



Policy on Co-Lending Model (CLM)

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REVIEW OF POLICY:

The Policy shall be reviewed annually or as and when considered necessary by Board of Directors, whichever is earlier.

VERSION HISTORY:

Version	Approval Date	Effective Date	Change norms
1.0	Apr 2022	Apr 2022	Initial Policy
2.0	Oct 2023	27 th Oct 2023	Annual review
2.1	N.A.	NA	N.A.
2.2	Oct 2024	24 th Oct 2024	1 CRAR norms 2 Co-lending exposure norms to AUM of originator. 3 Down grading of credit rating of originator norms
3.0	Oct 2025	1 st Jan 2026	Norms of Co-Lending Arrangements, Aug 2025 updated.

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1 BACKGROUND

MMFSL proposes to engage with eligible banks, financial Institutions and NBFCs (“Lenders”) for exploring co-lending opportunities across its existing and new products / segments. Under Co-lending with NBFCs, the credit/product policy of NBFC partner shall be adopted by MMFSL for all products subject to policy being cleared by Underwriting & Risk team.

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

MMFSL shall enter Co-Lending Arrangement either as an originator or as a partner.

2 EXECUTION OF MASTER AGREEMENT

A CLM Agreement shall be entered into between Participating Institution and MMFSL outlining the terms and conditions of Co-Lending arrangement including but not limited to specific details of product, areas of operations, criterion for partner selection, provisions related to segregation of responsibilities as well as customer interface and protection issues.

The Master Agreement may provide for the Participating Institutions to either mandatorily take their share of the individual loans originated by MMFSL 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.

The Master Agreement shall clearly specify the manner of appropriation between the Co-lenders.

The Master Agreement may contain necessary clauses on representations and warranties which MMFSL shall be liable for in respect of the share of the loans taken into its book by the Participating Institutions.

3 APPLICABILITY

The RBI Directions on Co-Lending Arrangements (CLAs) shall come into effect from January 1, 2026, or an earlier date as determined by the Company based on its Co-lending policy. All new CLAs executed after the approval of this policy must comply with these Directions. Meanwhile, existing CLAs—those entered before the issuance of these policy and RBI Directions—and new CLAs signed prior to the effective date shall continue to adhere to the extant regulations applicable at the time of their execution.

Partners engaging in the CLA for loans eligible to be classified under priority sector lending in terms of Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025 (as amended from time to time), can claim priority sector status in respect of their share of credit under CLA.

4 OPERATIONAL ASPECTS: -

1. Single Point of Interface

Originator shall be the single point of interface for the customers and shall enter into a loan agreement with the borrower.

The loan agreement signed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, and servicing) of concerned REs, including clear identification of the entity being the single point of interface with the customer. Any subsequent change in customer interface shall only be done after prior intimation to the borrower. The loan-agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redressal mechanism.

2. Minimum Retention

MMFSL shall retain at least 10% of the loan exposure in every co-lending transaction.

3. Interest Rate & Fees

The final interest rate charged to the borrower shall be the blended interest rate which is an average interest rate charges derived by the organisation basis internal policy and risk profile of same or similar borrower weighted by proportionate share of funding. (Refer annexure 1).

Any change in rates by respective co-lending partner under CLA will be made as per their credit policy and extant regulatory norms, and the same shall be reflected in the updated blended rate and communicated to the borrower.

Any fees in addition to the blended interest rate must be disclosed in the Key Facts Statement (KFS) and included in the Annual Percentage Rate (APR) and comply with regulatory norms.

4. Operational Guidelines

Respective share for loans must be transferred to the partners within 15 calendar days from the date of disbursement.

In case the exposure cannot be transferred within 15 calendar days then the loan shall remain in the books of originator.

Subsequent transfers of loans after 15 days under CLA to third party must comply with RBI's Master Directions on Transfer of Loan Exposure (MD-TLE).

All transactions with partners as well as borrower must be routed through an escrow account maintained with a bank.

Each participant must maintain separate borrower accounts and comply with audit and continuity planning norms

5. Default Loss Guarantee (DLG)

As per the co-lending arrangement, the originating partner may provide a default loss guarantee up to 5% of loans outstanding under CLA. Provision of such default loss guarantee shall be governed mutatis mutandis in terms of the MD-DLD (Master direction - digital lending directions) as amended from time to time.

6. Key Facts Statement (KFS):

All the required details related to Co-lending must be disclosed to the borrower in accordance with the RBI circular on the Key Facts Statement for Loans and Advances dated 15th April 2024

7. Customer Service & Fair Practice –

The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Participating Institutions and MMFSL therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

8. Unified Statement –

Originator should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the Participating Institutions.

