

Indicative Illustration for calculation of Blended/ Weighted Average Interest Rate

Scenario 1: Fixed interest rates

Customers are offered fixed interest rate throughout life of loan.

Blended interest rate calculations	Example 1		Example 2	
	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

Change in Weighted Average interest rate	Example 1		Example 2	
	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%	

Other Charges

Any other applicable charges, will be decided mutually between co-originating lenders and communicated to the customer.

Note: The above illustration is only indicative in nature and is not mandatory. However, irrespective of the methodology employed by the lenders to arrive at the blended interest rate, it is envisaged that the benefit of low cost funds from banks and lower cost of operations of NBFC is passed on to the ultimate beneficiary.