatory framework or for business or operational need (whichever is earlier). Such updates / changes to the Policy will be communicated to the relevant staff /personnel (both in-house or outsourced) and relevant stakeholders across the Company.

Board will be informed periodically for overall limits of co-lending as a percentage of AUM.

Any deviations from this Policy can only be undertaken with the approval of the Board, unless specified otherwise in this Policy.