9. Grievance Redressal –

Suitable arrangement must be put in place by the Participating Institutions to resolve any complaint registered by a borrower with MMFSL/Originator 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. The loan-agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redressal mechanism.

10. Exposure wise Borrowers Account

MMFSL and Participating Institutions shall maintain each individual borrower's account for their respective exposures.

11. Disbursement & Repayments

All transactions (disbursements/repayments) between MMFSL and Participating Institutions relating to CLM shall be routed through an escrow account maintained by the Participating Institution, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the Co-lenders.

12. Framework for Monitoring & Recovery

Both the Co-lenders shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.

13. Security Creation

MMFSL & Participating Institutions shall arrange for creation of security and charge as per mutually agreeable terms.

14. Reporting to credit information companies

MMFSL and Participating Institutions shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of them including reporting of their share of loan account to Credit Information Companies.

15. Asset Classification:

Participating institutions shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if any co-lender classifies a borrower as NPA, the same classification must be adopted by all co-lenders. Co-lending partners need to put in place a robust mechanism for sharing relevant information on asset classification on a near real time basis, in any case latest by next working day.

16. Transfer of loan:

Any assignment of a loan by MMFSL and Participating Institutions to a third party can be done only with the consent of the other party and in compliance with the RBI's Master Direction on Transfer of Loan Exposure (MD-TLE)

17. Audit

The loans under the CLM shall be included in the scope of internal/statutory audit within MMFSL and Participating Institutions to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

18. Business Continuity

MMFSL and Participating Institutions 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 co-lending arrangement between MMFSL and Participating Banks/FI/NBFCs.

19. Outsourcing of Services

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

20. IT & Infrastructure

Business team will ensure that the co-lending arrangement will have well equipped IT solution to manage the arrangement.

21. KYC verification and record management:

MMFSL & participating institution should clearly define the roles and responsibility regarding obtaining and verification of KYC documents and record management. MMSFL will have rights to access the KYC / loan documents as and when required. Partners involved under CLA shall comply with the prescribed norms under the RBI's Master Direction - Know Your Customer (KYC) Direction, 2016 as amended from time to time.

22. Customer service:

Agreement should clearly define the role and responsibilities for servicing the customer which includes closure of the loan, waiver of charges, changes in demographic details of the customers and flow of information between both the co-lending agencies. The accounting and reconciliation process should also be defined in the note. Borrowers must be informed of any change in the customer interface.

23. Disclosures

- a. All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.
- b. MMFSL and its co-lending partners must disclose the details of all active co-lending arrangements on their respective websites and in their financial statements.
- c. Partners must also make disclosure of financial statements annually under notes to accounts, relating to necessary details on CLA's on aggregate basis.

5 PARAMETERS FOR SHORTLISTING NBFC/FI (NOT APPLICABLE FOR BANK PARTNERS)

The Company can enter into co-lending arrangement with such NBFC/FI which confirm to the following indicative parameters:

- Has a Vintage of not less than 3 Years.
- Systemically important NBFCs or Fis having AUM of > Rs.500 crores.
- Portfolio NNPA not be > 4.50% -
- Has sufficient skilled human resources to originate, collect and service assets in the defined product segment.
- Has sufficient systems & processes in place for loan management, collection, portfolio management and reporting.
- Promoters / Key management profile and lending experience
- Risk management department will evaluate the partners targeted for co-lending. In line with the regulatory guidelines, the Company will not enter co-lending arrangement with an NBFC/FI belonging to the promoter Group.
- Minimum CRAR required would be 15% (as stipulated by RBI) – no deviation allowed
- Total MMFSL co lending exposure should not exceed 50% of the AUM of originator (if CAP is breached it is to be extended by approving committee (mentioned in sec 5 of this note)

Limits for selection of originator During the first 12 months of the relationship, the exposure under co-lending with any Originator not to exceed the below threshold:

Rating of Originator	Max Exposure (POS)
Rating B or below or unrated	Not Permitted
BB and above	INR 500 Cr
BBB+, A, A-, A+ and above	INR 1000 Cr

Any deviation to the parameters / exposure mentioned above shall be subject to the approval of committee as mentioned point 6.a.

Any down gradation of external rating below BB will automatically disqualify NBFC to have any further Co lending business till such time the rating is restored to BB.

5.1 LEGAL DOCUMENTATION W.R.T NBFC/FI PARTNERS

The following one or more legal documents shall be executed basis the advice of MMFSL's legal counsel for the CLM transactions.

- **Master agreement** – The Company shall enter into an agreement with the identified NBFC/FI for co-lending and it shall have detailed description of roles and responsibilities of both the parties along with terms and conditions, the criteria for selection of borrowers, specific product lines, and area of operations for co-lending. The agreement entered by the Company and NBFC/FI for implementing the CLM may provide the Company to mandatorily take their share of the individual loans as originated by the NBFC in their books or retain the discretion to reject certain loans after its due diligence prior to taking in its books. Below is the indicative list of parameters which will be part of agreement entered between the Company and NBFC/FI

Specific product lines and areas of operations

- **Ratio of co-lending**- Minimum 10 % of the credit risk by way of direct exposure shall be on originator's books till maturity and the balance shall be on the Company books.
- **Terms of sanction** - The originator will source and underwrite the loans as per Co-lending framework agreed between the Company and the originator. MMFSL shall also underwrite the loan independently. The originator shall arrange for creation of security and charge.
- Mode of disbursement and repayment along with the manner of appropriation Framework of broad Operational process for customer onboarding, servicing, monitoring and recovery
- The Master Agreement may contain necessary clauses on representations and warranties which the originating NBFC shall be liable for in respect of the share of the loans taken into its books by the Company.
- Segregation of roles and responsibilities (sourcing and servicing).
- Compliance with applicable regulatory requirements and Fair practices code Customer Grievance Redressal Mechanism and suitable provision to customer protection.
- Key fact statement
- Business continuity plan in the event of termination of co-lending arrangement
- Terms & conditions for assignment of loans by the Company or NBFC to any third party
- Others as deemed necessary
- ESCROW agreement
- Deed of Assignment
- Collection and Service Agreement (if not captured in the Deed of Assignment)

Service Provider or Collection and Payout Agreement (**if applicable**). The above-mentioned list is indicative in nature and approval on all the documents will be taken from internal legal counsel of MMFSL.

5.2 APPOINTMENT OF ALTERNATE SERVICE PROVIDER TO SAFEGUARD THE INTEREST OF THE COMPANY

On occurrence of certain structures/events, it may appoint an entity other than the Originator as the Service Provider / Collection & Pay-out Agent. An Alternate Service Provider may be appointed at the discretion of the Company, after giving prior notice to the existing service provider. The appointment of Alternate Service provider shall require the approval of committee as defined in the approving Authority section. Appointment of Service Provider/Collection & Payout Agent/Alternate Service Provider shall be in compliance with regulator's guidelines on outsourcing of non-core activities.

6 APPROVING AUTHORITY

Any Co-lending arrangement between MMFSL & Participating Institution shall be approved by the following Committee within the ambit of this policy and/or RBI Guidelines as amended from time to time:

Members of Approving Committee	Quorum
1. Managing Director & Chief Executive Officer 2. Chief Business Officer 3. Chief Financial Officer	Any 2 out of 3

All proposals to be evaluated and vetted by CRO

7 POLICY REVIEW: -

The Policy shall be subjected to review basis amendments in the regulations (if any) as notified by the regulator from time to time or 12 months or whenever there is a breach in the portfolio guardrail, whichever is earlier.

Portfolio Guardrails:

AUM under CLM arrangement	Rs 5000 Cr
90+% (post adjusting *FLDG amount from NPA)*	4.0%

*FLDG- First Loss Default Guarantee

Appetite is at 90+ DPD and to be monitored post FLDG.

8 MODALITIES OF OBTAINING DEFAULT LOSS GUARANTEE IN CO-LENDING ARRANGEMENTS FALLING UNDER THE PURVIEW OF DIGITAL LENDING GUIDELINES VIDE RBI/2023-24/41 DOR.CRE.REC.21/21.07.001/2023-24 DATED JUNE 08, 2023- GUIDELINES ON DEFAULT LOSS GUARANTEE (DLG) IN DIGITAL LENDING

8.1 DEFINITIONS

Default Loss Guarantee: A contractual arrangement, between MMFSL and a Lending Service Provider (LSP) or other RE (Bank or NBFC) with which MMFSL has entered an arrangement, under which the latter guarantees to compensate MMFSL, loss due to default up to a certain percentage of the loan portfolio of the MMFSL, specified upfront. Any other implicit guarantee of similar nature linked to the performance of the loan portfolio of MMFSL and specified upfront, shall also be covered under the definition of DLG.

8.2 NATURE OF DLG

DLG arrangements will be backed by an explicit legally enforceable contract between the MMFSL and the DLG provider. Such contract, among other things, must contain the following details:

- 1) Extent of DLG cover
- 2) Form in which DLG cover is to be maintained with the MMFSL.
- 3) Timeline for DLG invocation
- 4) Disclosure requirements – DLG provider to publish on website the total number of portfolios and the respective amount of each portfolio on which DLG has been offered.

8.3 FORMS OF DLG

MMFSL shall accept DLG only in one or more of the following forms:

- a. Cash deposited with the MMFSL.
- b. Fixed Deposits maintained with any Scheduled Commercial Bank with a lien marked in favour of the MMFSL.
- c. Bank Guarantee in favour of the MMFSL.

8.4 EXTENT OF DLG

MMFSL shall ensure that total amount of DLG cover on any outstanding portfolio which is specified upfront shall not exceed **five per cent** of the amount of that loan portfolio. In case of implicit guarantee arrangements, the DLG Provider shall not bear performance risk of more than the equivalent amount of five per cent of the underlying loan portfolio.

8.5 RECOGNITION OF NPA

Recognition of individual loan assets in the portfolio as NPA and consequent provisioning shall be the responsibility of MMFSL as per the extant asset classification and provisioning norms irrespective of any DLG cover available at the portfolio level. The amount of DLG invoked shall not be set off against the underlying individual loans. Recovery by MMFSL, if any, from the loans on which DLG has been invoked and realised, can be shared with the DLG provider in terms of the contractual arrangement. If any co-lender classifies a borrower as NPA, the same classification must be adopted by all co-lenders.

8.6 TREATMENT OF DLG FOR REGULATORY CAPITAL

Capital computation, i.e., computation of exposure and application of Credit Risk Mitigation benefits on individual loan assets in the portfolio shall continue to be governed by the extant norms.

8.7 INVOCATION OF DLG

MMFSL shall invoke DLG within a maximum overdue period of 120 days, unless made good by the borrower before that.

8.8 TENOR OF DLG

The period for which the DLG agreement will remain in force shall not be less than the longest tenor of the loan in the underlying loan portfolio.

8.9 DUE DILIGENCE & OTHER REQUIREMENTS WITH RESPECT TO DLG PROVIDER

8.9.1 Eligibility Criteria of DLG provider

Same as Co-Lending partner selection criteria in case of NBFCs as listed in section 4 of this document.

8.9.2 Monitoring and reviewing the DLG arrangement.

All DLG arrangement will be monitored and reviewed Annually or based on any contractual breach. A declaration from the DLG provider, certified by the statutory auditor, on the aggregate DLG amount outstanding, the number of REs and the respective number of portfolios against which DLG has been provided. The declaration shall also contain past default rates on similar portfolios.

8.9.3 Details of Fee

All Fee structures (If any) will be approved by the approving authority as per point 5 of this document.

8.9.4 Cooling off/look-up period during which borrower shall not be charged any penalty on prepayment of loan.

As per the Board approved policy of co-lending partner or minimum 3 days whichever is higher.

9 ANNEXURE 1

Indicative Illustration for calculation of Blended/ Weighted Average Interest Rate

Scenario 1: Fixed interest rates

	Example 1		Example 2	
Blended interest rate calculations	Bank	NBFC	Bank	NBFC
Benchmark Interest Rate	8%	9%	8%	9%
Spread	2%	3%	2%	3%
Interest rate to consumer	10% (A)	12% (B)	10% (A)	12% (B)
Loan contribution ratio	80%(C)	20%(D)	70%(C)	30%(D)
Blended interest rate (A*C)+(B*D)= E	10.40%		10.60%	

Scenario 2: Floating interest rates

	Example 1		Example 2	
Change in Weighted Average interest rate	Bank	NBFC	Bank	NBFC
Benchmark Interest Rate	8% (A)	9% (B)	8% (A)	9% (B)
Loan contribution ratio	80% (C)	20% (D)	70% (C)	30% (D)
Weighted Average Benchmark Interest Rate (X = A*C + B*D)	8.20%		8.30%	
Spread	2% (E)	3% (F)	2% (E)	3% (F)

Weighted Average Spread (Y = E*C+F*D)	2.20%		2.30%	
Weighted Average interest rate offered to customer at the time of disbursement (X + Y)	10.40%		10.60%	
Change in Benchmark Rate	0% (F)	+1% (G)	0% (F)	+1% (G)
Revised Weighted Average Benchmark Interest Rate X' = [(A+F)*C + (B+G)*D]	8.40		8.60	
New Weighted Interest Rate (X' + Y)	10.60%		10.90%	